



Critical Conclusions on EU Energy Efficiency Policies

EUFORES Inter-Parliamentary Meeting
Hellenic Parliament, Athens
24 November 2012

Erica Hope, CAN Europe

Who we are

Climate Action Network (CAN) :
an international coalition



Regional and national nodes across the globe



Climate Action Network Canada Réseau action climat Canada

CAN-Europe



The Coalition for Energy Savings

Industry, NGO, professional and governmental associations

- 400 associations, 150 companies,
- 1.5 million employees, 15 million supporters
- 1,000 cities and towns in 30 countries in Europe



Overview

1. What's the state of play with EU Policy on Energy Efficiency?
2. Selected Member State examples
3. Reflections and recommendations for EU policies

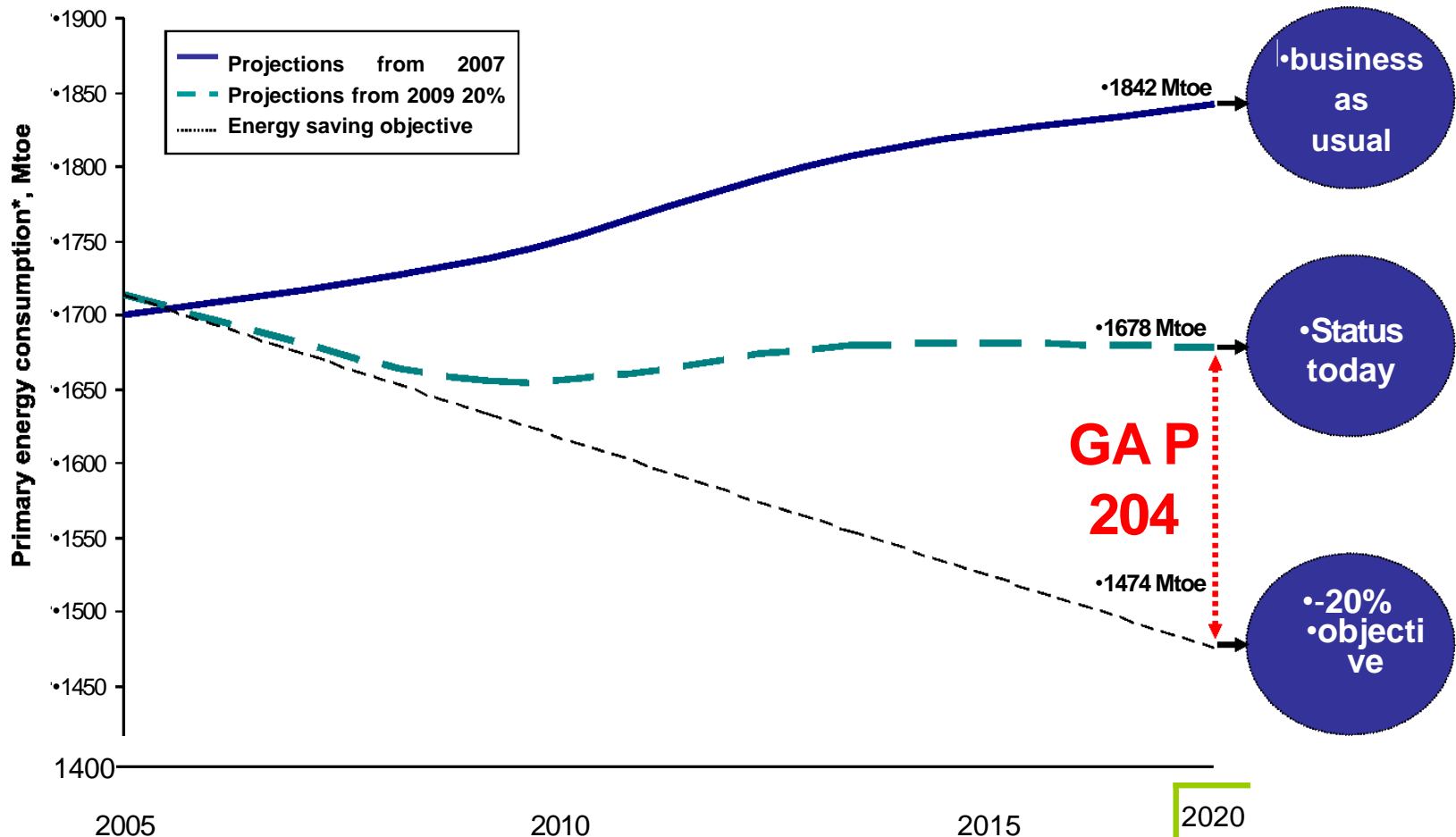
Overview

1. What's the state of play with EU Policy on Energy Efficiency?
2. Selected Member State examples
3. Reflections and recommendations for EU policies

