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COVER NOTE

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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on Energy Efficiency financing in Europe
An assessment of public spending for energy efficiency and the energy performance of buildings

Report on Energy Efficiency financing in Europe

An assessment of public spending for energy efficiency

and the energy performance of buildings

1. INTRODUCTION

Energy efficiency plays an instrumental role to be able to achieve full and cost-effective decarbonisation across the EU by 2050, make the European economy more competitive and ensure energy security and affordability now and in the future. In this context, reducing energy waste across the energy system, in all economic sectors, is one of the EU's strategic objectives. Energy efficiency measures not only help to boost the competitiveness of EU companies, but also to alleviate energy poverty and reduce the EU's dependency on imported energy sources.

To help achieve the 2030 target of reducing greenhouse gas emissions by 55%, the recast Energy Efficiency Directive (EED recast) ([1]) sets a target of EU primary energy consumption (PEC) not exceeding 992.5 Mtoe and final energy consumption (FEC) not exceeding 763 Mtoe by 2030. This corresponds to a reduction of at least 11.7% by 2030 compared to the projections of the 2020 EU reference scenario.

The **building sector** has an important role to play in this regard as it accounts for 36% of overall EU energy consumption and 40% of total energy-related greenhouse gas emissions. 52% of all natural gas consumed in the EU in 2023 was directly or indirectly used for buildings, so savings in this sector will also help reduce the current reliance on imported fossil fuels. Moreover, energy efficient housing translates into more affordable, decent and sustainable housing. Almost 75% of the building stock is inefficient according to current building standards, and 85-95% of the buildings that exist today will still be standing in 2050. However, the weighted annual energy renovation rate is merely about 1%.

Therefore, **the renovation rate should be at least doubled and the renovation depth increased** to ensure that the sector contributes to the 2030 targets. All new buildings should be zero-emission buildings by 2030 while existing buildings should be transformed into zero-emission buildings by 2050. The recast Energy Performance of Buildings Directive (EPBD recast) ([2]) is the delivery mechanism for the 'renovation wave' strategy ([3]). Its main aim is to increase the rate and depth of renovation in the EU, particularly for the worst-performing buildings.

The impact assessment supporting the **Commission Communication on the 2040 climate targets** ([4]) estimates that EU FEC will decrease from 763 Mtoe in 2030 to 594-624 Mtoe by 2040, depending on the scenario. By 2050, FEC will have dropped to approximately

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([1]) (EU) 2023/1791.
([2]) (EU) 2024/1275.
([3]) A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives, COM/2020/662 final.
([4]) COM/2024/63 final.

560 Mtoe. On a sectoral level, it estimates that energy savings in **buildings** will reach 35-38% across the various scenarios by 2040 and 40% by 2050, while energy consumption in **industry** will decrease by around 20% in the decade from 2031 to 2040 and by another 7 percentage points in the decade from 2041 to 2050 (from 2030 figures).

Energy efficiency is a triple win, for our competitiveness, climate and security, offering a multitude of benefits. By reducing energy consumption, we not only decrease our reliance on imported fuels, but also lower emissions and strengthen our energy independence - every kilowatt-hour saved equates to one less that needs to be imported, subsidized, and/or produced. **Investing in energy efficiency has a profound impact, with every euro invested in energy efficiency translating into 12 euros in savings on energy costs over the lifetime of the investment in housing, and 4 euros in industry**. Moreover, the benefits of energy efficiency are far-reaching, from delivering up to 40% of required EU CO_2 cuts by 2030, to creating 1.6 million jobs and avoiding significant grid expansion costs, making it a vital strategy for a more competitive and sustainable economy and significant investment efforts are needed to unlock the full potential of energy efficiency in Europe.

Energy efficiency is Europe's first fuel - clean, cheap, and made at home. In line with the energy efficiency first principle, energy efficiency solutions should be considered as the first option in policy, planning and investment decisions.

Realising the potential of energy efficiency in Europe requires a significant investment effort, as highlighted by the Draghi report, which has increased in line with energy and climate objectives. The PRIMES model scenario of the 2040 climate target plan estimates that, to deliver on the energy efficiency targets, total energy efficiency investment needs amount to some EUR 370 billion per year ([5]) in the decade from 2021 to 2030, as compared to EUR 120 billion per year in the previous decade. This represents a threefold increase. By comparison, achieving the 2030 GHG reduction target of 55% is currently estimated to require investments of some EUR 1 241 billion per year ([6]). On the energy supply and infrastructure side, investment needs are estimated at EUR 208 billion per year ([7]) for the same reference period. After 2030, energy efficiency investment needs are then expected to decrease slightly but remain very high in 2031-2040 (EUR 303 billion) and in 2041-2050 (EUR 288 billion). Energy efficiency measures in buildings, including heating and cooling refurbishment, will account for the bulk of the investments needed to deliver on the 2030 targets, at some EUR 242 billion per year in 2021-2030.

These targets cannot be achieved through regulation alone but will require the mobilisation of both public and private funding. **Limited public resources cannot cover all investment needs**, so a more efficient and tailored use of public resources must be sought. Also, to catalyse and de-risk private investment, use must be made of financial products and blended finance.

([5]) The estimate is based on demand side investments to achieve the 2030 climate and energy targets, including energy efficiency targets but excluding investment needs in transport and new constructions.
([6]) SWD/2023/68 final.
([7]) SWD/2024/63 final.

With the goal of securing the necessary funding, Article 30 of the EED recast requires the Commission to assess:

- the **current state of public funding support and the capacity of Member States to boost private investments** in energy efficiency;
- **whether there is a need for an energy efficiency mechanism, or a combination of grants, technical assistance and guarantees, all at EU level,** to help achieve the EU's energy efficiency and climate targets in a cost-effective way. The Commission is required to submit a report on this to the European Parliament and the Council.

Furthermore, Article 9(8) of the EPBD recast requires the Commission to present an analysis of:

- the structural funds and EU framework programmes, including European Investment Bank funding, currently in place for improving the energy performance of buildings, especially housing, in terms of their effectiveness, the types of instruments used, the actual amounts and whether the level of funding is appropriate;
- funds available from public finance institutions in terms of their effectiveness, the types of instrument and measures used and whether the level of funding is appropriate;
- the coordination of EU and national funding and other types of measures aiming to stimulate investments in the energy performance of buildings, and whether such funding is sufficient to achieve the EU's objectives.

This report aims to cover all of the above points, in the following order:

- Overview of public funding for energy efficiency and energy renovations in the EU — Chapter 2
- Assessment of public funding in the EU — Chapter 3
- Main findings and conclusions — Chapter 4.

