

18th July 2013

Mr Carlo Monticelli
Director of the EIB

Subject: EIB Energy Lending Criteria – Energy Efficiency

Dear Mr Monticelli,

The EIB is in the process of adopting revised criteria in the field of energy lending and is set to decide on the proposal from the Management Committee in the near future. The draft proposal contains many improvements over the previous criteria, but the proposal is still not strong enough when it comes to lending for energy efficient **renovation of existing buildings** – the highest impact opportunity of all energy efficient measures because of its multiple benefits such as reducing greenhouse gas emissions; improving productivity; making renewable energy more affordable by reducing demand and improving energy security. Energy efficient renovations will also create millions of jobs.

I write to you on behalf of the Renovate Europe Campaign¹ and its 23 partner companies and associations. We are working to create the conditions in which it will be possible to reduce the energy demand of the existing EU building stock by 80% by 2050 as compared to 2005 levels. Our ambition is fully in line with the European Commission's Energy Roadmap. Renovate Europe welcomes that the proposed revised Energy Lending Criteria establishes more detailed selection criteria that will help recognise the potential contribution of energy efficiency, especially in the buildings sector.

However, the proposed criteria fall short in several important ways:

1. The revised Energy Lending Criteria should clearly state that lending for energy efficiency projects will be the **number one priority of the EIB**, thus aligning EIB Policy with over-arching EU Energy Policies
2. The proposed revised Energy Lending Criteria refers to the **DEEP Green suite of products and support measures** without giving any detail on what these will be. For the energy efficiency sector, knowing what will be included here is needed in order to assist in forward-planning. . Whilst we understand that the Energy Lending Criteria cannot afford to be too specific, it will be necessary to develop a set of criteria which the EIB's intermediaries or aggregators can apply on the ground. Renovate Europe is currently working with financial institutions and banks to address these issues in energy efficient renovation projects and is ready to share experiences with the EIB
3. The revised Energy Lending Criteria recognises that for the buildings sector, it will be necessary to ensure that **renovations capture the full energy efficiency potential available**, but a 35% savings potential threshold is too low (footnote 42) as this significantly under-estimates the 80% savings potential that is available in the buildings sector. Renovate Europe is concerned that of the €60 billion investment needed per year to realise the economic energy efficiency potential of buildings (point 82 of the proposed policy), appropriate funds must be ear-marked for energy efficient renovation of the EU existing building stock, 90% of which will still be standing and occupied in 2050. Such ear-marking should also support Member

¹ See www.renovate-europe.eu

States in the design and implementation of ambitious renovation strategies (Article 4 of the Energy Efficiency Directive). Setting out the criteria for this essential feature of energy efficiency in the buildings sector should be included in the revised criteria

Our objective in writing to you is to ask you to propose to your colleagues that the sections of the new Energy Lending Criteria that relate to energy efficiency are further strengthened so as to ensure that the expenditure by the EIB demonstrably and sustainably contributes to enhanced job creation and prosperity in the coming period and that the lending policy reflects the true value of investing in energy efficiency of buildings.

The Renovate Europe Campaign commissioned an important Study in 2012 that was carried out by **Copenhagen Economics**. As highlighted below in the Annexe, it monetised the **multiple benefits of investing in energy efficient renovation of buildings** 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. Giving support to the Member States is a crucial role for the EIB and the contents of the Study could guide the EIB in establishing the arguments and setting the criteria that will quickly lead to greater energy efficiency in buildings.

We believe that the current weak economic situation across most of the EU makes it timely to decide to increase the investment in energy efficiency in buildings, especially as the Copenhagen Economics Study concludes that it will be another 4-5 years before the EU gets back to its structural GDP level. This means that the criteria that the EIB will set for investment in deep renovation of the building stock will have a significant effect on the overall economy. It is therefore of capital importance to ensure that they are correctly and ambitiously framed. 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 **increasing annual benefits** to public finances, calculated as being up to **€39 billion in the year 2020**.

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 are ready to assist the EIB and its relevant departments in the future work that will be needed to flesh out the revised Energy Lending Criteria on energy efficiency of buildings, and would be willing to meet you at your convenience to discuss our ideas in this regard further.

Yours sincerely,



Adrian Joyce
Campaign Director

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 multiple 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 multiple 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 multiple 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 4-5 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.

The Partner Companies and Associations of the Renovate Europe Campaign (in 2012) are:



The Renovate Europe Campaign is an initiative of EuroACE, the European Alliance of Companies for Energy Efficiency in Buildings. Its headline objective is to reduce the energy demand of Europe's building stock by 80% by 2050 as compared to 2005 levels

Secretariat: c/o EuroACE, Rond Point Schuman 6 – 8th Floor, Brussels, B-1040, T: +32 2 639 1010