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Can we afford an ambitious 2030 energy efficiency target? Please do not confuse cash with costs!

One of the important criteria to be considered in deciding specific target ambition levels in the Energy Efficiency Directive is whether the concerned actors can bear the costs.

At the meeting of the EP's industry and energy committee on 4 September 2017 MEPs discussed the revision of the EU's Energy Efficiency Directive. Markus Pieper (EPP, DE), the Shadow Rapporteur on the Energy Efficiency Directive, quoted average costs of €1,500 per year and household for a 2030 energy efficiency target of 40%, suggesting that this is not affordable. The figure was produced in a [study](#) scrutinising the European Commission's impact assessment for the Energy Efficiency Directive revision from 2016. To come up with this number, the total annual investment needs in the household sector for reaching a 40% target by 2030¹ was divided by the number of households in the EU.

What does this mean? Investment needs mean the cash required to execute for example a building renovation. Thus, the €1,500 would be the upfront cash required per household. This is an irrelevant figure since the vast majority of households will not do the financing themselves - this is the job of banks and investors. What matters for the affordability of energy efficiency measures are the costs of financing, which will eventually land with the households.

The European Commission's impact assessment provides conservative estimates on those costs. With a high 10% interest rate and short technical lifetime of investments, the net additional costs of moving from the 2016 Reference Scenario to 40% efficiency (EUCO+40) add up to €78 billion.² This means €352 per year and household, more than 4 times lower than the number cited by Mr Pieper. With lower interest rates and longer technical lifetimes of investments, the net additional costs would move towards zero, as shown by a [study](#) by Ecofys and The Coalition for Energy Savings.

¹ Table 22, SWD(2016) 405 final [PART 1/3](#), Investment expenditures

² Table 16, SWD(2016) 405 final [PART 2/3](#), Capital, investment and energy purchase costs for residential sector

