

The Value in the EEFIG MS-level Process in Germany

1. Robust data-set for detailed analysis of current barriers and segment needs

Germany's survey received more than 100 expert responses showing the huge interest of the German market and the high relevance of this topic. There was a good distribution of stakeholders answering with around 30% of the total representing financial institutions. Others included experts from state and federal governments, experts from the building sector, consultants, academics, NGOs, ESCOs and others. Building on DENEFF's work on financing issues, the MS-level EEFIG process formed a part of an ongoing debate and analysis (also at governmental level) of current barriers and specific market segment needs in the field of financing for energy efficiency measures. In doing so, the study also provided a helpful data-set for different stakeholders, e.g. KfW or Federal Ministry for Economics, and its working group on alternative financing instruments for energy efficiency.

2. Solid evidence for a need for segment-specific measures

One of the target outcomes of the EEFIG survey in Germany was to identify and verify the sector needs and the types of market based approaches, financial instruments or regulatory interventions required to meet these needs. Based on the findings from the survey, the group emphasized the different needs of capital providers (supply side) and buildings owners (demand side). In addition, a comparison between different countries indicated the strong need for an evidence-based approach, as in Germany segment differentiation seems to be higher than in other countries. Regarding the different investor types, once again the survey provides the proof of needs for segment-specific measures, because certain drivers seem to be more effective for some stakeholder groups than for others. For example, fiscal support does not seem to be a major driver for public building owners, whereas for owner occupied homes fiscal incentives are among the most attractive. Also, a clear business case is most likely to drive investments among professionals.

3. Push for review of existing approaches according to segment needs

According to the survey and stakeholder's feedback, existing measures and instruments to unlock energy efficiency measures should be reviewed properly. Despite a comprehensive set of regulatory interventions, funding schemes and supporting initiatives (communications, networks etc.) current renovation rates are still behind the national targets. The EEFIG survey provided a useful base for a fundamental review and evidence-based adaptation of existing measures and instruments. With regards to transaction costs, private rented home owners and financiers face huge challenges due to the complexity and perceived singularity of (multiple small scale) projects and offerings. Currently, in Germany there are limited efforts designed to bring down transaction costs (e.g. ICP).

Value in the EEFIG Results

1. Examining drivers and barriers from both demand and supply side separately for energy efficiency investments;
2. Possibility to compare results from different countries using the same methodology;
3. Clear set of conclusions and proposed actions.

Key Learnings

1. Stimulate demand side

- **Create the business case for each stakeholder:** There is no silver bullet – all building segments and owner types, involved parties and financiers have their own criteria and requirements regarding their investment processes and target outcomes (e.g. cost reduction vs. increase of cash flow etc.). To stimulate investments, each of their requirements should be considered carefully – existing and new instruments and approaches should be designed accordingly.

2. Empower financial sector to upscale energy efficiency engagements

- **Standardization:** To reduce transaction costs for financial institutions and investors, new approaches and methods to standardize projects and processes (e.g. project development assistance, measurement & verification, technology) need to be developed.
- **Project bundling:** Based on a standardized set of projects certain similarities (e.g. measures, building types etc.) project bundling and hence large scale investment opportunities should be the starting point for new financial instruments (e.g. private sector energy efficiency funds).

3. Strengthen political framework to stimulate further investments

- **Evidence-based funding mechanisms:** In order to create a more efficient regulatory framework, the development of more target-oriented (based on real savings) funding mechanisms is essential. Evidence-based incentives (in addition to upfront incentives) could help deliver higher quality works and motivate owners to go beyond shallow renovation.