2. OVERVIEW OF PUBLIC FUNDING FOR ENERGY EFFICIENCY AND ENERGY RENOVATIONS IN THE EU

2.1. Public funding support at EU level

2.1.1. Union's budget support

The Union's budget support is usually provided under the multiannual financial framework (MFF), a seven-year budget plan. The total Union's budget under the 2014-2020 MFF amounted to EUR 1 083 billion. The MFF for the 2021-2027 period is worth EUR 1 211 billion. In addition, in order to support the EU's economic recovery from the coronavirus pandemic, a temporary recovery instrument – NextGenerationEU, including its flagship Recovery and Resilience Facility (RRF) – worth in total EUR 807 billion, was established

in 2021. Accounting for inflation, the EU's budgetary resources have thus increased by 86% compared to the previous MFF.

Table 1: the EU budget

	Adopted amounts (in current prices)
2014-2020 MFF	EUR 1 083 billion
2021-2027 MFF	EUR 1 211 billion
Next Generation EU	EUR 807 billion
RRF and 21-27 MFF	EUR 2 018 billion

Source: European Commission, 2024

Specifically in terms of energy efficiency, **the total EU funding available was multiplied by 6.8** between 2014-2020 (EUR 21 billion) and 2021-2027 (EUR 144.7 billion), **an unprecedented increase**. As shown in Table 2 below, **the additional funding came mainly from the RFF, accounting for 73.8% of the total**, and, to a much smaller extent, from the cohesion policy.

Table 2: Energy efficiency financing per EU programme (in EUR billion)

	2014-2020	**2021-2027**	**Increase (%)**	**Percentage of current MFF (%)**
Total EU	**21.0**	**144.7**	**822**	**100.0**
Cohesion policy funds	17.8	29.0	132	20.6
Agricultural funds	0.7	1.4	100	1.0
EFSI / InvestEU	1.6	1.6	-	1.1
Dedicated energy efficiency programmes (LIFE CET, ELENA, Horizon Europe)	0.9	2.0	122	1.4
Modernisation Fund	-	6.8	-	4.8
RRF	-	103.9 ([8])	-	73.8
RRF for buildings	-	79.4 ([9])	-	
Total co-financing (Cohesion + AGRI funds)	**5.5**	**11.9**	**116**	
Total EU + co-financing	**26.5**	**156.6**	**491**	

([8]) This figure shows cost estimates of energy efficiency measures under the RRF targeting the renovation and construction of buildings as well as energy efficiency projects in SMEs or large enterprises based on data from September 2025. This figure has been obtained by summing the estimated expenditure associated with measures tracked with intervention fields 024/024bis/024ter/025/025bis/025ter/026/026bis as defined in Annex VI of the RRF Regulation, which lays out a methodology for climate tracking of RRF supported measures.

([9]) This figure shows cost estimates of measures linked to energy efficiency and the renovation and construction of buildings covered under the RRF based on data from September 2025. This figure has been obtained by summing the estimated expenditure associated with measures tracked with intervention fields 025/025bis/025ter/026/026bis as defined in Annex VI of the RRF Regulation, which lays out a methodology for climate tracking of RRF supported measures.

Source: European Commission, 2024

A large proportion of the RRF was spent on energy efficiency, particularly in buildings. Of the EUR 650 billion ([10]) available, EUR 103.9 billion, or 16%, was used to finance energy efficiency investments, making this policy area a main RRF beneficiary. It is worth noting that all 27 Member States allocated funding to energy efficiency measures in their recovery and resilience plans, with allocations ranging from 31% of the available funds in Portugal to 2% in Finland. **Energy efficiency in buildings** captured the largest share of funding, totalling **EUR 79.4 billion (across all Member States)**. On top of investments, the RRF is also driving reform efforts in energy efficiency, including improving regulatory and administrative frameworks, establishing long-term strategies and providing information and training.

New resources from the EU emissions trading system (ETS) have also helped bridge the investment gap. The **Modernisation Fund** ([11]), designed to help lower-income Member States modernise their energy systems and improve energy efficiency, is financed through the sale of 2% of ETS carbon allowances for 2021-2030. At the end of 2023, the fund had already disbursed EUR 3 billion for energy efficiency investments in beneficiary Member States, accounting for a quarter of total disbursements. Based on the current trend, it is estimated that disbursements for energy efficiency will have reached EUR 6.8 billion by the end of 2027.

New resources from the RRF and the ETS account for 89% of this increase. Both instruments are exclusively managed by the Member States.

All things being equal, the available EU funds thus increased by 62%, from EUR 21 billion to EUR 34 billion (excluding resources from the RRF of EUR 103.9 billion and ETS funds of EUR 6.8 billion). This corresponds to an annual contribution from the Union's budget of EUR 4.8 billion from 2021 to 2027, rising to EUR 20.7 billion if the RRF and the Modernisation Fund are included.

The **cohesion policy funds** made available also increased notably, effectively doubling from EUR 17.8 billion to EUR 29 billion in the period from 2021 to 2027, and in addition the mid-term review aims at doubling cohesion funding for affordable and sustainable housing. Cohesion policy funds proved to be a successful tool to strengthen cooperation between public and private financial institutions in various Member states, and it helped to mobilise private investments for energy efficiency renovations on the ground, whereit is important to note an increasing use of revolving financial instruments for energy efficiency (loans and guarantees combined with grants).

([10]) The total financial envelope of the RRF was determined at EUR 650 billion at the end of August 2024. The previously reported amount of EUR 723 billion represented the maximum amount of RRF non-repayable support (EUR 338 billion) and RRF loans (EUR 385 billion) made available by the RRF Regulation but was not fully exploited by Member States.

([11]) Modernisation Fund.

The **Social Climate Fund** will kick in as of 2026, when the RRF is phasing out. The fund was created at the same time as the ETS was extended to cover emissions from fuel combustion in buildings, road transport and other sectors. It will provide funding totalling EUR 86.7 billion, to be shared among Member States, to support structural measures, investments in energy efficiency and the renovation of buildings, clean heating and cooling, the integration of renewable energy and zero- and low-emission mobility solutions.

European Energy Efficiency Fund (EEEF): a public-private partnership for energy efficiency

Set up in 2011, the EEEF is a public-private, long-term investment vehicle designed to support the EU's energy and climate goals. The fund provides dedicated financing to local, regional or national authorities, or to public or private entities acting on their behalf, with the objective of boosting energy savings and energy efficiency and promoting renewable energy sources in the EU.

The fund, which has paid out dividends every year since 2013, has a diverse shareholder base, comprising institutions from both the public and the private sector, including the European Commission, which has contributed risk capital, Generali, Stichting Achmea Algemeen Pensioenfonds, DBU and DWS/Wepla.

