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COVER NOTE

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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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COMMISSION RECOMMENDATION

of 10.3.2026

on unlocking private investment in energy efficiency

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) In its communication of 17 September 2020 on ‘Stepping up Europe’s 2030 climate ambition – Investing in a climate-neutral future for the benefit of our people’ (the ‘Climate Target Plan’),¹ the Commission proposed to raise the Union’s climate ambition by increasing the greenhouse gas (GHG) emissions target to at least 55 % below 1990 levels by 2030. The proposal delivered on the commitment made in the Commission communication of 11 December 2019 on ‘The European Green Deal’² to put forward a comprehensive plan to move the Union’s target for 2030 towards 55% in a responsible way. The impact assessment accompanying the Climate Target Plan demonstrated that, to achieve the increased climate ambition, energy efficiency improvements had to be significantly raised from the level of 32,5%.
- (2) Directive (EU) 2023/1791 on energy efficiency (the ‘Energy Efficiency Directive recast’ (EED recast))³ entered into force on 10 October 2023, introducing an EU binding target of 11,7% reduction in primary and final energy consumption by 2030, thereby significantly raising the level of ambition for 2030, including in relation to financing for energy efficiency, and stepping up the application of the energy efficiency first principle in policy, planning and investment decisions, in line with the legal provisions, therein.
- (3) The action plan for affordable energy⁴, adopted on 26 February 2025 as part of the Clean Industrial Deal⁵, includes key actions to reduce energy costs for households and

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “Stepping up Europe’s 2030 climate ambition Investing in a climate-neutral future for the benefit of our people” COM/2020/562 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52020DC0562> .

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “The European Green Deal” COM(2019) 640 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52019DC0640> .

³ Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast) (OJ L 231, 20.9.2023, p. 1–111), ELI: [Directive - 2023/1791 - EN - EUR-Lex](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52023DC1791).

⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions “Action Plan for Affordable Energy – Unlocking the true value of our Energy Union to secure affordable, efficient and clean energy for all Europeans” COM(2025) 79 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025DC0079> .

⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions “The Clean Industrial Deal: A

enterprises, and help build a genuine Energy Union that delivers on competitiveness, security, decarbonisation and just transition. The action plan is based on four pillars and eight key actions, including a dedicated Action to increase energy efficiency and deliver energy savings, emphasising the role of energy efficiency as a key contributor to affordable energy, decarbonisation, and industrial competitiveness. To advance energy efficiency, the European Commission will support market actors and financial institutions in fostering a single market for energy efficiency.

- (4) The Commission Communication of 14 October 2020, entitled “A Renovation Wave for Europe”⁶ identifies the building sector as key for delivering on the 2030 energy efficiency targets and for reaching climate neutrality by 2050. This is due to the relevance of buildings, which represent approximately 40 % of the Union’s total energy consumption and 36 % of its greenhouse gas emissions.
- (5) Directive (EU) 2024/1275 on energy performance of buildings (the ‘Energy Performance of Building Directive recast’ (EPBD recast))⁷ entered into force on 28 May 2024 and aims to structurally boost the energy performance of buildings with a focus on supporting the renovation of the worst-performing buildings, fighting energy poverty by prioritising vulnerable households, and the achievement of a fully decarbonised building stock by 2050.
- (6) The REPowerEU Plan Communication of May 2022⁸, followed by the Roadmap towards ending Russian energy imports⁹ and the proposal for a Regulation on phasing out Russian gas imports and improving monitoring of potential energy dependencies¹⁰, identifies energy efficiency and efforts to save energy as key pillars of EU’s energy security objectives to significantly reduce dependency from Russian fossil fuels and accelerate the energy transition.
- (7) The ‘World Energy Investment 2025’ Report from the International Energy Agency (IEA)¹¹ underlines that the objective of doubling the pace of energy efficiency improvements requires greater additional investment. While investments in energy efficiency have been constantly increasing between 2015 and 2022, the IEA has found

joint roadmap for competitiveness and decarbonisation” COM(2025) 85 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025DC0085>.

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions “A Renovation Wave for Europe – greening our buildings, creating jobs, improving lives” COM(2020) 662 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52020DC0662>

⁷ Directive (EU) 2024/1275 of the European Parliament and of the Council of 13 September 2023 on the energy performance of buildings (recast) (OJ L, 2024/1275, 8.5.2024), ELI: <http://data.europa.eu/eli/dir/2024/1275/oj>.

