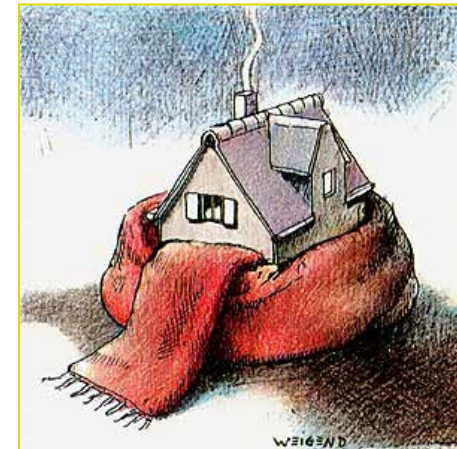


Thoughts related to future EU strategy on energy saving – with a focus on buildings

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**High-level stakeholder conference on the future of energy policy
Brussels, Sep 30, 2010**





Key points



1. Focus of policies from **picking low-hanging fruit** should be shifted to implementing more **strategic solutions** (partially due to the lock-in effect)
2. Ramping up building renovation rates are important; but much more important is the **level of energy savings per renovation**; due to the *lock-in effect* and maximising co-benefits
3. Many socially cost-effective, strategic measures will not become sufficiently attractive for private decision-makers; thus govt/EU intervention is needed to make them happen (such as **financing mechanisms**)



Justification: the lock-in effect

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Building heating and cooling energy use development in Western Europe, state-of-the-art scenario, vs. floor area development

Work in progress
Exact numbers still changing



3CSEP



The lock-in effect in detail for Western Europe

Heating and Cooling Final Energy,
state-of-the-art scenario

Heating and cooling Final
Energy, **suboptimal** scenario



EU must focus on deep retrofits and cannot afford suboptimal ones

- ❖ Otherwise app. **43%** of today's heating&cooling emissions will be **locked in** by 2050; making 80% - 95% targets either unachievable or very expensive to achieve
- ❖ Other co-benefits are also largest with deep retrofits:
 - ❑ **energy security**: January natural gas import needs in Hungary can be cut by app. **60%** by 2030, as opposed to only 18% if suboptimal renovations are done
 - ❑ App. **130,000 – 180,000 net jobs** can be created in Hungary alone through a deep retrofit program; vs. app. 40,000 for a suboptimal one
 - ❑ **Fuel poverty** can entirely be eradicated through deep retrofits; while just eased through suboptimal ones
 - ❑ **Affordability**: population much less vulnerable to NG price volatilities
 - ❑ **Health** and thus **productivity gains** have shown to amount to much larger \$ savings than direct energy cost savings



Thus...

- ❖ Cherry-picking (~ focusing on “cost-effective” solutions mainly) results in major lock-in effects and significantly reduced benefits
- ❖ Cost-effectiveness is wrong indicator while co-benefits and all externalities are not properly integrated into cost-benefit assessments
- ❖ EU should focus on strategic solutions rather than short-term cost-minimisation; to really maximise societal cost-effectiveness...



Financing mechanisms and/or support unavoidable for long-term infrastructure investments

- ❖ While many long-term infrastructure investments pay back and are societally very cost-effective, they are not c-e for private decision-makers
 - ❑ Payback time (~discount rate) gap
 - ❑ Co-benefits are not all enjoyed by private decision-makers
- ❖ Therefore public support, or at least **financing mechanisms** are essential
 - ❑ E.g. zero- or very low interest loans
 - ❑ Focusing the Structural/Cohesion Funds (even more) on this
 - ❑ Directing CC-related fees/taxes/carbon-market revenues
- ❖ Deep renovations will not happen without certain public/EU interventions...
- ❖ ...making many energy policy targets difficult/impossible to achieve by 2050



Thank you for your attention

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They just keep promising this global warming; but they won't keep this promise of theirs either...

(with permission of HVG)

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