

Brussels, 15 March 2012

Recommendations on further proceedings in the Council on the Proposal for an Energy Efficiency Directive

EXECUTIVE SUMMARY

Orgalime welcomes Member States willingness to reach a first reading agreement on the draft Energy Efficiency Directive. In view of the further proceedings in the Council, Orgalime submits its views and recommendations regarding the Commission proposal for an Energy Efficiency Directive with its request for your support.

We consider the draft Directive as an opportunity to provide a common and holistic answer to the energy, climate change and resource efficiency challenges ahead by harmonising to the maximum extent possible current practices and efforts of the different Member States. As strong as possible a European framework will not only provide a clear political signal for sustainable, growth enhancing energy efficiency investments, it will also help to secure free movement, reducing Europe's external energy bill that today is strongly dominated by energy imports, and it can contribute to help to change consumer behaviour to reduce their individual energy consumption and related costs.

Orgalime industries are fully committed to continuously improving the energy use in their own processes, to placing on the market ever more energy efficient products and technologies for the consumer to enjoy and to play its role in facilitating better informed consumer choices.

Orgalime comments and recommendation aim at ensuring harmonisation to the maximum extent possible current practices and efforts of the different Member States thereby at last developing concrete measures which will help to make the 20/20/20 agenda a reality in all areas including energy efficiency. **To ensure an EU legislation that is workable and enforceable in practice, we kindly request for your support on the following core issues:**

- Avoid setting mandatory energy saving targets, since these would hamper EU growth. Instead, we would advocate energy intensity targets in relation to economic output indicators.
- Avoid setting mandatory targets for energy and non-energy intensive sectors in Europe, either in absolute or relative terms.
- Establish an energy efficiency obligation scheme, including an opt-out clause and an exemption for small actors without lowering the overall ambition of the scheme. It should focus mainly on energy consumption of final consumers, including deep renovation of buildings.
- Strengthen requirements on both, private and public, building renovation, including inside equipment, in going beyond the proposed 3% target on public buildings as long as national particularities are taken into account.

Orgalime, the European Engineering Industries Association, speaks for 34 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 22 European countries. The industry employs some 9.7 million people in the EU and in 2010 accounted for some €1,510 billion of annual output. The industry not only represents some 28% of the output of manufactured products but also a third of the manufactured exports of the European Union.

- Encourage the use of energy performance contracting and Energy Service Companies (ESCOs) that would accelerate the speed of building renovations.
- Harmonise energy efficiency product criteria for public procurement to take into account economic feasibility, technical suitability and fair competition for all products.
- Strengthen consumer information and awareness on energy consumption with ambitious provisions on smart metering and informative billing, providing direct feedback to consumers on actual energy consumption (possibly through in-home displays) and additional functionalities, as identified in the European standardisation Mandate 441.
- Introduce demand response programmes and improve the European-wide market design of energy supply.
- Avoid introducing mandatory energy audits, as the general rule, since it would jeopardise schemes in place in different Member States. On the contrary, energy audits should be supported by proper incentives and respect current best practices.
- Accompany energy efficiency measures with effective technical and financial support.

Orgalime specifies its recommendations hereafter:

1. Binding measures versus binding targets (Articles 1 & 3)

We support the current approach built on the concept of setting indicative national targets coupled with concrete energy efficiency measures.

However, the reference base for such targets in industry raises our concerns. Setting absolute energy targets at the level of primary energy consumption could result in putting a ceiling not only for the EU industry, but for the whole economy and therefore undermine the long term EU strategy for sustainable growth and jobs. Instead, we would advocate for energy intensity targets to be defined in relation to economic output indicators, especially GDP.

While much has already been done by the European Engineering industries, such as through the implementation of eco design requirements on some 35 different product groups, there is still a potential for increasing energy efficiency through better take up of cost effective technologies. We believe that the most economic and simplest way to reach the 2020 objectives is to focus on the inefficient use of energy across market segments, such as the buildings and energy sectors.

Setting targets at sectoral level, either in absolute or relative terms, for energy and non-energy intensive sectors in Europe should also be avoided. Interfering in the siting management of production and administrative activities of companies operating in Europe, coupled with the clear risk of diverging measures from Member State to Member State would no doubt result in a distortion of competition between the different EU Member States. The negative impact on EU industry competitiveness can be considerable, since there is a risk of favouring imports at the expense of domestic manufacturing thereby having a negative impact on investment in Europe. On the contrary, energy efficiency must become a driver to improve competitiveness, especially over the long term.

2. Energy efficiency obligation schemes (Article 6 & annex V)

We support establishing ambitious energy efficiency obligation schemes with an opt-out clause for Member States. Sufficient flexibility is necessary to secure cost efficient energy efficiency measures in more advanced Member States; however, the overall ambition of the obligation schemes should not be lowered. Saving obligations should, in our views, be realised mainly to final consumers and also to the energy supply chain, but with a limited extent.

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While the exemption of small actors is necessary, we would recommend a careful approach when introducing flexibility on the criteria. Too much flexibility would distort competition on the EU energy market; instead, the criteria should be harmonised at EU level.

