

Energy Savings: Overview of NGO Views for the forthcoming Energy Efficiency Action Plan

Based on current efforts, the EU will miss its 2020 primary energy saving target by about half, despite the fact that practices and technologies to reach this or even a higher target already exist – and despite the widely understood benefits that closing the gap would entail such as potential cost savings of up to €78 billion annually by 2020¹, a million new local, permanent jobs, improved security of supply, greater economic competitiveness and improvements in comfort, air quality, health and quality of life. Saving energy is also acknowledged as the best option for the EU to meet its climate targets in a fast, cost-effective way.

1. Making sure the 2020 energy savings target delivers its potential – and matches up to the EU's 2 degree climate commitment

- The EU needs to boost energy efficiency throughout the production, supply and consumption chain. This means **basing the 2020 target on primary energy consumption** (before transformation into electricity and end-use fuels) to ensure economy-wide reductions in energy use.
- The EU's 2020 target is currently calculated on business as usual projections; however this is too vulnerable to fluctuating economic situations. The simplest solution is to **set a fixed reference year (e.g. 1990 or 2005) to give a clear sense of direction and help measure year by year progress.**
- Historically, progress in energy efficiency has led to increases in energy consumption as more uses are found for more efficient products. **Avoiding the rebound effect** means specifying net reductions in energy use.
- Energy efficiency is one of the most cost effective ways of reducing greenhouse gas emissions: the EU must set a long term energy savings target that is in line with the objective to reduce CO₂ emissions by 80-95% by 2050 and its **commitment to keeping global temperature rise below 2 degrees.**
- Financial savings, energy independence, job creation and emissions reductions are too important to fail. **Meeting the 2020 target must be mandatory, not optional.** A mandatory target is not by itself a golden solution - but experience shows it is needed to **provide the requisite focus, drive and ambition in setting and implementing the sub-targets**, policies and programmes that will overcome the barriers and allow us to enjoy all the benefits of an energy efficient economy.

2. The EU needs to coordinate up front financing for investments in energy savings

- The Commission's initiatives to **focus European energy taxation on the CO₂ content of fuels** must be pushed forward, and the revenues used to finance investments in energy efficiency and social compensatory measures.

¹ "Energy Savings 2020. How to triple the impact of energy saving policies in Europe", Ecofys and Fraunhofer.

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- Member States should **introduce a tariff on electricity transmission to support energy efficiency**. Such “wire charges” are already standard in Belgium, Denmark, Greece, Italy, Portugal, and the Slovak Republic.
- Central and Eastern European Member States have the biggest potential to reduce energy use – and energy bills. **Much more of the European Union’s structural funds must be used to implement energy saving measures.**
- **EU and Member State subsidies must prioritise energy efficiency** and renewables (over 82% of EU-15 energy subsidies go to oil, gas, coal and nuclear power according to the European Environmental Agency).
- Besides wire charges, **the power sector could provide additional funding for energy efficiency** (see also 3 below) through funds provided by suppliers as a means of fulfilling mandatory energy saving obligations, or fines for non-fulfilment of requirements.
- As important as the level of funding is the way it is used. The best practices and innovative financing structures emerging in different Member States should be studied and promoted in a recast Energy Services Directive. Institutions like **green investment banks**, which combine the functions of **bringing together streams of public funding**, using this to **encourage private sector investment** in energy saving services (e.g. third party financing for building renovation), and **matching finance with energy efficiency projects** offer a streamlined, gap-closing approach. Depending on existing structures and financing practices in Member States, the Energy Efficiency Funds proposed in the Energy Services Directive could either become, or be linked to institutions which fulfil these various but closely linked roles.

3. The power sector must have a clearer role in delivering or facilitating energy savings with clear, target-linked obligations

- The power sector must contribute to energy saving. **Full unbundling of supply companies from distribution networks** should be considered as part of the 2011 revision of the Energy Services Directive (ESD), and/or a part of a harmonisation of public service obligations for energy savings within internal market directives.
- Until then, all Member States must ensure **obligations are imposed on energy companies** to contribute to the energy saving target - bearing in mind the inherent contradiction between assisting customers to reduce their energy consumption, and a business model under which a company makes its money from selling more kWh.
- Power sector involvement could take the form of companies acting as energy service companies (ESCOs) themselves (provided measures are in place to ensure competition from other players), outsourcing the delivery of savings to other players, or making financial contributions to energy efficiency funds. In all cases quality control of the measures should be ensured.
- The most appropriate model for power sector obligations/energy service provision by power companies may vary according to the market structure in each Member State. However the extreme flexibility / discretion offered to Member States under the current ESD has resulted in very limited uptake of power sector involvement in energy saving. **A recast ESD should require Member States to make use of the most appropriate model from a set of clear options.**

4. The Energy Services market must be unlocked

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- A thriving energy services market has huge potential as a win-win delivery mechanism for energy savings, but experience to date is that **more initial support and guidance is needed to get it rolling**. A strong programme of legislative and non-legislative measures is needed, alongside power sector obligations, to build up this market, including inter alia:
 - Mandatory **Energy Efficiency Funds** which are either designed and managed so as to leverage private finance, or linked to institutions which do this, combined with streamlining of third party financing options for ESCOs without their own means.
 - **National and/or regional hubs**, possibly linked to the Energy Efficiency Funds, to connect ESCOs, financing and business opportunities.
 - **Targeted information and awareness raising** to both clients and providers about the possibilities of energy services and Energy Performance Contracting.
 - **Aggregation of fragmented opportunities** (e.g. residential households, public authorities via public procurement or tendering rules) to provide larger and more attractive investment possibilities.
 - Provision of **standardized quality control (monitoring and verification) procedures, definitions and documentation** (e.g. contracts).