20:20:20

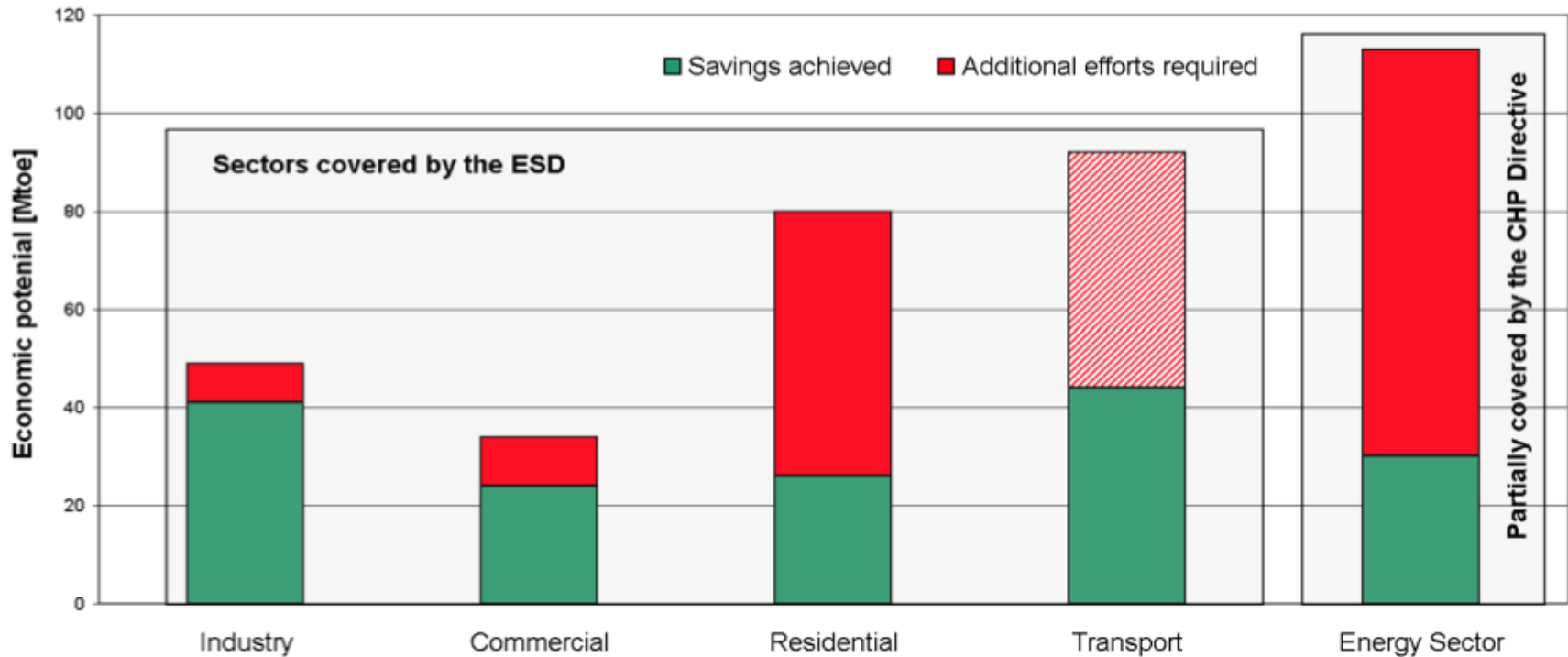
The Energy Savings Gap (pre EED)

So far the EU is not on track to meet its 20% target



* Gross inland consumption minus non-energy uses

Sectoral savings potentials



Expected improvements by 2020 and the need for additional effort per sector

Source: European Commission EED Impact Assessment

Multiple barriers mean energy savings won't just happen by themselves

Many barriers are common to all sectors:

