



Opening speech for the Heating and Cooling Conference in Brussels, 26–27 February 2015



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I am delighted to have the opportunity to open this Conference today.

This is my first public speech since the launch of the Commission's Energy Union Communication yesterday afternoon. I have chosen to deliver it here for two reasons.

First, heating and cooling will play a crucial role in one of the five dimensions of the Energy Union Strategy – energy efficiency. To me, this is the **most important** of the five dimensions.

It will also be important for the decarbonisation dimension, which I will touch on today.

Second, as part of the Energy Union, I will propose a new Heating and Cooling strategy for Europe. For too long, heating and cooling has been the missing piece in European energy policy. They make up almost half our energy use, but until now, Europe has lacked a clear and coherent strategy. I want to change that, and start putting that piece into place. And this work starts here today. Today we kick off discussions on what that our European heating and cool strategy should look like. I will set out the Commission's initial thoughts. Then, over the next

two days, we want to hear from you. Before we discuss heating and cooling though, let me start with a few words about the overall framework for the Energy Union and, in particular, renewable energy and energy efficiency.

The Energy Union Framework Strategy

The challenges that we face as a European Union are not national; they are not even regional: they are global. We need to address growing political instability, global competition for our industrial and service sectors, and of course climate change. Energy policy can play an essential role in dealing with these challenges. With the right approach

We can reduce our dependence on energy from political “hot spots”;

We can cut energy costs for business and help firms take advantage of hi-tech opportunities in the energy sector;

- And we can help consumers make their own decisions about how to produce and use energy and cut greenhouse gas emissions.

To do this, we need to a clear vision, and a clear plan of action.

The Energy Union Strategy is both these things. It contains both a longterm vision for European energy policy for the coming decades, and a concrete set of measures for this Commission. The vision is based on five dimensions which are closely interlinked: energy efficiency, internal market, decarbonisation, energy security and research and innovation.

The measures are set out in an action plan that, as Commissioner for Climate and Energy Action, it will be my job to deliver.

In this, I will place particular emphasis on **energy efficiency** and **renewable energy**.

These two will be the foundations at the heart of the Energy Union, not just window-dressing on the outside.

On renewable energy, during my mandate, the Commission will focus on five areas. We will launch a new renewable energy package. We will ensure that our carbon policy delivers effective price signals to attract investments. We will bring transport into the heart of the energy transition with new pricing and market rules, decarbonisation measures, and the roll-out of alternative fuels. We will reinforce the links of energy policy with resource efficiency and the circular economy. And we will promote industrial competitiveness through technology development in renewable energy.

Energy efficiency – a priority to deliver the Energy Union

As for Energy efficiency, I will make this a key focus of my mandate. From now on we intend to treat energy efficiency as an energy source in its own right. First and foremost, we will ask if problems can be solved by saving energy – only afterwards will we think about increasing imports or domestic supplies. Energy efficiency will be at the heart of all our work on buildings, industry, transport, energy supply, infrastructure, markets, financing, technology research and innovation.

In terms of legislation, the first side of the coin will be implementing what is already there.

We are on track to achieve 18–19% energy savings by 2020:

Our estimates show that if all countries fully implemented existing laws, we would reach our goal of 20%. More than half of the energy-sector cases where we are working with Member States on national transposition measures concern energy efficiency. This tells a clear story of why a firmer approach to implementation is needed.

The other side of the coin is the revision of the framework. We will need to do this to help us reach our

longer term energy and climate goals. We need to speed up change in the ways we consume and deliver energy, in particular in buildings and industry.

We face formidable barriers in pushing energy efficiency beyond the level it is at today and we have to address them. To do this we will take a new look at the whole legislative framework – product efficiency, building efficiency and the Energy Efficiency Directive. We will back this up with efforts to improve finance, building on the recommendations of the Energy Efficiency Financial Institutions Group as released today.

Heating and cooling

This gives you an overall picture of my thinking on renewables and energy efficiency. I want to turn now to the heating and cooling sector specifically. The challenges for heating and cooling mirror those of renewables and energy efficiency more generally.

But they are more severe. Markets are more fragmented, finance is less accessible, and policy development has lagged behind the electricity and transport sectors.

