



WWF

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The Energy Efficiency Directive

The Directive on Energy Efficiency (EED) is new legislation designed to reach the EU's 20% energy savings target by 2020. The European Commission published its proposal in June 2011, and the European Parliament as well as the Council of the European Union will now consider it. WWF criticises the weakness of the Commission's proposal, which it says is inadequate to reach 20% energy savings by 2020, as it introduces neither a binding target, nor significant binding measures.

WWF therefore requests the European Parliament and the Council to strengthen the legislation by:

- **Introducing a binding 20% energy savings target, combined with an effort-sharing mechanism among EU Member States;**
- **Introducing deep renovation targets for all buildings.**
- **Deleting the opt-out clause which allows Member States not to set up Energy Efficiency Obligation schemes.**
- **Using the Energy Efficiency Obligation schemes to finance deep renovations.**
- **Mandating the introduction of National Technical and Financial Facilities.**
- **Ensuring that the ETS and efficiency policies remain mutually supportive.**

The combination of these measures, if well implemented by EU Member States, will put Europe back on track to reach its target.

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INTRODUCTION

As part of the 20-20-20 targets, the European Union (EU) agreed to reduce its primary energy use by 20% compared to energy consumption projections in 2020¹, and stated that this was to be achieved by improving energy efficiency. However, under current policies, the EU is on a path to reach only around 10% energy savings by 2020² – **just half of what the European Council had set out to achieve.**³

In response to this shortcoming, and in order to create a legal tool that would bring Europe back on track to reach its target, the European Commission (EC) published its proposal for a Directive on Energy Efficiency on June 22, 2011.⁴ This new piece of legislation amends and merges the Energy Services Directive⁵ and the Cogeneration Directive.⁶

WWF has serious concerns that the measures in the Commission's proposal are still not adequate to curb Europe's energy consumption. **If adopted as it stands, the Directive will be a wasted opportunity to reduce European citizens' energy bills, create new jobs and cut greenhouse gas emissions.**

The Commission has ignored support from a majority of stakeholders⁷ and the European Parliament⁸ for inclusion of a binding 20% energy savings target in the legislation. Instead, it gave assurances that effective and strong binding measures would be set to achieve the same results.

However, last minute changes to the Commission's draft proposal, which are not quantified in the Impact Assessment, weakened the promised measures considerably and created a gap even when using the Commission's own estimates:

- a 250 sqm threshold was introduced in the 3% renovation obligation for public buildings (Article 4),
- an opt-out clause from the Energy Efficiency Obligation schemes jeopardizes the savings that could have been achieved with full participation (Article 6), and
- exemptions were introduced in the cogeneration provision (Article 10).

WWF Asks

The EU must achieve at least 20% energy savings by 2020. This will benefit governments, business and citizens. It will save money, help re-launch Europe's economy, ensure EU security of energy supply, and reduce energy costs for European citizens. At the same time, it will help Europe meet its climate target of reducing greenhouse gas emissions by 80-95% by 2050.

¹ EU Climate and Energy package, http://ec.europa.eu/clima/policies/package/index_en.htm

² Page 2, "Energy Efficiency Plan 2011", COM(2011) 109 final, Brussels, 8.3.2011.

³ European Council 8/9 march 2007, Presidency Conclusions, page 20.

⁴ Proposal for a Directive of the European Parliament and of the Council on energy efficiency and repealing Directives 2004/8/EC and 2006/32/EC, COM(2011) 370 final, Brussels, 22.6.2011

⁵ Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006 on energy end-use efficiency and energy services and repealing Council Directive 93/76/EEC

⁶ Directive 2004/8/EC of the European Parliament and of the Council of 11 February 2004 on the promotion of cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC

⁷ Impact Assessment accompanying COM(2011)370 final, SEC(2011) 779 final, page 32.