- Lack of **information, awareness or compulsion**
- **Hassle**
- Non-availability of **upfront finance**
- **Split incentives**
- **Payback times** longer than industry want (partly due to low energy prices)
- Under-developed **supply chain**
- Unclear **responsibility**

Existing EU Legislation (pre EED)

- *Non-binding target to save 20% of primary energy consumption by 2020*
 - Energy Performance of Buildings Directive (2010/31/EU)
 - Ecodesign (2005/32/EC) and Energy Labelling (2010/30/EU)
 - Energy Services Directive (2006/32/EC)
 - Regulations on CO₂ in Passenger Cars and Vans
 - Combined Heat and Power (CHP) Directive (2004/8/EC)
- + flanking measures including Covenant of Mayors, finance

Energy Services Directive: **successes**

- Set targets which many Member States will meet – *though this may not mean many **additional** savings*
- Began a process of Member State reporting:
 - Established a **source of information** on Member States' work on energy efficiency (the National Energy Efficiency Action Plans – **NEEAPs**)
 - Helped to expose the importance / begin development of **coherent, complementary policy packages** addressing all relevant barriers and actors in a given sector – rather than isolated measures

Energy Services Directive: **weaknesses**

- 9% target for 2016 was **non-binding**, so non-enforceable
- Good ideas in the ESD were presented only as **possibilities** for Member States, not firm requirements
- Measures put forward by Member States in their NEEAPs were **not necessarily clear strategies linked to achievement of the target**
- **Limited additionality** of policies proposed by Member States - “plans” included:
 - BAU / **autonomous** improvements (could be 0.5-1% /year)
 - **Early actions** i.e. savings achieved in the past
 - Actions arising from **other EU Directives** e.g. EPBD, Ecodesign
 - Policies they had **planned** to put in place even without the ESD
- **No formal / logical link between the ESD target and the EU’s 20% target for 2020**

→ Corrective action by the EU

- 1) **More guidance** provided to Member States for the second round of NEEAPs (June 2011)
- 1) In parallel, a more fundamental rethink of the efficiency policy framework has taken place: **the ESD and CHP Directives have been replaced with ...**
a new Energy Efficiency Directive.

The new Energy Efficiency Directive (EED)

- Proposal published by European Commission in **June 2011**
- To cover **both end use and supply side**, replacing Energy Services and CHP Directives
 - Negotiated during 2011/2012
 - Agreement between Council and Parliament concluded by Danish Presidency, **June 2012**
 - Formally approved by European Parliament and Council **September/October 2012**
- **Entry into force: December 2012**
- **Transposition deadline: June 2014** (*though several specific deadlines fall earlier*)

EED key provisions: **targets**

- EU's 2020 energy consumption "*has to be no more than **1474 Mtoe of primary energy** or no more than **1078 Mtoe of final energy***"
 - Member States to set **indicative national targets**, and report annually (+ fuller reports every 3 years)
 - In 2014 Commission will **assess progress to 2020 target** and make, "*if necessary, proposals for further measures*"
- Member States to put in place **energy company obligation schemes** or alternative measures to deliver **1.5% cumulative annual energy savings**.

EED key provisions: **measures**

End use sectors:

- **3% annual renovation rate** for central government buildings
- Member States to prepare **Renovation Roadmaps** for entire building stock
- Member States to facilitate establishment of **financing facilities**; may set up National Energy Efficiency Funds and use ETS auctioning revenues
- Large enterprises to conduct **energy audits** every 4 years
- Informative **metering and billing**
- Removal of **legal obstacles** e.g. split incentives

Supply side:

- Cost benefit analysis for **combined heat and power (CHP)** and priority grid access / dispatch for CHP-produced electricity
- Promotion of **demand response**
- **Assessment of efficiency potentials** of gas and electricity infrastructure

Summary: state of play of EU policies

- Several **sectoral** pieces of legislation remain. and continue to be updated: EPBD, Ecodesign, Energy Labelling, CO₂ standards for cars and vans.
- The CHP and Energy Services Directives have been repealed and **replaced by the new EED**, under which:
 - Member States must set **indicative overall national targets, covering supply and end use.**
 - the 1.5% end use target is **effectively a continuation of the ESD target until 2020, BUT**
 - made **legally binding**
 - with (slightly) more clearly specified additionality requirements
 - a stronger indication that it can be delivered through obligations on energy companies.
 - The **2014 NEEAP** becomes the first 'supplementary report' under the EED, which must then be followed up every three years.
- The possibility remains open for **further measures and / or targets to be set in 2014.**