With total investments of some EUR 180 million, the EEEF has supported 18 projects in 10 European countries, involving 56 public authorities and reaching over 2 million people annually. The fund has achieved significant results since its launch, generating over EUR 380 million in total investments. It has supported a range of projects, including public building renovation, street lighting upgrades, renewable energy generation and clean transport infrastructure. The fund's technical assistance facility has also played a critical role in helping to prepare projects leading to significant energy savings and GHG emission reductions. By the end of 2021, the fund had achieved cumulative CO_2 emissions savings of 740 460 tonnes and primary energy savings of 1 318 549 MWh.

The EEEF is a good example of a dedicated public-private partnership in the area of energy efficiency, demonstrating the potential of blended financing to leverage EU public capital and crowd in private investment. The fund's design, combining concessional financing, technical assistance and sectoral expertise, has enabled the implementation of high-impact projects with relatively modest EU capital inputs.

2.1.2. The European Investment Bank Group support including when supported by the Union's budget

The European Investment Bank Group ('EIBG') ([12]), as the EU's climate bank and the main implementing partner for EU funds, plays an essential role in the financing of the energy transition.

([12]) The EIB Group consists of the European Investment Bank (EIB) and the European Investment Fund (EIF).

As set out in its climate bank roadmap ([13]) and following on from the renovation wave strategy for the building sector, its energy efficiency strategy includes intermediated loans and guarantees as well as advisory services (InvestEU Advisory Hub ([14]), notably the ELENA facility ([15])).

As a result, **resources dedicated to energy efficiency were multiplied by 12.2 from 2012 to 2023**. EIB Group funding mainly went to the building sector, and to smart appliances and solutions, in line with the strategy set out in the roadmap.

On the other side, financing remained low for small and medium-sized enterprises ('SMEs'), industry, combined heat and power ('CHP') and district heating ('DH'). In September 2025, the **EIB Group and the Commission launched the energy efficiency for SMEs initiative**, part of the EIB strategic roadmap ([16]) for 2024-2027. This initiative will provide EUR 17.5 billion in financing from 2025 to 2027, aiming to nearly double the current level of support for energy-efficient solutions for SMEs ([17]).

The European Investment Fund ('EIF') has been a long-term supporter of clean technologies, providing venture capital investments and introducing initiatives such as a partial-risk guarantee to promote green loans for energy efficiency and renewable energy projects. Through the InvestEU programme, the EIF has further intensified its focus on financing projects that support decarbonization, energy efficiency, renewable energy, sustainable mobility and circular economy, with a total investment of around EUR 4.1 billion until 2025.

Table 3: EIB Group financing of energy efficiency inside the EU (in EUR million)

	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Energy efficiency (EE)	763	1 354	1 557	2 876	3 349	4 613
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
Energy efficiency (EE)	2 421	4 289	5 273	4 539	7 624	9 326

Source: European Investment Bank Group, 2024

Note that these figures include resources from the Union's budget implemented by the European investment bank ('EIB') - one of the main implementing partners for EU funds – and the national promotional and development banks ('NPBIs'). Those should therefore not be added to the figures presented in the previous section. This is the case, for example, for the InvestEU guarantee programme and ELENA. The figures nevertheless highlight the more than twelvefold increase in the EIB group's energy efficiency investments since 2012.

([13]) EIB Group Climate Bank Roadmap 2021-2025 and EIB Group Climate Bank phase 2 2026-2030.
([14]) https://investeu.europa.eu/investeu-programme/investeu-advisory-hub_en.
([15]) https://www.eib.org/en/products/advisory-services/elena/index.
([16]) EIB Group 2024-2027 Strategic Roadmap
([17]) EIB EE in SMEs Initiative

2.2. Public funding support at Member State level

The Commission conducted a bottom-up analysis of public funding schemes. The Member States were then consulted (i) by means of a call for evidence ([18]) and (ii) through the EED Expert Group. This report is mainly based on the data collected directly from the Member States, whereas other data from the analysis , where available, was used to fill any gaps.

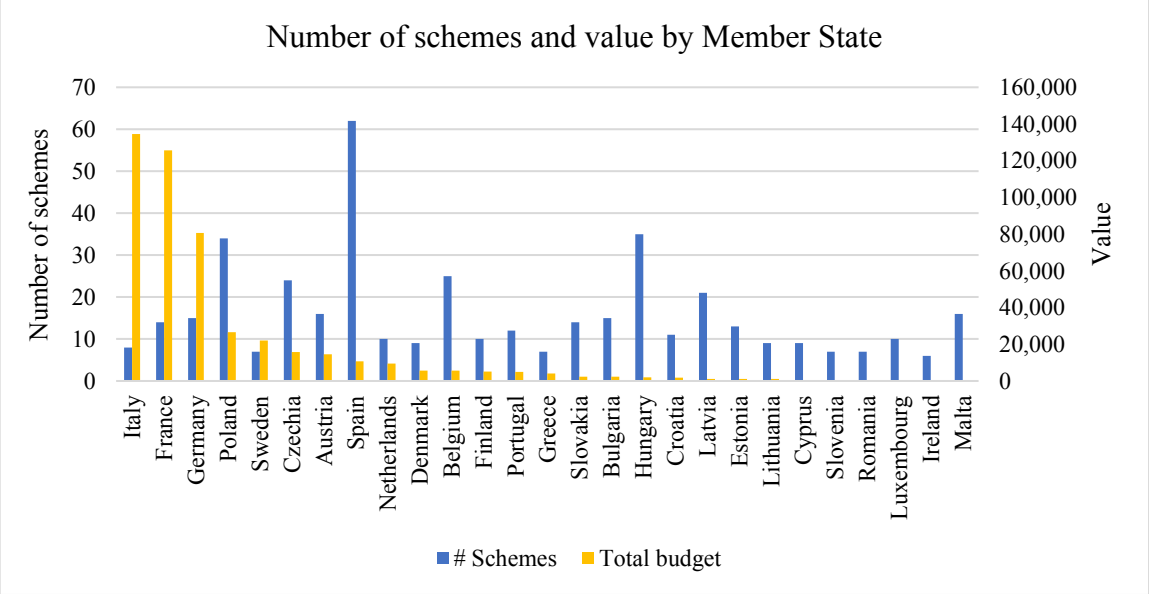
In total, 426 public funding schemes were identified in the 27 Member States.

It needs to be underlined that, as energy efficiency data is not systematically collected under public funding schemes, these are only indicative estimates.

Many national schemes are co-financed by EU programmes. 103 schemes received co-financing from EU programmes, either partly or fully. In terms of both the number and the volume of schemes, the RRF was the main contributor. Reported EU contributions of EUR 28.8 billion have been discounted from the total to avoid double counting between EU and national financing schemes ([19]).

No budget data was received for 80 schemes, so the assessment is based on data for 346 schemes across Europe. **Support for energy efficiency projects from national budgets in 2014-2024 is estimated at EUR 360 billion ([20]), i.e. approximately EUR 32.7 billion per year.** The budget distribution by Member State is shown below.