I want to reverse this historic inattention from policymakers, which is why I pushed for the “EU Strategy for Heating and Cooling” to be part of the Energy Union.

It is high time we tackle this sector comprehensively and disentangle the complexities involved. This conference on Heating and Cooling is therefore very timely.

Thermal energy is everywhere. It accounts for half of Europe’s energy use – equivalent to transport and electricity combined. Only 15% of it comes from renewable energy.

We use heat to warm our homes, our shops and our offices; and to fire the industries that give us almost everything we use, wear, touch, eat or drink in our daily lives.

We use heat in two main sectors: buildings and industry. Two thirds of the gas we use is for heating, so any gas crisis we face in Europe is in reality a heating crisis.

Taking the case of buildings first:

Around 40% of our **buildings** were built before the 1970s, using the worst energy performance standards. In many Member States, a large number of buildings date from before 1920. Often they consume ten times

more energy than buildings erected since 2010. So we are throwing away billions every year keeping them warm.

Nearly three quarters of the buildings that will be standing in 2050 have already been built.

The current rate of building renovation is no more than 1% per year: at this rate, half of these buildings will not be renovated between now and then. Unless we speed up the renovation rate, we have no chance of achieving our efficiency and climate objectives. The structure, age and dispersed ownership of the EU building stock creates specific barriers, such as conflicting interest between tenants and owners, and between co-owners of buildings. These so-called “split incentives” make it harder to finance the refurbishments needed to make our buildings energy efficient.

There have been good examples of creative attempts to overcome these barriers. Some Member States have sought to make renovation more attractive through a joint approach, where all changes – including insulation, lighting, and solar panels – are done within a week, with the payment spread out over monthly energy bills. Approaches like this can help persuade people to go for improving their homes and their wellbeing in an affordable manner. And it can help in particular vulnerable people who are already struggling to heat their homes.

Moving to the challenges in industry:

Here, improving efficiency in heating faces both technological and financial challenges.

From a technological point of view, renewable or chemical alternatives to fossil fuels used to generate high temperature steam are still in their infancy. And yet this steam accounts for 80% of energy consumption in energy intensive firms. From a financial point of view, the relentless focus on the short term means that even energy efficiency improvements that could pay for themselves in two years are not being realised.

Despite these challenges, for both buildings and industry, some progress has been made.

- New buildings consume half the energy they did in the 1980s.
- EU firms are improving their energy intensity twice as fast as their American competitors;
- New cars consume 2 litres less fuel than they did in 1995;
- And refrigerators rated "A" or better have increased their market share from 5% in 1995 to 99% in 2012.

Under European Structural and Investment Funds (ESIF), some €38 billion has now been allocated by Member States for energy efficiency, local renewable energy and local transport.

But this is not enough to reach the commitments we have made and not enough to create the European Union we want to leave our grandchildren.

The Commission needs to intensify our work with those groups that can make a difference – I am talking about the **technology providers**, the consumers and the financial institutions. Together we need to identify the approaches that work best, and replicate those throughout Europe. Most of all we should work with local authorities, and build on specific examples and best practices that have been developed. I look forward to take this forward through the Covenant of Mayors.

IV – An EU strategy for heating and cooling

During this Heating and Cooling conference, what we hope to hear from you is your ideas about how an EU strategy for heating and cooling can address these challenges. The Strategy will have to look into the role of the **heating and cooling sector** in delivering our long-term decarbonisation objectives; contributing to energy security, addressing the risk of a heating crisis should gas supplies be interrupted; and increasing the competitiveness of European industry. It should set out a framework for the forthcoming reviews of policy on building energy performance, renewable energy and the internal energy market.

And it should look into synergies between buildings and industry – for example the use of waste heat from industry in district heating. It will also need to look into synergies between heating and electricity – for example, using electricity when it is abundant to heat up water.

And naturally it will address finance – removing the obstacles to investment in projects that have a strong economic case to go ahead.

Getting this strategy right will be no easy task. It will be a collective effort between the Commission, and all of you here present today. I look forward to hearing and reading about all your ideas here over the next two days. And I hope that together we can make sure that the missing piece of heating and cooling falls right into place at the centre of European energy policy. ■