Overview

1. What's the state of play with EU Policy on Energy Efficiency?
2. **Selected Member State examples**
3. Reflections and recommendations for EU policies

Austria

- Import dependent, anti nuclear
- ESD weakly implemented but targets will be reached thanks to counting of early actions
- 2010: new Energy Strategy aiming at stabilisation of energy use on 2005 levels – new level of impetus post Fukushima
- EED will be implemented through new federal law on efficiency, focussing on
 - Obligatory energy commissioners
 - Energy management systems / audits for companies subsidised by transmission charges and fossil fuel taxes
 - 1.5% target will be split: 0.37% ETS companies, 0.5% non ETS, 0.6% utilities
 - Will current subsidy level for building retrofits (100 million Euros / year) be continued?
- Little action so far on certification / training, transport, energy services

Poland

- Still far below European average on energy efficiency: starting to give it greater emphasis, but current focus is on achieving EU-15 level
- Energy Services Directive implemented very late through new Energy Efficiency Act, which puts in place a white certificate system
- ESD target will be met but will result in few additional savings
- “Thermo-modernisation programme” was stimulated by EPBD:
 - households, local authorities and cooperatives receive loans for building retrofits + 25% cashback on completion / audit
 - Funding of programme uncertain

Denmark

- Ambition to become fossil fuel-free by 2050, through renewables and efficiency
- Wide range of ambitious policies in place even without EU laws; 2020 target looks set to be met
- Most important instrument: mandatory energy savings obligation on energy distributors
- Debate more mature → source of data on new aspects e.g.
 - How can obliged parties be encouraged to implement deep renovations?
 - How can deep renovations be made economically interesting for private householders?
 - What level of energy consumption is influenced by smart meters?
- Held EU Presidency during EED negotiations: steered it to its conclusion

Germany

- Reasonably ambitious target of lowering primary energy use by 20% by 2020, BUT will probably be missed
- Also has a target to make building sector climate neutral by 2050; has put in place famous KfW subsidy programme BUT financial support now being cut
 - 8.7 billion Euros spent on offering customers subsidised loans for building retrofits (~3%) + 12.5% cashback → 1.5 million homes reached
- Was responsible for 'alternative measures' provision of 1.5% target in EED, but is at least taking it seriously and carrying out a thorough assessment of how best to implement
- Particularly poor on transport: no speed limit, incentives for bigger cars, not interested in electric vehicles.

Greece

- Greek Energy Roadmap foresees 2050 energy consumption similar to today's level
- 2nd NEEAP goes in right direction but fails to specify any detail on how efficiency measures will be incentivised: nothing on energy companies, smart meters, transport.
- Recent energy savings almost all due to economic crisis; measures lag far behind targets
- “Efficiency at Home” programme offers financial incentives for residential buildings:
 - Energy consumption in household sector has reduced 14.7% between 2007-10
 - BUT only 13 000 buildings accepted compared to target of 100 000.
- Almost no measures on transport or public sector (450 million Euros / year spent on public buildings' energy consumption); no progress on energy services or smart meters