Graph 1 / Table 4: National energy efficiency schemes, 2014-2024



Member States	Number of schemes	Total planned budget (in EUR million)	EUR per capita
Italy	8	134 465	2 284

([18]) Energy efficiency – assessing the level of EU and national funding.

([19]) In their contribution, Member States reported EUR 28.8 billion in total as EU contribution to the implemented national financing schemes.

([20]) EUR 388.7 billion minus EUR 28.8 billion stemming from reported EU contributions.

Sweden	7	22 067	2 104
France	14	125 711	1 850
Austria	16	14 537	1 608
Czechia	24	15 697	1 491
Denmark	9	5 720	969
Germany	15	80 563	958
Finland	10	5 186	933
EU-27	***426***	***388 654***	***864***
Estonia	13	1 137	849
Poland	34	26 655	710
Latvia	21	1 171	623
Netherlands	10	9 467	528
Croatia	11	1 877	488
Belgium	25	5 684	487
Portugal	12	4 967	479
Slovakia	14	2 365	436
Lithuania	9	1 084	383
Greece	7	4 032	381
Luxembourg	10	236	363
Bulgaria	15	2 332	360
Cyprus	9	361	289
Malta	16	146	279
Spain	62	10 663	224
Hungary	35	1 931	199
Slovenia	7	331	157
Ireland	6	172	26
Romania	7	263	14

Source: European Commission, 2024. Ranking based on EUR per capita.

Among the larger Member States, Italy and France stand out with high levels of support. Under Italy's *Superbonus,* beneficiaries received a 110% subsidy in the form of tax credits. In France, a reduced VAT rate for renovation works (5.5%), in place since 2014, was estimated to have cost EUR 90 billion since its launch, accounting for three quarters of the French spending.

Grants, technical assistance and Tax rebates are **non-repayable** forms of support, meaning that these resources can be provided to beneficiaries only once and do not flow back into the national budget. Non-repayable support should mainly target vulnerable beneficiaries who would struggle to pay back support, either due to a lack of resources or due to a situation of tough competition with other expenses. On the other hand, funds received under repayable schemes, which include financial instruments such as loans, guarantees and equity, must be paid back to the national or regional implementing bodies and, in the case of revolving funds, can be used for successive operations. Repayable support tends to have higher leverage potential. There are also blended schemes offering a mix of both repayable and non-repayable support. These are particularly apt to trigger investment

decisions by beneficiaries due to their subsidy component (e.g. free technical support or energy audits, preferential lending conditions, capital rebates, interest rates or guarantee fee subsidies).

Table 5: Breakdown of national schemes by form of support

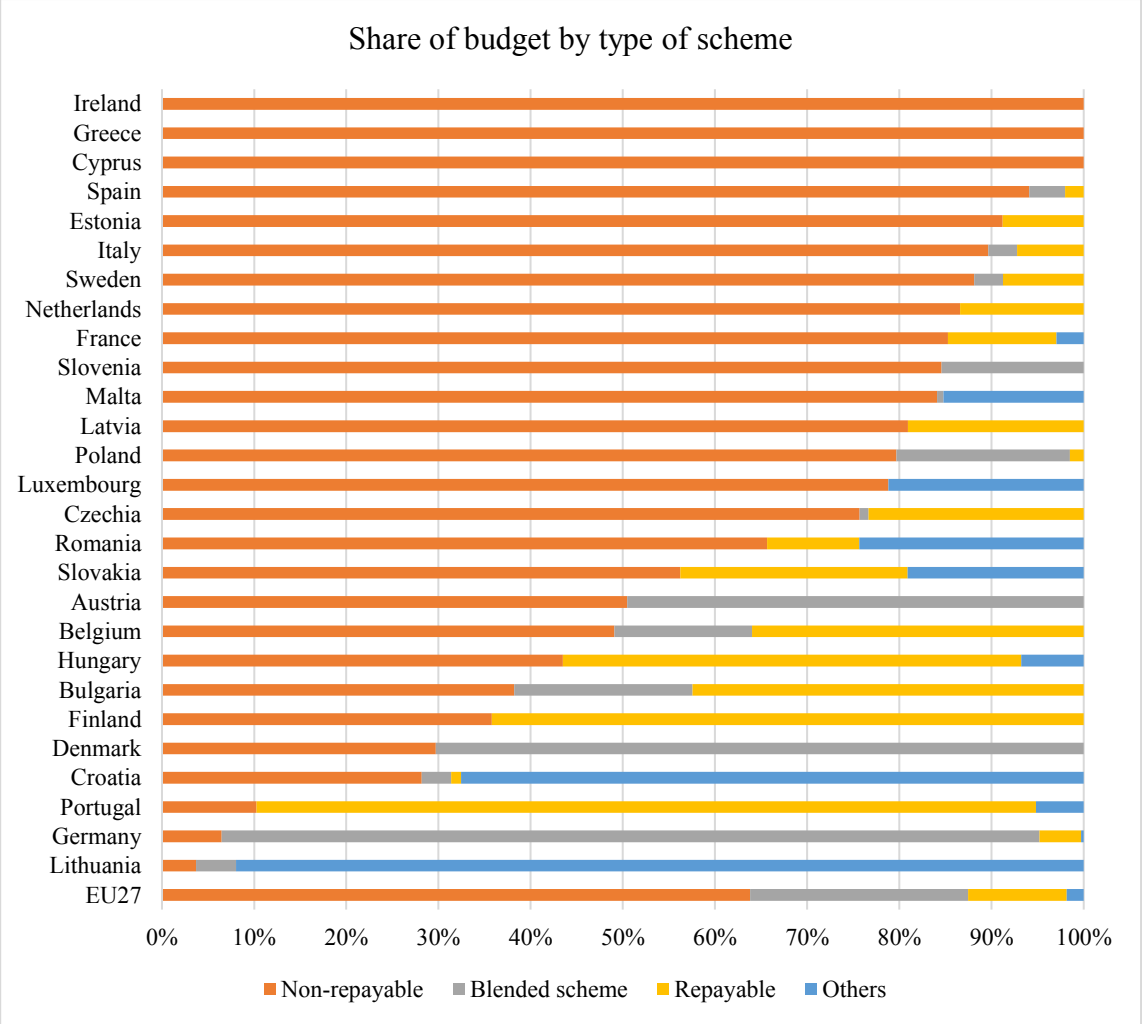
Type of scheme	Number of schemes	Volume (in EUR million)	Volume share (%)
Non-repayable	285	248 046	63.8%
Blended scheme	36	91 815	23.6%
Repayable	69	41 621	10.7%
Other	36	7 172	1.8%
TOTAL	**426**	**388 654**	

Source: European Commission, 2024

Member States were asked to provide data only for the most relevant schemes. Most of them reported less than 20, but 6 Member States reported a larger number either because there are distinct sub-programmes of large-scale programmes (Czechia, Hungary, Latvia, Poland) or because energy efficiency programmes are managed regionally (Belgium, Spain).

