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The Energy Efficiency Plan 2011 – CECED's position

Household appliance manufacturers¹ acknowledge that the recently published Energy Efficiency Plan (EEP) identifies the correct challenges the Union is facing, and the in-principle huge potential residing in energy efficiency policies. However, they express deep concern that the plan will most likely not succeed as the coherent, compelling driver to accelerate policy deployment, which is needed.

The Plan acknowledges that, in view of the latest legislative and practical developments, the EU will not meet its energy savings target by 2020. The expected benefits of a promising 2006 energy efficiency action plan and of the 2008 Climate and Energy Package are not expected to be reaped either.

A change of direction is needed now

The Plan calls for the Commission to propose mandatory targets in 2013 in case the assessment confirms that the overall EU target is unlikely to be achieved. In order to work in this direction, it mainly proposes to revise the Energy Service Directive.

We ask for the Energy Services Directive (ESD) to become more ambitious and common methodologies to be developed to assess the progress made. The revised ESD will not lead to any effect before 2013. We fear that it will be unable to later recover the time and emissions that will be the effect of the delayed start.

Consequently, we express doubts about the actual impacts of the approved EEP, if any, in reality.

¹ CECED represents the household appliance industry in Europe. Its member companies are mainly based in Europe: Arçelik, Ariston Thermo Group, BSH Bosch und Siemens Hausgeräte, Candy Group, De'Longhi, AB Electrolux, Fagor, Gorenje, Liebherr, Indesit Company, Miele, Philips, SEB and Whirlpool Europe. CECED 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, Slovakia, Spain, Sweden, Switzerland, Turkey and the UK.

Our industry has highlighted the following areas of concerns in the Energy Efficiency Plan:

- **Leadership**
Poor EU leadership coupled with unnecessary delays to take robust decisions.
- **Prioritization**
Lack of prioritization for energy efficiency mirroring empty legislative provisions at EU level (no clear obligations).
- **Barriers to energy efficiency**
Persistence of barriers to the developments of energy efficiency markets and insufficient uptake of the most efficient products.
- **Funding**
Lack of funding to energy efficient solutions.
- **Implementation**
Risk of threatening implementation of the Ecodesign Directive for energy related products, depowering the potential of the Ecodesign Directive to achieve the 2020 targets.
- **Smart grids vision**
Poor understanding of the potential of the demand side management by smart grids.
- **Mandatory energy management**
Administrative and financial burdens combined with implementation concerns for the proposed mandatory energy management systems.

The household appliance industry is supportive of:

- **Prioritization**
Investment in energy savings should always come before investment in new capacity. Why produce a kWh if it can be avoided in the first place?
Buildings cannot be considered separate of the systems and of the appliances which are sometimes part of them.
- **Funding**
EU to promote better allocation of new and existing funding for energy efficiency.
The price of energy, used to calculate the Break Even Point of energy saving investments should internalize CO₂ costs and energy dependence costs.
Energy management systems should not be mandatory, but receive the support of incentive schemes.
- **Energy demand side management**
Energy savings markets have to be addressed. A system approach that fully involves final users may be interesting to that extent.
Energy demand shift away from peak time is a potential to exploit: it can reduce CO₂ emissions.
Consumers must receive price signals and rewards for energy saving which effectively impact on their energy demand.
- **Energy saving obligations**
Obligations for utilities to offer energy savings are a way forward.
- **A revision of the ESD**
A forceful revision of the Energy Services Directive with mandatory targets.
The market for energy services should be open to new actors, smart meters should be enablers in opening the market (e.g. easy switching and multi-contract meters), consumers should see a real economic benefit.

Annex

Concerns about the Ambitions of the Energy Efficiency Plan

The new approach to the Governance of energy efficiency policy is a cause for concern. Firstly, the national energy saving engagements have not proven robust enough to meet Europe's 20% energy efficiency objective. Even though a dynamic policy framework coordinated at EU level is indispensable, the 2011 Plan will follow an intergovernmental methodology under the Europe 2020 framework. CECED sees positively the enlargement of tools to steer efforts towards the EU's energy and climate objectives, but is alarmed by the Commission's reluctance to take the leadership.

