



ENERGATE **Recommendations**

In response to the call
for evidence for the
evaluation of the
Public Procurement
Directives

Triggering investments for the energy renovation of public buildings

Recommendations

> **Increase Public Procurement Thresholds for Simplifying Procurement Procedures for Energy Efficiency Projects**

The European Commission should consider raising the financial thresholds for the procurement of public contracts implementing energy efficiency measures. Despite the already high thresholds at an EU level, increasing them further, along with simplifying procedures, would reduce administrative burdens while maintaining regulatory compliance. In addition, the European Commission should make recommendations and encourage Member States to increase financial thresholds at a national level to enable the renovation of public buildings, as these stricter thresholds impede the clean energy transition of the public sector. This would enhance the ability of one-stop shops and platforms like ENERGATE to support public bodies in designing, financing and implementing energy efficiency interventions in public buildings.

> **Simplify and Streamline Procurement Processes**

The European Commission should simplify the public procurement process for projects that meet rigorous environmental criteria, by defining “fast-track” pathways and providing standardized templates. This would reduce administrative burdens and complexity, accelerate the procurement process and facilitate public authorities’ efforts to renovate public buildings.

> **Introduce Specific Exemptions for Financed Energy Efficiency Solutions**

The European Commission should establish specific exemptions within procurement law to allow public authorities to access financed energy efficiency solutions either without undergoing standard public procurement procedures or by using simplified public procurement procedures. This would provide greater flexibility to public authorities in securing funding for and accelerating the implementation of energy efficiency projects, whilst ensuring that citizens enjoy the social, environmental, wellbeing and health benefits that stem from such interventions. At the same time, this would make it simpler, thus more appealing, for entities that offer financed solutions, like Energy Service Companies (ESCOs), to develop financed solutions for public authorities. This would also enhance the ability of one-stop shops and platforms like ENERGATE to support such efforts.

> **Enable Aggregation of Projects and Cost Savings**

The European Commission should facilitate the aggregation of projects, as this allows for better price negotiations and lower upfront costs due to higher volume purchases. Public procurement rules can limit the ability of one-stop shops and platforms like ENERGATE to fully facilitate the aggregation of public authorities’ projects. Addressing regulatory barriers would enhance one-stop shops and platform’s ability to support public authorities (especially local and regional authorities) in joint procurement, improving cost efficiency. While this approach may face challenges in inter-municipal communication, it remains a key opportunity for scaling energy efficiency investments.

Context

Energy efficiency is fundamental for achieving a cost-effective transition towards a decarbonised and reliable energy system. As such, the Energy Efficiency First principle is embedded in EU legislation; with the revised Energy Efficiency Directive (EU/2023/1791) giving it legal standing, so energy efficiency must be considered by EU countries in all relevant policy and major investment decisions taken in the energy and non-energy sectors. In addition, the revised Energy Performance of Buildings Directive (EU/2024/1275) aims to increase the rate of renovation in the EU, particularly for the worst-performing buildings in each country. However, the energy renovation rate of buildings remains low and insufficient to achieve set goals, even more so for deep renovations. The reasons are multifaceted, and include the high investments needed and the long payback periods. High costs are a real barrier for building owners and businesses that do not have the necessary funds upfront, despite the long-term savings from the implementation of sustainable energy interventions.

Although the EU is taking tangible steps to increase the renovation rate of buildings, there is still limited capital flowing to the renovation of the current building stock. This reveals an urgent need for action, and for mobilizing investments for the energy renovation of buildings. In this context, tools and methodologies are needed to attract and leverage private investments for energy efficiency projects, such as easily accessible one-stop shops that can aggregate projects, provide advice and packaged solutions for financing and implementing energy efficiency interventions in buildings.

The ENERGATE project, co-funded by the LIFE programme, aims to address this need by creating an effective, ICT-enabled marketplace for energy efficiency investments in buildings. **The ENERGATE marketplace is being implemented through a user-friendly platform that connects building owners, implementors of energy renovations and financial institutions to enhance project financing and accelerate renovation rates.** The ENERGATE platform was launched in October 2024, and it is designed to facilitate the collection of potential projects including project-specific and technical information, the aggregation of similar projects, and their matchmaking with implementors and financiers. Its success is strongly connected with effectively engaging key stakeholders, so that through the aggregation and matchmaking process it can provide energy renovation projects that can be successfully financed. Key stakeholders include building owners (including private and public bodies), implementors (e.g. Energy Service Companies, project developers, engineering companies and installers) and financiers (such as commercial banks, development banks, private investors, and investment funds). Currently, the ENERGATE platform is being tested through different pilots implemented across six European countries; with a strong focus on engaging stakeholders and encouraging them in actively participating and becoming users and actively contributing to the implementation of energy efficiency interventions. Interestingly, the pilots in Greece and Spain also target public authorities, so that the energy renovation of public buildings can be facilitated.

Learnings from the ENERGATE project

During the design of the ENERGATE platform, the different needs of different stakeholders were identified and analysed. From the start, it was clear that there are inherent differences between private building owners and public building owners, so these two target groups need to be treated differently within the platform. This is mainly because public bodies need to ensure compliance with national and EU public procurement laws and regulations when implementing energy efficiency interventions in buildings they own/manage.

The **complex and strict public procurement requirements** that public authorities need to comply with when implementing projects is a real barrier for such entities benefiting from one-

stop shops and platforms like ENERGATE that can help them design and finance energy efficiency interventions for their buildings. More specifically, public procurement rules must be followed when the cost of works, supplies or services exceed a specific threshold. EU legislation sets higher threshold, for instance €221,000 for local and regional government contracts (from 1 January 2024), however, most Member States have defined stricter national thresholds, such as € 20,000 and € 30,000 for Latvian and Greek local and regional government contracts respectively). These thresholds are very low, so these make it unlikely for any building renovations to be directly awarded to an implementor without a competitive tendering procedure.

In addition, there is a **lack of procurement flexibility for energy efficiency projects**. Therefore, public procurement rules prevent public authorities co-creating projects with implementors and ESCOs (Energy Service Company), therefore limiting further the value of platforms like ENERGATE that aim to facilitate the collaboration of implementors and ESCOs with building owners.

As a result, the public sector was treated as a special sector, and care was taken when this was incorporated within the ENERGATE platform. Due to the restrictions posed by public procurement rules, functionalities available for users that are public bodies in the ENERGATE platform are limited, when compared to those available for other building owners. In particular, public bodies can register in the platform and enter information about their buildings and types of interventions they are interested in implementing. However, implementors are not able to develop an offer for these buildings, outlining energy efficiency and other measures they are interested in taking on. This is only permitted for projects that do not exceed the maximum financial threshold set by regulations, which in turn limits the potential of any noteworthy energy efficiency projects. Instead, public bodies can gain information about possible funding programmes and financing mechanisms they can explore for the energy renovation of their buildings. In essence public bodies can be matched with financiers but not with implementors for projects, nor can they have access to financed solutions developed by implementors.

Given the significant role of public bodies in the energy renovation of buildings and how these can lead by example, it is important to ensure that barriers to such efforts are alleviated to the extent possible. To ensure that public bodies can in the future benefit in full from one-stop shops and platforms like ENERGATE, **public procurement rules need to facilitate the implementation of energy efficiency interventions and** not impede progress towards the clean energy transition.

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