⁸ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions “REPowerEU Plan”, COM/2022/230 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A230%3AFIN&qid=1653033742483>

⁹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions “Roadmap towards ending Russian energy imports”, COM/2025/440 final/2, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025DC0440R%2801%29&qid=1747125158211>

¹⁰ Proposal for a Regulation of the European Parliament and of the Council on phasing out Russian natural gas imports, improving monitoring of potential energy dependencies and amending Regulation (EU) 2017/1938, COM/2025/828 final, 2025/0180(COD), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025PC0828&qid=1750669110360>

¹¹ IEA Report, “World Energy Investment 2025”, <https://iea.blob.core.windows.net/assets/1c136349-1c31-4201-9ed7-1a7d532e4306/WorldEnergyInvestment2025.pdf>

that as of 2023 policy and financing support has rolled back, and the trend has been confirmed in 2024. In particular, in the European Union investment in energy efficiency and electrification decreased by 2%, mainly because of reduced policy support in some market and slowdown in heat pumps sales. Overall, the IEA has stated that the current annual rate of investments in energy efficiency and electrification has to be tripled to double the rate of energy efficiency improvements.

- (8) The report from Mario Draghi ‘A Competitiveness Strategy for Europe’ recalled the massive Union financing needs to meet its policy objectives, amounting to a minimum annual additional investment of EUR 750 to 800 billion annually, and the need for EU public finance to be deployed effectively to stimulate private investments. To support the mobilisation of private investments, the Draghi report identified the need to complete the Capital Markets Union, to increase the financing capacity of the banking sector, which would include reviving securitisation and assessing current prudential regulation, and to reform the EU budget in order to increase its focus and efficiency, as well as improve the leverage of private investments.
- (9) Mobilising investments in energy efficiency and leveraging additional private financing via dedicated policy and financing measures is indeed key to helping Member States to deliver on the 2030 energy efficiency targets, to achieving climate neutrality by 2050 in a cost-effective way, to facilitating the transition to an integrated energy system providing affordable and clean energy to all, and to lowering the pressure on demand for energy, and, therefore energy prices, while enhancing competitiveness and sustainability of the EU economy, and contributing to reducing EU dependency on energy imports.
- (10) Article 30 of the EED recast (EU/2023/1791) recognises the need to deploy adequate financial and technical support for energy efficiency measures and to develop targeted policy measures enabling the mobilisation of private investments in energy efficiency.
- (11) Financial institutions and energy efficiency market actors, such as energy service companies, energy communities, energy utilities and distribution system operators, district heating and cooling networks, real estate companies, energy efficiency and net-zero technologies providers should play a key role in mobilising private investments in energy efficiency by leveraging the economic benefits of energy efficiency improvements in terms of energy cost savings, and thus add scale to the business case for energy efficiency.
- (12) To leverage the participation of financial institutions and further mobilise private investments for energy efficiency, in 2024 the Commission created the European Energy Efficiency Financing Coalition (the ‘Coalition’), which brought together the EU Member States, financial institutions and relevant stakeholders as founding members to identify concrete actions to improve private financing for energy efficiency. The objectives of the Coalition are to create a favourable market environment for energy efficiency investments and to scale up the private financing needed to support the achievement of the EU’s energy and climate targets for 2030 and 2050.

