

Citizen financing for energy efficiency

A nighttime photograph of a city street with tall buildings in the background. The street is illuminated by streetlights, and there are long, horizontal green light trails across the scene, suggesting a long-exposure shot of light or energy flow.

CITIZEE POLICY WORKSHOP: LEGAL AND REGULATORY ASPECTS OF CREATING CITIZEN FINANCE SCHEMES FOR ENERGY EFFICIENCY

CitizEE Policy Workshop, 11th March 2022

Stiftung Umweltenergierecht (SUER)

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A nighttime photograph of a city street with light trails from cars and buildings in the background. The scene is dark, with green light trails dominating the foreground and middle ground.

CITIZEE AND THE EU GREEN DEAL: A TIMELINE

- **Legal and regulatory framework analysis – Task 2.3 (02/2020):**
 - Compilation of the initial situation of CitizEE's four pilot regions;
 - Development of comparing overview of the current state from a legal point of view and the relevant legal and regulatory barriers.
- **Development and validation of templates – Task 5.1 (08/2021):**
 - Requirements to create an IP regarding to the InvestEU programme;
 - Relevant aspects in the Crowdfunding Regulation;
 - Development of guidelines with/for partner countries.
- **Legal & regulatory national recommendations – Task 5.2 (03/2022):**
 - Evaluation of earlier barrier analysis (D2.10);
 - Current barriers require solutions on differing areas (EU Regulations, EU Directives, National legislation);
 - Development of recommendations with the partners.
- **Legal & regulatory European recommendations – Task 5.3 (04/2022):**
 - Categorisation of the different legal aspects in the EU Green Deal;
 - Development of overview of upcoming legal developments & changes;
 - Development of recommendations with the partners.

