Key issues regarding the Energy Efficiency legislation review

A EURELECTRIC statement

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EURELECTRIC is the voice of the electricity industry in Europe.

We speak for more than 3,500 companies in power generation, distribution, and supply.

We Stand For:

***Carbon-neutral electricity** by 2050*

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

***Competitive** electricity for our customers*

We support well-functioning, distortion-free **energy and carbon markets as** the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

***Continent-wide** electricity through a coherent European approach*

Europe's energy and climate challenges can only be solved by **European – or even global – policies,** not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment to** ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

EURELECTRIC. Electricity for Europe.

WG Energy and Resource Efficiency

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EURELECTRIC statement on key issues regarding the Energy Efficiency legislation review

The upcoming energy efficiency reviews are set to play an important role in bringing Europe closer to its energy and climate goals. The European power sector expresses several key points on the review of the Energy Efficiency Directive.

EURELECTRIC notes the Commission's likely intention to propose a binding **EU-wide target of 30%** for Energy Efficiency in 2030. As a key player in developing energy efficiency markets and business models, EURELECTRIC expects the Commission to propose an ambitious but cost-efficient indicative target.

An increase in ambition from 27%[1] to 30% may fulfil this condition, but such an increase must be justified by a significant economic benefit of the target and the investments required for meeting it. We therefore believe that any proposed increase beyond 27% must be supported by a robust and comprehensive impact assessment which indicates in a transparent manner the reasons for the selected target level. It is of utmost importance that the impact assessment takes into account the overall ambition of the integrated EU energy & climate policy package and demonstrates that policy instruments are not negatively affected by the Commission's proposal. EURELECTRIC is concerned about the interactions between energy efficiency and other energy & climate related targets, which are of key importance in this manner.

EURELECTRIC has repeatedly called for careful consideration of the impact of the energy efficiency target on the EU Emissions Trading Scheme (EU ETS). We continue to call for a strong EU ETS as the cornerstone of the EU's energy and climate policy and support the EU ETS as a key driver for market-based investments in low-carbon electricity generation. As negotiations on the current revision of the EU ETS progress, it will be essential to ensure that the functioning of the EU ETS is not undermined by over-ambition in the field of energy efficiency.

Furthermore it is important for the reviewed ambition in energy efficiency to recognise the environmental benefits of the electrification of transport, heating and cooling in parallel to the decarbonisation of the power sector. The power sector's commitment to decarbonisation by 2050 makes utilities a key enabler in delivering efficiency and decarbonisation in the downstream sectors. If this is not taken sufficiently into account, Europe runs the risk of continuing a policy overlap which can undermine the cost-effective pathway to the decarbonisation of the EU economy by 2050 and be counter-productive in terms of European security of energy supply.

EURELECTRIC also maintains its view that an indicative 2030 energy efficiency target at the EU level remains the best choice. This echoes the Commission's evaluation that the current indicative EU level target for 2020 together with the mix of binding EU measures and national action, including indicative targets set by Member States, has proved to be effective in driving strong progress by the Member States. Any energy efficiency target adopted in the upcoming legislative review should be delivered in a way that promotes investments and innovation through competitive markets which reflect real costs and benefits as well as the potential for the customers to have an active, positive role.

[1] October 2014 Council conclusions.

A further issue that will be crucial in the upcoming review of the EU's energy efficiency legislation is the **maintenance of sufficient flexibility for Member States** to address their individual challenges. This relates, on the one hand, to the way that Member States have to set and meet the target either in terms of primary or final energy consumption, but it also relates to the specifics of Article 7 on final energy end use savings. In EURELECTRIC's response to the public consultation on the review of the EED, we stated that Article 7 of the Directive represents an overall positive instrument due to the flexibility it provides.

Evidence from national implementation has further shown that pursuing a 1.5% level of energy savings is very challenging to achieve for some Member States due to increasing marginal costs. These costs should not become disproportionate. Therefore, the EED review must ensure the same level of flexibility in theory and in practice. A further challenge will be to ensure that Article 7 provides better accountability for savings calculations without adding a disproportionate administrative burden which undermines the cost-effectiveness of the instrument.

A final point of central importance for EURELECTRIC is the review of **the Primary Energy Factor (PEF),** currently applied in the EED, the Energy Performance of Buildings Directive (EPBD), as well as the EcoDesign and Energy Labelling Directives. While often seen as a technical detail, this policy instrument will continue to have a profound impact on whether Europe's fuel of choice downstream in the future will be fossil fuel based or carbon-neutral (e.g. RES, nuclear). Specifically in the EED, the PEF will determine whether, and to what extent, Member States are incentivised to save fossil fuels or electricity (which on average in 2014 was already 55% carbon-neutral in the EU).

The Commission's Discussion Paper for the review of the default Primary Energy Factor from May 2016 is a first step in the right direction. However it does not do enough to avoid a fossil fuel lock-in effect as it does not adequately recognise the impact of the PEF on the achievement of the EU's climate change targets and its security of energy supply. We believe that this would not only hinder the decarbonisation agenda, but would also prolong the EU's energy import dependence on fossil fuels. We believe that the reviewed PEF must be forward-looking and take more into account the quickly increasing share of carbon neutral electricity in the EU power generation mix and its advantages in terms of security of supply.

Beyond the EED, the European power sector expects and welcomes a more streamlined and simplified Energy Performance of Buildings Directive (EPBD). As expressed in previous positions, we believe that a reviewed EPBD needs to recognise the benefits and open the path toward the use of carbon-neutral electricity in buildings, e.g. via integrated electric vehicle charging infrastructure in new or renovated buildings.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

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