Secondly, the household appliance industry regrets the lack of coordination among the various mid-term objectives of the EU in terms of climate and energy policies. Although the highest EU instances recognize that the Union is not on track to reach its 2020 objective and in spite of the call to "act urgently" in the flagship initiative for a resource-efficient Europe, the Commission affords to postpone its assessment of the results.

Our industry has thus high expectations of strengthened actions through the upcoming revision of the Energy Services Directive and the future Directive on energy efficiency and savings and in particular through clear obligations and a common assessment method for the target.

Past and Future Industrial Progress Towards the 2020 Objectives

The EEP acknowledges that manufacturers have actively taken part in reducing the energy consumption of products and in empowering consumers with innovative technologies. Still, as recognized in the Plan, the uptake rate of the most efficient appliances is too low to bring about all the benefits of industry's innovation to society. It is only with the right incentives that the uptake of low energy consumption appliances can be increased. With appliances accounting for the largest share of domestic energy consumption, this is an immediate saving that would last until 2020.

CECED has reservations about the capacity of the EU to make decisive steps to encourage the uptake of top efficiency products with this Plan. More can and should be done to overcome the barriers to energy efficiency.

We believe that the Commission should set the right policy objective so as to secure the long term EU vision of the EU with intermediate objectives. CECED is committed to this endeavour but is concerned with the absence of any real initiative in this field and calls for further dialogue with industry.

Markets for Energy Efficiency and Savings

As per the Plan, energy efficiency is one of the most cost effective ways to enhance security of energy supply. Deployment of energy efficient technologies means energy ends up not actually being consumed in the first place. Energy efficiency should be seen as Europe's biggest energy resource and should be prioritised as such. We believe that energy demand management should be the first constituent of the EU's energy and climate policy. The household appliance industry is committed to continue to deliver and develop energy efficient appliances. To utilize this potential, adequate regulatory and market instruments accompanied by structural changes on the energy markets are needed.

Energy efficiency and savings are the key to meet Europe target for 2020 and they are probably the most cost effective way to get there. If energy efficiency and savings have the right incentives and are accompanied by appropriate regulatory and market instruments, it will see consumers adopt it. Our industry will simply follow and adapt to what customers want, giving results in the short term, fostering innovation and technology and helping the economy.

CECED appraises the quality of the Commission's proposal that all Member States establish a national energy saving obligation scheme in order to put a financial value on energy savings but regrets that the vision for 2020 and beyond is not accompanied by the necessary legislative provisions at EU level.

We expect Europe to motivate Member States and to take the necessary steps to ensure that political, economic, social and climate-related goals and commitments are fulfilled. We call for the EU to be pro-active and take on leadership, especially in its relation with Member States.

Financing energy efficiency

In the months to come, European authorities need to give a real impetus for better and full allocation of the available funding for energy efficiency at National level. Future developments in energy savings are directly depending on the sense of urgency and accountability from Member States authorities. Clear obligations, be they mandatory measures or targets, are necessary to ensure a stable and relatively secure market for energy efficiency.

The economics of Europe 2020 need to provide a stable framework to coordinate energy efficiency investments across all sectors, not only for research, but mostly to provide incentives for purchasing energy efficient devices.

CECED calls the EU to set clear obligations and an appropriate framework for investments in energy efficiency, notably via the revision of the ESD and through EU levers under Europe 2020.

Maintain focus on Energy Related Products Directive

The Ecodesign Directive has proven to be a very powerful and comprehensive tool to drive innovation for energy using (and related) products. The savings potential of this Directive is far from being achieved: a number of key implementing measures are still under finalisation.

Household appliance manufacturers need, and have repeatedly asked for, adequate resources to be allocated to this process and to keep the focus on the original intentions.

The ErP Directive addresses the overall environmental impact of energy related products and considers not only energy but also other environmental parameters. Numerous aspects identified in the Flagship initiative for a resource-efficient Europe are covered in the implementing measures of ErP. The Commission should not cause confusion and overlap by developing "new" policies that are already handled by ErP.

