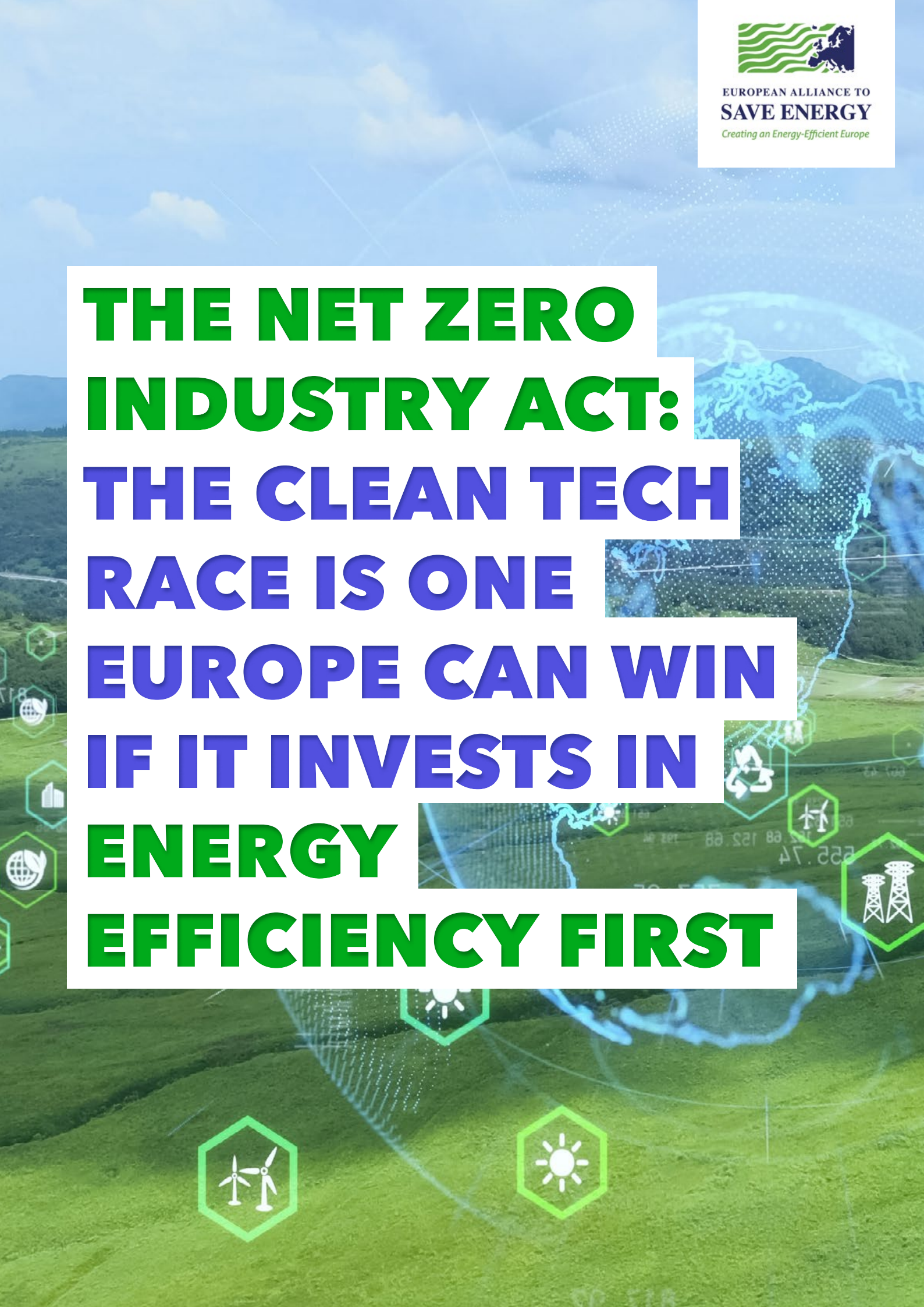
EUROPEAN ALLIANCE TO
SAVE ENERGY
Creating an Energy-Efficient Europe

THE NET ZERO INDUSTRY ACT: THE CLEAN TECH RACE IS ONE EUROPE CAN WIN IF IT INVESTS IN ENERGY EFFICIENCY FIRST



THE EUROPEAN ALLIANCE TO SAVE ENERGY'S INPUT ON THE NET ZERO INDUSTRY ACT

On 16 March, the European Commission tabled its Net Zero Industry Act (NZIA), outlining a plan to scale up manufacturing of clean technologies in Europe to make sure the Union is well-equipped for the clean energy transition.

In the words of European Commission President, Ursula von der Leyen: "It will create the best conditions for those sectors that are crucial for us to reach net zero by 2050: technologies like wind turbines, heat pumps, solar panels, renewable hydrogen as well as CO2 storage"[1].

ENERGY EFFICIENCY: AN ECOSYSTEM THAT IS CRUCIAL FOR US TO REACH NET ZERO

As the representatives of some of Europe's leading manufacturers of energy efficiency solutions and services, the European Alliance to Save Energy (EU-ASE) fully recognizes the need for a systemic change in Europe's industrial policy to address the climate and energy challenge while keeping Europe's economies more competitive.

Our members have a solid and growing manufacturing footprint in Europe – they want and need to be able to rely on a future industrial framework that is accessible, stable and competitive and that drives innovation and new sustainable business models. **The Net Zero Industry Act is a necessary and welcome initiative**.

We also recognize the urgency of the challenge, as well as the need for proposals from the European Commission. However, in its urgency the Commission has overlooked a sector that is truly crucial for Europe to reach net-zero by 2050: the energy efficiency sector.

