

7. Smart Finance for Smart Buildings Investment Facility

November 2018

Putting energy efficiency first is more than just a slogan; it is one of the most cost-effective ways to support the transition to a low-carbon economy and a key policy for implementing the Paris Agreement. While meeting our environmental commitments, it also reduces energy bills and dependency on imports, and creates local jobs.

Local energy efficiency measures are an effective way to create investment opportunities, growth and employment. Improving **the energy performance of our economy is crucial to achieve the goals set under the Paris Agreement**. The building and housing sector accounts for 40 % of Europe's energy consumption and 36% of its GHG emissions. The majority of the building stock in the residential segments has a very low energy performance level. Around 75% of the existing EU building stock was built when there were minimal or no energy-related building codes. The majority of these buildings (up to 90%) will still be in use until 2050. It is also the sector with the **biggest current investment gap** (at around €180 billion each year) — nearly three quarters of the EU's 2030 clean energy investment gap is accounted for by energy efficiency in buildings.

A significant part of the untapped potential lies in existing residential buildings. Annual investments in building renovation will need to triple to meet the 32.5 % energy efficiency target for 2030. That is why, from 2014 to 2020, European Structural and Investment Funds (ESIF) will allocate €18 billion to energy efficiency, €6 billion to renewable energy — notably in buildings and district heating and cooling — and around €1 billion to smart distribution grids. But more is still needed.

While falling, inability to keep homes adequately warm still affects 9.4 % of the EU population (in % of population)



Source: Eurostat (EU population unable to keep home adequately warm by poverty status)



The home automation of the RWE future house (RWE-Zukunftshaus) with solar energy as part of the Ruhr InnovationCity, Modellstadt Bottrop (model city) project, Germany.

II ➡ *What will the European Commission do next?*

In the context of the European Investment Plan, the European Investment Bank (EIB), with the support of the European Commission, adopted in February 2018 **a brand new financial instrument** — within the framework of **the Smart Finance for Smart Buildings Facility** — which will make investments in energy efficiency projects for buildings more attractive to private investors, and will multiply the effect of the EU money invested. This will be done through the **use of EU funds as a guarantee** for these projects, **creating a market** for energy efficiency projects. This Smart Finance for Smart Buildings initiative, backed by the new financial instrument, technical assistance form ELENA, and together with other EU policy initiatives for smart buildings, aims to:

- ▶ **unlock €10 billion of public and private funds** between now and 2020 for energy efficiency projects;
- ▶ support **220,000 new or retained jobs**;
- ▶ create a **renovation market for small businesses worth up to €120 billion**;
- ▶ take up to **3.2 million families out of energy poverty**.