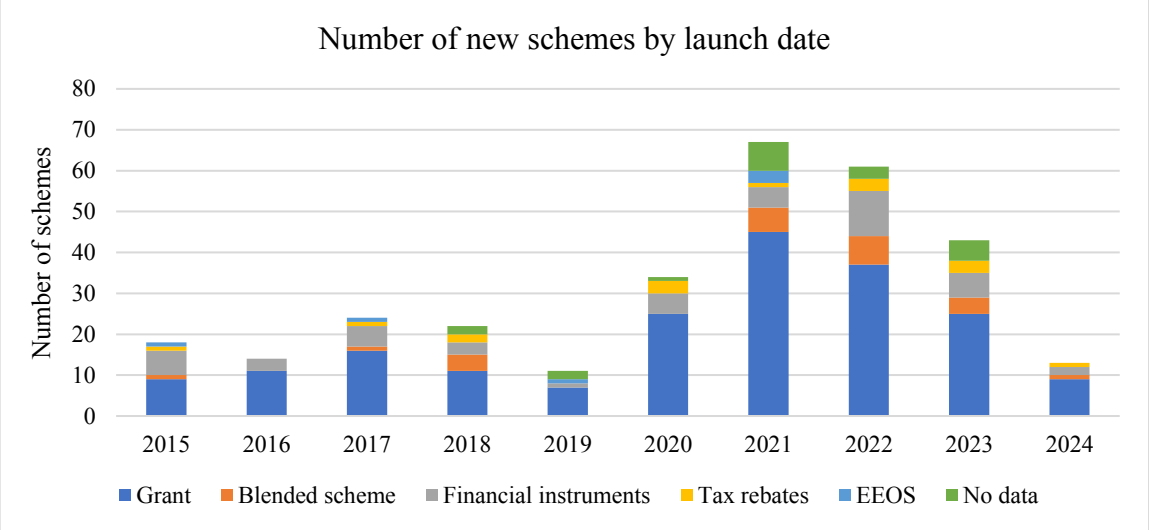
Member States mainly opt for non-repayable schemes. While non-repayable support often consists of grants, several large Member States (France, Germany, Italy) mainly make use of tax rebates. Financial instruments (repayable schemes) account for more than 30% of funding in only 5 Member States (Belgium, Bulgaria, Hungary, Finland and Portugal), while blended schemes are widely used in only 3 Member States (Austria, Denmark and Germany).

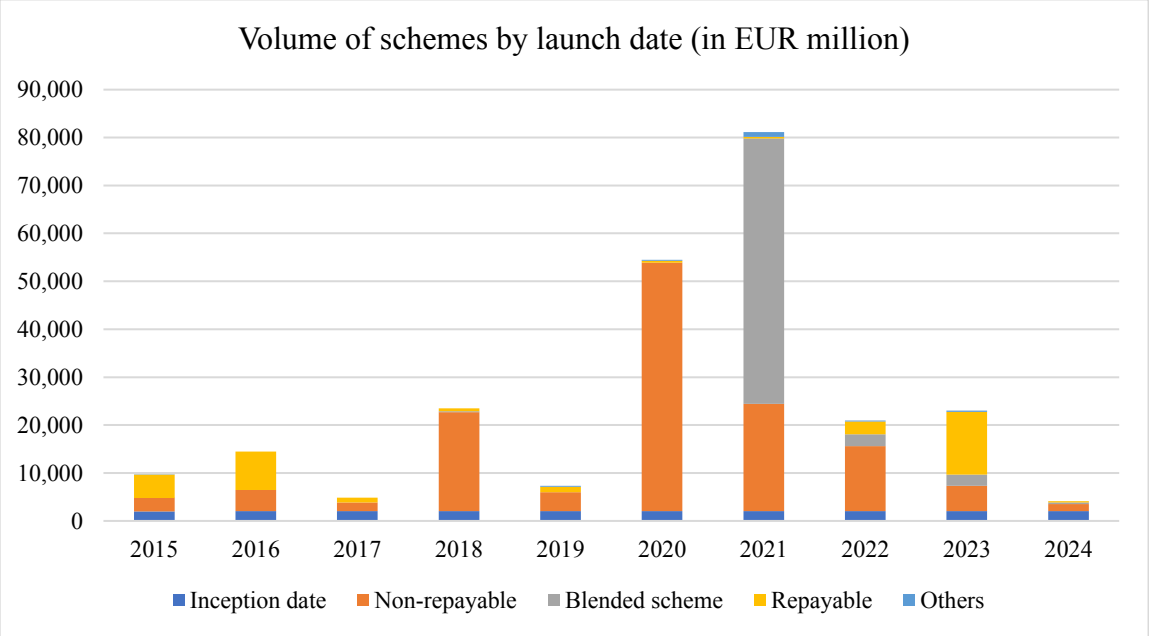
Graph 2: Budget breakdown of national schemes by form of support — national breakdown



To boost the economic recovery from the COVID-19 pandemic, Member States predominantly made use of their resources to finance grant programmes. Until 2019, the number of new energy efficiency schemes set up each year varied between 10 and 25, but between 2020 and 2023, Member States created no less than 205 new schemes (between 34 and 67 per year) largely due to the implementation of the RRF. Many of these were in the form of grants (116), followed by financial instruments (25). In terms of volume, grants amounted to EUR 56.4 billion and financial instruments to EUR 16.5 billion. Among the new schemes, 48 targeted residential buildings for a total of EUR 95.4 billion, which is 55.6% of the total volume allocated to new schemes in this period (EUR 171.5 billion).

