

SPEECH:

**"Housing and the energy of the future- Structural Funds in action- The new ERDF rule on energy efficiency and use of renewable in housing
Climate change, energy and the economic crisis: How to help EU regions to face those challenges
CECODHAS seminar - Brussels 22 June 2006**

It is a pleasure for me to participate in this seminar, few days after the European Parliament elections. The moment is critical and the stakes are high. If we want to deliver in both fronts of the climate change and of the economic crisis we need, above all, strong democratic institutions and active citizens.

1. The topic of your seminar deals with one of the major citizens' concerns. It is not a coincidence that interventions improving **energy efficiency (EE)** and promoting the use of **renewable energy (RE)** are currently at the heart of **Cohesion Policy**.

The EU has fixed an ambitious European Strategy for Energy based on three axes: Sustainability, security of supply and competitiveness. In this wide-ranging energy package, the "20-20-20", energy efficiency and renewable energy feature prominently.

The EC investment in these sectors can support sustainable development, create know-how and innovation, bring further economic development and contribute to the correction of regional unbalances. Nevertheless, **the very reason for propelling EE&RE at the top of the Cohesion policy agenda is that they constitute the most appropriate instrument to respond effectively and in parallel to the economic crisis and to the climate change threats, while supporting development, growth and jobs.**

2. **EC financial support to EE&RE interventions is of a strategic importance, especially in a period of severe cuts of national public investment.**

The crisis is hitting hard the EU. At Community level, a series of measures has been taken in order to facilitate the financial flows from the Structural Funds to the Member States: increase of the advance payments, acceleration of intermediate payments to major projects and State aid schemes, facilitation of the use of financial engineering instruments, new concepts of simplified costs and broader scope of eligibility for housing. Further measures will follow soon.

Modification of the EC regulations is an important step, but not sufficient: Authorities at national, regional and local level have now to take over.

For this reason, *first of all* it is important to accelerate the **implementation of the Operational Programmes**. The financial envelop of EUR 347 billion constitutes the largest source of investment in the real economy and this is particularly true for certain Member States under the Convergence Objective.

Secondly, is not only important to invest. It is also important to invest smartly, to achieve a multiplier effect in terms of growth and jobs creation and to contribute to the Lisbon (including the energy) objectives. National, regional and local authorities are encouraged to intervene with EE&RE projects since these projects can generate growth and jobs. They can intervene not only through grants. They can also make use of different financial schemes such JEREMIE (SMES), JASMINE (micro-credit) and JESSICA (urban development).

Thirdly, dealing with the crisis and the climate change should be regarded as part of a broader project for society. Choices of today will have implications for the future generations. Therefore, the role of local actors and of the local civil society is crucial. **Decisions have to be taken in partnership, with transparency and accountability.**

3. So far, EUR 9 billion of the ERDF and Cohesion Fund are dedicated to EE& RE. It is fine but it could be more.

Energy upgrading of **public buildings** such as schools, hospitals, administrative buildings seems to absorb a significant amount of Structural Funds interventions: We are very satisfied not only because these buildings are big energy consumers but also because the commitment of the public sector to

energy efficiency improvement and the use of renewable energies in its own buildings gives a good example to citizens.

Energy investments being made in ***commercial and industrial buildings*** also reflect the consciousness that, in the medium and long term, energy, itself, constitutes a source of economic development and growth.

Additionally, ***complementary investment to public and private buildings should be underlined:*** district heating and cooling systems, public lighting, solar, photovoltaic and wind parks, heating of swimming pools from renewable sources of energy, production of energy from landfills reflect also the growing consciousness that energy should be used in the most economic, environmental friendly and rational way.

Since EE largely depends also on consumers' behaviour, the ERDF support to ***information campaigns***, to actions dealing with the capacity building of tenants, landlords associations or just neighbourhoods organisations is essential. We have to change not only roofs and windows but attitudes. To give an example: A perfectly isolated apartment may use for its heating biomass and for its hot water solar energy but may be in clear contradiction with users habits if electronic appliances of all kind are systematically left on the "on" or "standby" mode.

Until recently, ERDF support for ***housing***, including interventions in energy efficiency and renewable energy, was limited only to EU-12 under conditions. For EU-15, expenditure on housing was not eligible. As you know, the basic reason justifying the "non-eligibility" was that the ERDF support is basically directed to infrastructures and productive activities and is not focused to meet "private" needs.

So far, the majority of EU-12 only partly made use of the possibility offered by the ERDF Regulation. I would like to mention some good examples, as for instance, in Estonia loan schemes will be put in place with the participation of a public agency Kredex (with the assistance of the German public bank KfW and the Council of Europe Development Bank). Malta is programming a large scale installation of photovoltaic panels in houses, operating in network and, for this, connected to the grid.

