

**Brussels, 31 October 2016**

## **BRINGING THE JULY 2016 CLIMATE PACKAGE TO LIFE**

### **INTRODUCTION**

Orgalime welcomes the Commission's Climate Package of July 2016 consisting of its

- [Communication "Accelerating Europe's transition to a Low Carbon Economy"](#) ,
- [A legislative Proposal for the EU Effort Sharing Regulation in the Non-ETS sectors](#),
- [A Strategy on Low-Emission Mobility](#) and
- [A proposal for a Regulation to integrate the land use sector in the EU 2030 Climate and Energy Framework](#).

With the EU's ratification of the Paris Agreement in record time and its expected entry into force beginning of November 2016, the necessary framework for making Europe's transition to a Low Carbon Economy a reality is now in place. The EU's ratification was indeed the first essential step for reviving confidence in the EU's capacity to achieve its political commitments, which was essential. Delaying concrete policy measures in Europe or reducing their level of ambition are now no longer an option.

As the above mentioned Commission Communication correctly states "*the global transition to a low carbon and circular economy has begun.... If Europe does not maintain and exploit its first mover advantage when fostering renewable energy, energy efficiency and competing on the development of other low carbon technology markets globally, other regions will*".

Energy efficiency in particular is increasingly acknowledged as an energy source in its own right at world level. Global investment in energy efficiency increased by 6% from 2014 to 2015, so the [International Energy Agency's 2016 Energy Efficiency Market Report](#). Though it is of concern to us that, as confirmed by the IEA findings, this growth is happening much quicker outside Europe and that the PR of China has been identified as "*the global energy efficiency heavyweight*".

Europe's true challenge therefore is to translate its energy and climate commitments into reality at home! Therefore, we call on European and national regulators to urgently cascade the EU's international obligations into concrete policy measures here and thereby keep the momentum of reinstalling Europe's leadership on global energy and climate change policies.

Technologies manufactured in Europe are ready!

The **proposed Effort Sharing Regulation in the Non-ETS sector**, which sets out binding annual national greenhouse gas emission targets in line with an EU-wide reduction of 30% in the non-ETS sectors compared to 2005 by 2030, represents one concrete tool for the EU's Member States to jointly live up to their Paris commitments. We generally support the proposal to tap into the existing potential especially in the buildings, transport, waste management and agriculture sectors and for the first time also in the land-use and forestry sector.

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*Orgalime, the European Engineering Industries Association, speaks for 41 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 24 European countries. The industry employs some 10.9 million people in the EU and in 2015 accounted for more than €1,900 billion of annual output. The industry accounts for over a quarter of manufacturing output and a third of the manufactured exports of the European Union.*

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[www.orgalime.org](http://www.orgalime.org)

**Orgalime is a firm believer in energy efficiency and its multiple benefits:** Already in September 2014, the International Energy Agency has in its report on "[Capturing the Multiple Benefits of Energy Efficiency](#)", demonstrated the benefits beyond energy aspects and concluded that energy efficiency represents a key resource for economic and social development across all economies. It particularly identifies the role of energy efficiency as a major contributor to strategic objectives across five main themes: enhancing the sustainability of the energy system, economic development, social development, environmental sustainability and increasing prosperity.

The [2016 IEA Energy Efficiency Market analysis](#) now confirms that policies to increase energy efficiency and decarbonising energy supply will be the major drivers for global reduction in emissions of key local air pollutants between now and 2040.

**NOW THEREFORE ORGALIME TAKES THE FOLLOWING POSITION:**

**To support Member States in meeting their 2030 obligations and Effort Sharing commitments, we recommend enabling EU measures, and in particular:**

- **Tapping into energy system savings potential through the announced reviews of Directives 2012/27/EU on Energy Efficiency ("EED") and 2010/31/EU on Energy Performance of Buildings ("EPBD"), and thereby carrying forward the success of the Ecodesign and Energy Labelling Directives that has been achieved at the level of standalone appliances to the systems to which they are integrated, notably buildings, the energy system itself, the transport and wider industry sectors, since the energy efficiency savings potential of standalone appliances is reaching technical and economic limits.**
- **Implementing the three no regret options of "more energy efficiency + more renewable energy sources + smart, flexible distribution grids" in the EU energy market design and governance proposals to come. This is, in our view, indispensable for successfully managing the future coexistence of decentralised and centralised energy production and the need for a smarter distribution grid to accommodate them.**
- **Boosting a gradual decarbonisation of the entire transport system through the Strategy on Low-Emission Mobility, a rapid as well as ambitious implementation of Directive 2014/94/EU on Alternative Fuels Infrastructure Deployment and pushing for digital solutions through the forthcoming Commission Communication "A Master Plan for the Deployment of Interoperable Cooperative Intelligent Transport Systems (C-ITS) in the EU".**
- **Promoting investment into waste management infrastructure and driving cleaner waste streams and cleaner secondary raw materials through further implementation of the Industrial Emissions Directive as well as a strict landfill, waste shipment policy, ambitious EU recycling targets and minimum quality criteria for secondary raw materials.**

The sooner Europe starts acting, the more cost efficient the entire transition will be for all.

