White certificates
A business model to finance energy renovation in France

Bastien RESSE
Head of Strategy and Public Affairs, Enr’Cert

bastien.resse@enr-cert.com
“CEE”: a european creation

- **2012 Energy Efficiency Directive**
  - > use energy more efficiently

- **European target**
  - Improve energy efficiency in the EU by 32.5% by 2030

- **EE roadmap for each member State**

- **Examples of energy-saving measures**
  - - Energy taxes
  - - Voluntary agreements

- **Energy efficiency obligation scheme (EEOS)**
  - - White Certificates
  - - CEE
White Certificates and their use

15 member States currently use a white certificate mechanism.

1/3 of the final energy savings notified in the EU over 2014-2020 comes from EEO schemes.

Among pioneers
- 2002
- 2004
- 2005

Other States, such as Germany, have favored alternative measures.
French « CEE » in a nutshell

• The State compels energy suppliers to finance energy-saving works

• The more energy they sell in France, the more work they must finance (in France)

• If they do not fund enough energy-savings in a given period of time (3-4 years), they must pay a proportional financial penalty

• For an energy supplier, financing works is cheaper than paying the fine
1.5 million beneficiaries since 2011

€ 3 billion/year of funding for energy efficiency projects

X 40 Increase in obligation volumes since 2005

20,000 Jobs per year directly or indirectly created or maintained

Certificates issued per sector (2018-2020)

- 69% for Household
- 18% for Industry
- 8% for Services
- 5% for Transport and Agriculture

Source: DGEC, lettre d’information des CEE, juin 2020
## Examples of works

<table>
<thead>
<tr>
<th>Wall insulation</th>
<th>Loft insulation</th>
<th>High-performance heating system</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Wall insulation image" /></td>
<td><img src="image2" alt="Loft insulation image" /></td>
<td><img src="image3" alt="High-performance heating system image" /></td>
</tr>
</tbody>
</table>
Stakeholders involved in the mechanism

**Responsible authority**
- Sets the obligation, and the catalogue of eligible actions
- Issues certificates (CEE)
- Control and sanction

**Obligated parties**
- Fulfil their obligation
- Finance energy renovation works

**Certified ESCOs**
- Find and qualify renovation projects, quality control
- Finance energy renovation works
- Sell certificates to obligated parties on the market

**Final consumers**
- Implement energy-saving actions
- Receive a financial contribution in return
- Reduce their final energy consumption
Putting a fair price on energy conservation

If the market price is high…

• That means France is not renovating enough
• Buying certificates is more expensive for energy suppliers
• Financial incentives are higher for consumers, which encourages them to renovate.
• The forward price will drop down

If the market price is low …

• That means France is renovating "too much"
• Buying certificates is cheaper for energy suppliers
• The sector will slow down the pace of renovations
• The forward price will rise up

RISKS:

• A price on the bill too high over time
• Energy suppliers could prefer to pay the fine

RISKS:

• Sector downturn
• Kill off consumer interest
## Weaknesses

| Reliability | • Fast acceleration and therefore an appearance of unscrupulous actors  
• Criticism of the ratio of real vs. theoretical savings |
|-------------|---------------------------------------------------------------------|
| Administrative and regulatory complexity | • (Too) quick changes in regulation  
Stop and go effects between periods  
Another tool among others |
| Social acceptability | • The price of certificates is reflected in the final consumer’s bill  
(less than 3%) = an issue if high price persists |
A tool yet to be improved

Monitoring: a need for a long-term vision

Increase the timescale of regulation to avoid abrupt changes

Control: reduce the risk of defects and frauds

Reinforce the obligation for a priori and a posteriori controls by an independent control office

Communication: a little-known and insufficiently mobilised system

Reinforce the communication of the eligibility criteria and the articulation of each financial incentive
### Strengths

<table>
<thead>
<tr>
<th>Strength</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Deployable on a large scale, cost effective**   | • A global, multi-sectoral and now highly regulated tool  
  • Low cost for public finances (€1 M/year for €3 Bn generated)                                                                                   |
| **Social and inclusive**                          | • A tool to tackle fuel poverty (at least 1/3 of operations are aimed at people in precarious situations + financial bonus for these operations) |
| **Promoter of the energy efficiency sector**      | • Emergence of new players remunerated by energy savings  
  • **Skill improvement** in the building sector  
  • Involvement of energy suppliers                                                                                                          |
| **No offset**                                     | • **National market**, which makes each State responsible for its own actions                                                            |
• Germany’s is one of the European leaders in energy efficiency
• However, the volumes of energy renovation are limited
• White certificates would enable to
  • Boost renovation
  • Comply with the BBC standard eligibility requirement
  • Complement KfW subsidies for low-income households
  • Strengthen actions on behavioural patterns, well developed in Germany
  • Meet the high proportion of tenants (48% compared to 36% in France), a challenge in Germany
To conclude

<table>
<thead>
<tr>
<th>CEE: a powerful and agile tool, …</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardisable, powerful</td>
</tr>
<tr>
<td>Open to all energy consumers, for all types of works</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In line with the 3 pillars of sustainable development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecological</td>
</tr>
<tr>
<td>Economic</td>
</tr>
<tr>
<td>Social</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Which needs to be complemented by other mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for energy efficiency by private banks (remainder)</td>
</tr>
<tr>
<td>A loan by public banks to cover the total cost of the works</td>
</tr>
</tbody>
</table>
Bastien RESSE
Head of Strategy and Public Affairs
bastien.resse@enr-cert.com