- (13) The joint report on ‘Energy Efficiency Financing in Europe – An assessment of public spending for energy efficiency and the energy performance of buildings’¹², in line with the provisions of Article 30(17) EED recasts (EU/2023/1791) and Article 9(8) EPBD recast (EU/2024/1275), assesses the current state and the effectiveness of public funding support in Europe for leveraging additional private investments. The joint report notes that the investment needed to achieve the 2030 energy efficiency targets is EUR 370 billion per year for the 2021-2030 period and that the projected investment gap to achieve the energy efficiency targets amounts to around EUR 170 billion per year¹³. The EU budgetary resources for energy efficiency have increased by 62% in the 2021-2027 Multi-Annual Financial Framework compared to the 2014-2020 period, and by 491% when taking into account contribution from NextGenerationEU, from EUR 26.5 to 156.6 billion. A large majority of this increase comes from the recovery and resilience facility (‘RRF’). The joint report concludes that EU and national public budget resources for energy efficiency are fundamental although they only account for a limited share representing around 14.4% of the investment needs. The report also concludes that the catalytic effect of public funding should be fully and further exploited by increasing the effectiveness and efficiency of public budget support in delivering larger energy savings and attracting further private capital.
- (14) Given the limited availability of public resources, their use should be targeted to increase the business case for energy efficiency and thus address market failures impeding mobilisation of private investment in energy efficiency, while also focusing on providing support to vulnerable groups to address high upfront costs. In addition, the limited standardisation of energy efficiency investments represents a critical barrier to the development of dedicated financial offers and financial instruments for energy efficiency at scale, thereby failing to attract private capital investors and market operators. Therefore, it remains key to support aggregation, project development assistance, and common methodologies to develop, aggregate and value energy efficiency investments in order to further crowd-in private capitals.
- (15) Since the households affected by energy poverty lack own resources and have limited access to commercial loans, they face barriers to accessing finance for investments. Such households therefore need innovative public financial instruments blending different forms of funding that can enable access to finance in the form of zero-to-low interest loans, cost-free performance-based funding – such as energy performance contracting and on-bill financing – that allows households to access upfront finance support and pay back the investment as they save on their energy bill, alongside other innovative forms of financing. Energy communities can also play a role in pooling private investments in energy efficiency solutions in a way that is more accessible and affordable for citizens, local authorities, SMEs, and vulnerable households.
- (16) Measures to lower energy bills and reduce energy poverty, as well as measures to support the renovation of worst performing buildings and to address the needs of vulnerable consumers, are expected to positively contribute to the Commission’s objective to increase the supply and access to affordable housing.

¹² 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 building COM(2026)118.

¹³ IEA 2024 Energy Efficiency Report, <https://iea.blob.core.windows.net/assets/f304f2ba-e9a2-4e6d-b529-fb67cd13f646/EnergyEfficiency2024.pdf>; and Bruegel, How to finance the European Union’s building decarbonisation plan, source: [PB 12 2024.pdf](#).

- (17) Specifically regarding the building sector, the observed average renovation rate across EU Member States is currently too low (i.e. below 1%) to ensure a timely decarbonisation of the building stock. Supporting increased renovation rates and the uptake of energy efficiency measures in enterprises, including via regulatory measures, will stimulate private investors and market operators' participation in the development of a thriving market for energy efficiency investments.
- (18) Scaling up private investments for energy efficiency requires recognising existing differences across Member States' energy efficiency markets, financing practices, and their regulatory and support frameworks. Having identified that different challenges at national and regional level need different policy approaches, the Coalition established at Union level is complemented by dedicated Member States-based national hubs. The aim is for each hub to focus on a particular market-driven approach to deliver on energy efficiency. The national hubs of the Coalition should drive the uptake of financing solutions at national level by gathering the right stakeholders, including public authorities and financial institutions, and by providing continuous technical support to Member States' authorities to help them develop energy efficiency financing solutions in line with their policy objectives and ambitions. Similarly, the present recommendation to unlock private investments in energy efficiency should be tailored to the specific national markets and financing practices.
- (19) In spring 2024, the Commission convened a European Citizens' Panel on Energy Efficiency bringing together 150 European citizens to discuss the challenges and benefits of energy efficiency most relevant to them. As a result of their deliberations the citizens put forward a list of concrete recommendations to feed into upcoming Commission initiatives, highlighting in their recommendations the key role of supporting financing for energy efficiency.¹⁴
- (20) Pursuant to Article 30(10) EED recast (EU/2023/1791), the Commission is required to provide guidance for Member States and market actors on how to unlock private investments in energy efficiency. The guidance should help Member States and market actors to develop and implement their energy efficiency investments, both within and outside of the various Union programmes, and should propose adequate financial mechanisms and innovative financing solutions, with a combination of grants, financial instruments and project development assistance, for scaling up existing initiatives and using Union programmes as a catalyst to leverage and trigger private financing.
- (21) This Recommendation is accompanied by a detailed Annex with examples of specific actions, measures and guidelines for implementation via the set-up of financing schemes that can unlock private investments in energy efficiency.