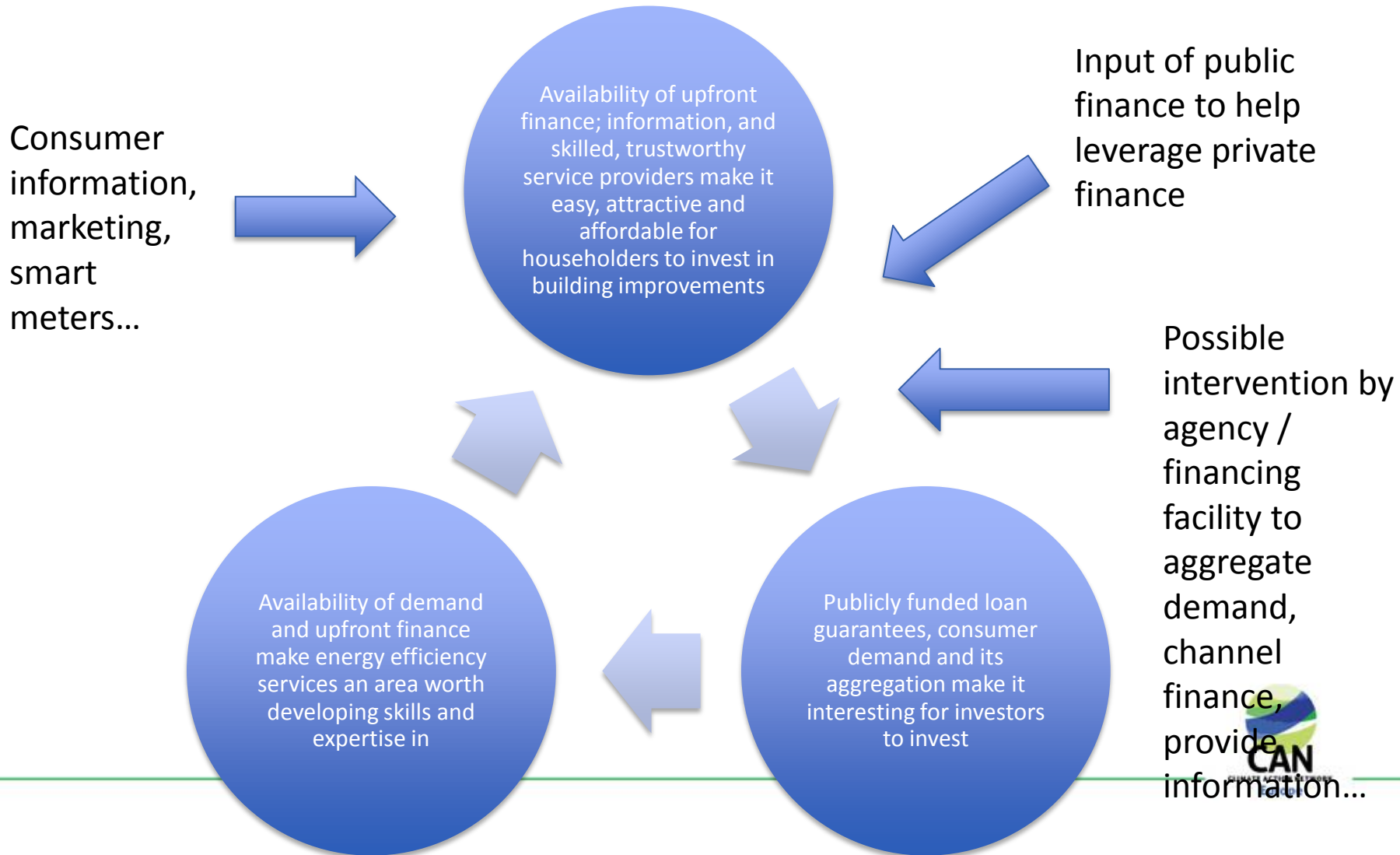
Overview

1. What's the state of play with EU Policy on Energy Efficiency?
2. Selected Member State examples
3. Reflections and recommendations for EU policies

EU policies are important

- **EU policies are often the trigger** to national action, even if Member States are reluctant to agree them.
- **“Binding”** is not a magic word, but it does increase the chances of success.
 - Sets political focus on developing **coherent policy packages**.
 - Provides certainty to **investors and supply chains**.

Comprehensive policy packages are needed – e.g. a successful residential retrofit programme tackle all relevant issues in a complementary way