Graphs 3 & 4 / Table 6: National scheme and budget breakdown according to launch date (in EUR million)





Launch date	Non-repayable	Blended scheme	Repayable	Other
2015	2 774	13	4 878	27
2016	4 421	-	8 050	-
2017	1 865	-	963	-
2018	20 645	252	566	-
2019	3 998	-	1 100	227
2020	51 887	-	381	213
2021	22 380	55 382	333	1 024
2022	13 576	2 476	2 696	164
2023	5 303	2 362	13 083	239
2024	1 481	334	280	-

Source: European Commission, 2024

3. ASSESSMENT OF PUBLIC FUNDING FROM EU AND NATIONAL SOURCES

3.1. Assessing leverage

3.1.1. Multiplier effect and leverage of EU programmes

Table 7: EU budget and leverage (in EUR million)

	EU budget A	**National co-financing** B	**Total investments** C	**leverage** (A+B)/A	**Total Multiplier** C/A
Cohesion policy funds 2014-2020	12 540	5 244		1.4	N/A
Cohesion policy funds 2021-2027	24 986	11 275		1.5	N/A
Agricultural policy funds 2014-2022	710		1 695		2.4
Recovery and Resilience Facility	103 921				N/A
Modernisation Fund	3 085				N/A
LIFE CET (Calls 2021 and 2022)	216		8 640		40.0
ELENA	295		9 662		32.8
EFSI	1 624		25 400		15.6
InvestEU	624		9 915		15.9

Source: European Commission, 2024 and 2025

EU programmes with a significant proportion of grants have limited leverage on energy efficiency. The leverage of cohesion policy funds is below 1.5, meaning that every euro from the Union's budget attracts an additional 50 cents of national co-financing. The total multiplier cannot be calculated as it is not possible to provide an aggregated value for total investments inclusive of private funding.

As regards agricultural funds, the total multiplier is estimated at 2.4 for the period from 2014 to 2022. RFF and Modernisation Fund multiplier is difficult to estimate for lack of data, but as most national funds cover only a portion of the total investment (from 20% up to 100%), the total public multiplier can therefore be estimated at 2 to 3.

Cohesion policy funds encourage the use of financial instruments, with proven results. Under the current MFF, EUR 18.5 billion was earmarked for financial instruments, of which 24% to be allocated to energy efficiency investments (EUR 4.3 billion). Although the categorisation of spending items is different between the two MFF periods, this means cohesion fund allocations for financial instruments almost tripled compared to 2014-2020 (EUR 1.6 billion) ([21]). Under Cohesion policy funds, a majority of Member States are encouraged to use **combinations of grants & financial**

([21]) Financial instruments under cohesion policy 2021-2027 | Cohesion Open Data.

instruments in one operation. However, this does not happen systematically across all the Member States and scale is often not yet reached.

There is no precise data for each thematic objective by subject area (i.e. energy efficiency), but in 2014-2020 financial instruments under the Cohesion policy funds achieved a leverage of 3.8 across all sectors, which is considerably above the average value for cohesion policy of 1.4. Financial instruments leveraged additional private capital equal to 15% of Cohesion policy budget in 2014-2020. The **Commission in cooperation with EIB also offers various technical support to encourage up take of financial instruments for energy efficiency**, such as the Model energy efficiency financial instrument (EEFI) ([22]), the Fi-compass platform and Energy efficiency Scale-up Initiative ([23]), Cohesion for Transitions (C4T) ([24]).

EU programmes offering technical assistance, guarantees and market uptake measures have very high leverage. The ELENA facility in particular, which provides advisory services to local energy and mobility projects, demanding a minimum leverage of 10-20 from project beneficiaries (depending on the sector), exceeded its target by far with an average of 32.

Now managed under the InvestEU programme, ELENA has successfully used EU resources as seed money for local investment portfolios in 25 out of 27 Member States. A leverage as high as 40 was achieved by the LIFE Clean Energy Transition (LIFE CET) sub-programme, which includes co-financing requirements and supports market uptake, project development and innovative approaches such as setting up pilot financial instruments.

The **European Fund for Strategic Investments (EFSI)**, succeeded by InvestEU as of 2021, is an **intermediated guarantee instrument** aiming to close the investment gap in Europe by attracting private finance for projects in areas such as innovation, infrastructure, social and skills development and support for SMEs. It has become the largest vehicle for investments under the Union's budget, aiming to leverage close to EUR 900 billion from

([22]) The EEFI is a flexible model which offers a practical guide for EU member states how to easily set up a market-oriented FI combined with grant to provide funding and advisory support to investments EE (housing, SMEs). Crucially, the model offers a path to leverage the funds available through the EU budget, to mobilise additional resources from commercial banks and private investors for such schemes, Energy efficiency investments under REPower EU .

([23]) fi-compass | Financial instruments under EU shared management offers technical assistance to managing authorities, helping them conduct feasibility studies, ex-ante assessments, case studies and other preparatory work necessary to establish financial instruments. As part of Fi-compass platform, the Scale-Up: energy efficiency financial instruments brings together experts from various institutions to tackle barriers in implementing EE FIs and propose solutions. Task-based working groups will develop strategies to improve and scale-up EE FIs drawing on best practices and expertise from across EU countries.

([24]) Inforegio - Apply for C4T GROUNDWORK – technical assistance for Cohesion Policy investments It provides expert support to EU Member States, regions and local authorities, helping them with the implementation of Cohesion Policy investments under Policy Objective 2 (PO2), including those focusing on energy efficiency. Support services include developing strategies, improving monitoring, engaging stakeholders, identifying funding opportunities, supporting call preparation and building capacity.

2014 to 2027. EFSI achieved a leverage of 15.6, which is expected to be equalled by InvestEU.

3.1.2. Multiplier effect of national funding programmes

Multiplier data is lacking for most national support schemes. However, there is data on private investment leveraged by national resources for 71 such schemes.

Table 8: Leverage of national energy efficiency schemes

	Number of schemes	Implemented	Private	Total	Multiplier
Overall, of which:	71	36 394	56 045	92 019	2.5
Non-repayable	58	30 651	40 037	70 268	2.3
Blended schemes + repayable	13	5 743	16 008	21 751	3.8
Repayable	*8*	*902*	*11 478*	*12 381*	*13.7*

Source: European Commission, 2024

The global multiplier shown in the above table hides significant differences between the instruments used. **Non-repayable schemes have an average multiplier of 2.3**, which can be also understood as an average grant intensity of around 30%. However, private investment leverage increases to 2.4 where there is EU co-financing, which suggests that EU funding contributions has the effect of attracting more private investments.

According to the available data, EU funding tends to not only substitute national funding but also to lower co-financing requirements. An explanation for this could be that by increasing the grant intensity of a given programme, EU co-financing reduces the need for final beneficiaries to co-invest. At the same time, building sector grants — whether in the form of EU or national funding — are effective when they target specific owners (low-income households/SMEs), building segments (worst-performing buildings) or deeper renovations requiring substantial investments.

For financial instruments, the multiplier is more difficult to assess as it can only be calculated on the executed budget, i.e. once the investments have taken place. **The multiplier of repayable schemes is estimated at almost 14**, which is in line with the multiplier effect observed for InvestEU. However, the volume of financial instruments for which there is reliable data is extremely limited (EUR 900 million of funds disbursed over 10 years).

In conclusion, and due to the heterogeneity of the available data, it is **difficult to accurately quantify the overall multiplier effect of public funding in the Member States**. However, it can be assumed that grants usually generate a multiplier effect of around 3.