⁸ European Parliament resolution of 15 December 2010 on Revision of the Energy Efficiency Action Plan, 2010/2107(INI), paragraph 5

A BINDING 20% ENERGY SAVINGS TARGET

Despite wide acknowledgement that the EU is at serious risk of missing its 20% energy savings target, the EED proposal introduces neither a binding target, nor the binding measures needed to reverse this trend.

- **The Commission's position**

The proposal embraces a “wait and see approach” on the binding target, until the Commission assessment of the 27 individual national targets set by Member States (MSs). This is due by 30 June 2014. Only if this evaluation predicts failure will the Commission submit a legislative proposal setting binding national targets. Action at this late stage would seriously compromise the achievement of 20% energy savings by 2020.

- **Member States' position**

MSs' longstanding opposition to a binding target is unfortunately still quite strong. Most of the governments regard energy efficiency as a national prerogative and do not see a strong role for European legislation in this field. This is one of the reasons why a binding target entrenched in the EU legislation is generally opposed. However, **a national binding target would have only implied an obligation to achieve a result (i.e., the amount of savings) and would have granted MSs full flexibility and complete freedom in selecting and implementing the best measures tailored to their national situation.**

- **Why a binding target?**

Given the importance of providing clear signals to the market with legal certainty around the 20% energy saving target, WWF is firmly convinced that the EED should immediately introduce a binding target in order to be effective. **The earlier that legal certainty can be given through a binding target, the easier and the cheaper it will be for businesses to start investing in the right energy efficient measures.**

The target would need to be complemented with appropriate financial mechanisms and tailored national policies. This would give operators a clear framework to steer sectoral energy efficiency measures in the right direction and would help channel private and public funding towards the necessary investment.

The 20% reduction target should at least be quantified to make it concrete (1474 Mtoe is the indicated amount⁹) and the EED should already allocate national responsibilities to share reduction effort among the 27 MSs. This could be done in two different ways:

1. in line with the Commission non-paper circulated on November 2010¹⁰; or
2. if a fixed baseline year was set and the energy saving target was quantified as a 20% reduction of energy consumption compared to this year

WWF Asks

- Introduction of a binding target for the EU of at least 1474 Mtoe (Article 3);
- Introduction of an effort sharing among Member States (new Annex).

⁹ Projections of EU energy consumption for 2020 made with the PRIMES 2007 model forecasted a primary energy consumption of 1842 Mtoe. A 20% reduction is equivalent to 1474 Mtoe in 2020

¹⁰ European Commission, Non-Paper Achieving 20% Energy Efficiency. The non-paper suggests a linear 20% reduction of each MS projected energy consumption levels for 2020.

DEEP RENOVATION TARGETS FOR ALL BUILDINGS

Our homes, offices, schools, shops and other buildings are major energy users and greenhouse gas emitters. The EU building stock is responsible for around 40% of EU final energy consumption and 36% of total EU CO₂ emissions.

The 2010 Energy Performance of Buildings Directive¹¹ (EPBD) introduces fairly good measures for new buildings (all buildings to be nearly-zero energy buildings by 2021 with earlier compliance for public buildings). It however totally fails to stimulate renovation of existing buildings to bring them towards very low energy consumption levels.

According to the Impact Assessment of the EED, refurbishment cycles are of 30-40 years, but for renovations linked to the improvement of energy efficiency this cycle can be as long as 60-80 years.¹² Therefore it is important that whenever a building is renovated, **the refurbishment brings the energy consumption to the lowest level possible for the type of building through a deep renovation.**

- **Introduce the concept of deep renovations (new definition)**

Article 4 of the Commission proposal only requires buildings owned by public bodies to be refurbished in line with the minimum energy performance requirements in compliance with the EPBD. Minimum energy performance requirements are set nationally in each country's building code, widely differing among the 27 MSs. In many countries they have low ambition. Therefore, Article 4 as it stands will not ensure that a renovation brings energy consumption to the lowest level possible for the type of building.

