EUROPEAN ALLIANCE TO
SAVE ENERGY
Creating an Energy-Efficient Europe

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The EU's Energy Efficiency Directive[1]
An opportunity to support business whilst reducing our dependence on foreign energy supplies

In June 2011 the European Commission published a new proposal for an Energy Efficiency Directive. The European Alliance to Save Energy (EU-ASE), Europe's first business led alliance on energy efficiency, had hoped that this piece of legislation would put Europe where it should be; at the forefront of the global energy efficiency market. Instead, the draft Directive does not yet provide a clear legislative framework for the EU to meet its target of 20% primary energy savings by 2020. We are where we shouldn't be; increasingly vulnerable to energy price and availability shocks and missing out on the huge opportunity to position European business at the forefront of the new markets for energy efficient goods and services across the globe. The opportunities that a drive towards an energy efficient Europe can provide are too important to miss and therefore we all must ensure that this Directive is transformed into a stepping stone towards success.

Why is this Directive important?

Energy efficiency should happen by itself, but it simply does not. Significant market barriers exist in all European countries, barriers that are preventing Europe from benefiting from the opportunities that energy efficiency offers. Regulation is therefore essential to overcome these barriers and ensure that we start immediately to reap these benefits. Benefits such as:

- In the construction sector; recent projections indicate that energy savings of around one-third (just under 15% of current global energy consumption) could be achieved worldwide in the building sector by 2050. In Europe alone, making this a priority could lead to energy savings in the order of 270 billion euros per year and create around 500,000 new jobs. The pay back is almost immediate.
- If every corporate PC and server in Germany had energy saving software installed on it, the German economy could save approximately 1.9 billion euros per year in energy costs and reduce carbon emissions by around 9.1m metric tonnes of CO_2.
- The direct savings that could be reaped through a deep implementation of lighting technologies across Europe could amount to 28 billion euros. This is equivalent to a 141 less power plants, roughly equivalent to the required investment of 300 billion euros.

There are huge opportunities for innovation, quality jobs and sustainable growth; but this will be possible if private businesses have the right combination of obligations and incentives to change their business models and put in place the right investments.

[1] *Directive of the European Parliament and of the Council on energy efficiency and repealing Directives 2004/8/EC and 2006/32/EC*

Why do we need clear obligations, incentives and targets?

EU-ASE is convinced that binding targets for energy efficiency should be put in place as soon as possible; experience in the renewables sector shows that binding targets are critical to ensure that the appropriate investments and technological choices are made to develop a strong and world leading market place. As a minimum therefore, the European Union must adopt, as part of this legislation, the necessary framework on which binding targets can be developed.

In absence of EU binding targets, European Heads of State have already called for the necessary measures to be adopted to ensure that the 20% energy efficiency target is reached by 2020. In this context, the upcoming legislative process is a critical step and perhaps the last real opportunity to adopt the measures and frameworks necessary to ensure that this request from Heads of State is achieved on time.

The European Alliance to Save Energy

In December 2010, business leaders from some of Europe's leading companies (Danfoss, Knauf Insulation, Philips Lighting, Schneider Electric, Siemens, and 1E) founded the European Alliance to Save Energy. EU-ASE creates a platform from which leading companies can join with politicians and thought leaders to ensure the voice of energy efficiency companies are heard. We are here to show that the business community is ready to play its part in bringing down the market barriers to greater energy efficiency and helping Europe in its transition to a more sustainable energy supply. We are supportive of government action.

These are our initial views on the European Commission's proposal for an Energy Efficiency Directive:

1. Timing (art 3) - Fixing 2014 for a review on whether or not to propose binding targets for Member States for Energy Efficiency would lead to an unsustainable postponement of the decision. If maintained, the current Commission will shift the responsibility to act now to the next college of Commissioners. 2020 is around the corner, we cannot afford to wait any longer to give the market and consumers a clear perspective on the future role of energy efficiency.

2. Preparing binding targets for energy efficiency with effective binding measures

– The Commission opted to propose binding measures instead of binding targets, and notably:

- The obligation to Member States to ensure that as from 1 January 2014, 3% of the total floor area owned by their public bodies is renovated each year to meet at least the minimum energy performance requirements set by the Member States ***(art 4)***

- Energy efficiency obligation schemes that require either all energy distributors or all retail energy sales companies operating on the Member State's territory to achieve annual energy savings equal to 1.5% of their energy sales, by volume, in the previous year ***(art 6)***

While welcoming these proposals, EU-ASE believes that there are still loopholes, which need to be removed if the EU is serious about its intention to reach the 20% target by 2020.

  - On art. 4, Parliament and Council need to agree on clearer definition of what types of buildings must be covered by the 3% per year renovation target; the threshold of >250m^2 must be removed because many public buildings across Europe will fall out of this scope. Furthermore, the possibility to extent to existing non-public buildings a specific obligation scheme could represent a powerful push towards a large renovation of the building stock, which is responsible for about 40% of emissions;

  - Parliament and Council need to remove art. 6, paragraph 9, which allows member states to choose to opt-out from the EU energy efficiency obligation schemes, thus greatly reducing the potential of this measure.

- ***Public procurement (art 5)*** - apart from its intrinsic value in cutting energy use, public procurement has an important role to play to stimulating the market for energy efficient goods and services. Public sector has to be guided to choose for more energy efficient products. The reference to cost-effectiveness and economic feasibility risks to greatly diminish the potential of this measure; in particular, we have to refer to the cost-effectiveness of products and services throughout their life-cycle, so as to orientate the market to progressively choose the best available technology (BAT).

- ***Energy Performance Contracting (art 14)*** – This is a model that is proven and could be instrumental to helping the private sector to deliver many of the measures set out in this Directive (e.g. articles 5,4 and 7). However not all national legislation allows these models so Member States need to do more than 'promote' the energy services market and access for small and medium-sized enterprises, they need to commit to ensuring that companies wishing to provide energy performance contracting services can operate in the every EU Member States.

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