

In attention of:

2<sup>nd</sup> of April 2012

Ms. Catalina Groza  
General Director, European Affairs, Ministry of Economy and Industrial Affairs

Ms. Georgiana Pariza  
Expert, Ministry of Economy and Industrial Affairs

Mr. Cristian Stamatiade  
General Director – Technical Directorate in Construction, Ministry of Regional Development and Tourism

Mr. Alexandru Soare  
Director for European Affairs, Ministry of Regional Development and Tourism

Ms. Aurelia Simion  
Expert, Ministry of Regional Development and Tourism

Mr. Corneliu Rotaru,  
Director of Energy Efficiency Department, National Authority for Energy Regulation

Mr. Ioan Pogea  
Energy Expert – Permanent Mission of Romania to the EU

Dear Mss. and Messrs.,

Considering your involvement in defining Romania's position to be presented during the upcoming dialogue negotiations on the Energy Efficiency Directive, we write to call for your support in an ambitious legislative framework that includes **binding energy saving target** and **strong measures regarding building renovations** that will tap the potential of job creation and economic benefits associated with implementing energy efficiency measures, especially in the building sector.

The building sector accounts for over 40% of EU energy consumption and 36% of our CO2 emissions and most of the buildings that will exist in 2050 are already being built. In the same time it is well known that the investments in energy efficiency in buildings have high returns and contribute to significant job creation.

Among some of the most **relevant examples for return on investment** we mention:

- Germany's State Bank, KfW recently declared that within their CO2 Building Rehabilitation Program, in 2010 for 1 Euro that went into the promotion of energy efficient construction and refurbishment, public authorities collected 4 to 5 EUR in revenue.<sup>1</sup>
- McKinsey, a premier business consultancy, estimates that in the USA, US\$229 billion of investment in residential energy efficiency between 2009-2020 would yield US\$395 billion in energy cost savings and reduce overall residential energy demand by 28%.<sup>2</sup>

#### **Job Creation Examples:**

- A study on the impact of Thermal Rehabilitation Program from Hungary on job creation estimates that based on the renovation rate and depth of the retrofit (5 different scenarios were identified) the program could generate up to 131,000 new net jobs/year in the country<sup>3</sup>.
- An estimated 13% of Germany's overall stimulus package (aprox. \$105 billion) is expected to create 25 000 jobs in manufacturing and construction for retrofitting buildings.<sup>4</sup>

Given the numerous benefits associated with energy efficiency in buildings we ask you to pursue an ambitious line in the Council during the upcoming negotiations on the Energy Efficiency Directive and support the following amendments introduced by the European Parliament, after the last vote in ITRE Committee from 28<sup>th</sup> of February:

1. Support a **binding 20% primary energy saving target** and **national energy savings trajectories** for each Member State ( Art 1, Amendment 41 and Art.3, Amendment 64<sup>5</sup> ) – and thus putting in on an equal footing with the EU's 20% greenhouse gas and renewable energy targets

The voluntary energy saving target, as it is listed in the initial proposal from the European Commission and the latest Council's position on the new Energy Efficiency Directive is not working. According to the existing assessments of the European Commission, the EU is on path to reach only 10% energy

<sup>1</sup> KfW [Press Release](#) from 27 Oct.2011

<sup>2</sup> UNEP, Towards a Green Economy, 2011

<sup>3</sup> Diana Urge-Vorsatz et al (2010) – Employment Impacts of a large scale deep building energy retrofit program in Hungary (CEU and European Climate Foundation)

<sup>4</sup> UNEP, Towards a Green Economy, 2011

<sup>5</sup> European Parliament, [ITRE adopted amendments on the European Commission's proposal](#) (9.03.2012)

savings by 2020<sup>6</sup> – just half of what the European Council agreed to achieve<sup>7</sup>. We believe that following the example from the Renewable Energy Directive when binding targets and national trajectories for each member state were agreed – will give results in reaching the energy saving targets as well.

The **benefits of reaching the 20% energy savings target** were already demonstrated by various reports. Reaching the 20% energy saving target by 2020 will:

- Bring **economic benefits** by saving Europe EUR 200 billion every year and bring a net increase in the GDP<sup>8</sup>.
- Generate **financial savings** of up to 1000 EUR/household every year<sup>9</sup>
- **Create jobs**: 2 million new local jobs can be created by implementing policies and measures that ensure the target is reached<sup>10</sup>.
- Increase the **energy security**/reduce dependence on imports: meeting the energy efficiency target could reduce EU's combined import dependency on oil, coal and gas from a projected 62% in 2020 to 45%<sup>11</sup>.