To go beyond the level of business-as-usual renovations, the EED should introduce the concept of deep renovations. **While there is still no common definition for deep renovations at EU level, WWF defines it as a refurbishment that reduces the energy performance of a building to a level comparable to the passive house standard if technically feasible; or a reduction of at least 75% of energy consumption compared to the building's performance before renovation.**¹³

In addition, the EED should make sure that any other energy efficiency improvement that is building-related, but which is not per se a deep renovation, does not prevent, or increase the costs, of a deep renovation that might happen at a later stage.

Deep renovations, which drastically reduce the energy consumption for heating and cooling, will protect homeowners and businesses from increasing and fluctuating energy prices, and are an indispensable step to fight fuel poverty.

- **Include residential and commercial buildings (new article)**

The Commission proposal for the EED only sets a 3% renovation obligation for buildings owned by public bodies; these represent less than 12% of the EU building stock. Commercial and residential buildings are excluded from the Commission's proposal, therefore leaving out the bulk of existing buildings in the EU.

As shown by the Impact Assessment of the EED, the residential sector (together with transport) is the one where the most additional efforts are required to reach 20% energy savings by 2020, but the Commission's proposal does not reflect this finding.

¹¹ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast).

¹² Impact Assessment accompanying COM(2011)370 final, SEC(2011) 779 final, page 38.

¹³ For a definition of deep energy renovation, please see t S-DEEP-1 scenario at page 52 of the study "Employment Impacts of a Large-Scale Deep Building Energy Retrofit Programme in Hungary" the Centre for Climate Change and Sustainable Energy Policy at the Central European University in Budapest and the paper "The Fundamental Importance of Buildings in Future EU Energy Saving Policies" prepared by a Taskforce of Actors and Stakeholders from the European Construction Sector available on the internet at <http://www.buildup.eu/news/12980>

WWF calls for the EED to require MSs to define national roadmaps with a long-term perspective for the deep renovation of their building stocks, starting with public buildings and gradually phasing in commercial and residential buildings.

These roadmaps will need to define strategies and policies at national level which will lead to a comprehensive renovation of the building stock between now and 2050. The EED should therefore require MSs to draft plans with intermediate renovation targets for 2020, 2030, and 2040 as quickly as possible after the entry into force of the directive.

- **Reinforce the Exemplary Role of Public Buildings (Article 4)**

The Impact Assessment of the Energy Efficiency Action Plan says that buildings owned or occupied by public bodies represent about 12% of the EU building stock.¹⁴

Article 4 of the EED proposal however doesn't even cover these 12%, but only buildings that are owned by public bodies. Buildings occupied by public bodies (*i.e.*, rented) are excluded, as are buildings which have less than 250 sqm. WWF is pushing for MEPs and the Council of the European Union to amend the scope of Article 4 to cover all buildings owned or occupied by public bodies, of all sizes.

WWF Asks

- Introduce the concept of deep renovations in the EED (new definition)
- Extend the scope of the EED to commercial and residential buildings (new article)
- Require MSs to draft national plans elaborating their own strategy, and supportive measures, to deeply renovate their national building stock between now and 2050 (new article)
- Delete the 250 sqm threshold for buildings owned by public bodies (Article 4).
- Extend the obligation to buildings occupied by public bodies (Article 4).

¹⁴ The Energy Efficiency Plan (COM/2011/0109 final), page 4.

ENERGY EFFICIENCY OBLIGATION SCHEMES

The EED proposal currently requires MSs to put in place national Energy Efficiency Obligation (EEO) schemes, also known as supplier obligations: such schemes oblige energy retailers or energy distributors to achieve a fixed amount of savings. They can either carry out energy efficiency improvements with their customers directly, or they can outsource the work to third parties, such as Energy Service Companies (ESCOs).

