



# Position Paper: Cost-Optimality Framework

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German Business Association on Energy Efficiency (DENEFF)  
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DENEFF welcomes the proposed delegated regulation and the Commission's intention to align the cost-optimality framework with the EU Climate Law and the recast of the EPBD. We offer the following remarks to strengthen consumer protection, investment certainty and climate delivery while keeping the methodology administratively lean.

## **1. Efficiency-First as guiding rule.**

Energy efficiency is the most direct lever to cut bills for tenants and owners, shield households from volatile energy prices and reduce the public-investment needs for generation, grids and storage. We therefore urge the Commission to place an explicit hierarchy in the regulation: minimize energy demand through ambitious end-use requirements and meet the residual demand with on-site and district level generation primarily. Making this sequence mandatory would give Member States a clear decision tree and operationalize the Energy Efficiency First principle embedded in EU energy legislation.

## **2. Appropriate discount rates to value long-term benefits.**

Building components often last fifty years or more, yet many Member States still apply macro-economic discount rates of 3-5 % real. Such rates down-weight future energy savings. We support the mandatory sensitivity analysis but recommend setting a maximum real macro-rate of 2 % for the benchmark calculation. This ceiling reflects recent work by the Commission's own impact-assessment guidelines, growing academic consensus on social time preferences and the need to protect future generations from climate costs. Lower rates would also level the playing field between energy efficiency and capital-intensive supply-side assets that already enjoy long depreciation periods.

## **3. Unbiased energy-price assumptions.**

Since 2022, many Member States have introduced temporary tax reductions, price caps and direct transfers that artificially depress end-user prices. If these interventions are carried into the calculations, the true value of efficiency improvements is systematically underestimated. We recommend that Annex II clarify that Member States must use *unsubsidized* social opportunity costs of energy and, where available, the long-term cost of supply including upstream

network, balancing and storage expenses. This correction will ensure that cost-optimality reflects real economic welfare instead of short-term crisis instruments.

#### **4. Forward-looking primary-energy and CO<sub>2</sub> factors.**

DENEFF welcomes the requirement to apply projected primary-energy and emission factors averaged over the calculation period. To guarantee comparability, the Commission should publish default pathways – covering electricity, district heat and major fuels – consistent with NECPs, REPowerEU and the 2040 climate target. Member States may deviate if they submit transparent, peer-reviewable data. Harmonised forward factors will prevent underestimation of the long-term benefit of electrification and deep renovation in power systems that decarbonise rapidly after 2030.

#### **5. Transparency and enforcement**

The mandatory reporting template in Annex III is pivotal. We encourage the Commission to (a) host all national input data, assumptions and results on an open portal in machine-readable form; (b) publish a biennial scoreboard comparing minimum requirements with national cost-optimal levels; and (c) initiate infringement procedures promptly where Member States fail to adjust their standards within the 24-month deadline or leave margins wider than the 15 % allowed. Transparent data will enable investors, civil society and local authorities to monitor progress and accelerate market uptake of high-performance solutions.

## **Conclusion**

With these amendments the delegated act will ensure that cost-optimality truly serves as a floor – never a ceiling – for ambition, amplifies the multiple economic and social dividends of efficiency, and provides a stable investment climate for Europe's building supply chain. DENEFF and its member companies stand ready to support the Commission and the Member States in implementing an efficiency-centered methodology that delivers affordable, climate-proof buildings for all Europeans.

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