



EUROPEAN ALLIANCE TO
SAVE ENERGY

Creating an Energy-Efficient Europe

EU-ASE Position Paper HEATING AND COOLING

As part of the February 2015 Energy Union Strategy, the European Commission committed to present its long-term vision on Heating and Cooling (H&C), rightly acknowledging the potential of this sector in contributing to the transition towards a low-carbon and energy efficient economy. One year afterwards, the Commission published its Communication which is an important step in providing a holistic approach to transforming H&C in the EU.

The European Alliance to Save Energy (EU-ASE) welcomes the Strategy as it:

- Recognizes that the H&C sector alone accounts for 50% of the EU's energy consumption, much of it is wasted, and 75% of the fuel it uses comes from fossil fuels;
- Provides a comprehensive EU framework strategy aiming at both the maximization of efficiency and sustainability of the H&C sector. This is a very positive political signal sent to both technology and service providers across Europe.
- Identifies priority areas of action and broad long-term goals:
 - the *decarbonisation of buildings* through high energy efficiency and renewable energy standards (e.g. local generation and direct use) for new and renovated buildings, the automation of H&C systems and the use of efficient domestic equipment and appliances. Electricity at end-use phase is a way to ensure a full decarbonisation at EU level. Therefore, higher electrification of usage has to be promoted in the building sector (residential and non residential) and in the industry. Heating and cooling electrification is an opportunity for facilitating demand management and renewable integration;
 - the *decarbonisation of industry* by maximising energy efficiency, notably in industrial processes, and using more renewable energy sources;
 - *reuse by-products as waste heat and cold* from industrial processes, LNG terminals and gas grids, including *promoting Cogeneration (CHP)*, and channeling it through *District Heating and Cooling Networks (DHN)* which are flexible systems that can produce significant energy and CO2 savings. CHP where it is economically viable and effective in terms of emissions reductions shall be encouraged. DHN may bring benefits in urban areas with a high building density where it can deliver advantages if cheap decarbonized heat sources are available. Moreover, at time when intermittent renewable electricity can be in oversupply, heat and cold storage can provide a very cost effective solution to offset peaks in demand while reducing the cost of the energy system.

EU-ASE welcomes the strong position expressed by the European Parliament on this Communication (own-initiative report lead by Gierak MEP) which calls to both reduce heating demands from buildings and switch away from fossil-fuel powered individual boilers to adopt sustainable heating and cooling options.

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EU-ASE recalls that in order to strengthen this strategy, two guiding principles must be clearly embraced:

- the “Efficiency First” principle must be firmly applied also in this sector. A reduction of energy consumption through energy efficiency must be prioritized before addressing the enormous potential of recoverable heat in Europe. Ending energy leakage of buildings and supporting efficiency in industry are two top priorities;
- Reflect in a coherent way the 2015 Paris Agreement on climate change (COP21) promoting a cost-effective integration between energy efficiency and renewables in H&C technologies and supporting a shift in use of sustainable and renewable sources. The share of renewables has been slowly increasing accounting for 18% of primary energy supply in 2012: the potential is still untapped at all levels and the share of renewables in H&C in the Member States should be further increased. This strategy opens the door to the development of smart and efficient energy systems, technologies and management that can be capable of integrating as many renewable energy sources as possible.

While the EU Strategy on H&C is a policy document which is neither legally binding for Member States nor proposes new pieces of legislation, it nevertheless presents issues the European Commission will consider in revising energy directives and in further defining climate objectives.

For the sake of consistency and coherence, EU-ASE calls the European Commission to create the right EU legislative framework implementing this Strategy through:

- promoting national energy (heat and power) system decarbonisation roadmaps or indicators within the EU governance framework;
- amending existing directives on energy efficiency, energy performance of buildings, renewables, security of supply and the proposal of a new legislation on electricity market design taking into account the principles put forward in the Strategy;
- improving eco-design and energy labelling legislation to achieve additional energy savings and improve competitiveness through more innovative products and reduced energy costs;
- a consistent follow-up to the recommendations identified by the Energy Efficiency Financial Institution Group (EEFIG) to eliminate administrative, market barriers and guarantee financial certainty to investments in a secure, resilient and smart H&C system. In particular, accounting rules must be targeted to facilitate the take-up of Energy Performance Contracting (EPC) as they contribute to improve the efficiency in buildings, including H&C systems. It is therefore necessary to help private investors and competent local authorities secure planning while providing adequate legal certainty and a stable investment climate;
- a coherent approach between climate and energy legislations for the development of DHN which currently faces discrimination as it is covered under the EU ETS while individual fossil fuel-fired boilers which are below the 20 MW thresholds are not subject to the same requirement. Including individual heating installations within the scope of ETS would therefore level the playing field and promote the development of DHN.

In addition, considering the local character and potential of H&C, EU-ASE urges Member States to develop national/sub-national strategies supported by an integrated energy system perspective at EU and national levels. EU-ASE calls on regional and local authorities to facilitate the definition of a modern urban planning to integrate cost-effective energy efficiency solutions and on site generation to modernize the building stock and decarbonize energy supply.

In this sense, EU-ASE welcomes the European Parliament's plea for the adoption of specific sustainable H&C strategies to be developed at national level, as stated in Gierak MEP report.