

Opinion of the European Economic and Social Committee on the ‘Proposal for a directive of the European Parliament and of the Council amending Directive 2012/27/EU on energy efficiency’

(COM(2016) 761 final — 2016/0376/(COD))

(2017/C 246/07)

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Consultation	Council: 9.12.2016 European Parliament: 12.12.2016
Legal basis	Article 194(2) of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	11.4.2017
Adopted at plenary	26.4.2017
Plenary session No	525
Outcome of vote (for/against/abstentions)	115/1/2

1. Conclusions and recommendations

1.1. Europeans need to be proactive in promoting energy efficiency, to take the initiative and cooperate on joint projects, and to fight for the removal of economic, administrative and regulatory barriers. The common goal is to implement the post-COP21 targets which will offer a number of advantages: new job-rich investments (renovation of buildings, improved comfort levels and smart, fair metering), less energy poverty, less pollution and better public health, and less dependency on imported energy. A firm commitment is needed from the Member States regarding the implementation of the Energy Efficiency Directive, given that the new targets proposed for 2030 are more ambitious than the 2020 targets.

1.2. Energy efficiency is extremely important for the future of the European energy system. Improving energy efficiency in all areas in which energy is used can prove to be a significant means of reducing costs for the European economy and the principle of ‘energy efficiency first’ can help improve financial accessibility. This principle will lead to the need to reduce the demand for costly replacement infrastructure. Energy saving requirements are compatible with sustainable development (a sustainable, secure situation), and synergies must be harnessed for an efficient transition to a resilient, low-carbon smart system (supraregional distribution systems, demand management and storage systems).

1.3. The EESC notes the Commission proposal to establish a 30 % binding energy efficiency target for 2030, but considers that any increase in the 27 % target would need to be justified by demonstrating both the economic benefits and the level of investment needed to reach these targets. It is imperative that the impact assessment take account of all the measures addressed by the energy and climate packages.

1.4. With a view to removing the main barriers to the implementation of Article 7 of the Energy Efficiency Directive (EED), the EESC calls for final-consumer awareness to be stepped up by promoting and providing information about energy efficiency schemes and alternative measures. Additional investments are needed and each Member State will need to invest in credible information, communication, education and assistance measures encouraging individuals and businesses, in order to meet the policy objective for climate change and energy efficiency more swiftly.

1.5. The EESC asks the Member States to pay closer attention to subsidised housing and households suffering from energy poverty, which should be guaranteed permanently cheaper energy. One key objective is to make all residential buildings more efficient and to establish minimum standards (energy audits) for rented housing.

1.6. The EESC draws attention to the major objective of educating final consumers on techniques for combined production of heat and power (cogeneration, air conditioning), smart meters and renovation plans. This is key to ensuring that investors, public authorities and businesses have the confidence needed to carry out projects with significant efficiency potential and to invest in R & D.

1.7. The EESC hopes that the measures establishing European financial instruments (loans, guarantees, equity to leverage funding, grants) will also leverage private funds for energy projects. Grants for projects with a strong social impact must not be overlooked. These financial schemes must be approved for projects also focusing on consumers on a limited income. The EESC calls for the development of guidelines on transparency and comparability for the national plans. The EESC considers that priority must be given to supporting households suffering from energy poverty, thereby ensuring that Member States will have a long-term stable policy framework for local sustainable development.

1.8. The EESC considers that this can be done by providing technical support for the implementation of the EED by means of innovative, market-based financing schemes. One quantitative element accorded considerable importance when approving financial incentives is the energy audit (definition of SMEs, no double certification, uniform approach towards the de minimis threshold), a tool for boosting energy efficiency and an asset for competitiveness. National training programmes for energy efficiency service providers and a proper approach to quality assurance are also needed.

1.9. In order to increase energy efficiency for consumers, the EESC recommends that cost-benefit analyses be performed at national level, which will lead to cost savings.

1.10. The EESC calls for a comprehensive approach and a more energy efficient transport system which is based on ongoing technological developments in vehicles and propulsion systems, the shift to energy efficient transport modes, and intelligent transport systems (ITS) which will increase the uptake of available capacity. This consideration must also be taken into account in aviation and maritime transport. Users must be informed about fuel consumption for each mode of transport, including the relevant limits on CO₂ emissions.

2. General comments

2.1. The EESC agrees that **energy efficiency first** is a key element of the Energy Union, and this principle will be put into practice by the proposal for an amendment. *The cheapest energy, the cleanest energy, the most secure energy is the energy that is not used at all. Energy efficiency is one of the most cost effective ways to support the transition to a low carbon economy and to create growth, employment and investment opportunities.*

2.2. While the energy efficiency target for 2020 is 20 %, a number of targets have been analysed for 2030 (between 27 % and 40 %). The most ambitious is the European Parliament resolution calling for a binding 40 % target. After analysing the benefits in terms of jobs and economic growth, security of supply, greenhouse gas emission reductions, health and the environment, the Commission has proposed a binding energy efficiency target of 30 %. Against the backdrop of this rise, the EESC considers that it is very important to carefully analyse the impact of the energy efficiency targets on the other targets set by legislative proposals on energy and, particularly, on the EU-ETS (the EU emissions trading system).