CitizEE – Start
05/2019

EU Green Deal
Communication
12/2019

Renovation Wave
Strategy
10/2020

Fitfor55 pt. 1
07/2021

Fitfor55 pt. 2
12/2021

CitizEE – End
04/2022

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**WHERE IS OUR WORK LOCATED IN THE EU GREEN
DEAL?**

THE EU GREEN DEAL: OVERVIEW

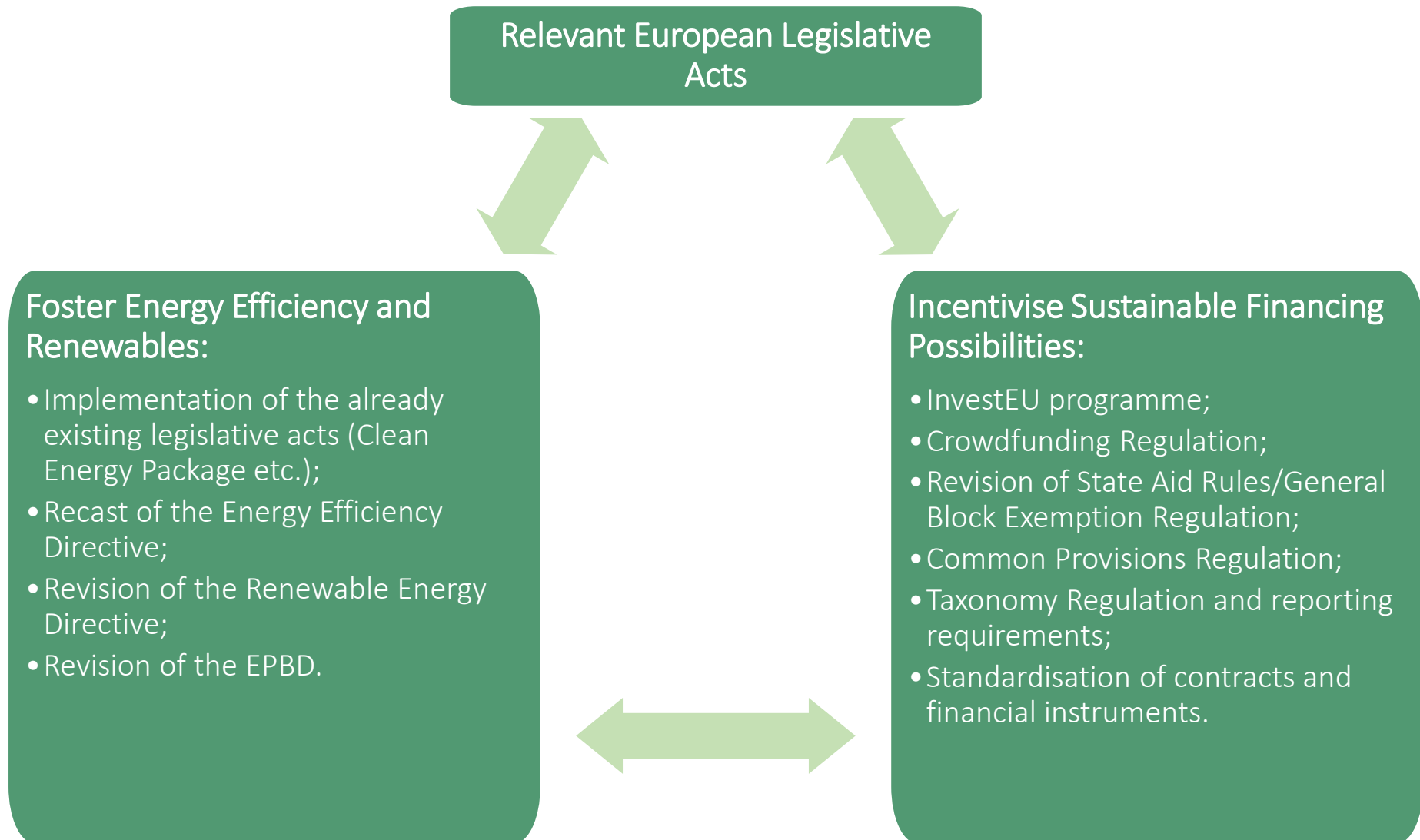


THE EU GREEN DEAL AND THE RENOVATION WAVE STRATEGY – DECARBONISATION OF THE BUILDINGS' STOCK

- The European Green Deal provides an action plan to:
 - Boost the efficient use of resources by moving to a clean, circular economy;
 - Restore biodiversity and cut pollution;
 - **The plan outlines investments needed and financing tools available.**
- COM: Renovation Wave Strategy (14.10.2020):

“In 10 years, the buildings of Europe will look remarkably different. Buildings will be the microcosms of a more resilient, greener and digitalised society, operating in a circular system by reducing energy needs, waste generation and emissions at every point and reusing what is needed.”
- Objective: to at least **double the annual energy renovation rate of residential and non-residential buildings by 2030** and to **foster deep energy renovations.**
- Relevant aspects:
 - Reduction of GHG emissions in the EU;
 - Improving people's lives;
 - Fostering digitalisation;
 - Drive sustainable design, that is also appealing and affordable.

LEGAL FRAMEWORK CONNECTING GREEN FINANCE AND ENERGY



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WHY IS BUILDINGS' RENOVATION SO IMPORTANT?

KEY FACTS FROM THE RENOVATION WAVE STRATEGY

- Status quo:
 - Buildings are responsible for 40% of energy consumption and 36% of GHG emissions in the EU;
 - 85-95% of today's buildings will still exist in 2050;
 - Currently only 1% energy renovations per year.
- 2030 targets:
 - Reduction of:
 - building-related GHG emissions by 60%,
 - energy consumption by 14 %;
 - Renovation of 35 million building units;
 - Additional investments of around EUR 275 billion required annually.
- Extensive catalog of instruments and measures to achieve these goals!

Renovation Wave Goal: Decarbonisation of buildings

Efficiency Directive:

Comprehensive planning for heating and cooling

- Also regional and local level;
- Higher requirements for efficient district heating/cooling networks.

Role model effect of the public sector

- Expansion and increase of the annual renovation quota.

Renewables Directive:

Renewables in buildings

- New binding EU target with renewables share of 49% by 2030;
- Nat. contributions of MS.

Renewables use in heating/cooling

- New annual increase of 1.1 % as binding minimum standard for member states.

EPBD:

Stricter requirements for new construction and renovation

- Introduction of minimum energy performance standards;
- Energy certificates - extended obligations.

New definitions

- Zero emission building;
- Deep renovation.

ETS II for buildings and road transport:

Creation of a separate, stand-alone system

- European cap and trade for emissions from buildings and road transport;
- From 2026; obligated parties: fuel traders;
- Linked to Social Climate Fund: (also) support of buildings' efficiency and use of renewable energy in buildings.

