

Ladies and Gentlemen,

Good evening and thank you for the invitation to the dinner–debate on this interesting topic.

As you all know the **Communication on Energy Efficiency** published in July 2014 **completes the 2030 Framework on Climate and Energy** which was adopted in January 2014.

The whole package as proposed by the Commission is for a binding 40% reduction in greenhouse gas (GHG) emissions compared to 1990, a 27% increase for the share of renewable energy consumed in the EU and a 30% target for improvements to energy efficiency, also at EU level.

This figure is higher than the 25% target for energy efficiency initially considered by the Commission, in January, as necessary to accompany a greenhouse gas emission reduction of -40%.

Saving energy through a more efficient use obviously reduces our energy bill but it is also a cost effective way to improve energy security, decrease emissions, strengthen

industrial competitiveness and overall render energy more affordable.

*Today I would like to touch briefly on (a) what sectors have the greatest potential for energy savings (b) what is the Commission presently doing to support them and finally (c) what are we looking for in the October European Council conclusions*

**(a) What sectors have the greatest potential for energy savings**

When we envisage energy efficiency, the first thing to remember is that **the potential of further energy efficiencies** differs according to **sectors**.

When considering the ETS sectors, i.e. manufacturing and energy production, we note that **EU industry** has traditionally used energy more efficiently than its US counterparts, for example. As the 2030 Commission communication acknowledges, up to now energy efficiency is one of the reasons why there has been little impact on the EU's relative competitiveness which could be directly attributed to higher energy prices and the carbon price under the ETS.

But we cannot expect this to continue indefinitely as there is a technological limit to energy savings in production processes, especially for energy intensive industries.

There are **new opportunities** in the non-ETS sector such as in transport and a huge potential in the **building sector**.

If we consider transport, significant progress has been achieved in the CO<sub>2</sub> performance of cars and vans and, with more investment in research and innovation we will see more energy efficient, cleaner and interconnected transport modes.

In buildings, energy efficiency has increased by 1.4 per year. Considering that 40% of the EU energy consumption comes from buildings and that almost 90% of floor space is privately owned, the biggest potential of energy saving is, in my view, in the building sector.

#### **b) How is the Commission supporting these sectors?**

It is estimated that reaching the 30% target by 2030 will require additional investments in energy efficiency of 89 billion € annually. These will have to be primarily private investments. Public money, including the European Structural will have to be used to leverage these private investments.

In this respect, in the Communication "**For a European Industrial Renaissance**" called for **25 billion € EIB lending capacity to be set up for energy efficiency in residential housing** to improve recycling and sustainable waste management in construction. Arrangements to make this possible are currently underway with the EIB.

In practice, we support local administrations in their capacity to prepare large projects for public buildings, such as schools, hospitals or administrative centres. The joint European Commission - EIB initiative ELENA (European Local ENergy Assistance) can be used for carrying out energy audits and for structuring investment programmes and business plans. So far, €81 million has been provided to 56 projects, expected to lead to investments worth just over €4 billion.

Additionally financial instruments such as loan guarantees together with technical support and subsidies with preferential interest rates, have the capacity to mobilise additional public or private co-investments and to recycle funds on the long term.

JESSICA (Joint European Support for Sustainable Investment in City Areas) is another example of financial instruments developed by the Commission and the EIB to support sustainable urban development and regeneration. To note also that the European Structural and Investment Funds for the period 2014-2020 will make up to 38 billion available for investments in a low carbon economy, including energy efficiency.

**Member States** have also developed good incentive schemes to promote renovation in residential buildings. The German development bank KfW ("Kreditanstalt für Wiederaufbau") has tailor made home renovation loans. Other schemes tie the repayment of the investment cost to the property rather than the owner (UK Green Deal). But both these examples require **significant initial investment** from the Member State and so we will have to devise ways in which this result is possible also in those **member States with budgetary constraints**.

© *What do we seek from the European Council?*

Turning now to the future target, I am quite aware that your own preference is for the Energy Efficiency target to be higher than 30% and above all, binding on the Member States.

This will be considered by the Council as it finalises the **conclusions for the October European council.**

Energy efficiency is obviously not a new policy. It is now estimated that we are on track to reach at least 18-19% of savings by 2020. The 1-2 percentage point gap to the indicative EU target of 20% can be bridged by a full implementation of the current framework, in particular the Energy Efficiency Directive and the Energy Performance of Buildings Directive.

The **overall governance framework** will necessarily need to take into account what has been done up to now, in particular at Member State level and how energy efficiency interacts with the other targets in particular the renewables target.

But also, it will need to be guided, in my view, by a principle of **cost-effectiveness** pinpointing the sectors where it

is more efficient to aim for additional energy savings and identifying how the different Member States can cope with their obligations.

We must keep in mind that the efforts that will be required by individual Member States, in terms of GHG reduction in the non-ETS sectors will be finalised in a subsequent legislative act.

Obviously the greater clarity on this score the greater the confidence that long term investor will have in the economic viability of a low carbon, energy efficient economy. If we are seeking a good interaction between public and private financing to boost our efforts as regards energy efficiency, I believe a clear and predictable framework is essential.