2. Support the **80% energy consumption reduction by 2050** in the existing building sector introduced by the European Parliament (Article 3, paragraph 1, Amendment 66) and

3. Accept and commit to **developing national plans** by 1<sup>st</sup> of January 2014 with interim targets and clear milestones for how the energy reduction will be achieved in the existing building stock, including deep renovation and staged deep renovation targets, and energy efficiency measures to address social challenges in the housing sector such as energy poverty (Article 3, paragraph 3, Amendment 66)<sup>12</sup>

We believe that having an ambitious long-term goal will encourage a thorough analysis of the existing building stock identifying the energy saving opportunities and stimulate the adoption of efficient long term policies and mechanisms at the national level that will make the target achievable. This will send a strong signal to the private sector as well, boosting consumer and investor confidence that the priority given to renovation will stay high on the political agenda for decades to come.

In Romania the social impact should be decisive when prioritizing policies and measures meant to encourage energy efficiency. In the household segment, the potential for energy efficiency might vary – based on the types and intensity of the policies applied – between 5.8% and 33.5% by 2020<sup>13</sup>. In the context of thermal energy subsidy removal, 1,6 Million households have to pay an increased energy bill of up to 60%. This equates to more than 20% of monthly income for 34,4% of the families living in households currently connected to the grid<sup>14</sup>. Having clear policies in place and measures meant to protect the families affected by fuel poverty is essential. Some of the tools are included in the current Directive – such as setting in place national financial facilities and/or directing a significant part of the

<sup>6</sup> “Energy Efficiency Plan 2011” COM (2011), 8.03.2011

<sup>7</sup> European Council 8/9 March 2007, Presidency Conclusions, page 20

<sup>8</sup> Impact Assessment accompanying the Directive for Energy Efficiency, European Commission

<sup>9</sup> Energy Efficiency Plan 2011” COM (2011), 8.03.2011

<sup>10</sup> Idem

<sup>11</sup> Energy Savings 2020, September 2010, Ecofys and Fraunhofer

<sup>12</sup> European Parliament, [ITRE adopted amendments on the European Commission's proposal](#)

<sup>13</sup> [http://www.eepotential.eu/results\\_cty\\_pot.php](http://www.eepotential.eu/results_cty_pot.php)

<sup>14</sup> According to the data from a National Statistic Institute study carried out in 2008 on 3000 households

measures/funding that the energy providers will have to put in place in order to achieve the yearly 1,5% energy saving obligation.

4. Support **ambitious renovation target for public buildings** and agree with the proposal of the European Parliament that asks for 2.5% of the total floor area of the heated and/or cooled area of the buildings owned by public bodies to be annually subject to deep or staged deep renovation (Art.4, Amendment 66)<sup>15</sup>

The leading role of the public sector was highlighted also in the Energy Performance in Buildings Directive when nearly net zero energy standards for new construction were introduced. The public sector should set an example, inspire and show the way forward for building renovations as well. Exemplarity requires that both the rate and the depth of the renovation are ambitious and achievable.

It is possible, with current technologies to reduce the final energy consumption of a building by 80%<sup>16</sup>. Therefore the public building renovation should reach more ambitious targets that go beyond renovating at the minimum energy performance standards, as it is currently formulated in the European Commission's text and in the latest Council position. Implementation of deep renovation and staged deep renovation standards are needed in order to avoid the "lock-in effect" and suboptimal renovations that risk preventing more substantial energy saving being seized in the long term.

