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Rakli Kiinteistönomistajat ja rakennuttajat

Energy efficiency – legal framework after 2030

Finnish Property Owners Rakli (Transparency Register id 727236253172-92) is association of Finland's most prominent owners of residential and commercial properties and infrastructure, property investors, largest cities in Finland, as well as construction clients. Our members include both private and public sector entities.

Finnish Property Owners Rakli welcomes the opportunity to participate in the Call for evidence on Energy efficiency – legal framework after 2030.

From "energy efficiency first" to efficient emission reductions

To tackle the challenge of climate change, strong guidance via shared emission reduction targets is needed to transform the energy systems into zero-emissions systems. Energy efficiency is also essential, and it, in its various forms, should serve as a mean to reduce emissions.

The Energy Efficiency Directive (EED) currently focuses on reducing final energy consumption, which hinders investments in solutions that enhance emission reductions through electrification, flexible energy use in buildings and energy storage. These are needed in energy systems that already have a lot of renewable energy production and for which the timing of energy usage is coming much more important in emission reductions than the reduction of annual final energy usage.

To develop efficient policy instruments in Europe, we need a better understanding of the different operating environments across Member States. For example, Finnish energy production is rapidly becoming totally emission-free, both in electricity generation and in district heating. Since the energy system is shifting towards zero emissions, the timing of energy use will become more important than the continuous reduction of final energy consumption. For this reason, the "energy efficiency first" principle no longer delivers the intended benefits in the Finnish energy system and instead directs investments toward measures that are not optimal from a system-wide perspective.

We need an EED that takes into account the members states situation in the energy transition. The alternative is that we should only control emissions, not energy consumption. To achieve the ambitious climate targets of the Union, we propose that mandatory energy-saving obligations stemming from the directive are no longer agreed after 2030. Instead, energy efficiency would serve as one means of reducing emissions.

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Buildings as a part of the energy system

Nowadays buildings play a more active role in the energy system through production, demand response, energy recycling, and storage solutions. The flexibility potential of an individual building is usually modest but becomes significant across large property portfolios. Also, directing measures toward large building portfolios provides grids with reliable and manageable flexibility.

Particularly in buildings, the role of material use as a source of building life cycle emissions is already greater in Finland than emissions from operational energy. Carbon footprint assessments conducted in research projects show that deep renovations can, through material use, cause more emissions than can be reduced through improved energy efficiency during the lifecycle. Thus, building services engineering and flexibility solutions should be better acknowledged as energy efficiency measures that provide also demand flexibility.

Also, in the existing building stock, energy efficiency improvements become increasingly less cost-effective as progress advances. This should be recognized especially in the case of frontrunner actors, and measures should take into account the level and the savings during versions of the EED already achieved.

In this context, EED should reconsider the energy saving obligations on article 8. Obligations should take into account the state of energy transition in each Member State and the level of savings already achieved during the lifespan of different directive versions. Even better solution would be the transition to controlling only emission reductions, not final energy consumption reductions.

In this context, the EED should remove the annual 3% renovation requirement for public buildings as well as the separate energy efficiency obligations specifically targeting public buildings (Articles 5 and 6). In Finland, given the existing building stock and the clean energy market described above, these requirements result in higher emissions from construction materials than the emissions they are intended to reduce.

Energy efficiency requirements related to the acquisition (purchase or rental) of existing buildings (Article 7) should be removed from the directive due to their lack of clarity. More generally, regulatory provisions concerning public procurement should be addressed in the Public Procurement Directives.

Administrative burden is also created by the requirements in Article 11 concerning a mandatory certified energy management system. Also, for enhanced clarity, the energy efficiency of buildings should be regulated under the EPBD framework.

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The current EED targets for 2030 should be revised, taking due account of the energy efficiency gains already achieved by individual Member States. Improvements in energy efficiency are subject to diminishing returns, meaning that additional measures become progressively less cost-effective over time. Member States should not be penalised for having made early investments or for meeting their targets. This further underlines the importance of strengthening reporting on national plans and their implementation. In the continued development of the EED, national targets should be adjusted so that they more accurately reflect the actual energy performance of each Member State's building stock.

Energy Efficiency Agreements in Finland

Voluntary energy efficiency agreements have proven to be an excellent instrument for fulfilling the objectives of the Energy Efficiency Directive in Finland. The agreements have been developed and implemented in a long-term and systematic manner across a wide range of sectors, including the real estate sector, the municipal sector, and various branches of business and industry (https://energiatehokkuussopimukset.fi/).

Alongside the agreement framework, the Finnish state has supported the deployment of new energy-efficient technologies, investments in energy efficiency, and energy audits

To be eligible for energy support, companies must commit to the systematic promotion of energy efficiency. A key success factor of the agreement framework has been that participating actors commit to measures across their entire portfolio and are able to receive support for energy efficiency investments. As a result, relatively modest public support can enable the implementation of energy efficiency actions at scale and leverage significant private investments across a broad range of actors.

Voluntariness ensures that investments are made where they are most effective. Decision-making on concrete measures should therefore remain within the competence of Member States, and sufficient flexibility should be given in implementation to those actors who are best placed to identify efficiency opportunities within their own operations.

Concluding remarks

In climate action, the primary objective should be the reduction of greenhouse gas emissions rather than narrowly focusing on limiting energy consumption, particularly where the energy used is emissions-free and available in sufficient supply. This approach ensures cost-effectiveness and safeguards the competitiveness. Pre-determined methods can lead to diverse results in different environments. It is utmost important to allow flexibility in choosing functional measures to reduce emissions and advance energy efficiency. This also leads to

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better results, as each Member State can guide resources towards more efficient and cost-effective actions to reduce emissions.

We propose that the primary focus of the European energy and climate policies shift from energy savings to emission reductions. Furthermore, buildings should be understood as active components of the energy system, not merely passive energy consumers, and sustainable urban planning as a tool for successful climate policy as it can bring various benefits.

Also, The Fit for 55 package relies on a historically large number of delegated acts that significantly centralise authority within the Commission. This approach shifts decision-making away from Member States in climate policy areas where national expertise is strongest. The expansion of delegated acts, as proposed by the Commission, risks weakening national decision-making powers. In future revisions of the energy directives, the scope, necessity and limits of delegated acts should therefore be reassessed to ensure legal clarity and full respect for the principle of subsidiarity.

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