LATEST DEVELOPMENTS: EUROPE ENERGY CRISIS

- **08/03/2022: The COM proposed the REPowerEU plan** (Joint European Action for more affordable, secure and sustainable energy, COM/2022/108 final) to increase the resilience of the EU-wide energy system and to make Europe independent from Russian fossil fuels well before 2030;
- The REPowerEU plan is based on **two pillars**:
 - Diversify gas supplies via higher LNG imports and pipeline imports from non Russian suppliers, and higher levels of biomethane and hydrogen.
 - Quicker reduction of the dependence on fossil fuels at the level of homes, buildings, industry and at the level of the power system **by boosting energy efficiency gains, increasing the share of renewable** and addressing infrastructure bottlenecks.
- The **energy efficiency first principle** is more relevant than ever and should be applied across all sectors and policies;
- Given the circumstances, the co-legislators might also want to consider to boost the Fit for 55 proposals with **higher or earlier targets for renewable energy and energy efficiency**;

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RECOMMENDATIONS

Recommendation 1

Establish a robust regulatory framework with strong emphasis on energy efficiency financing and buildings' renovation!

Binding targets facilitate the decarbonisation of the European building stock.

Energy performance contracting and ESCOs are a key tool in the energy transition.

Recommendation 2

Establish a feasible and effective crowdfunding framework in the Member States and on local and regional level!

The Crowdfunding Regulation is binding and directly applicable in all Member States.

Crowdfunding can be used as a financing mechanism for energy related projects.

Recommendation 3

Foster InvestEU/EIB contribution and clarify how an investment platform can be set up under the InvestEU framework via guidelines and technical documentation!

Clear agreements between implementing partners and the COM are necessary.

Standardised criteria for investment platforms have to be developed and published.

Recommendation 4

Mobilise citizens, raise awareness for energy efficiency measures and reduce citizens' fear of energy poverty!

Rules for prosumers and renewable energy communities foster citizen participation.

Citizen participation is a key factor to reduce citizens' fear of energy poverty.

Recommendation 5

Effectively implement the relevant directives in the Member States introducing principles and operating conditions to unlock citizen participation!

The Renovation Wave Strategy highlights the importance of the already existing provisions.

Use the new criteria in the State Aid Framework for public financing efficiency projects.

Recommendation 1

Establish a robust regulatory framework with strong emphasis on energy efficiency financing and buildings' renovation!

Binding targets facilitate the decarbonisation of the European building stock.

Energy performance contracting and ESCOs are a key tool in the energy transition.

- The proposals for the Efficiency-Dir., the RED III and the EPBD contain new targets and provisions regarding buildings' renovation;
 - However, those targets/provisions (be it on EU or Member State level) could be made more obligatory.
- The new rules to foster energy performance contracting are a good start;
 - As seen in GoParity's and VEB's cases, energy performance contracting can be beneficial for energy efficiency projects when entering the public sector;
 - See especially Art. 7 and Art. 27 Efficiency-Dir. proposal;
 - However, a robust framework with mandatory obligations regarding the use of energy performance contracting is still missing.

Recommendation 2

Establish a feasible and effective crowdfunding framework in the Member States and on local and regional level!

The Crowdfunding Regulation is binding and directly applicable in all Member States.

Crowdfunding can be used as a financing mechanism for energy related projects.

- The Crowdfunding Regulation was adopted end of October 2020;
 - It introduces uniform rules for crowdfunding in all 27 European Member States;
 - As a European regulation, it is directly applicable and binding in its entirety in all Member States since 10 November 2021;
 - It, inter alia, requires all crowdfunding platforms across Europe to re-evaluate cross-border offerings and creates an opportunity to completely rethink cross-border cooperation on the new basis of uniformity.
- However, the new provisions are still not in use in some of the Member States;
 - REGEA's case shows that Croatia is still missing the effects of the Regulation in practice;
 - The absence of the crowdfunding sector leads to a small overall awareness about crowdfunding opportunities and the absence of quality crowdfunding service providers.

Recommendation 3

Foster InvestEU/EIB contribution and clarify how an investment platform can be set up under the InvestEU framework via guidelines and technical documentation!

Clear agreements between implementing partners and the COM are necessary.

Standardised criteria for investment platforms have to be developed and published.

