



Response to the European Commission's Energy Efficiency Directive proposal

A push that must be further strengthened

On 22nd June 2011 the European Commission published a proposal for a Directive on Energy Efficiency. Once finalised, this Directive could present a opportunity for Europe to achieve its aim of a 20% reduction in primary energy consumption by 2020 compared to projections. The household appliance industry, represented by CECED¹, is convinced that Europe cannot afford to miss out on this target, as an efficient use of energy and further resources is the most effective way to stimulate Europe's competitiveness in the globalised economy while reducing dependence on energy imports.

CECED acknowledges that the proposal provides useful elements that may help to achieve that target, in particular the binding nature of the annual energy savings targets and the promotion of highly efficient equipment in public procurement.

However, in order to exploit the full improvement potential CECED calls for a more ambitious and robust Directive: Europe must be determined to reach its commitments.

Reinforce the political signal to harness energy efficiency and thus implement energy savings

The household appliance industry has made a remarkable contribution to energy efficiency across Europe over recent years, thereby remaining competitive and innovative. It is also helping to reduce carbon emissions that are related to household energy consumption. Our sector is eager to continue on the same path.

However, only a coherent and ambitious energy savings policy and a solid legal framework can ensure the necessary investments. Therefore Europe as a whole and the household appliance industry need a clear signal that demonstrates, without reservation, that energy efficiency and energy savings are central priorities. A clear and stable policy is necessary to assist businesses in organising their own contribution.

¹ CECED represents the household appliance industry in Europe. Direct Members are Arçelik, Ariston Thermo Group, BSH Bosch und Siemens Hausgeräte GmbH, Candy Group, Daikin Europe, De'Longhi, AB Electrolux, Fagor Group, Gorenje d.d., Indesit Company, LG Electronics, Liebherr Hausgeräte, Miele & Cie. GmbH & Co., Philips D.A.P., Groupe SEB and Whirlpool Europe. CECED's member associations cover the following countries: Austria, Belgium, the Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

Binding targets are a must

CECED acknowledges the Commission's declaration of intention to reinforce Europe's commitments to energy efficiency, and the proposed mandatory minimum annual 1.5 % energy savings target on energy sales – that is: end-use energy – is a crucial step in the right direction. However, we see a risk of a further watering down of this element during the legislative process, coming from the opt-out clause for the energy efficiency obligation scheme. The proposed process for approval of opt-outs also risks creating a procedural alibi for further delaying the implementation of the mandatory targets, which seriously endangers its possibility of success.

Our industry is very concerned with this dilution of the Directive's substance which, in our opinion, is unjustified.

Missing: a methodology for the 2014 assessment

An assessment of progress towards the energy savings target and the need for an overarching binding target is foreseen for June 2014, but no clear methodology is outlined to organise it in practice.

This omission will make it very difficult to introduce corrective measures in case they are needed to reach the savings target. If the current Commission were to pass the baton to its successor in 2014, the revision process would be further weakened. It is essential that the evaluation process is completed under the current Commission mandate. The household appliance industry calls on the EU institutions to ensure that at the very least a methodology for the assessment of the progress made towards the 2020 target is introduced in the final legal text.

Missing: financial implications

The proposal does not adequately address the fundamental issue of funding for investing in energy efficiency and saving measures. Although we understand that other legislative measures may be under development, a clear signal is needed to secure proper financing for energy saving investments.

Overall, the final Directive has to ensure that the sufficient energy savings are actually delivered.

A closer look

Several elements of the final version of the proposal are weaker than expected. Two measures are particularly affected: the 1.5% annual energy savings obtained through the setting up of energy efficiency obligation schemes and the 3% annual renovation rate of public buildings. Opt-out clauses and scope limitations undermine their potential. In addition to these elements, this section focuses also on smart grids and energy audits.

These issues are most relevant for the household appliance industry.

1. Energy efficiency obligation schemes and financing

Savings obligations for energy distributors/sales companies

The Directive outlines the launch of an annual energy saving obligation of 1.5%. CECED believes this mandatory provision is key for the success of the Directive although it should be stressed from the outset that this amount of savings only represents the bare minimum that is required to make up for the accumulated delay in implementing energy efficiency policies. CECED feels that in our industry there is more potential for energy savings. It has to be clear that the obligations schemes are targeting *end-use* energy, and effects from policies aiming at a reduction of primary energy consumption for electricity generation cannot be “accountable” for compliance with the savings obligations. Otherwise this core part of the Directive risks becoming an empty shell, while merely duplicating existing legislation e.g. promoting renewable energy sources. Furthermore, the proposed timelines may lead to real-life energy saving being achieved only in the second half of the decade. In order to ensure an effective and timely “delivery” of economic and environmental benefits, a more ambitious timetable should be considered.

