

The Next EU Cycle:

Unlocking energy savings and advancing the decarbonisation in buildings and heating



Introduction

Making Europe energy independent, more energy secure and ensuring an ambitious and just energy transition, that puts energy savings first in the switch to a fully renewable energy system, will need to focus on the areas that can spur a real system change, while paving the way towards a resilient economy in view of our 2030 goals. The fulfilment of the latter is instrumental to achieve the 1.5 C° Paris Agreement goal, which translates into the achievement of climate neutrality by 2040.

Against this background, it seems clear that the next European institutions will need to take a strong leadership in outlining the best policies and initiatives to use and produce energy more efficiently, and save energy for the benefit of the climate and society. There is also the possibility to make our buildings and the way we use them, like heating or cooling, more affordable and fully renewables-based.

As less than a decade separates us from our 2030 goals, we need to substantially scale up climate action in terms of both ambition levels and inclusiveness across all segments of the society, to make the energy transition happen on the ground. This briefing aims at outlining CAN Europe's demands for the next EU cycle, where its future policies and measures will need to deliver substantial energy savings across all end-use sectors, with a specific attention given to buildings, and heating decarbonisation.

Facilitating energy savings in this decade and beyond

It is of utmost importance that the implementation of the revised Energy Efficiency Directive overshoots the minimum EU energy efficiency target and achieves EU-wide at least 20%¹ energy savings on the ground. In 2023, national policy makers agreed on major parts of the Fit for 55 package including the new 2030 EU energy efficiency target of 11.7%.

However, this newly agreed target is not ambitious enough and currently does not translate into action on a national level. The willingness to boost energy savings is deeply lacking. Today, Europe consumes more energy than it should, as evidenced by the fact that the European Union no longer meets its 2020 energy consumption target since 2021.² The lack of energy savings on the ground and a considerable ambition gap to 2030³ puts the achievement of the EU 2030 target severely at risk.

1. CAN Europe's [Position Paper](#) on the Energy Efficiency Directive Recast

2. The new [EEA trends and projections report](#) shows that with the post-COVID-19 recovery in 2021, energy consumption had increased by 6% for primary and a historic 7% for final energy consumption.

3. An [analysis](#) of 15 draft National Energy and Climate Plans (NECPs) shows that planned national contributions are not on track to achieve the EU 2030 energy efficiency target. There is a considerable ambition gap of 11% for primary and 7% for final energy consumption compared to the agreed EU target.

The new European Commission needs to be well-equipped to ensure that Member States tap into the full potential of energy savings. A strong focus on the implementation of both energy efficiency and energy sufficiency measures can help reach a more ambitious EU target for the reduction of energy consumption in line with the Paris Agreement. This means that more financial means and staff inside the European Commission and at agency level are needed to better monitor and scrutinise the implementation of energy savings, giving attention to reporting obligations, data gaps⁴ and infringement procedures⁵. Also the crucial role of energy sufficiency needs to be better embedded and fostered as per regulatory framework, including in the revision of the Governance Regulation.

Energy savings is one of the most important building blocks for more energy security, tackling energy poverty, lowering the dependence of fossil fuels, reducing energy bills and steering us towards 1.5°C. To bring Europe on this pathway, an increased 2030 energy efficiency target of at least 20% is paramount. Looking further ahead, a robust 2040 energy efficiency target is needed to cut energy consumption in half by then and set Europe on a safe pathway towards climate neutrality.

CAN Europe recommendations

- 1. Push to achieve more energy savings on the ground through enhancing financial means and staff within the European Commission and at agency level.**
- 2. Foster energy sufficiency through an appropriate legislative framework, including within the revision of the Governance Regulation.**
- 3. Set EU-wide and national targets to cut energy consumption in half by 2040 and achieve at least a 20% energy savings by 2030.**

4. The [State of the Energy Union report](#) and the [State of the Energy Union technical report](#) identified data gaps for energy savings with regards to reported progress and stressed that current reporting obligations will need to evolve.

5. There are still pending infringement procedures from the revised 2018 Energy Efficiency Directive, which need to be solved. Furthermore the Commission should not hesitate to put forward further infringement procedures, in case of insufficient transposition of the 2023 Energy Efficiency Directive.

A stronger role for buildings in the EU decarbonisation efforts for an ambitious and just energy transition

Despite buildings have huge environmental impacts,⁶ climate action in the sector has always remained rather slow. **As we will need to reduce greenhouse gas emissions by at least 65% across all sectors by 2030, in order to achieve a Paris-Agreement-aligned carbon neutrality goal by 2040,** many changes will need to happen. For the built environment, this will mean that current renovation rates will have to triple, and that prioritisation of energy savings to cut energy consumption, coupled with fastened rates for the installation of renewable-energy-based heating and cooling technologies, and/or connection to a renewable-based district heating system will have to happen much faster.