Even if we are successful in implementing all initiatives in the Commission's Net Zero Industry Act proposal, it is critical that Europe complements efforts to increase energy supply with measures to decrease and optimize energy use and manage demand.

KEEPING A FOCUS ON EUROPE'S FIRST FUEL

The principle of "energy efficiency first" is a pillar of the EU Green Deal. In committing to this guiding principle, Europe has pledged to treat energy efficiency as its "first fuel", taking utmost account of energy efficiency measures in shaping both energy and non energy sectors that have an impact on energy consumption.[2] The principle is set to guide policy and establish priorities between investment decisions - this applies equally to other EU objectives, in particular in the sustainability, climate neutrality and green growth areas.

The Net Zero Industry Act should be no exception.

1. Net-Zero Industry Act: Making the EU the home of clean technologies manufacturing and green jobs: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1665
2. Energy efficiency first principle: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficiency-targets-directive-and-rules/energy-efficiency-first-principle_en

Europe has a leading energy efficiency sector. The sector is not only an important and growing industrial ecosystem in its own right, it is also central to the energy transition and clean-tech revolution, providing crucial technologies, solutions and services necessary to decarbonize Europe's entire economy.

By creating the best conditions for investing in reducing energy need and optimizing energy consumption across all sectors, a Net Zero Industry Act , that includes Energy Efficiency, will be able to:

- Better support the clean energy transition by helping Europe to reach its renewable targets. **Investments in energy efficiency accelerates the penetration of renewable energies into the energy mix** and reduce dependency on fossil fuels. These investments will make the entire energy system cleaner, smarter and more efficient, and eventually more affordable.

- **Invest smart and long-term**. Investing into energy efficiency, for example in buildings and industrial processes, are **smarter and more strategic investment choices for the future, that bring continuous return on investment while avoiding the risk of stranded assets.** This would reduce capital as well as operational expenditure costs for clean-tech companies and investors, and ultimately European citizens. Resource efficiency must go hand-in-hand with investments in the energy transition.

- **Make the electricity grid smarter. Energy efficiency is proven to reinforce the structural efficiency of electricity grids minimizing transmission and distribution losses, allowing for users to reduce peak demand through flexibility solutions** which is absolutely necessary to reduce bills.

- **Build energy resilience and boost energy security.** The last few years have proven that shocks to the energy and manufacturing system can have many different sources – war, geopolitics, extreme weather, supply chain challenges. This will be no different in the future. **The only energy source that cannot be interrupted is the energy that is not used.**

- **Confirm Europe's position as world leader in energy efficiency technology and solutions. Europe hosts most of the world leaders in energy efficiency technologies and solutions.** These leaders are part of long and complex value chain made-up of thousands of small- and medium-enterprises. **These companies need to be supported in their growth, research and innovation effort and stimulated to continue to invest in Europe.**

- **Simultaneously save energy and water**. Water and energy are deeply interconnected, every time we abstract, move, heat, cool and treat water we need energy. And water is needed to produce energy. **Energy efficiency solutions help to reduce water use and emission reductions across industrial sectors** and municipalities addressing the water, energy and climate polycrisis.

OUR SIX ASKS TO THE EUROPEAN PARLIAMENT AND EUROPEAN COUNCIL

As the NZIA now enters into co-decision, we ask Europe's co-legislators to ensure that:

1. **The proposal fully integrates the Energy Efficiency First principle** to reflect the recently agreed Energy Efficiency Directive, and safeguards Europe's current leadership position in energy efficiency technologies. NZIA should not focus only on supply-side clean tech industries, it should also ensure that all efforts are taken to support industries that can help reduce and optimize energy use and sustain Europe's competitiveness.

2. The NZIA should adequately reflect the importance of energy efficiency technologies, that have been defined as "energy-system related energy efficiency technologies" (article 3). **We therefore recommend having a broader scope of "energy efficient technologies"**, in addition to their energy-system value.

3. The **broad approach taken on net zero technologies is kept**, to encompass not only final products, but also specific components and specific machinery primarily used to produce those products.

4. The proposal promotes measures to accelerate and facilitate investment in clean technologies. **It should support only technologies that deliver significant energy savings and emissions reductions and that are resource efficient in line with the energy efficiency first principle.** Supported technologies should meet clear energy and emissions reductions criteria and **should be identified via delegated acts and reviewed regularly**. Efforts to accelerate the clean tech revolution in Europe are not limited to new investments. We support this approach and call for measures to decarbonize and improve the efficiency of existing industry, particularly through industrial energy efficiency measures to be accelerated.

5. The **measures are realistically financed to ensure that EU Member States are not forced to make investment choices that could jeopardize investments in energy efficiency first** and in long-term structural changes of our economy. The **proposal to allocate a percentage of ETS revenues** for this purpose could be a suitable solution.

6. **European public procurement** is crucial to support market growth and the deployment of innovative and clean tech technologies, including energy efficiency technologies and solutions. **Clean tech should be fully promoted via public procurement without exceptions and any derogation that could hinder their potential.**

   Thank you.

ABOUT THE EUROPEAN ALLIANCE TO SAVE ENERGY

The European Alliance to Save Energy (EU-ASE) aims to advance the energy efficiency agenda in Europe. The Alliance allows some of the world's leading multinational companies to join environmental campaigners and a crossparty group of Members of the European Parliament.

EU-ASE business members have operations across the 27 Member States of the European Union, employ over 340.000 people in Europe and have an aggregated annual turnover of €115 billion.

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