5. Energy Efficiency in buildings needs greater support

- Energy consumption of the existing building stock should be drastically reduced by stepping up the pace of renovations. In particular, national **renovation targets should be agreed** with the purpose of at least tripling renovation rates, meaning by renovation a “deep renovation” that brings the energy used for heating purposes in the refurbished building to a level comparable to the “passive house standard” (15kwh/sqm/year). To do so a comprehensive package of measures is needed:
 - National **Energy Efficiency Funds** (see above) should be used to direct and leverage resources towards financing the up-front cost of renovations.
 - National policies and/or local authorities should facilitate the **aggregation of renovation projects** in order to create the critical mass that ESCOs need to enter the market of refurbishing residential buildings.
 - **Energy performance contracting should be linked to the property** (i.e. the building to be refurbished) and not to the owner, in order to ensure that a possible intention to sell the building does not act as a barrier to renovation (see for example the Pays-As-You-Save scheme in the UK).
 - To make sure that the European building stock is progressively upgraded, it should become obligatory (after a reasonable period of incentives, information and encouragement) that the energy performance of a building be upgraded when a property changes owners or before it is made available to rent.

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- The Energy Performance Certificate must become functional as a real check list to help the buildings' owner prioritize the energy efficiency measures to put in place. **Recommendations in the Energy Performance Certificate must be linked to an obligation to carry them out**, at the very least for public and commercial buildings.
- The Commission needs to elaborate guidelines for Member States on how a detailed application of “nearly zero energy buildings” definition in the EPBD should look in practice, in order to ensure maximal effectiveness of the definition and to avoid excessive discrepancies among the 27 national definitions.

6. Strengthened sectoral measures are needed for products

- Greater consistency between the Ecodesign and Energy Labelling directives should be ensured by **revising both instruments together in 2012/13**, so as to foster greater dynamism in market transformation and more meaningful consumer information on energy savings. Ideally the Ecolabel and Green Public Procurement rules should also be revised at the same time and implemented in coordination with Ecodesign and Energy Labelling measures
- **Energy savings and efficiency** must be introduced as clear and compulsory **criteria in all tendering documents for public procurement** of goods and services.
- While **market surveillance** to ensure that energy using and energy related products comply with the Ecodesign directive is a national competence, the Commission should facilitate better collaboration of the Member States. In particular, by establishing an EU database of test results and non-compliant products, setting a minimum level of fine across the EU, and ensuring that a non-compliant product is removed from all 27 markets.
- The constant trend towards bigger and more powerful appliances and electronic products can be detrimental to the EU energy saving objectives. The Commission should **introduce progressivity in the definition of energy performance** and energy labelling requirements, meaning requirements that are tightened with increasing size/functionalities of a product and/or that fix a maximum limit for energy consumption for each product regardless of its size.

7. The full range of available tools needs to be used to reduce energy consumption in the transport sector

- All tools available including vehicle and fuel taxation, minimum vehicle efficiency standards, informational and behavioural measures and public transport improvements should be employed to stem and reverse the growth in emissions and energy use from this sector. Particular attention must be given to:
 - **Increasing the efficiency of the transport system overall** by promoting passenger transport by rail, cycling and walking, including inter alia by means of developing inter-modal and intelligent transport systems, public transport infrastructure and congestion charging. Minimum performance standards should be set for public as well as private transport modes.
 - Reviewing progress towards the EU's **CO2 emission standards for cars** by the end of 2011, and proposing modalities for the

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implementation of the 2020 target. Further targets of 65 gCO₂/km by 2025, and 50 gCO₂/km by 2030 should be set to provide the sector with long-term planning security

- A strategy for lowering the fuel consumption and CO₂ emissions of **heavy duty vehicles**.
- The introduction of an energy efficiency standard for **mobile air conditioning**.
- Fitting in-car fuel economy meters to all passenger cars and bringing in a clear-multi-class rating system for fuel economy and CO₂ emissions.
- Standardising software for infrastructure and charging stations for **electric vehicles**.
- Raising minimum levels of **fuel taxation**, particularly for diesel, and adopting the Directive for basing **passenger car taxation** on energy efficiency and CO₂ measures.

8. Differentiated measures are needed to ensure optimal efficiency in large and small industry

- Industrial energy efficiency can be improved by inter alia upgrading and proper maintenance of energy efficient equipment and facilities, improved waste heat recovery, and behavioural and structural changes (e.g. reprogramming default thermostat or compressed air system settings).
- Appropriate incentives, obligations and supporting measures should be introduced to ensure that all energy saving opportunities are identified and realized in large and small enterprises – noting that the EU ETS is not delivering the needed long term investment in energy savings in energy intensive industries, and that many barriers including information, awareness and resource availability prevent adequate attention to energy use in SMEs. Measures should include:
 - **Mandatory energy audits** of the facilities of companies above a given size.
 - Promotion of effective and comprehensive **energy management systems**, and compilation and widespread dissemination of best practices for different industrial sectors.
 - Tax breaks or other incentives for companies which introduce such systems, possibly supported by smart metering.
 - **Third party verification** of the achievements of energy management practices.
 - Ambitious minimum performance standards for equipment.
 - Awareness campaigns and access to capital for upfront costs for SMEs,
 - **Specific sectoral targets** may ensure these tools are utilized.

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