Against this background, it seems clear that the Renovation Wave Strategy and its objectives,⁷ and the recently revised Energy Performance of Buildings Directive (EPBD), are not going to be enough. For this reason, we call for the new European Commission to:

- **Set a new Strategy for a “Holistic Deep Renovation Wave”**, that addresses the shortcomings of the previous Strategy and supports the implementation of the Energy Performance of Buildings Directive (EPBD). As we move towards an implementation phase, the Strategy shall outline mutually beneficial links between EPBD and other EU files and initiatives (REPower EU, EU Heat Pump Plan etc.). The Strategy shall also lay out the principles for the creation of an equally strong, interlinked and inclusive enabling framework encompassing financing, technical assistance and social safeguards.

Additionally, and in view of the multi-faceted effects of energy renovations, the new Strategy shall explore the link between energy renovations and affordability/access to housing, via gathering and sharing examples, best practices and linked multiple benefits of the design and implementation of social safeguards across Member States. This could incentivise replicability and ultimately, a socially just transition in the built environment. The Strategy should also better embed the principles of sufficiency applied to the built environment. A stronger focus should be put on how to best address embodied carbon emissions of buildings and support a more sustainable use of materials in both constructions and renovations.

6. Buildings account for 36% of the total of CO2 emissions in Europe and 40% of its energy demand

7. To achieve the 55% emission reduction target, by 2030 the EU should reduce buildings' greenhouse gas emissions by 60%, their final energy consumption by 14% and energy consumption for heating and cooling by 18% (see [here](#))

- **Prepare for an ad hoc revision process of targeted Articles of the EPBD** to ensure that more energy savings are delivered to ultimately put our buildings on a 1.5 C°-compliant Paris Agreement decarbonisation pathway. Amongst the Articles in need of an upgrade in terms of ambition, **Minimum Energy Performance Standards (MEPS)** should be part of the list, especially when it comes to those applied to the residential sector.

According to the 2021 EPBD recast proposal, MEPS main aim was both increasing the currently (very) low energy renovation rates⁸ per annum, and fighting energy poverty by tackling the leakiest buildings first. Considering that the recently revised EPBD puts forward MEPS that are a sub-sectoral energy savings requirement rather than a building level requirement for residential buildings (and focus on worst-performing buildings kept low), the next ad hoc revision should ensure that Member States revise the targets enshrined in Article 9 upwards, and that an **actual requirement to establish Minimum Energy Performance Standards is introduced. Mandatory renovation requirements (accompanied by strong requirements for the design of financial incentives, technical support and social safeguards) should gradually become the eligible measure to fulfil Article 9 targets.**

Clearly a stronger focus on worst-performing buildings will need to be accounted for as well. As the implementation of the recently revised EPBD will start in the middle of the upcoming EU Institutions cycle, the next Commission could assess the first national experiences and prepare the ground for the revision process of Article 9, which will need to address bottlenecks and/or underperformances found strategically.

8. Around 1%, 0.2% for deep renovations

CAN Europe recommendations:

4. Monitoring of implementation and preparation of an ad hoc revision of targeted Articles from the EPBD which are instrumental to deliver more energy savings, such as (but not limited to) Minimum Energy Performance Standards.
 - a. The revision process should build on the experiences coming from the implementation phase, and build upon them in a way that targets, eligible measures and focus on worst-performing buildings is strengthened.
 - b. Stronger requirements for the creation of an enabling framework to support MEPS implementation will also need to happen, and this time around will need to include social safeguards.
5. A new “Holistic Deep Renovation Wave Strategy” that strengthens the implementation of the EPBD and ensures mutually beneficial links with other EU Directives and initiatives. It should further explore the nexus between buildings’ energy renovations, affordability/accessibility of housing, circularity of materials and sufficiency.

A new European Heating and Cooling Strategy, following up to the EU Green Deal and maximising the social benefits

The existing Heating and Cooling Strategy, established in 2016, no longer serves its purpose in meeting the new goals outlined in the agreed Fit for 55 framework and the REPowerEU package. A long-term vision, developed collaboratively with stakeholders at the EU level, Member States, and local actors, is essential to drive effective change.

To structurally reduce EU energy consumption for heating and cooling needs, we need to expand and consolidate the integration of the renewable heating & cooling solutions in the context of holistic building renovation. These renovations should prioritise the connection of buildings to locally available and renewable heat sources, such as geothermal and solar thermal, and embrace renewable-based heating solutions like heat pumps⁹. All these efforts should be reflected in a future Heat Pump Action Plan to ensure that the integration of renewable heating solutions in our buildings is coupled with energy savings.