HAS ADOPTED THIS RECOMMENDATION:

Member States and market actors should:

1. Establish a long-term public financing support framework for energy efficiency, leveraging in particular the role of specialised funding facilities of a revolving nature and

¹⁴ Final Recommendations, European Citizens' Panel on Energy Efficiency, https://citizens.ec.europa.eu/document/download/52a3608d-662c-4b0e-b463-684a9dbef302_en?filename=Final%20recommendations%20European%20Citizens%60%20Panel%20n%20Energy%20Efficiency.pdf

public guarantees to increase access to finance and de-risking investments. This support framework should provide the backbone for developing energy efficiency lending products and private financing schemes, and be based on a predictable energy efficiency regulatory framework that ensures long-term policy visibility and boosts investor confidence. The framework should also take advantage of regulatory and fiscal incentives to stimulate energy efficiency improvements and investments.

2. Establish or strengthen the national energy efficiency fund (NEEF) or equivalent facilities at national or regional level as the dedicated instrument to facilitate access to public financing support schemes for energy efficiency, bringing different funding streams and financing tools into a single organisational structure. Such a facility should streamline access to finance, aggregate a robust energy efficiency investment pipeline, and enable the combination of multiple streams of public funding and private financing into a single operation. Such a facility could deploy, among others, targeted funding programmes, public guarantees, financial instruments, technical assistance support, credit bundling for securitisation purposes, and forfeiting and factoring schemes, and contribute to simplifying processes, rules, and methodologies related to energy efficiency, as well as improving visibility and awareness of both financial support schemes and financial incentives for energy efficiency. In addition, Member States should:

- Assess the state of the energy efficiency financing schemes in their country; and
- Determine the capitalisation of the National Energy Efficiency Fund being established or strengthened.

3. Scale-up long-term financial instruments and blended financing solutions. Member States should review the existing national financing framework, with a view to establishing and making use of blended financing solutions combining low-to-zero interest loans and public guarantees into one operation with various type of grants – interest rate and guarantee fee subsidies, capital rebates, technical assistance grants that can together support the development of private financing offers, financial products and innovative financing instruments. In addition, Member States should:

- Modulate the combined grants support to reduce risk and barriers to access finance;
- Leverage the revolving funds nature of energy efficiency financial instruments with a combined grants component;
- Support the development of specific energy efficiency financial vehicles; and

Maximise the use of EU-budget funds and programmes to deploy financial instruments at scale.

4. Deploy project development assistance facilities and support the development of ‘aggregators’ of energy efficiency projects. This includes one-stop shops assisting citizens and enterprises in developing and aggregating energy efficiency investment projects, super-ESCOs (energy service companies), energy communities, project development assistance facilities and other project developers. The aggregators should be supported to reach a critical size, with the objective of establishing a robust pipeline of bankable investments. Member States are encouraged to make use of EU support, for instance through the European Local Energy Assistance (ELENA) Facility, to establish national or regional technical assistance and project development assistance facilities.

5. Participate pro-actively in the European Energy Efficiency Financing Coalition to promote a closer and effective cooperation with financial institutions. This includes developing its national hubs, defining their mandates and work programmes. In addition, Member States should:

- Establish partnerships to help commercial banks better leverage the financial co-benefits of energy efficiency investments; and
- Support and solicit financial institutions in offering customer-friendly financing options for energy efficiency.

6. Make the best use of fiscal incentives to mobilise private investments in energy efficiency. A key priority should be to remove fiscal measures and subsidises disincentivising investments in energy efficiency improvements, such as those that lock-in fossil fuels-based and energy inefficient technologies, and avoid fiscal measures targeting with higher fiscal charges the economic co-benefits of energy efficiency improvements. In addition, Member States should introduce positive fiscal incentives and tax measures to mobilise energy efficiency investments.