Denmark, France, Italy, UK and the Belgian region of Flanders have already adopted such schemes, but they are considerably different in scope and design. Cost-effective investment in energy efficiency resulting from these schemes has been estimated at around €1bn investment for France, Italy and UK.¹⁵

EEO schemes are useful mechanisms to change utilities' business models from simple supply of energy towards a combined supply of energy, energy efficient technologies and/or specific actions linked to energy efficiency improvements. In addition, an EEO scheme ensures a stable funding source independent from the Government budget, with which energy companies will contribute the up-front investments on energy efficiency.

- **Delete the opt-out clause (Article 6.9)**

Article 6 of the EED proposal provides for energy retailers or distributors to annually save an amount of energy which equals 1.5% of their total energy sales by volume, in the previous year. However, Article 6.9 introduces an opt-out clause allowing MSs not to establish an EEO scheme, but instead to adopt alternative measures resulting in an equivalent level of savings.

In WWF's view **the opt-out clause completely jeopardizes the supplier obligation: currently, nothing prevents MSs from counting already existing energy efficiency programmes¹⁶ as measures contributing to the equivalent savings.** But it is precisely because current efforts are inadequate, which is universally agreed, that the EED and new measures are needed.

The Impact Assessment accompanying the EED quantifies the energy savings resulting from the introduction of EEO schemes to be 108-118 Mtoe in 2020.¹⁷ The opt-out clause seriously undermines these estimates and presents no alternative incentive for energy companies to decouple their profit from the quantity of energy sold.

- **Energy Efficiency Obligation Schemes as a financing tool for deep renovations**

The EEO scheme as currently outlined in the proposal is not encouraging the obligated parties to carry out energy efficiency measures linked to buildings. Considering the existing financial barriers for deep renovations of the existing building stock, it would be helpful if EEO schemes would ask energy companies to prioritize deep renovations.¹⁸

The obligated parties, for instance, should be required to reach at least 30% of energy savings through deep renovations of existing buildings – in combination with the provision that only 10% of energy savings can be delivered through short term measures.

¹⁵ Annex VII to the Impact Assessment accompanying the Proposal for an Energy Efficiency Directive, page 28.

¹⁶ As an example, Germany could choose not to implement an energy efficiency obligation scheme, but instead count the energy consumption reductions achieved through its already well-functioning KfW CO₂ Building Rehabilitation Programme to meet the equivalent level of savings requested by the opt-out clause.

¹⁷ Impact Assessment accompanying COM(2011)370 final, SEC(2011) 779 final, page 32.

¹⁸ For suggestions on how to increase deep retrofits in supplier obligations, see as well page 51 of RAP, "Residential Efficiency Retrofits: A Roadmap for the future", available on line at www.raponline.org/document/download/id/918.

Deep renovations of existing buildings can be further encouraged through EEO schemes if the EED would give more credit to energy saving measures with longer life-cycles: a unit of energy saved through deep renovations (which are measures with a lifecycle of more than 20 years) should be weighted more than the same amount of energy saved through a measure with a short lifetime, such as the replacement of an inefficient appliance by an efficient one.

Such a graded approach would encourage obliged parties **to focus on long term measures** with higher impact rather than on short term measures that are easier to implement, but have a smaller effect on reducing energy consumption in the long run.¹⁹

- **Quality requirements and an independent monitoring system**

Quality requirements for the energy efficiency measures carried out need to be in place to ensure consumers' acceptance of these schemes and avoid low or bad quality compliance by the obligated parties. If the consumers do not trust the energy companies as provider of energy efficiency measures, such as for example deep renovations, the system will not deliver the expected results.

The EED should also require MSs to put in place an independent system of monitoring and verification to ensure that the obligated parties do not over-estimate their savings but deliver real savings.

WWF Asks

- Deletion of the opt-out clause allowing MSs not to put in place an EEO (Article 6.9).
- Obligated parties should achieve at least 30% of their required energy savings through deep renovations.
- EEO schemes to reward measures with a long lifecycle, such as deep renovations.
- EEO schemes to include quality requirements for the measures.
- MSs to introduce an independent system of monitoring and verification of the savings.