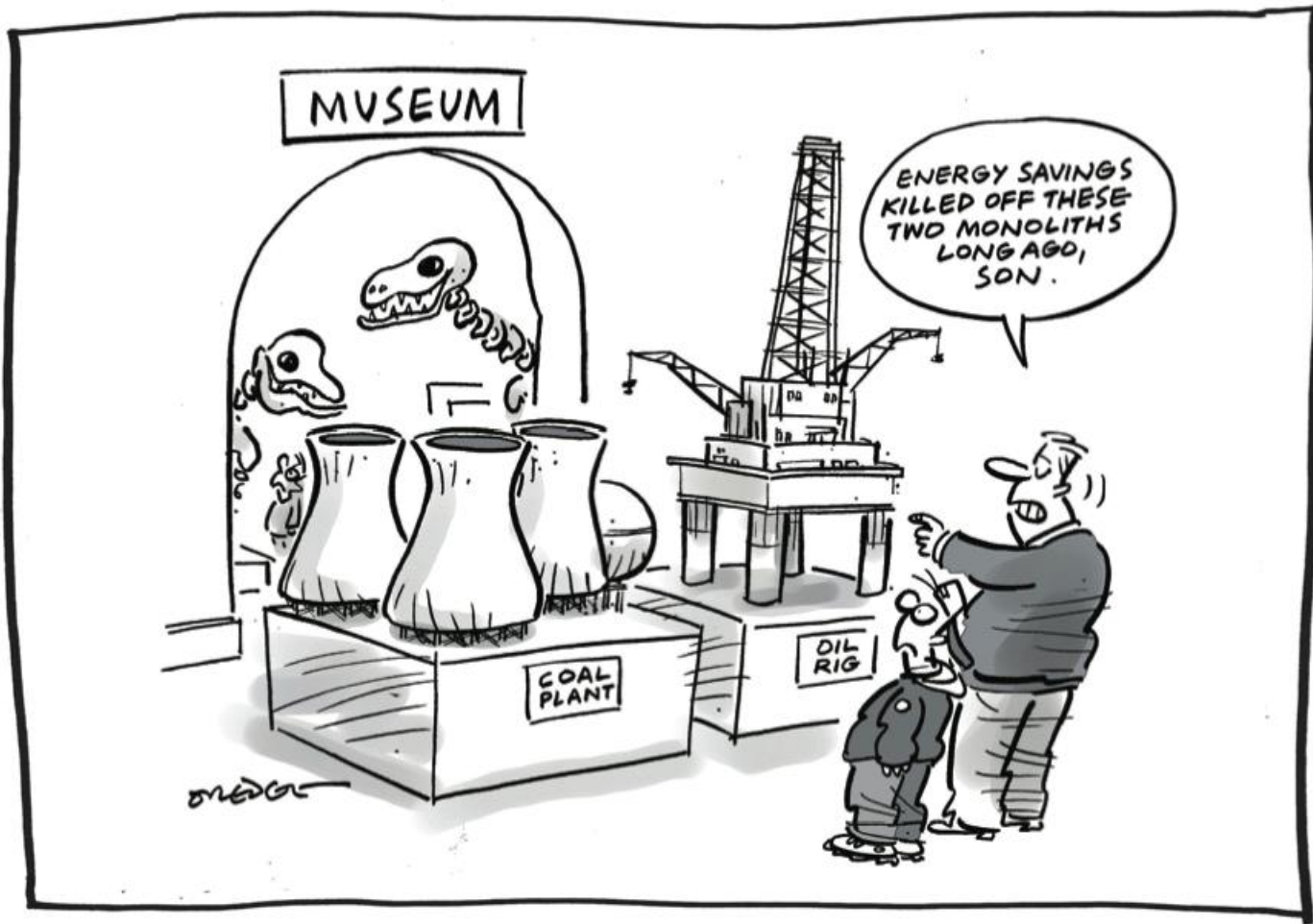
General observations

- Most countries will achieve their ESD target BUT **this will not mean many savings beyond what was expected autonomously.**
- Most frequently highlighted shortcomings and policy gaps include
 - **Missed opportunities in public sector**, including weak public procurement rules
 - **Irregularity and inadequacy in financing** for building sector: both availability and access
 - Very little attention to **transport**
- Progress is diverse across Europe, but there is an **increasing body of experience** on how to design effective policy packages.

Making the most out of the EED

- EU energy efficiency policy is evolving. The EED is imperfect but offers improvements on ESD:
 - with a good implementation, in combination with sectoral measures it could deliver 17% savings by 2020.
- Implementation can be helped by:
 - Timely provision of Commission **guidance documents**
 - **Avoidance of reinventing the wheel**: make use of platforms for sharing best practice (Concerted Action, BUILDUP, eceee, Energy Efficiency Watch conclusions...)
 - Increased **consistency and synergies** between efficiency and other energy policies: *e.g. maximise use of demand side resources in energy markets and infrastructure plans*