2.3. In order to meet these galvanising objectives, the Member States (supported by their respective economic and social councils) and energy suppliers and distributors will have to make energy savings of 1,5 % annually (a key policy). The EESC endorses the proposal to extend the energy saving requirement beyond 2020, retaining the annual rate of 1,5 %, through obligation schemes and flexible alternative measures at Member State level for implementing savings requirements.

2.4. The new approach, supported by the EESC, will give Member States and investors the long-term perspective needed to plan their investment strategies and plans with a view to reaching the EU objective. It will do so by implementing the appropriate policies at national and regional level to deliver important benefits by 2030, such as a 17 % drop in final energy consumption (compared to 2005), economic growth reflected in a 0,4 % increase in GDP, lower electricity prices for households and industry (from EUR/MWh 161 to 157), new business opportunities creating appropriate (suitable) jobs, pollution and health-damage control (a drop of EUR 4,5-8,3 billion) and improved energy security (reducing gas imports by 12 % in 2030).

2.5. In the EESC's view, it is paramount to keep the main energy market players informed, provide households and industrial consumers with pertinent, clear and concise information on their own consumption, and strengthen their rights in metering (remote reading) and billing, including for thermal energy. Vulnerable consumers must not be overlooked: with the decrease in the cost of energy bills, they should see an increase in their comfort and living standards.

2.6. However, the protection of vulnerable consumers also demands that the Directive should not impose individual metering in countries where by law the landlords must cover the tenant's energy costs, especially as these rental laws create a major energy efficiency renovation incentive for landlords. Also it should be stressed the fact that, in some Member States, many individual meters that have only recently been installed in compliance with existing EU law, have useful lifespans going well beyond the Commission's 2027 deadline for replacement by remotely readable devices. The replacement of these meters may be considered an unnecessary extra cost by EU consumers and should be therefore avoided.

2.7. The EESC considers that it is crucial to strengthen the social aspects of energy efficiency and combat energy poverty, particularly among vulnerable consumers. The EU Member States must pay closer attention to social measures. The directive's implementation is crucial for wellbeing.

2.8. We must not forget the link between the objectives for energy efficiency and climate change: they both seek to reduce greenhouse gas emissions. This requirement leads to policies stepping up the level and speed of new technology uptake. These new technologies will generate energy savings in transport, industry, households and buildings. Ultimately, they will be a cost-efficient way for the Member States to meet national targets under the EU emissions trading system (ETS and ESD), in accordance with Article 7 of the directive (real energy savings, practical energy efficiency measures).

2.9. As regards current legislation on energy efficiency, the European Parliament found that: ***the Energy Efficiency Directive has been inadequately implemented but provides a framework for delivering energy savings; competing legal provisions slow down environmental progress, create red tape and increase energy costs; energy legislation needs to be more coherent; more energy efficiency will result in more jobs and growth.***

2.10. Against this backdrop, the EESC believes that the new legislative proposal on energy efficiency will take into account the current opinion and the measures proposed by the European Parliament.

3. Specific comments

3.1. Legal basis, subsidiarity and proportionality

3.1.1. Article 194(2) of the Treaty on the Functioning of the European Union, supported by Directive 2012/27/EU, is the legal basis for energy matters. Therefore, a directive amending an existing directive is an appropriate instrument.

3.1.2. The EESC considers that to date, energy efficiency targets have not been achieved, partly because the Member States have acted independently. Coordinated action at EU level is needed to support measures at Member-State level. Energy problems lead to political issues, economic issues (the internal market, development, investment, regulation), social

issues (energy consumption, tariff issues, poverty, jobs) and energy security problems. Problems related to climate change must not be overlooked.

3.1.3. The EESC underscores the importance of upholding the subsidiarity principle and maintaining flexibility in the energy and energy policy mix in order to guarantee delivery by 2030 of the savings which the **Member States voluntarily pledged to achieve**.

3.2. *Implementation, monitoring, evaluation and reporting*

3.2.1. Various levels of reduction of primary energy compared to a 2007 baseline were assessed and, for the formulation of the target, primary and final energy consumption were analysed supposing first energy saving and then energy intensity. The findings of the consultation showed that most stakeholders were in favour of a 30 % target for 2030.

3.2.2. The following preferred options emerged from the analysis:

- for Article 7 on the energy saving requirement, option 3 was chosen (extend this article to 2030, simplify and update);
- for Articles 9-11 on metering and billing energy consumption, option 2 was chosen (clarification and updating, including consolidation of certain provisions to increase coherence with internal energy market legislation).

3.2.3. One key conclusion concerns the social impact: for every EUR 1,2 million spent on energy efficiency, approximately 23 jobs are directly supported.

3.2.4. The reduction in fuel bills brought about by the energy efficiency measures for the energy poor is considered to be a positive impact, which could help solve some of the problems associated with social exclusion.

