EU Energy efficiency policy - closing the gap

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Why Energy Savings?

Identifying the policy gap

The potential to close the gap

A mix of policy instruments is required

EU 2020 Marginal Abatement Cost Curve for End-Use Sectors

Key Barriers

Decisive Instruments

Examples of Relevant EU Legislation

- Consumers do not respond rationally to price signals
- The private investment perspective is different
- Lack of market investments in new technologies
- Energy efficiency standards
- Energy performance labeling
- Energy audits
- Technical assistance
- Installation programs
- Suppliers obligations
- Tax rebates
- Investment grants
- Green taxes
- Emissions trading
- Energy tax
- Fiscal measures
- R&D project subsidies

- EU Emissions Trading Scheme Directive (EU 875)
- Renewable energy Directive
Why are cost-efficient energy savings not taking off?

Policy patchwork, low ambition, difficult enforcement:
• ESD: delivering only 1/3 of identified energy savings potential
• EBPD, Ecodesign, Labelling: only 1/2
• CO2 and Cars: only 1/4
• GHG effort sharing: no big effort needed

Important non-price market barriers:
• Lack of consumer information
• Split incentives problem (owner versus tenant)
• Liquidity problem (difficult access to capital)
• Energy bills are an overlooked fraction of overall expenditures

➢ Strengthening price signals is important but not sufficient
➢ Need stronger commitment
200 MToE to find to be on track!

1) Strengthen overall targets
2) Better implement existing legislation
3) Look for new financial resources
4) Come up with new legislation
EU policy target architecture
1) Strengthen overall targets

2 complementary strategies:

. Strengthen EU CO2 cap from 20 to 30% (decision pending)

. Making (20%) efficiency target binding (decision postponed to at least 2013 by EU Heads of governments, 4th of Feb 2011)
2) Better implement existing legislation

- Eco-design:
  - Bad news: computers put on hold
  - Bad news: Boilers put on hold

- Building directive
  (better define concept of near zero energy and of cost-effective measures)

- Existing CHP and Energy Service Directive
  - 2nd national efficiency plans for June 2011
3) Look for new financial resources

• Good news:
  – New 146 million EURO fund managed by EIB
  – New technical assistance in En Intell EU Prog 11
  – More funds eligible under EU cohesion funds

• To be worked on:
  – New EU financial perspectives (cohesion funds)
  – Create “vehicles” to collect “revenues from national CO2 auctionnings, 1/1/13
4) Come up with new legislation

- Transport sector:
  - New roadmap to be pending (March 2011)
  - CO2 and cars legislation review 2013

- End-use energy – review of En Service Directive

- CHP – recast of CHP directive
Recast of CHP directive

• Actual CHP is too weak

• Recast of key articles notably on access to grid (copy successful Renewables directive)

• Make potentials into targets (difficult)
ESD review – THE GAME IN TOWN!

- By far the single biggest new measure BUT:
- Threats:
  - Continuation of 1% yearly target under attack
  - Binding template for national efficiency action plans under threat
  - Energy saving obligation for el&gas retailers under threat
- To prevent: mere “toolbox” instead of framework for “end-use energy” policy drive
Energy Efficiency (NO ACTION) Plan
(to be adopted next Tuesday)

- Roll-back in ambition and scope
- Risk to move from “fully fledged co-decision” to a mere “pledge and review” under NRPs (National Reform Programs)
- Few positive measures (3% renovation rate of public buildings) under threat
- ...
Future of EU Efficiency policies
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