The schemes should, in our views, foster market uptake of best available technologies on the market in counting the dissemination of efficient equipments towards the energy savings. On the contrary, excluding some equipment from being eligible would reduce the incentive to install this equipment, while they are an energy-efficient replacement of the old equipment stock.

3. Strengthening requirements on building renovation (Article 4)

Considering that over 80 % of existing buildings will still exist in 2020 and nearly 40% of the final energy consumption is spent in buildings, refurbishment of all existing buildings, both private and public, should be the top priority to achieve the 2020 objectives.

We would like to stress that ambitious objectives for renovation would have to be set for all existing buildings for 2020, but also for the long term. Therefore, renovation requirements should not apply only to buildings owned by central government or public authorities / general government, or those with a total useful floor area over 250 m². Indeed, inserting an opt-out clause for small surface building also leads to excluding social housing. We support replacing an old building by a new one instead of renovating it when it is more efficient both in terms of energy and economics. New buildings replacing demolished buildings should also count towards the annual renovation rate.

Moreover, we would like to highlight that renovation should not target only the building envelope, but should also include technical installations and internal equipment. The surrounding energy system and the maintenance of the building should also be taken into account.

Concerning the proposal for an annual renovation target on public buildings, we encourage going beyond the proposed 3% target, as long as national particularities are taken into account, such as the different structures of the public building stock or available public finances according to the housing policy of each Member State, and sufficient flexibility is given to Member States to achieve equivalent improvement of building stock. In the current context of austerity, we strongly encourage the use of energy performance contracting and Energy Service Companies (ESCOs) that would accelerate the speed of building renovations.

4. An active public sector promoting energy efficiency and leading by example (Article 5 & annex III)

Considering that public spending represents some 19% of the EU GDP, public procurement offers many opportunities to incentivise the market for energy efficient products and services. We therefore, welcome a better consideration of energy efficiency aspects in public procurement.

We support the harmonisation of criteria taking into account economic feasibility, technical suitability and fair competition for all products. However, we see a conflict between these general public procurement rules and annex III.b that would oblige public bodies to only purchase top benchmark products under the Eco Design Directive 2009/125/EC. To remain ambitious, Annex III.b would have to be modified such as public bodies should not purchase below class A.

5. Strengthening provisions on smart metering (Article 8 & annex VI)

Orgalime supports strengthening consumer information and awareness on the energy consumption, especially with provisions on smart metering and informative billing. However, provisions on metering should not only require information on actual time of use, but also real time information to the consumer. Indeed, it would be the first step to raise consumers' awareness and empower the consumer through delivery of actual consumption data.

We raise concerns on the lower frequency of billing based on actual consumption: less frequent would limit the roll out of smart meters and in-home displays, while it is essential to develop a sustainable smart grids system in Europe.

In addition, we propose introducing a definition of “smart metering”, which would be helpful to provide a common understanding and a common reference for all future EU legislation. Metering should be smart, secured, respect the privacy of end-user, provide direct feedback to consumers (possibly through in-home displays) and additional functionalities, as identified in European standardisation Mandate 441.

Regarding the measurement of individual consumption of heating, the draft Directive should respect the technological neutrality principle. Therefore, heat cost allocators should not be favoured against heat meters as heat measurement solutions.

6. Improving efficiency in energy supply through Demand-response Program (Articles 10-12)

A secure energy supply depends not only on sufficient production capacities, but also on powerful and integrated grids. There are currently no consistent conditions for developing a sustainable smart grid system in Europe, which will be sufficiently flexible to deal not only with immediate requirements due to the change in energy mix, but will offer sufficient possibilities for innovative applications in the future.

We support improving the European-wide market design and measures to encourage technologies and systems enabling Demand Response programmes. While many countries do not allow demand-response to participate in energy markets in Europe, this technology would contribute to creating a flexible and intelligent energy system, in particular with the current increase of renewable energy in Europe. Demand Response alone could achieve 25-50% of the EU’s 2020 targets concerning energy savings and CO2 emission reductions.

7. Energy audits and energy management schemes as voluntary tools (Article 7)

Although we support energy audits and energy management systems as useful tools to monitor energy consumption and make progress in energy efficiency improvements, we believe that they should remain on a voluntary basis and be encouraged by appropriate incentives rather than becoming a mandatory tool.

In any case, requirements should respect current best practices, such as the possibility to fulfil requirements with either qualified in-house or external experts and ISO standards, so as not to jeopardise schemes in place in different Member States.

8. Accompanying energy efficiency actions and measures with financial support

We suggest accompanying energy efficiency measures with effective technical and financial support helping the practical implementation of the Directive’s future requirements. We especially support the establishment of a financing facility complementing the EU’s policy agenda and the development of an accompanying programme encouraging the exchange of experience, innovative practices as well as benchmarking.

9. Conversion Factors & Primary Energy Factor (Article 16 & Annex IV)

We would recommend a very careful approach when issuing a fixed Primary Energy Factor (PEF) of 2.5, since it negatively affects other EU legislation, such as the Eco design implementation. It discriminates electric products against gas sourced products and is not compatible with the energy mix in some European countries, especially renewable energies sourced systems.