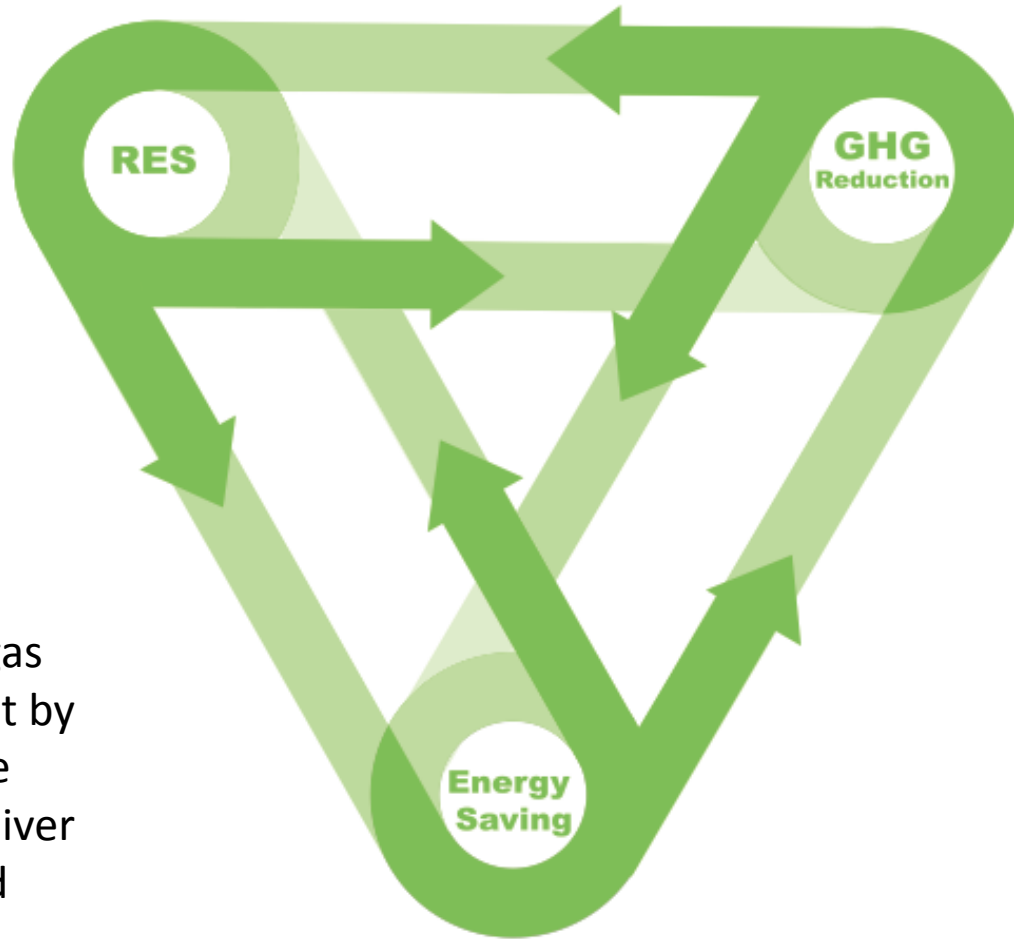
Energy Savings as an Energy Source



Looking ahead

- 2020 is fast approaching: **2014 review** should be taken as a serious opportunity to correct shortcomings and close the gap to the 2020 target.
- A long-term perspective is needed: **energy savings should be the target-led foundation of a 2030 framework** for climate, energy and economic policy.

2030 Climate and Energy Framework



A greenhouse gas emissions target by itself will not be sufficient to deliver renewables and energy savings

How to increase political will for stronger EU targets and policies?



Lessons from the EED negotiations

- Uncertainty about ability to deliver: governments don't want to be held accountable
 - *Accompany proposals with thorough data on sectoral potentials and progress in each Member State*
- Different starting points: countries which have already taken action don't want to be penalised
 - *begin work early on a fair effort sharing proposal*
- Solutions to upfront financing are essential
 - *Mobilise financial sector*
 - *Prioritise establishment of financing facilities*
 - *Continue technical support for accessing and using EU funds*
- Greater appreciation needed of economic benefits of energy savings
 - *Need to see them demonstrated*
 - *Stakeholder lobby and beneficiaries need to be better organised*
 - *Energy Efficiency as a common political project for the EU...*



Thank you!

erica@caneurope.org