

Practical Guide

How to Design a Multi-Fund Operational Programme for the Energy Efficient Renovation of the Building Stock

You are designing the Operational Programmes that will shape EU investment in your region for the next 7 years. You would like to channel the Structural Funds into an activity that will achieve **multiple tangible benefits for businesses and for households**, stimulate **local jobs**, particularly in the depressed Construction Sector, generate **high returns** and **trigger private investment** with a sustainable long-term vision. This Practical Guide is here to help you devise a Multi-Fund Operational Programme for the Energy Efficient Renovation of your region's building stock, by providing:

- ✔ **Responses to your most Frequently Asked Questions**
- ✔ **Overview of the relevant Legal Requirements and Funding Allocations**
- ✔ **Example of a Draft Multi-Fund Operational Programme on Renovating your Building Stock**



Responses to your most Frequently Asked Questions

Q: Why invest in Energy Efficient Renovations?

Investing in the energy efficient renovation of your region's building stock represents a **real economic, environmental and societal opportunity**. It is one of the most cost-effective measures to achieve great energy savings, to cut CO₂ emissions, and to **boost economic growth** by creating **local non exportable jobs**. A coherent renovation programme will also significantly contribute to urban renewal in disaffected areas, reduce fuel poverty and bring about added health benefits and reduced hospitalisations through improved air quality. Upfront finance remains the biggest obstacle to tap this huge cost-effective savings potential locked up in your region's buildings. The 2014-2020 Structural Funds represent a **golden opportunity to access upfront financing** to invest in Energy Efficient Renovations by designing a Multi-Fund Operational Programme for deep energy renovation.

Q: How will this Multi-Fund Operational Programme align with the obligatory Thematic Objectives to achieve the EU 2020 priorities?

Building Renovations are at the heart of the EU's strategy to achieving smart, sustainable and inclusive growth by 2020 – this has been clearly recognized by the decision to

- 1) impose **obligatory minimum percentages** in the ERDF that **must** be invested in sustainable energy, including energy efficiency (from 12% for less developed regions to 20% for more developed regions);
- 2) **more than double the funding allocation for Sustainable Energy and Energy Efficiency, to an estimated €23bn**, under Thematic Objective n°4 "Transition to a Low-Carbon Economy";
- 3) **expand the scope of eligibility** for investments in energy efficiency in buildings beyond the ERDF to encourage investments also from the Cohesion Fund (where the housing sector was previously excluded) and the European Social Fund (supporting the upskilling of the labour force for green jobs).

Q: Why design a Multi-Fund Operational Programme?

To **maximize project impact** on the ground, to **reduce the administrative burden** and to achieve **better integrated development**, Member States are encouraged to combine various Funds into "Multi-Fund" Operational Programmes for 2014-2020. Designing a Multi-Fund Operational Programme focused on the energy efficient renovation of the building stock will not only address the **obligatory minimum ERDF percentage that MUST be allocated to sustainable energy and energy efficiency**, but it will also be the opportunity to draw together the funding from the ERDF, the Cohesion Fund and the ESF for a more impactful result.

Q: Does the new 'Renovation Loan' provide easier access for Financing Renovations?

Yes, this **specific "off-the-shelf" financial instrument** for the Residential Buildings Sector introduced in the 2014-2020 Structural Funds aims to provide a privileged 'fast-track' approval process and preferential conditions for **building owners** investing in Energy Efficiency Assets through a **combination of public and private resources**.



Overview of the Relevant Legal Requirements and Funding Allocations underpinning a Multi-Fund OP on Renovations

| | Funds Eligible to Achieve Thematic Objective n°4 | ERDF Allocation Requirements | Investment Priorities In ERDF |
|--|--|---|---|
| Thematic Objective n°4: Supporting the shift towards a low-carbon economy in all sectors Common Provisions Regulation: Article 9 (4) | European Regional Development Fund (ERDF) | Obligatory Minimum Percentage to be invested in Thematic Objective n°4 under the ERDF Regulation: More Developed Regions: 20% Less developed Regions: 12% Transition Regions: 15% | Promoting energy efficiency and renewable energy use in enterprises ; ERDF Regulation: Article 5 (4) (b) |
| | | Supporting energy efficiency , smart energy management and renewable energy use in public infrastructures, including in public buildings, and in the housing sector ; ERDF Regulation: Article 5 (4) (c) | |
| | | Cohesion Fund Allocation Requirements | Investment Priorities In Cohesion Fund |
| | Cohesion Fund (CF) Members with a GNI per capita inferior to 90% are eligible for Cohesion Fund support. | Given that Energy Efficiency presents a clear benefit to the environment (a prerequisite for Cohesion Funding), Energy efficiency in housing (public and private) is now fully eligible for Cohesion Fund support. No Minimum or Maximum requirement to be invested in Thematic Objective n°4 | Promoting energy efficiency and renewable energy use in enterprises ; Cohesion Regulation: Article 3 (a) (ii) |
| | | ESF Allocation Requirements | Investment Priorities In EU Social Fund |
| | European Social Fund (ESF) | ESF should contribute towards the shift towards a low carbon economy through support for employability around new jobs in sustainable low carbon industry and energy sectors. No Minimum or Maximum requirement to be invested in Thematic Objective n°4 | Supporting the shift towards a low-carbon, climate-resilient, resource-efficient and environmentally sustainable economy, through the improvement of education and training systems necessary for the adaptation of behavior, skills and qualifications, up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy ; ESF Regulation Article: 3 (2) (a) |

