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# The European Energy Efficiency Directive and its Implementation in the German Industrial Sector

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# Agenda

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I. Introduction
II. Current German Laws on Energy Efficiency
III. A new EU Energy Efficiency Directive
IV. Possible Implementation in Germany
V. Conclusion

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- Efficient use of energy on top of the European agenda:
  - Protection of the environment (climate change)
  - Less dependency on energy imports
  - Industrial competitiveness
    - As energy prices remain high, energy efficiency measures could lead to cost savings for companies
    - But: At least in the short term, energy efficiency measures are likely to lead to additional costs
- While the German industrial sector generally agrees that energy efficiency should be improved, it is widely believed that this should not be forced by all means

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- Law on Energy Services and Other Energy Efficiency Measures (EDL-G)
  - Adopted in July 2010 to give effect to **Directive 2006/32/EC** on final energy efficiency and energy services
  - Aims at contributing to overall EU target of achieving at least 9% energy savings in the years 2008-2016
  - Very few substantive provisions, taken almost literally from Directive
    - Improve energy efficiency on end-user level by creating and strengthening a market for energy services and other energy efficiency measures
    - Contractors offer energy efficiency services

- Law on Cogeneration (KWKG)
  - Electricity produced from cogeneration plants is supported via a feed-in tariff system
  - Modelled similarly to German support system for renewable energy
    - Cogeneration plants also benefit from guaranteed grid access and priority transmission
  - Energy savings as one of the objectives
  - Amendments to the existing law are planned

- Assessment
  - German reporting suggests that energy efficiency improvements have been made solely relying on the EDL-G as well as investment incentives and voluntary obligation schemes
    - Some companies got more than 200% of their investments reimbursed by savings on their energy bill
  - However, Second National Energy Efficiency Allocation Plan (NEEAP) suggests that the German government should implement a pilot project on white certificates, thereby drawing on the experience of other EU Member States

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# A new EU Energy Efficiency Directive

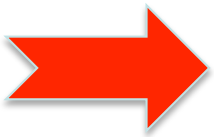


- June 2011: Commission published proposal for a new Directive on Energy Efficiency
  - Disarray in Commission (in particular, dampening effect on price of carbon)
- Several modifications, political agreement uncertain
- June 2012: European Parliament (EP) reached a provisional agreement with the Council
- July 2012: EP Committee on Industry, Technology, Research and Energy (ITRE) endorsed agreement
- 11 September 2012: EP votes in favour of Directive
- After that: Adoption by the Council

- Core elements as regards energy use (as of July 2012):
  - MS set indicative national energy efficiency target, based on either primary or final energy consumption (Art. 1)
  - Exemplary role of public bodies (Arts. 4, 5)
  - Energy efficiency obligation schemes (Art. 6)
  - Energy audits and energy management systems (Art. 7)

- Energy efficiency obligation scheme (Art. 6)
  - Scheme shall ensure that obligated energy distributors and/or retail energy sales companies achieve a cumulative end-use energy savings target
  - Target shall be at least equivalent to achieving new savings each year from 1 January 2014 to 31 December 2020 of **1.5%** of the annual energy sales to final customers by volume, averaged over the most recent three-year period prior to 1 January 2013
  - Exemption for companies subject to emissions trading possible
  - Inclusion of early actions

- Energy efficiency obligation scheme (Art. 6)
  - Alternatively, MS may opt to take other policy measures, provided that they lead to some increase in energy efficiency
  - Examples:
    - Energy or $CO_2$ taxes
    - Regulations or voluntary (!) agreements that lead to the application of energy efficient technology
    - Standards that aim at improving energy efficiency of products



Minimum harmonization: EU sets target, MS decide on policy measures

- Energy audits and energy management systems (Art. 7)
  - Carried out in an independent manner by qualified experts *or* implemented and supervised by independent authorities under national legislation
  - Businesses will be audited at least every four years, beginning no later than three years after the entry into force of the Directive

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- A tough challenge ahead – implementation of a new Directive on Energy Efficiency
  - Industry: Strong opposition
    - Energy savings obligation seen as affront because reduction potentials are almost exhausted
    - Concerns about competitiveness and growth
    - In particular, energy intensive industry argues that it would have to reduce production
    - Unnecessary extra costs for mandatory energy audits and energy management systems (voluntary systems already in place are sufficient)
    - Industry stresses that the system in place delivers – improvement of energy efficiency by means of self-obligation and tax incentives

# Possible Implementation in Germany

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- The German government has not yet defined its implementation for achieving the efficiency target
- A more flexible approach appears to be preferred:
  - Investment incentives stemming from a dedicated fund
  - Tax incentives
  - …
- Possibility of the introduction of white certificates seems to remain on the table
  - No project started so far, but some associations call for a certificate system to be introduced (eg, GEODE)
  - Drawing on the experiences of the Danish model

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# Conclusion



- German implementation of the EU Energy Efficiency Directive remains to be seen
- There are indications that Germany will opt for a flexible approach with different instruments
- However, Directive may give another incentive to introduce a (complementary) white certificate system

Thank you for your attention.

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