¹⁹ For more information see RAP's study quoted above, page 49-50

NATIONAL TECHNICAL AND FINANCIAL FACILITY

Financing is one of the main barriers to the implementation of energy efficiency measures, and in particular mobilising the initial up-front capital is a recurring sticking point.

The EED proposal does not include any specific provision to address this issue, and the lack of a “financing article” has been justified by the explanation that this Directive can not anticipate any negotiation that will take place during the adoption of the EU Multiannual Financial Framework. This position should however not exclude **the introduction of provisions to promote the development of mechanisms to collect and channel existing resources towards investment in energy efficiency, especially in the buildings sector.**

Combined with the Energy Efficiency Obligation schemes as a vehicle to finance deep renovations, the EED could set specific structures that provide financial and technical assistance. These facilities should be an entry point for the different sources of already available financing, such as - just to mention a few – Cohesion and Structural Funds, revenues from the auctioning of ETS allowances, eventual penalties paid by obligated parties for non-compliance with the EEO schemes, as well as available financing from the European Investment Bank. **Once pooled together, these resources should also be used to leverage additional private money in the capital market.**

The National Technical and Financial Facility could then put financial tools in place, especially for buildings renovations: loan guarantees for private capital, grants, or third party financing for energy performance contracting.

The facilities should also provide technical assistance to ensure the good design of the energy efficiency measures, especially for large projects. Well-designed projects will have reduced financial risks and will therefore be bankable, which will facilitate the involvement and support of commercial banks.

Finally, consumers need targeted information and independent help to implement energy efficiency and to make appropriate choices; the Facility should therefore be designed with the end-users in mind.

The Impact Assessment of the EED examines the introduction of similar structures (called ‘financial and technical assistance instruments’²⁰) as an alternative to setting renovation targets. However, WWF asks for this to be a complementary measure as it will be an enabling mechanism to implement a comprehensive national renovation strategy.

WWF Asks

- Introduce National Technical and Financial Facilities, which are financial and technical assistance instruments, to support deep renovations in existing buildings (new article).

²⁰ Impact Assessment accompanying COM(2011)370 final, SEC(2011) 779 final, pages 38 and 40.

ETS AND EED: TWO COMPLEMENTARY INSTRUMENTS

The Emission Trading Scheme (ETS) Directive²¹ and the future EED are two instruments that have the potential to contribute significantly to reducing GHG emissions in Europe. They inevitably affect each other and so a reinforcement of both frameworks is necessary to reach effectively EU 2020 and 2050 goals.

Once the EED is adopted and successfully implemented, it will lead to reductions of energy consumption (which could either be considerable or quite modest, depending on the final level of ambition of the law). These reductions will in return reduce GHG emissions, both directly and indirectly through reduced demand for electricity and thus reduce the scarcity and price of ETS allowances on the carbon market.

An adjustment of the ETS is needed to ensure that both directives will remain mutually supportive instruments in both the medium- and long-term. More concretely, the ETS cap must be strengthened to counterbalance the increased number of allowances resulting from energy savings measures and to align the ETS with the EU 2050 objectives.

With an increase of the linear reduction factor of the ETS, energy efficiency legislation and the ETS will remain complementary and contribute jointly to reaching the 80-95% GHG emissions reduction in 2050 the EU has set as its target.

WWF Asks

- Introduce a reference in the EED on the need of adjusting the ETS to take climate and energy efficiency measures into account
- Ensure that the ETS and efficiency legislation remain mutually supportive

²¹ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC

CONCLUSIONS

WWF's priority in energy savings and efficiency remains to ensure that the EU will achieve at least 20% energy savings by 2020. Not reaching this needed savings could already put in jeopardy the EU objective of reaching 80-95% reduction of greenhouse emissions by 2050. Therefore, we urge the Parliament and the Council of the EU to improve the EED proposal and ensure that this will become a vehicle to re-launch the economy, ensure EU security of supply and reduce energy costs for European citizens.



Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

www.wwf.eu

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