Mr Michael Noonan
Minister for Finance
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2
Ireland

Brussels, January 2013

**Subject:** **Energy Efficient Renovation Programmes Boost Public Finances**

Dear Minister,

There is an overlooked and highly cost-effective way to boost public finances in Ireland that will also lead to social and environmental benefits, namely investment in ambitious energy efficient renovation programmes that address the existing building stock. It is encouraging to note that the Sustainable Energy Authority of Ireland has already prepared the groundwork for Ireland in the form of a series of Roadmaps, including one on Residential Energy that addresses the housing sector – the segment of the buildings sector that uses the highest proportion of energy.

I write to you on behalf of the Renovate Europe Campaign and its 21 partner companies and associations. We are working to create the conditions in which it will be possible to reduce the energy demand of the EU building stock by 80% by 2050 as compared to 2005 levels. If you and your government colleagues take account of the information that we are now sharing with you, it will be an important step on the path towards our goal and an important step in stimulating economic activity in Ireland.

Our experience of existing ambitious energy efficiency programmes shows that for each €1 invested by government, up to €5 returns to public finances in a short period, sometimes within just a year. In particular, this has been demonstrated in Germany and in Ireland. Building on such results, an important new Study that was carried out for the Renovate Europe Campaign by **Copenhagen Economics,** has monetised the **multiple benefits of investing in energy efficient renovation** and the key findings are that a significant increase in public revenue, coupled with a boost to GDP, will accrue in the coming years, if more countries adopt ambitious plans for the renovation of their existing building stock. You can find more detail in the attached brochure.

The report also identifies four **no-cost actions** that your government can take in order to stimulate this promising new market as follows:

1. Modernise rent regulation to allow landlords and tenants to split the gains from energy efficient renovation of buildings.
2. Reform budget management of publicly owned buildings to allow for a longer term focus in investments and renovation of buildings. This will reduce longer term operating costs in the publicly owned building stock.
3. Remove or reduce favourable tax treatment of heating and electricity in buildings to render energy efficient renovation of buildings more attractive **and** provide direct net revenue gains to public budgets.
4. Develop well-designed risk-sharing programmes to help government as well as private building owners to realise cost savings with very limited budget costs.

We believe that the current weak economic situation across most of the EU makes it timely to decide to put such programmes in place now, especially as the report concludes that it will be another 4-5 years before Europe gets back to its structural GDP level. This means that the conditions for investment in deep renovation of the building stock are ideal with under-capacity in the labour market to draw upon and with **the cost of financing** in most Member States **at an all-time low**. The hard facts brought to the surface by the Copenhagen Economics Study show that the resulting energy savings from renovation will be a net benefit to stretched public finances.

Aggregating the calculated benefits to EU level, Copenhagen Economics estimates that an ambitious programme of energy efficient renovation of the existing building stock could **create up to 1,480,000 jobs**, boosting GDP in the period to 2017 by up to €291 billion and delivering **permanent annual benefits** to public finances of up to **€39 billion**.

We attach to this letter a PDF version of the full report, but we would also be ready to send, upon request, some printed copies of the Study to you.

Finally, we would like to suggest that a meeting be arranged in order to further discuss the best way for Ireland to benefit from this opportunity and to share more of our understanding of the issues at stake with you and your services.

Yours sincerely,

Adrian Joyce
Campaign Director

The Partner Companies and Associations of the Renovate Europe Campaign (in 2013) are:

## Annexe

The key facts from the **Copenhagen Economics Study** looking at a high and low energy efficiency scenario shows:

- There is widespread evidence that undertaking energy efficient renovations at current energy prices often pay for themselves

- The EU Member States can stimulate economic activity, create between ***760,000 and 1,480,000 jobs***, and bring benefits to ***GDP of €153-291bn*** depending on the level of investments. This corresponds to between ***1.2% and 2.3% of EU's GDP***. These benefits stem from increased economic activity in the primary affected sectors. The benefits from stimulating economic activity are considered as "one-off" benefit from increased activity in a period of economic underperformance.

- A range of co-benefits will follow from increased energy efficient renovation such as ***reduced outlay on government subsidies***, ***improved health*** due to less air pollution and better indoor climate, both of which also lead to fewer hospitalisations and improved worker productivity.

- The co-benefits will bring a ***permanent annual benefit to society of €104-175bn*** in 2020, depending on the level of investments made: ***€52-75bn from lower energy bills***, at least ***€9-12bn from co-benefits*** of reduced outlay on subsidies and reduced air pollution from energy production. ***The health benefits from improved indoor climate makes up €42-88bn*** per year which is in the same order of magnitude as the value of the energy savings! The health benefits are evident, but difficult to estimate.

- Speeding up the recovery in the coming 3-5 years with continued projections of substantial unemployment will have a direct positive impact on public budgets. In the period from 2012-2017 the hard fact shows that ***public revenues can be increased by €67bn or €128bn*** depending on the scale of investments, corresponding to between ***0.5% and 1% of EU GDP*** – as a direct benefit from stimulating activity in a period of economic underperformance. Next to the "one-off" benefit from increased economic activity ***the public budget will be improved with € 29-39bn annually*** due to net savings directly impacting the public expenditure.