9. Embracing a renewable heating revolution in our buildings! [Report](#) by CAN Europe

This strategy should also emphasise the importance of holistic urban planning, especially in districts to reduce our heating and cooling demands, while improving the quality of people's lives.

A coordinated EU policy approach is vital for heat & cooling planning, district heating decarbonization, in short, buildings' heating decarbonisation. While the 2023 Energy Efficiency Directive mandates heating and cooling plans for municipalities, Member States need also to coordinate with the decarbonisation strategy for buildings & heating that already exist and future National Building Renovation Plans (NBRP). Over the coming years, EU institutions and national governments must focus on a careful implementation and execution of these provisions.

We need a holistic and ambitious framework for the decarbonisation of buildings, integrating provisions for the phase-out of fossil fuels in buildings, coupled with provisions that promote deep renovation and more stringent energy efficiency standards. **Setting a clear fossil fuel use phase out date in buildings, which shall be not later than 2040, coupled with the introduction of clear bans for the installations of polluting and outdated heating technologies via the EPBD, which should happen as soon as possible,** is the way to ensure the above while creating positive synergies with the Ecodesign Directive. Striking complementarity between the latter can in fact help us in reaching an EU-wide end of the sale of 'stand-alone fossil fuel boilers' by 2027 and make significant progress towards a sustainable, low-carbon future in line with the goals of the Paris Agreement.

CAN Europe recommendations:

6. Develop an ambitious and robust Heating and Cooling strategy with concrete solutions for the deployment of sustainable, renewable, accessible and affordable heating & cooling solutions.
7. Expand and consolidate the integration of the renewable heating & cooling solutions in the context of a holistic building environment and streamline it across EU legislation.
8. Establish that 2040 at the latest is the definitive date for the complete phase-out of fossil fuel use in buildings, coupled with ban on installations of polluting technologies as soon as possible. Ensure within the Ecodesign Directive that the sale of new stand-alone fossil fuel boilers ends no later than 2027.

Funding to ensure an ambitious energy transition in Europe

Securing adequate funding is crucial to ensure the implementation of an ambitious and inclusive energy transition in Europe. It is the foundation to secure energy savings, decarbonise our building stock and to implement requirements and initiatives to support the decarbonisation of our heating and cooling needs. Despite a substantial amount of funds dedicated to energy savings in 2021-27, Operational Programmes and Recovery and Resilience Plans, more and better ways to use funds are needed to achieve the desired objectives, e.g. renovation rates that are aligned with ambitious energy savings targets.

The next Multiannual Financial Framework (MFF), which will be adopted by the next EU institutions, will lay the groundwork for achieving the energy transition, including boosting energy savings. Within the broader climate earmarking target, it is equally necessary to ensure separate earmarking targets for the several components of the energy transition, including a certain percentage for investments leading to energy savings, also for local actors. Furthermore, building on the example of the Recovery and Resilience Facility (RRF), which linked investments to reforms, we propose to condition the disbursement of funds related to energy savings, on the full transposition of the revised 2023 Energy Efficiency Directive and Energy Performance of Buildings Directive and their objectives in respective Member States.

Finally, given that existing EU funds are insufficient for meeting the climate and energy transition investment needs across Member States that rely on those for national public investment,¹⁰ a post-Next Generation EU framework¹¹ is needed. Indeed, the end of the latter would mean that the next EU budget would be cut in half, hence increasing the “investment gap” including for sub-components of the energy transition such as buildings decarbonisation. **We propose a post-Next Generation EU framework that replaces the Recovery and Resilience Facility with a Climate and Just Transformation Fund, within which distinct facilities would finance energy transition related investments.** In such a framework, a dedicated sub-facility should be dedicated specifically to energy renovations across the EU.

Both concerning cohesion policy allocations, and a possible future EU climate fund, investments dedicated to building renovations should prioritise the targeting of energy poor households and households lacking access to private finance, via strong social safeguards.

10. Agora Energiewende’s EU climate funding [tracker](#)

11. CAN Europe [Report](#) “The contribution of EU spending plans to ambitious NECPs: comparing funds mobilised vs. climate investment needs to 2030”.

CAN Europe recommendations:

9. Increase the availability of funds for the energy transition through a new Climate and Just Transformation Fund in the post-NGEU period, with a dedicated sub-facility for energy savings investments.
10. Earmarking of a certain percentage of the next Multiannual Financial Framework (MFF), most notably Cohesion Policy, for energy savings and building renovation.
11. Ensure that EU funding schemes, and corresponding national spending plans, target in priority vulnerable households through social earmarking.



Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With 200 member organisations active in 40 European countries, representing over 1,700 NGOs and more than 40 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.