3.2. How public funding compares to investment needs

The PRIMES model used by the Commission to carry out impact assessments and analyse policy options for the energy sector has estimated that some EUR 370 billion will need to

be invested every year from 2021 to 2030 to achieve the 2030 energy efficiency targets ([25]). For the building sector alone, the investment needs are estimated at EUR 242 billion per year in the current decade, of which EUR 180 billion for the energy renovation of residential buildings and EUR 62 billion for the energy renovation of service (non-residential) buildings.

The 2024 energy efficiency report of the International Energy Agency (IEA) ([26]) estimates that on average, some EUR 200 billion was invested in energy efficiency in Europe annually from 2021 to 2023. Therefore, comparing investment needs with the investments carried out in the EU during that period, as estimated by the IEA, the **investment gap needing to be filled to deliver on the 2030 energy efficiency targets amounts to EUR 170 billion per year.**

The size of the projected investment gap is commensurate with other estimates from the I4CE ([27]) and Bruegel ([28]). The I4CE estimated an investment gap of EUR 137 billion per year with reference to 2022, and Bruegel estimates an investment gap of EUR 149 billion per year specifically for the building sector.

Table 9: Annual energy efficiency investment needs and investment gap, 2021-2030 (in EUR billion)

	Investment needs	**Investment gap**
Energy efficiency	370	170
Buildings	242	149

Source: European Commission, 2024, Bruegel

In Chapter 2 above, EU funding was estimated at EUR 20.6 billion per year and Member State funding at EUR 32.7 billion per year. It is thus possible to consider that EUR 53.3 billion of public funds is allocated to energy efficiency, i.e. around one sixth (14,4%) of the total investment needs.

3.3. Energy savings achieved

3.3.1. EU programmes ([29])

Reporting of energy savings under the EU financial framework varies considerably depending on the requirements of each programme. There is no standard method of tracking or reporting energy savings as a result of EU funding. Also, the reporting is patchy for a number of reasons, including incomplete and delayed reporting and the fact that some energy savings are not reported at all, for example when projects have an impact on

([25]) The estimate is based on the demand side investments required to achieve the 2030 climate and energy targets according to the PRIMES modelling scenario for the 2040 Climate Target Plan, including energy efficiency targets but excluding investment needs in transport and new constructions.
([26]) IEA 2024 Energy Efficiency Report, https://iea.blob.core.windows.net/assets/f304f2ba-e9a2-4e6d-b529-fb67cd13f646/EnergyEfficiency2024.pdf.
([27]) Institute 4 Climate Economics (I4CE), European Climate Investment Deficit Report, source: 20240222-i4ce3859-Panorama-EU_VA-40p.pdf.
([28]) Bruegel, How to finance the European Union's building decarbonisation plan, source: PB 12 2024.pdf.
([29]) EU core performance indicators_15_07_0.pdf

reducing energy consumption but their budget intervention fields are not tagged under 'energy efficiency'.

It is therefore not possible to track progress and measure global impact and efficiency in terms of energy savings per euro of the Union's budget spent on energy efficiency.

As an example of good practice, for the **ELENA** facility beneficiaries are required to estimate and report the energy savings generated by their projects. This has been the case since the programme was launched in 2009.

Table 10: Estimated energy savings per fund

Scheme	**Annual energy savings estimated (MWh*)**
Cohesion policy funds 2014-2020	7 926 050
Cohesion policy funds 2021-2027	N/A
Agricultural policy funds 2014-2022	N/A
LIFE CET 2021-2027 ([30])	8 344 000
ELENA	4 936 030
InvestEU ([31])	230 736
Recovery and Resilience Facility ([32])	33 388 511
Modernisation Fund	26 886 804

*Megawatt-hour

Source: European Commission, 2024

Based on the available data, by the end of 2023 the annual energy savings achieved through EU funds amounted to 81.9 TWh, equivalent to about 6% of the additional effort needed to meet the Union's 2030 energy efficiency target. However, for the reasons set out above the figure is based on incomplete data and does not represent the actual impact of EU funding.

3.3.2. *National programmes*

Energy savings data is unevenly reported. In 3 Member States (Denmark, Ireland and Spain) more than 80% of schemes report energy savings, while there is no reporting in 8 Member States. In total, only 135 schemes across Europe report energy savings.

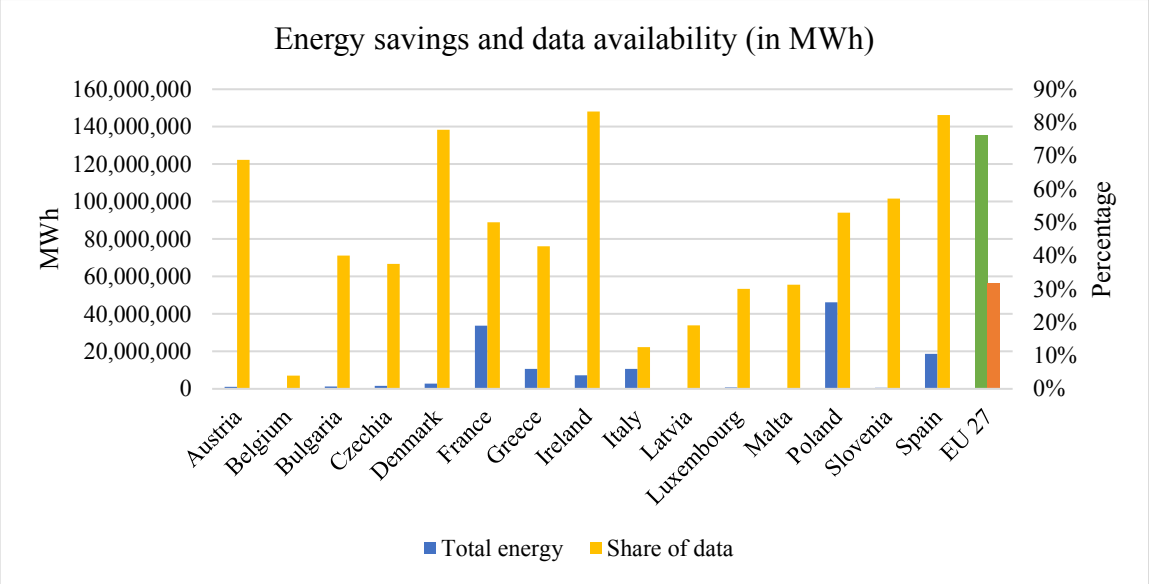
There is no standard method for reporting energy efficiency gains. Energy savings can either be estimated *ex ante* or reported *ex post*. Most schemes (95 of 137) report FEC data, but 5 Member States use PEC data and some (e.g. Spain, Poland and Malta) report either PEC or FEC data depending on the scheme.