CECED supports the overall strategic resource efficiency approach and appreciates the willingness to extend the focus to non-energy relevant products. Nevertheless, for home appliances, the focus on energy is still dominant. This should, however, be developed in parallel to the activities on energy related products. It is essential to keep the momentum on the Ecodesign approach for energy-related products, while developing a coherent and consistent methodology to extend the resource efficiency concept to any product.

Market surveillance and consumer confidence

Efficiency declarations on household appliances energy are empowered by the EU energy label. The data reported on label are measured following harmonized EN standards and can be verified by notified bodies across Europe. The Requirements for Accreditation and Market Surveillance Regulation (EC) No 765/2008 give a tool to market surveillance authorities to ensure the high level of compliance necessary for a fair and competitive market.

In our opinion, the Commission has a key role in supporting Member States to truly enforce existing legislations and should do so. This will guarantee compliance and a level playing field for competition.

Build up on consumer experience of the energy label

CECED values constructive debates with all stakeholders to ensure that energy labelling is differentiating and clearly identifies the best performing products.

CECED thus has positive expectations of the Commission's initiative to launch a survey on consumer understanding of energy labels.

We expect the Commission to ensure proper consideration, understanding and balance of interests in technical work on ecodesign measures, labelling and the provision of energy saving information. A fair and transparent interaction with the different groupings and interest representations must be guaranteed. Consumers, trade and industry are facets of the same reality and we think the Commission should provide equal opportunities but also to adequately and equitably interact with any stakeholder.

Smart consumption: considering systems as well as individual products

Energy savings is the area in which consumers can make a difference.

At system level, consumers should also be empowered to use energy at times when there is less demand, avoiding peak loads. Smart appliances and grids can be a tool for this. Smart appliances could participate to behavioural changes and limit peak power consumption. To guarantee the development of well-functioning smart grids and appliances, stakeholders must cooperate. Consumers who contribute to the reduction of peak load, with or without smart appliances, need to be rewarded through their electricity contracts.

In practice, if any benefit is to be captured at residential level thanks to smart grids, demand-side management must be a reality.

CECED looks forward to the continued discussion with the Commission and the smart grids stakeholders, especially through DG Energy's task force for smart grids, and expects that the potential of demand-side management is well understood and put into practice in coordination with the manufacturing industry. CECED warns that the remote switch off and on of appliances from the utility is not a "convenience" for the user, which should retain his control on the appliances.

CECED believes that consumers would benefit from an open energy service market, where ESCOs can guarantee real energy savings for society and economic saving for the users. Smart meters can be important enablers of new energy services and should allow new actors to enter this market, for instance by enabling easy supplier switching and multi-supplier contracts.

A new structure of the energy market should create a tangible economic benefit in energy saving, this would be possible if the reward of saving a kWh is higher than the price of consuming a kWh.

A reasonable balance between the products and the systems approach should be kept. Ecodesign requirements are the cornerstone of products efficiency. Nevertheless, experience should be gained from the evolution of the smart grid and the smart system. The most natural reference of a system is a household, connected to the grid with one or several contract(s) and a meter as the natural interface to measure the system performance.

Today, consumers contract one single supplier to provide energy to their homes. Tomorrow, energy services could be developed one step further for homes equipped with multi-contract meters. This concept, which could be compared to today's dual sim mobile phones, would foster competition and could increase the specificities of some providers (e.g. specialised in renewable energy).

Similarly, energy audits should participate in changing the direction of the price vector on energy markets. Consumers who save energy could access lower energy prices and would be rewarded for purchasing products which offer a systemic benefit.

We are convinced that diversification of contracts and a system rewarding energy efficiency and savings can transform energy markets positively. We appreciate the introduction of the negajoule concept in the Plan and call for further development of such initiatives.

Energy management obligations

Such markets would in principle drive companies to increased product energy efficiency and systemic efficiency, including in their own facilities. Energy management obligations, which are (to date) a voluntary scheme among larger companies (environmental reports) should be a common practice for businesses. However, by default measures will not boost competitiveness. The industry's capacity to finance energy efficient applications indeed compete with other priorities such as product development, especially in a period of difficult access to credit.

We thus call for prudence in establishing obligations irrespective of the companies' situations and if the measures cannot be properly enforced.