In parallel, the European Territorial Cooperation objective has offered the appropriate context for the development of different networks dealing with energy efficiency in the housing sector. Among several very good projects, I would like to mention URB.Energy (energy efficiency & integrated urban development action), the CaRe project (Carbon Reduction, exchange of experience in the construction sector) or the SUITE network dealing in a broader way with sustainable housing and social cohesion.

4. In May 2009, the EU Parliament and the Council adopted a Regulatory amendment proposed by the Commission that introduces a significant change: The ERDF eligibility has been extended to energy interventions in the housing sector in all Member States. The reason for the change may be explained by the substantially changed reality and the major challenges we have to face in the context of the current crises.
 - On one side, the improvement of energy efficiency in buildings is becoming a more demanding and pressing issue not only for Structural Funds. The recast of the Buildings Energy Performance Directive proposed by the Commission is a strong indication of this.
 - On the other side, crisis requests an accelerated absorption of ERDF in order to maintain jobs and support those who are more in need.
5. **The 4% allocations for energy interventions in the housing sector represents around EUR 8 billion:** The investment possibilities are therefore enormous.

In order to capture the specificities of each Member State while preserving our common objective, social cohesion, the new ERDF provisions are very flexible.

I want to underline the social dimension of these new provisions: As President Barroso mentioned in his foreword, the European Economic Recovery Plan is based on **social justice and solidarity**. These are the pillars of our society and of our actions during this difficult period, and we stick to it.

Now, National Authorities are invited to translate legal provisions in concrete actions: These provisions are an option for Member States and not an obligation. As far as I am aware of, only France, Greece and Lithuania are

in an advanced stage of planning interventions based on these new ERDF provisions.

I understand that it is not always easy, in the middle of the programming period, to shift allocations from one type of intervention to another. I also fully recognise that a huge effort has already been made at national level regarding energy efficiency and renewable energies. Nevertheless, I want to underline again that energy investments in the housing sector could accelerate the absorption of ERDF assistance, reinvigorate the economic activity and maintain or create jobs, mainly for SME's, while improving the living conditions of the most vulnerable. Moreover, if we want to push our partners at international level to do more for climate change, it would be rather disappointing if we do not explore in full the existing opportunities to reduce greenhouse gas emissions.

6. If National Authorities decide to apply the new ERDF provisions, they have first of all **to define the eligible categories of housing in a way that future interventions support "social cohesion"**. It is not an easy task, since there are no pre-established definitions of social cohesion fitting to all housing situations and, moreover, there is a variety of housing contexts. In this context, I would like just to say that "Social cohesion" does not justify interventions only in areas experiencing extreme poverty and severe social exclusion. "Social cohesion" can apply to less vulnerable areas that -beaten by the economic crisis- can be now put at risk. In terms of social cohesion, social housing constitutes -by definition- an area of priority intervention, but it does not have to be the only one. In any event, ERDF support should not be used where the energy upgrading can be made without public intervention and support.
7. Additionally, National Authorities should take care **to link social cohesion sustainability in the housing sector**. In particular for urban areas, acceptable housing standards are an essential condition, but not the only one, to guarantee the quality of inhabitants' life.

Integrated approaches should take into account the necessary infrastructure around the houses – public spaces, shopping areas, schools, public buildings – as well as the existing social and economic opportunities.

8. The new ERDF Regulation suggests that energy interventions take place in the framework of **public schemes** in line with the objectives of the energy end-use efficiency directive (Directive 2006/32/EC). Public schemes can be, for instance, **urban development funds** with the participation of local authorities and the banking sector. Other types of interventions can also be envisaged. In any event, as housing are local scale interventions, they should be developed **in strong partnership with the local society** (cooperatives, associations etc). Throughout the implementation process, **transparency and accountability** should be ensured: It should be clear from the beginning who is responsible and for which tasks.
9. In the Commission we are very happy to see that ERDF is used for energy efficiency and renewable energy projects, including interventions in buildings. However, isolated and ad hoc interventions without clear objectives cannot attain the optimum effect. **Only interventions based on energy audits, cost-benefit analysis and, if possible, as part of a broader strategy, well monitored and controlled can make the difference.**
- [10. Finally, I would like to add a last word on a specific issue of social cohesion: There are communities in Europe, and especially in certain Member States, which live in extremely miserable conditions (including housing) at the edge – if not totally outside – of our societies. This is simply unacceptable and we have not only to act but to act urgently. effecting this regard, the ERDF provisions can and should be fully used.]

Thank you for your attention.