- The rules applicable to the operations with investment platforms will be adopted by the steering board;
 - However, the steering board is still working on the “framework operations under InvestEU” which are supposed to define the financial products and counterparts for InvestEU intervention.
- The successful implementation of InvestEU relies on a timely announcement of the implementing partners and the underlying implementing agreements, as those might vary considerably;
 - Such information is still not available to a sufficient extent;
 - The Flemish national promotional institute has successfully performed the selection to become an implementing partner; but little is known about the ongoing selection processes with other partners.
- Given that investment platforms as such are eligible under InvestEU, it is necessary to create legal certainty and planning security by predetermining the general criteria for investment platforms in a more standardized manner.

Recommendation 4

Mobilise citizens, raise awareness for energy efficiency measures and reduce citizens' fear of energy poverty!

Rules for prosumers and renewable energy communities foster citizen participation.

Citizen participation is a key factor to reduce citizens' fear of energy poverty.

- The already existing RED II provides rules for renewable self-consumers, jointly acting renewables self-consumers and renewable energy communities;
 - REGEA's and VIPA's cases show that those provisions foster the development of business models that are connected to energy communities and/or prosumers.
- Art. 22 Efficiency-Dir. proposal is dedicated to the empowerment and protection of people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing;
- The inclusion of citizens in the renovation process is likely to help reducing their fear of energy poverty;
 - The facilitation of citizens' participation in the energy efficiency/buildings renovation processes can be fostered with a connection between building renovation and relevance for citizens;
 - Such an approach is likely to also maximize the role model function of the public sector.

Recommendation 5

Effectively implement the relevant directives in the Member States introducing principles and operating conditions to unlock citizen participation!

The Renovation Wave Strategy highlights the importance of the already existing provisions.

Use the new criteria in the State Aid Framework for public financing efficiency projects.

- The already existing directives (Efficiency-Dir, RED II) provide relevant rules regarding renewables and efficiency measures as well as citizen participation, which have to be implemented by the Member States.
- The Climate, Energy and Environmental Aid Guidelines (CEEAG) have been reformed and are applicable from 27 January onwards;
 - A new chapter with clearer criteria for energy and environmental performance of buildings was introduced;
 - Generally, the CEEAG provide additional flexibility for renewable energy communities and other small actors;
 - This flexibility should be used by the Member States
 - However, flexibility for small actors still mainly focusses on RES generation
- The General Block Exemption Regulation (GBER) is under ongoing reform;
 - Clear criteria for financing instruments in combination with InvestEU have already been introduced;
 - Higher thresholds provide MS with more opportunities to set up public financing without having to await the approval of the COM.

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SUMMARY

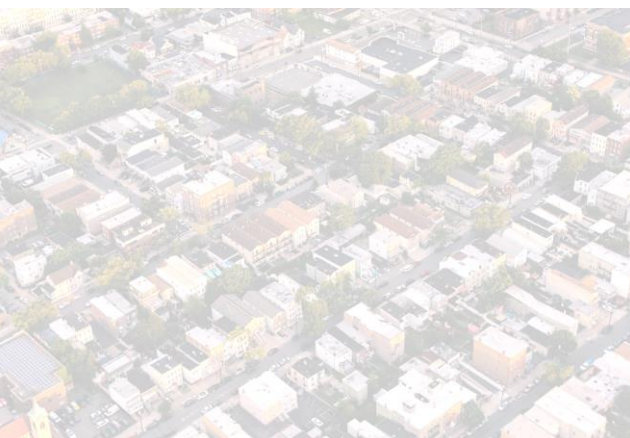
WP5 - SUMMARY

- The EU Green Deal process is still ongoing;
- Buildings' renovation is a very important aspect to reach the 2050 decarbonisation target;
- The latest developments highlight the importance of energy efficiency measures even more;
- The creation of citizen finance schemes for energy efficiency is strongly affected by the developments of the EU Green Deal and the Renovation Wave Strategy;
- Regarding energy, the Energy Efficiency Directive, the Renewable Energy Directive and the Energy Performance of Buildings Directive are relevant;
- Regarding financing, the InvestEU Regulation as well as the State Aid Rules are important;
- Furthermore, the new Crowdfunding Regulation provides relevant rules to facilitate citizen participation.

THANK YOU

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