Public buildings in Europe represent less than 12% of the total building stock. Focusing only on the central government owned buildings – as it is proposed in the latest Council position – would reduce significantly the impact that the measure can have on local economies – such as creating jobs and stimulating investment at the local level. There are tools available for public authorities, including alternative approaches that would ensure that the renovation target for all public buildings is met (such as negotiating for higher shares of funding for energy efficiency in buildings in the upcoming 2014-2020 EU budgets (this should ensure that local public authorities have access to funding); adopt policies for renting buildings for the use of public bodies that are highly energy efficient; remove the existing market barriers for implementing Energy Performance Contracting and stimulate development of ESCO market)

5. Support European's Parliament proposal to introduce a **new article on national financing facilities and technical support** meant to ensure the objectives of the Energy Efficiency Directive can be met (Art.2a, Amendment 63)<sup>17</sup>

We believe that the new article introduced by the European Parliament is the essential part of the Directive, ensuring the premises and providing the tools for reaching the objectives of the Directive and therefore should be not watered down in the trialogue negotiations. Without establishing a coherent strategy at national level and aggregating multiple financing sources to be directed into funding the implementation of energy efficiency measures such as building renovation, many of the provisions of the EED will remain wishful thinking. Pooling multiple financing streams such as: funding from the energy end-use saving schemes and fines for not fulfilling the obligations, EU funds (such as the additional funding that is to be allocated in the Regional Operational Program for energy efficiency in buildings), ETS auction revenues, other existing national funding sources (existing programs for energy

<sup>15</sup> European Parliament, [ITRE adopted amendments on the European Commission's proposal](#)

<sup>16</sup> UNEP, Green Economy Report, 2011

<sup>17</sup> European Parliament, [ITRE adopted amendments on the European Commission's proposal](#)

efficiency in buildings from MDRT, MAI and ANRE), should be a first important step for covering the initial funding need. The adoption of the EED should create a strong leverage and negotiating point for Member States in obtaining higher funding allocation for energy efficiency in the upcoming EU budget – 2014-2020.

In the same time the public funding should be used as leverage to attract additional private money. Increasing the use of Energy Performance Contracting to finance and guarantee energy savings has an important role in unlocking private capital for funding energy efficiency measures, including building renovation.

6. Support **Energy End Use Saving Schemes as a financing tool for deep renovation and staged deep renovation for buildings** (Art.6, paragraph 3a, Amendment 68)

Achieving Europe's energy saving objectives requires investments of EUR 800 billion – EUR 1200 billion in the next decade. The pay-back period is usually between 4-8 years and will create numerous jobs and trigger innovation. The energy saving obligations<sup>18</sup> is expected to mobilize around EUR 400 billion by 2020<sup>19</sup>, and represent a predictable and powerful mechanism supposed to change the business model of EU energy companies and can be used to secure funding for implementing other energy efficiency measures such as deep or staged deep renovations for buildings.

The utility companies should be given a strong incentive to select deep renovations or staged deep renovations as measures to fulfill their obligations and thus linking the utility obligations with the public sector renovation obligation to ensure a coherent strategy.

As a non-profit, non-political association of businesses dedicated toward transforming the construction industry toward greater energy efficiency and environmental responsibility, we represent a wide spectrum of businesses ready and willing to do their part to embrace higher standards. Our members believe a well intended standard, fairly applied across the industry will benefit both the important energy efficiency goals as well as the economy. With your support for setting **binding energy saving targets** and **strong measures regarding building renovations** in the upcoming Energy Efficiency Directive we can achieve more high quality jobs, a greener economy, and more healthy, energy efficient and cost effective buildings.

We look forward to any feed back or requests for additional information.

With kindest regards,

Steven Borncamp  
President, RoGBC



<sup>18</sup> According to article 6 – all Member States should set in place energy saving obligation schemes. This schemes shall ensure that **energy distributors and/or retail energy sales companies** operating on the Member State's territory achieve **cumulative** annual end-use energy savings equal to at **least 1.5% of their annual energy sales**, by volume, averaged over the most recent three-year period for that Member State – European Parliament, [JFRE adopted amendments on the European Commission's proposal](#)

<sup>19</sup> PR TURMES on energy efficiency and repealing Directives 2004/8/EC and 2006/32/EC (pe472.358)

For more information and follow up please contact:

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*The Romania Green Building Council is a non-profit, non-political association of companies that promotes sustainable constructions by providing specific trainings, implementing pilot projects that demonstrate the feasibility of green buildings in Romania and working with the public authorities for encouraging the necessary legislative measures for building green. It currently gathers over 120 member companies representing developers and investors, architects, technical consultants and engineers, providers of construction materials, facility management companies. A complete list can be found at <http://www.rogbc.org/en/rogbc-members>*