

Markus Pieper and Niels Fuglsang
Members of the European Parliament
European Parliament

12 December 2022

Dear Mr Pieper and Mr Fuglsang

OPEN LETTER ON RENEWABLE ENERGY AND ENERGY EFFICIENCY DIRECTIVES

On behalf of the Institutional Investors Group on Climate Change ([IIGCC](#)), I am writing to underline our strong support for high-ambition outcomes on the Renewable Energy Directive (RED) and Energy Efficiency Directive (EED). IIGCC's 375+ investor members from 24 countries manage over €60 trillion in assets. This letter builds upon our letters sent earlier this year to [Member States](#) and the [Commission](#), continuing our calls for stronger, more effective climate policies across the wider "Fit for 55" package. The best way to leverage private capital to further these aims is through investors directly working with EU policymakers and negotiators.

Investors support clear, impactful policies that drive a significant increase in the use of renewables and energy efficiency across Europe. Without these, carbon intensive technologies and infrastructure could be locked-in for decades to come, leaving investors with stranded assets and undermining the transition to a net zero world. The investment opportunities created by a decisive shift towards energy efficiency and renewables are huge. It is vital that the right frameworks are put in place to mobilise capital away from fossil fuels at pace and scale towards a prosperous and sustainable future.

The revisions of the RED and EED will play a key role in this transition, while simultaneously allowing institutional investors to support the EU's energy independence and protect its most vulnerable from fuel poverty. Ambitious reforms will increase energy security, support 2030 and 2050 climate targets, contribute to greater energy affordability, and reflect the International Monetary Fund's¹ sustainable growth recommendations.

These objectives can be realised by adopting stronger headline targets. Investors support a science-based approach to develop robust targets which more closely align with the EU's revised Nationally Determined Contribution and the goal of climate neutrality, **based on a combination of the Council and European Parliament positions:**

- An increase of the headline target of renewable energy from 40% to 45% (a 0.8% increase from 2021 to 2025; and 1.1% increase from 2026-2030 annually);
- A 2030 Union-wide target of 13% of energy savings compared to 2020 reference projections;
- A target for buildings to use 49% renewable energy in their gross final energy consumption by 2030;

¹ How to meet the European Union's ambitious climate mitigation goals (IMF), available [here](#).

- a higher overall target of renewable energy consumption across the EU of 50%².

Targets that align with the Paris Agreement must be coupled with more robust oversight and implementation. This can be achieved through an approach that enforces binding commitments by Member States, clear annual energy efficiency benchmarks, and support for greater public participation in renewable energy infrastructure decisions. IIGCC feels this is best represented by the European Parliament’s positions relating to:

- The establishment of binding national energy efficiency contributions within the EED, which ensure a fair allocation of targets;
- The EED calling for annual final energy savings of 2% from 2024 to 2030; and,
- Ensuring the appropriate mechanisms are in place to involve civil society in infrastructure decisions.

Finally, it is critical that negotiators factor into their decisions wider EU policy frameworks relating to energy security and sustainable finance, in order to provide as much consistency and political stability - and therefore investor confidence - as possible.

The International Energy Agency has identified energy efficiency as the cleanest and cheapest way to meet global energy needs³, representing an obvious investment opportunity should the right policy signals be put in place. An ambitious EED has the potential to result in overall savings by consumers and investors, helping lower energy bills and cushion the effects of price volatility⁴; simultaneously, if energy efficiency potential across EU countries was fully exploited, the IEA estimates EU GDP growth of up to 2%⁵ by 2030. Additionally, ensuring that “energy efficiency first” is a guiding principle across the EU’s “Fit for 55” package will provide investor certainty and positively impact policy areas beyond energy.

In parallel, a robust RED that ensures a higher rate of renewables and prioritises energy efficiency and direct electrification, will ensure EU energy consumption by 2030 aligns with the EU’s own targets and the goals of the Paris Agreement.

The RED must factor in the recommendations of the REPowerEU plan, and recent emergency energy regulations agreed in the Council, **accelerated permissions for heat pumps below 50 MW and grid connection permits for repowering projects;** and consistency in approvals to ensure clarity for investors and the correct allocation of capital towards rapid deployment of renewable energy.

Moreover, both instruments must support, and be coherent with, the EU’s wider sustainable finance agenda to send the right price signals to the financial markets, which in turn will help to reorient capital

² Investors play a crucial role in financing the renovation of the EU’s building stock, as set out in our [recent letter](#) regarding the Energy Performance of Buildings Directive

³ International Energy Agency’s Energy Efficiency Report (2021), available [here](#).

⁴ As reported by the [International Energy Agency’s Net Zero by 2050](#) review on [Energy Efficiency](#).

⁵ European Commission Report (through Build Up EU), analysed by the IEA available [here](#).

in line with net zero. For example, **revisions to RED and EED should be fully reflected in the EU Taxonomy's technical screening criteria for climate mitigation and adaptation objectives** to uphold the Taxonomy's scientific credibility and the objectives of the European Green Deal.

IIGCC is deeply committed to supporting the EU's climate ambitions in order to ensure that the physical impacts of climate change are mitigated, and that the economic and financial opportunities offered by new technologies and business models are fully utilised. Investors stand ready to discuss directly with EU negotiators the best way to leverage private capital to further these aims.

On behalf of IIGCC,



Stephanie Pfeifer

IIGCC CEO

Contact: spfeifer@iigcc.org

Disclaimer: This letter was developed in collaboration with a number of IIGCC members but does not necessarily represent the views of the entire membership, either individually or collectively.

About the Institutional Investors Group on Climate Change (IIGCC): IIGCC is the leading European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 375 members across 24 countries, representing over €60 trillion in assets under management. We play a leading role in a number of net zero alliances and corporate engagement initiatives, including [the Paris Aligned Investment Initiative](#), [Net Zero Asset Managers Initiative](#), and [Climate Action 100+](#).