For the 2014-2024 period covered by this report, 135 national schemes (less than 30%) reported data on energy savings. The reported total energy savings amounted to

([30]) Estimated target by 2030.
([31]) Data reported for 2023.
([32]) Common indicator on savings in annual primary energy consumption as reported by Member States in 2024, Recovery and Resilience Scoreboard .

135 611 696.46 MWh = 135.6 TWh ([33]), around 10% of the additional effort needed to achieve the Union's 2030 energy efficiency target.

Graph 5 / Table 11: Estimated energy savings in selected countries



4. MAIN FINDINGS AND CONCLUSIONS

4.1. Main findings

This report shows that **considerable progress has been made in recent years in the area of energy efficiency financing**, reflecting a significant increase in the Union's budget. This increased funding is a crucial step towards achieving long-term sustainability goals and meeting demand for energy performance renovations.

However, a survey of 486 national schemes revealed **the limited use of blended and repayable financing schemes**, which currently account for less than 25% of the total. This underutilisation is due not only to the complexity of these schemes compared to grant-based subsidy schemes, but also to the lack or limited capacity of national financing entities specialised in mobilising energy efficiency investments.

Although financial instruments can leverage higher levels of private investment, they are less frequently used than grants. This shows a need for a more effective interplay between grants and financial instruments. **Grants should support specific social or sectoral needs**, such as vulnerable households, micro-enterprises or the worst-performing buildings, **while financial instruments should be mainstreamed**, covering other areas and maximising the impact of public funds.

Moreover, evidence from cohesion policy financial instruments shows that **grants can be effectively combined with financial instruments** to improve project preparation, incentivise deeper energy renovations and improve affordability for low-income

([33]) Annual savings achieved in 2023, the most recent reporting year.

households facing energy poverty. Various forms of grants — such as interest-rate or guarantee fee subsidies, technical assistance, investment grants and capital rebates — can be combined with loans, guarantees or equity in a single operation, making the schemes more attractive to both the market and financial intermediaries. Experience from the Recovery and Resilience Facility highlights the importance of combining investment support with reforms, as well as the establishment of the necessary support networks (e.g. one-stop shops).

EU funds for energy efficiency are spread across various national and regional programmes, each managed by different organisations. This fragmentation and the **lack of coordination** between public and financial institutions limit the uptake of blended financing and hinders the mobilisation of private investment.

Furthermore, **public funding could be made more effective by shifting the focus from individual projects to aggregated ones**. This includes supporting standardisation, creating economies of scale and reaching a critical size to access finance. However, support for project aggregators is often constrained by rules and regulations, including banking practices for long-term financing, guarantees and collateral. At the same time, relevant EU-funded programmes such as ELENA and LIFE CET, which use resources from the Union's budget effectively and have proved to have significant leverage and multiplier effect, have a relatively small budget.

The absence of standardised data and reporting on energy efficiency projects, investments and energy savings continues to be a challenge in terms of assessing progress and measuring impact. This is true in particular for larger programmes or specific target populations (e.g. vulnerable households) and for the worst-performing buildings, which have the most to gain from energy renovations.

4.2. Conclusions

Despite notable progress in enhancing public support for energy efficiency projects, **public funding currently covers only a limited proportion (15%) of the total estimated investments needs** to meet the Union's 2030 energy efficiency targets**.** The **end of the RRF in 2026 risks further widening this investment gap**, making it more challenging to realise the full energy efficiency potential.

Building renovations and energy efficiency improvements in SMEs and micro-enterprises produce substantial long-term savings, but vulnerable households and SMEs in particular are in need of financial support to cover upfront costs for initial investments.

More efficient, targeted, and performance-based financing schemes at the Union, national and regional levels can unlock simple, tailored and attractive energy solutions for citizens and enterprises.

Therefore, there is an urgent need to **maximise the catalytic and market transformation effect of public funding to unlock significant private investments and tap into the potential of energy efficiency in terms of competitiveness, affordability of energy,**

security, health, and quality of life, ensuring that the Union meets its energy efficiency objectives, particularly in building renovation, for 2030 and beyond. At the same time, dedicate instruments and policy measures should continue to contribute to stimulate demand for energy efficiency investments, including for instance one-stop shops services, as well as to stimulate offer of innovative and private financing solutions for energy efficiency, including simplify and scaling up the market for energy efficiency services.

The modernised scope of the proposed 2028-2034 budget allows to implement this optimisation. In particular, national and regional partnership plans will link reforms with investments including to improve energy efficiency, along with the new European Competitiveness Fund which will strengthen the Union's economy through investments aiming to decarbonise the European economy and promoting energy efficiency.

The Union's budget will also support the **development and scale-up of financial instruments and blended financing schemes**, combining grants, advisory services and guarantees to meet sector-specific needs. The **Commission Recommendation on unlocking private investment in energy efficiency** provides valuable guidance and concrete examples to Member States and market actors to mobilise private sector resources.

Strong **project development assistance, market uptake initiatives and capacity-building measures** are needed to improve the efficiency and uptake of public and private funds. Under the next MFF, the Commission will build on existing EU programmes such as LIFE CET and ELENA, which have demonstrated high leverage in terms of investments and energy savings, to prepare the ground for larger direct investment programmes.

To maximise the impact of public funding in support to energy efficiency investments, **Member States should increase the use of financial instruments** and reduce their reliance on grants. However, grants should still be used to address market failures and ensure social inclusion and targeted support for specific sectoral needs.

At the same time, the enabling framework should promote the effective deployment and use of enabling tools, such as energy efficiency loans and mortgages, and combined portfolio guarantees, for building renovation, energy performance contracting, pay-for-performance financial schemes, fiscal incentives and energy performance standards.

Given the complexities and challenges associated with financing energy efficiency projects, the Commission recognises an increasing need for effective financing solutions, for large energy efficiency **investment pipelines and de-risk investments**.

Energy Efficiency Accelerator Instruments could include sector-specific components to rapidly increase investments in building renovation, SMEs and micro-enterprises, and heating and cooling systems. Member States could involved the national hubs of the European Energy Efficiency Financing Coalition in the development of these instruments.

Public-private partnerships such as the EEEF have proven a success in terms of scaling up investment projects and mobilising private-sector funding. This demonstrates the

potential benefits of replicating and scaling up this model in a broader EU energy efficiency financing framework. These partnerships can serve as a model for next-generation accelerator instruments. By doing so, the Union can unlock significant benefits for energy efficiency projects, including reduced risk, increased financing, and improved project development.

Finally, to significantly boost private investments in energy efficiency, while ensuring the effective use of public funds, the Commission launched, in 2024, **the European Energy Efficiency Financing Coalition.** The continuation and further reinforcement of this structured partnership between the Commission, Member States, financial institutions, and industry, is crucial for the achievement of the Union's energy efficiency goals.

The Commission invites both the European Parliament and the Council to take note of this report.