3.2.5. The EESC considers that the proposal to amend the directive will have a positive impact on SMEs, through specific measures and support programmes (schemes to cover the cost of energy audits) and encouragement to perform energy audits. The renovation of buildings will provide small construction firms with business opportunities, as will extending Article 7 from the current deadline to 2030. Performance contracts with energy suppliers will be another incentive for energy services companies, which are often SMEs.

3.2.6. At the same time, the EESC considers that the measures on metering and billing of energy consumption will lead to clarification and updating in line with technological developments in devices for remote metering of thermal consumption (heating, air conditioning). Information on energy consumption will also be accurate, individual and frequent, in accordance with national energy policies.

3.2.7. As regards the budgetary or administrative implications for Member-State public authorities, the proposal extends the period of implementation but does not involve additional costs, as the Member States already have suitable measures and structures in place. The costs associated with the energy efficiency obligation schemes will be passed on to the final customers. The advantage for the final customers will be lower energy bills as their own consumption drops. The proposal does not have any implications for the EU budget.

3.2.8. The new energy governance will lead to a flexible and transparent system for analysis, planning, reporting and monitoring, which complies with national energy and climate change plans. The implementation of national plans for meeting energy efficiency targets and the delivery of the overall EU target will be monitored. This will be done by monitoring indicators of success geared to the preferred option: correct transposition and implementation; increased progress towards implementation; more information available to consumers; reduced administrative burden and good reporting on the savings achieved.

3.3. *Comments on the specific provisions of the proposal amending the directive*

3.3.1. The indicative 27 % target has been replaced by a binding EU target of 30 %. Each Member State must set a national energy efficiency target for 2020 based on final and initial energy consumption. The Commission will evaluate progress, analysing all the targets which have been communicated, in order to determine whether the EU target has been met. The Commission can propose appropriate measures if the EU is not on track to meet the targets. The evaluation process will be described in detail under Energy Union Governance.

3.3.2. The Member States are required to establish long-term strategies for mobilising investment in the renovation of their national building stock. The directive will transfer this point from the EED (Energy Efficiency Directive) to the EPBD (Energy Performance of Buildings Directive). The EESC considers that the EPBD is a very important tool for reaching the targets set, as buildings are the largest energy consumer in Europe (over 40 % of all final energy).

3.3.3. The EESC defines the concept of cogeneration as the simultaneous production, using the same facility (steam turbine-powered generator, internal combustion-powered generator, etc.), of electric and thermal energy (in the form of hot water, steam or a cooling agent). Highly efficient cogeneration presupposes that generation will yield primary energy savings of at least 10 % compared to the reference values for separate generation of electric and thermal energy. Unlike traditional, condensation-based electric plants, where only 33 % of the primary energy is converted into electricity, highly efficient cogeneration plants combine the two processes (simultaneous generation of electric and thermal energy) and so convert up to 90 % of the primary energy.

3.3.4. Cogeneration has significant benefits: energy efficiency, flexibility regarding the choice of fuel, easy operation and maintenance, safety, comfort for customers, low costs over the life cycle, lower capital requirements, and flexibility when planning the system.

3.3.5. In addition to obtaining energy from appropriate (low-carbon) sources and optimising energy consumption, electricity storage can be a solution for companies which either generate renewable energy and want to optimise their consumption based on their needs, or which want to reduce their costs by cutting electricity consumption during peak periods and using cheaper electricity from non-peak hours.

3.3.6. The EESC supports the Commission's approach to Article 7, which has been amended to extend the energy savings requirement beyond 2030 by keeping 1,5 % as the annual savings target. Progress towards implementing the measures will be evaluated in 2027 and thereafter at 10-year intervals, until the EU's long-term energy and climate targets for 2050 are deemed to have been met.

3.3.7. The EESC welcomes the amendment to the articles on metering and billing, clarifying issues related to heating, cooling and domestic hot water from central sources. However, individual meters must not be imposed by EU law in countries where the landlord is legally required to pay the tenant's energy costs (gross rent, under state-supervised rent negotiation between tenants' and landlords' organisations). As regards metering gas consumption, the final consumer must be provided with an individual meter which indicates consumption clearly.

3.3.8. Information on gas consumption will be based on actual consumption through a self-check system on the meter. There will be a requirement for data on consumption and billing to be available to energy service suppliers. The bill (in electronic format) will need to be clear and understandable for the consumer. Given the improvements proposed, the EESC hopes that **the Member States will become more involved in finding socially and economically appropriate solutions to the costs of metering (who pays for the meter?)**. This issue is crucial for guaranteeing a fair, appropriate approach to defining a level playing field for access to energy.

3.3.9. The energy industry has been calling for some time for the revision of the primary energy factor (PEF), which is based on final energy consumption for savings expressed in kWh in the Member States. The methodology and new factor are a significant improvement. The EESC supports the PEF of 2,0, which gives the Member States latitude to apply a different coefficient, provided that such a move is duly justified. The energy industry is concerned about the unfavourable method of calculating nuclear energy, for which a factor of 1 (100 % conversion), similar to the factor applied to the other carbon-free sources, is considered appropriate.

Brussels, 26 April 2017.

*The President
of the European Economic and Social Committee*
Georges DASSIS