7. Promote the development and uptake of energy efficiency lending products and private financing via credit agreements. These includes energy efficiency mortgages and renovation loans, including the use of public guarantees, other de-risking measures, tax incentives, strengthening the retail banking sector's role, and valuation of energy savings in creditworthiness assessments. In line with the EED recast (EU/2023/1791), ensure that energy efficiency lending products are offered widely and in a non-discriminatory manner by financial institutions – meaning that they are promoted against traditional financial products when this meets the best interests of potential customers – and, are visible and accessible to consumers, including via support from third-party actors and public authorities. In addition, Member States should:

- Enable co-ownership associations to take on loans jointly to finance energy efficiency investments; and
- Provide technical assistance and advice to financing institutions to build the necessary capacity for loan officers to market energy efficiency lending products.

Market actors should:

- Develop and market energy efficiency lending products; and
- Provide customer-friendly financing and lending solutions for energy efficiency in line with EED Article 30.

8. Enable the necessary regulatory framework and support the development of innovative financing schemes. Schemes such as on-tax financing and on-bill financing should be developed by enabling relevant public authorities to use taxes and other charges as debt repayment vehicles, by involving energy utilities and distributors in financing energy efficiency measures and allow debt repayments via energy bills. And by making it possible

for the debt to be tied to a property and transferred with property ownership. Specifically, Member States should:

- Assess whether the national framework allows for the development of on-tax and on-bill financing schemes;
- Establish energy utilities' right to provide financing for energy efficiency;
- Establish procedures to ensure repayments via property-related taxes and transfer of debt together with ownership;
- Ensure sufficient cashflow in implementing entities (e.g. utilities, ESCOs), and/or establish national or local guarantee and support funds to achieve scale;

Market actors should:

- Develop and market on-bill financing schemes for energy efficiency, by favouring cooperation between energy utilities and energy service companies.

9. Remove barriers and scale-up energy efficiency financing via service agreements and foster a market for energy services. Examples include supporting energy efficiency improvements via operational expenditures (OPEX), removing administrative bottlenecks and barriers to ESCOs market development, leveraging performance-based instruments such as energy performance contracting and other innovative energy service solutions. Member States and market actors should:

- Use EU and national public budget support to develop the ESCOs market, by facilitating financing for ESCOs and energy efficiency special purpose vehicles;
- Promote the role of ESCOs and new contracting modalities, such as energy efficiency as a service and energy performance contracts, as a pillar of national energy efficiency policy;
- Promote the update of legislative frameworks and public tenders to explicitly recognise and facilitate ESCOs financing and energy performance contracting; and
- Support the deployment of advanced metering infrastructure that can automatically monitor energy flows and savings.

Market actors should:

- Leverage public support and the single EU market to foster a vibrant market for energy efficiency as a service, including across internal EU borders; and
- Develop partnerships between technology providers, energy distributors, and energy service companies and financial institutions.

10. Deploy long-term public guarantees and other de-risking tools able to increase access to private finance for energy efficiency. These are key to improving the business case for energy efficiency by reducing the overall investment risk, by providing credit enhancement support to increase access to finance for specific markets and population segments, and by underpinning more competitive interest rates. In addition, Member States should identify country-specific risks and difficulties in accessing finance for market participants.

11. Promote re-financing opportunities and favour the development of a secondary market for energy efficiency with private financial institutions. Such facilities could support forfeiting and factoring schemes for ESCOs' energy performance contracts, bundle energy efficiency receivables from different loan originators for securitisation purposes, and facilitate the creation of super-ESCOs or similar structures that intermediate between ESCOs and institutional investors. In addition, Member States and market actors should:

- Drive the development of the green bonds market in their national context; and
- Establish and reinforce dedicated dialogue with financial institutions on the development of a secondary market for energy efficiency; and
- Support the establishment of dedicated energy efficiency re-financing facilities.

12. Improve data collection on energy efficiency. This includes data on energy efficiency investment financial performance and data to support energy savings monitoring and verification measures. Member States and market actors should support the development, harmonisation, standardisation and simplification of project rating methodologies, including the valuation of non-energy benefits and the energy savings monitoring and verification measures which is key to increasing investors' trust and certainty, and secure the monetary value of energy savings as a tradable commodity.

In implementing these Recommendation, Member States and market actors should give appropriate considerations to Annex to this Recommendation providing detailed guidelines on specific policy and financing measures for mobilising private investment in energy efficiency, including specific recommended actions, reasoned background and examples of successful use cases.

Done at Brussels, 10.3.2026

For the Commission
Dan Jørgensen
Member of the Commission

