

Public Energy Efficiency sector in Norway: Time for Restructuring

Terje Stamer Wahl, Norwegian Water Resources and Energy Directorate

1. SYNOPSIS

The Government has announced a shift in energy use and production. A change of operational focus, organising and financing is necessary to succeed.

2. INTRODUCTION

The Parliament has agreed on goals related to energy use (reduced growth), non-electrical heating and wind power. To achieve these goals, a re-organisation of public energy efficiency work has been proposed by the Government. The proposal includes, among other elements, setting up a national energy fund and a new national Agency (Enova) to be responsible for achieving the overall goals. Enova will be established medio 2001, and fully operative from 2002. This paper is limited to the energy efficiency and savings (EE) sector.

3. CURRENT REGIME

The current regime on public energy efficiency is two-tiered. Government funds are spent on national efforts to reduce growth in energy use. Funds from an end-use wire charge (levy) are used on local and regional efforts to inform and direct customers on efficient use of energy.

While Norwegian Water Resources and Energy Directorate (NVE), as a governmental body, is responsible for the national efforts, the utilities are responsible for the local and regional efforts. NVE has subcontracted most of the national work to four operating agents, working within separate segments of the market. The utilities have subcontracted most of the regional and local work to twenty Regional Energy Efficiency Centres (REECs).

NVE is instructed by the Ministry of Petroleum and Energy (the Ministry) on main issues and targets to be addressed. Policy focus has become more ambitious the last couple of years. From a focus on improving end-users' knowledge on efficient use, focus is now on actual energy savings and efficiency. Utilities, on their part, must act according to the provisions of the Energy Act of 1991, limiting scope to informing and advising end-users on efficient use of energy, on a neutral basis.

4. PROPOSED REGIME

The proposed regime will be based on a national fund, made up of both annual funds from the State budget and the funds from the wire charge. Enova will be responsible for achieving long-term quantified TWh-goals set by the Ministry. It will administer the national fund, being free to choose appropriate means to achieve the overall goals. However, Enova will also be responsible for basic, nation-wide information and advising services.

Enova will operate in a market setting, buying services on a competitive basis from subcontractors.

5. A CRITICAL COMPARISON BETWEEN CURRENT AND PROPOSED REGIME

Organisational matters

NVE is subordinated to the Ministry. NVE has, so far, been supposed to carry out most of its work through operating agents. As a regulator, NVE also controls the undertakings of the utilities. The duties of the utilities, as stated in the provisions of the Energy Act, are vague and subject to a substantial freedom in operational matters, making NVE's role as controller very ambiguous. Furthermore, NVE has entered into agreements with each REEC. The agreements contain few specific obligations, but represent "official" assignment of status as REEC. Utilities are both owners and main principals of the REECs. The overall co-ordination of public based EE has to be based on a more or less voluntary co-operation between the utilities, REECs and NVE and its operating agents. Roles, authority and responsibilities are unclear, making it difficult both to achieve overall goals and to offer a comprehensive service to the public.

Enova will, most likely, be established as a state-owned enterprise directly under the Ministry. Enova, having its own board of directors, will have a sole responsibility for promoting public EE. It is supposed to subcontract tasks and projects to market actors on a competitive basis, thereby also stimulate cost-effective solutions.

General incentives and freedom of action

Utilities, being monopolists, are subject to a regulatory regime giving insufficient incentives to promote EE. The REECs are influenced by these lack of incentives. Coupled with the previously mentioned freedom in operational matters, however within a rigid overall mandate stated in the provisions of the Energy Act, an effective adoption and contribution to the ambitious, national goals is impossible.

National efforts to actively promote energy efficiency is hindered by NVE being a directorate, responsible for the overall energy system including a sufficient power supply. NVE is the regulatory body, both with respect to market and licensing. Thus, difficulties have been experienced in actively promoting projects involving energy savings and increased use of new renewables within the organisational boundaries of the directorate.

Enova, to be established for the sole purpose of limiting energy use and bringing about a shift in energy production and use, will have a more independent role. Thus, its mandate will be more clear-cut, and freedom of action will be coupled with defined responsibilities for achieving long-term quantified goals. Enova will make use of both financial support and information-based means, including use of standards, labelling, etc. In questions related to regulatory means, energy taxation etc., Enova will act as an advisor to the Ministry.

6. FINANCING

NVE receives funds from the State budget on an annual basis. Many EE-projects are long-term, making State budget financing procedures unsuitable for this purpose. Utilities, however, may finance the local and regional work by a wire charge on the low-voltage grid levels of up to NOK 0,003/kWh. Out of this, up to NOK 0,001 should be reserved for projects to be initiated by the REECs. On a national basis, the NOK 0,003/kWh accumulates to approx. NOK 200 mio./year (approx. USD 20 mio/year). Utilities are not allowed to accumulate large deficits or surpluses on the balance of these funds from one year to another.

The new energy fund will be based on a combination of State budget funds and a fixed NOK 0,003/kWh charge on the grid. The fund will be allowed to accumulate (or be shrunk) from one year to the next.

Figure 1. Current organisation and funding

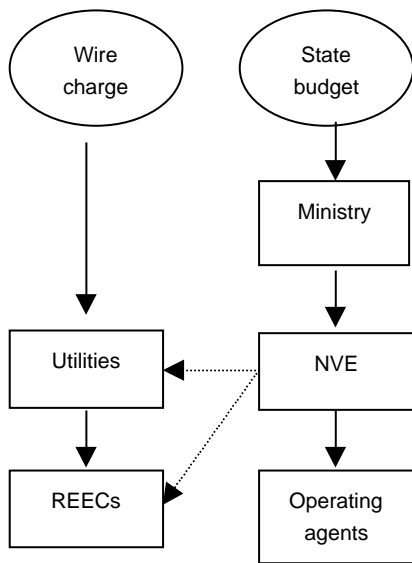
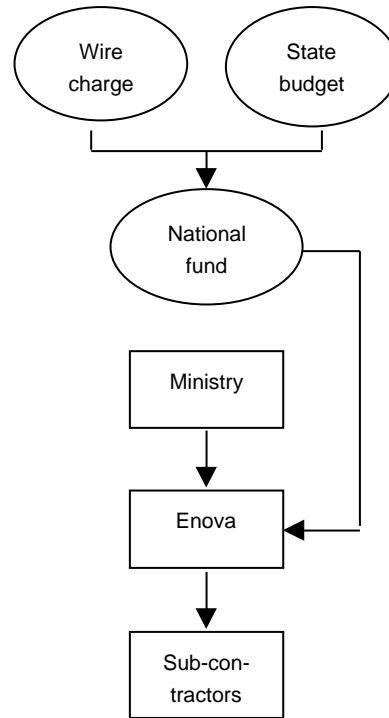


Figure 2. Proposed organisation and funding



Figures 1 and 2 illustrate current and proposed organising and funding of the public (governmental initiated) energy efficiency work.

7. BIBLIOGRAPHY

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