Savings obligations under the opt-out

The possibility for Member States to opt for alternatives to energy efficiency obligation schemes significantly dilutes this key provision, as it remains unclear how investments should be financed. This is a serious threat for the success of the Directive.

In the case of opting-out of energy efficiency obligation schemes for energy distributors/sales companies, the current proposal does not set out any measures to ensure financing of investments, such as creating national energy efficiency funds. There is no single management approach to funding where the various strands of funding could come together into a cohesive whole. As such, the core question for energy efficiency – appropriate funding – remains open, as energy efficiency requires long-term investment prospects that can be tuned up according to the principles of subsidiarity and coordination of mechanisms. The appropriate framework for investments must be deployed at EU level and encouraged at national level. Therefore, if not covered by the Energy Efficiency Directive, the Commission should at least commit itself to addressing this crucial point in a separate instrument / measure by the end of 2011.

Furthermore, the need to scrutinise envisaged alternative measures to energy efficiency obligation schemes may lead to serious further delays. In order to avoid watering down the saving obligation in such a situation, it has to be made very clear that the annual savings target has to be increased to achieve the “original” cumulated amount of savings. If a Member

State fails to deliver according to the deadlines set out in the directive, additional efforts have to be made to get energy saving back on track.

Long term savings

We agree that at least 90% of energy saving measures have a long term scope, and we consider that this measure should establish a stronger link with energy labelling. A minimum share of the long-term saving programmes should be devoted to products covered by energy labelling implementation measures, because it is used for products that have a significant potential for energy savings, and because it provides a transparent and verifiable basis for their monitoring. This ensures an efficient approach implementing the Directive in practice.

Taking into account that the energy labelling implementing measures will be extended to many energy related products (such as boilers, water heaters, ventilators or windows) and that some products covered by the energy label do not classify as long-term energy saving applications, we consider that it would be adequate to apply a 30% quota on the mandatory long-term savings for applications involving energy labelled products.

Default values and lifetimes

We appreciate the identification of default energy saving values for some appliances according to the energy classes for super-efficient products. However, the table identifying the saving potential of relevant top classes available on the market covers only some appliances and leaves out others. All labelled products should be listed in the tabled default values in Annex V, and the list should be amended dynamically to reflect revisions of existing energy labelling schemes and the future schemes for products not yet covered such as boilers, water heaters, vacuum cleaners, and other energy-related products. We believe that it should be clarified that energy savings must be calculated on the specific technical lifetime of the product.

2. Public procurement

Renovation of public buildings should always include an assessment of the energy-using stock that is fitted into them. The decision to apply the 3% annual renovation rate only to buildings that are publicly owned and that have a total useful floor area of 250m² is disappointing. All public buildings should be covered by the renovation rate.

Ignoring surfaces of less than 250m² is, de facto, excluding social housing. Here, a clear and ambitious intervention is also required also to fight fuel poverty. This should apply to the building envelopes and the installed energy-using stock. The proper incentives and financial means to respond to social issues should be assessed.

Public procurement: energy efficient products

As portrayed in Annex III(a), for products covered by the Energy Labelling Directive public bodies should purchase only those that are in the highest energy efficiency class while taking into account the cost-effectiveness, economic feasibility and technical suitability, as well as the sufficient need for competition for contracts in all final purchasing decisions. While it is correct to take these elements into account, they should not become an opt-out clause, and it has to be clear that the default for procurement is the best available energy efficiency class.

3. Smart grids

In the context of the smart grids deployment, smart meters and smart appliances are a tool to empower final users to better control their energy consumption, and to implement demand response. The proposed Directive underlines that smart meters should provide added value for energy savings and consumers. We understand and support the fact that the specific requirements for smart meters will be dealt with at standardisation level through the mandates on smart meters given by the Commission to CEN, CENELEC and ETSI and in particular mandate 441.

A prerequisite for demand-side management application is that newly installed meters must be able to record energy consumption in single time slots of 15-30 minutes.

Furthermore, in our opinion only meters with all of the following capabilities should be considered as being “smart”:

- communication with smart downstream applications (smart appliances, smart energy management systems) via standardised interfaces and communication protocols, as un-harmonised downstream communication would be a barrier to the internal market and the market take-up of smart appliances;
- communication of energy data to the end user;
- handling of multiple energy contracts / time of use tariffs.

4. Energy audits

CECED expresses serious concerns on how energy audits are introduced. If policy makers are convinced that they are a tool to improve competitiveness of enterprises, it sounds illogical to make it mandatory only for large enterprises.

In addition it has to be ensured that energy audits are carried out in a harmonised way across Member States and that the responsibility is placed at the head office of a company. Otherwise companies operating enterprises in several Member States may be faced with inconsistent requirements that would only create an administrative burden which, in turn, would contradict the initial intention. Further attention should also be paid to the fact that, by making Energy Audits mandatory, Member States are charged with an enforcement obligation that appears impossible to fulfil in the absence of any harmonised reference.