Allocation for Sustainable Energy and Energy Efficiency estimated at €23bn for 2014-2020

RENOVATION LOAN : «Off-the-shelf » Financial Instrument to support Investments in Renovation

This specific “off-the-shelf” financial instrument for the Residential Buildings Sector aims to provide a privileged ‘fast-track’ approval process and preferential conditions for **building owners** investing in Energy Efficiency Assets through a **combination of public and private resources**. (Applicable for ERDF/Cohesion Fund)



Example of the Content for a Draft Multi-Fund Operational Programme on Renovating your Building Stock

| | Investment Priorities (based on legal requirements of 3 Funds) | Origin of Funding | Example of Objectives | Example of Measures/ Projects |
|--|--|------------------------|--|--|
| <p>Thematic Objective n°4:</p> <p>Supporting the shift towards a low-carbon economy in all sectors</p> <p>Other relevant Thematic Objectives :</p> <p>N°5: Promoting climate change adaptation, risk prevention and management;</p> <p>N°6: Preserving and protecting the environment and promoting resource efficiency</p> | <p>Investment Priority 1:</p> <p>Promote Energy Efficiency in Enterprises</p> | ERDF/ Cohesion Fund | <u>Objective n°1:</u> Increase competitiveness of businesses by reducing the energy demand of their buildings | <ul style="list-style-type: none"> - Provide Energy Audits for enterprises to highlight the cost-effective benefits - Develop the Energy Services Contract market, whereby savings from the energy bills pay for the investment - Provide energy efficiency training for Facilities Management staff |
| | | European Social Fund | <u>Objective n°2:</u> Upskill the labour force within companies | |
| | | ERDF/ Cohesion Fund | <u>Objective n°3:</u> Support Construction/ Renovation SMEs by stimulating the market | |
| | <p>Investment Priority 2:</p> <p>Promote Energy Efficiency in Public Infrastructures</p> | ERDF/ Cohesion Fund | <u>Objective n°1</u> Free up funds to public coffers by reducing energy bills | <ul style="list-style-type: none"> - Initiate renovation programme of public buildings - Incorporate accessibility improvements (lift installation) into wider renovation scheme, as future energy savings will help finance costs - Set-up 'one stop shop' system to liaise with banks for deep renovations - Support investment for new constructions with high energy performance |
| | | European Social Fund | <u>Objective n°2:</u> Raise awareness about benefits of Energy Efficiency in Buildings | |
| | | European Social Fund | <u>Objective n°3:</u> Improve Accessibility to Public Buildings for the Elderly | |
| | | Cohesion Fund | <u>Objective n°4:</u> Reduce CO ² emissions | |
| | <p>Investment Priority 3:</p> <p>Promote Energy Efficiency in the Housing Sector</p> | ERDF/ Cohesion Fund | <u>Objective n°1</u> Reduce fuel poverty in vulnerable households | <ul style="list-style-type: none"> - Initiate a programme to deep renovate all social housing - Incorporate buildings renovation into a wider urban regeneration scheme - Set up a financial scheme for renovating beyond minimum requirements - Improve District Heating networks |
| | | ERDF/ Cohesion Fund | <u>Objective n°2</u> Contribute to urban regeneration in poorer neighbourhoods | |
| | | Cohesion Fund | <u>Objective n°3</u> Improve indoor air quality to increase well-being, productivity at work, health conditions | |
| | <p>Investment Priority 4:</p> <p>Improve education and training necessary for new jobs in sectors related to the environment and energy</p> | European Social Fund | <u>Objective n°1:</u> Ensure skills match requirements of new green jobs | <ul style="list-style-type: none"> - Market research to detect labour/ skill shortages - Training courses for energy auditors, craftsmen, energy efficiency assessments, etc at schools and universities |
| | | European Social Fund | <u>Objective n°2:</u> Upskill current labour force to reduce unemployment | |

How else could Energy Efficiency in Buildings be integrated into the Operational Programming?

Despite the huge benefits of designing a A Multi-Fund Operational Programme focusing on building renovations, we understand that Energy Efficiency may be covered by several OPs in your country. In this case, we strongly recommend designing separate Priority Axes dedicated to EE with coherent criteria throughout all relevant OPs.

Key Figures about Energy Efficiency in Buildings

- ◆ Buildings are responsible for 40% of EU energy consumption and 36% of GHG emissions
- ◆ 92% of the building stock from 2005 will still be standing and in use in 2050
- ◆ Average energy bills for residential consumers are likely to go up by 40% in 2050
- ◆ €1 million invested in ambitious energy efficiency measures leads to the creation of 19 jobs
- ◆ €1 of public investment in energy efficiency of buildings brings up to €5 additional budget revenue
- ◆ Energy efficiency can reduce healthcare costs by up to €42 for every €100 invested

About the Campaign

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

REDay is a yearly event organized by the Campaign.



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