We provide more details to these in our view key enabling EU measures in the annex.

## ANNEX: ENABLING EU MEASURES OF THE CLIMATE PACKAGE EFFORT SHARING REGULATION

### 1. Presenting and adopting an ambitious energy efficiency package on time (Reviews of Directives 2012/27/EU (EED) and 2010/31/EU (EPBD))

“Energy efficiency is the one energy resource all countries possess in abundance, and is an essential part of delivering all energy goals”, states the International Energy Agency.

Orgalime supports the review of the Energy Efficiency Directive 2012/27/EU (“EED”) and Directive 2010/31/EU on the Energy Performance of Buildings (“EPBD”) to implement the Energy Union’s “Energy Efficiency First” principle and the new 2030 energy and climate targets and draft Effort Sharing Decision throughout the different market segments. No doubt, the EU-ETS will not suffice to make Europe deliver!

In our view, the energy efficiency package to come should drive a further evolution of the EED and EPBD in recognition of their leading energy efficiency role from a demand side and end user perspective to the benefit of consumers and climate alike.

#### The EED review should aim at...

- establishing “energy efficiency” as an energy source in its own right that can compete with generation capacity on equal level (article 1 EED).
- carrying forward the success of the Ecodesign and Energy Labelling Directives at the level of standalone appliances to the systems to which they are integrated, notably buildings, the energy system itself, transport and wider industry sectors (articles 3, 7 and 8 EED), since the energy efficiency potential of standalone appliances are reaching their technical and economic limits.
- combining energy efficiency with demand flexibility (articles 12-15, annex XI EED and articles 9-11 EED) to optimise and better manage European energy infrastructures with more renewable energy sources (RES) in the system, to reduce energy losses, to increase the overall efficiency of the energy system while empowering energy users and decreasing Europe’s energy import dependence.

#### The EPBD review should...

- strengthen renovation requirements on existing buildings: in this context we wish to comment that, in our view, too high a focus being placed on the building structure and deep renovation of existing buildings is resulting in a strong barrier due to high initial investment costs (typically 300 € per m<sup>2</sup>) coupled with (often too) long pay back periods. More emphasis should, we believe, be placed on technology solutions with lower up-front investment costs and shorter pay back periods, such as automation and control solutions on the building stock (which typically cost 30€ per m<sup>2</sup> and have a pay back as quickly as two to three years).
- tap into the significant potential in building systems and the operation of systems, where the Commission’s evaluation has demonstrated the poor performance of the Directive today. Therefore:
- strengthen the integrated approach (beyond the building envelope) and enable “smart buildings” that provide integrated management and control domains with ever more holistic performance coverage and more decentralised energy production through RES, including the development of the recharging infrastructure for electric vehicles and the integration of smart charging capabilities in buildings.
- drive the concept towards “connected buildings” and appliances inside (link “digitisation”) and thus buildings connected to smart and flexible distribution grids.

For more details, please consult [Orgalime’s Position Paper on the EED and EPBD Review Options of May 2016](#).

## 2. Delivering a more competitive, more flexible and more connected internal energy market to strengthen Europe's security of supply, competitiveness and environmental sustainability

Europe's electricity system in 2030 can be expected to be based on some 50% centralised energy production and some 50% distributed production from renewable energy sources<sup>1</sup> (with solar farms and wind parks being one pillar, private photovoltaic installations being a second pillar and further storage capacities being developed). The pending market design proposal will be essential for preparing Europe for the key challenge of successfully managing this **coexistence of decentralised and centralised energy production and the need for a smarter distribution grid to accommodate them.**

Moreover, the **digitisation of the energy system**, which for some time has already been a reality at the generation and transmission level, is developing rapidly and is now also offering tremendous opportunities (with the (professional and private) consumers at the core), such as:

- through an increasing level of automation and control to better manage processes,
- through an increasing use of software and data analytics ("big data") to increase overall efficiencies, or
- at the energy retail level through empowering the consumer so that he can be efficient, manage his own energy consumption and optimise his overall carbon and environmental performance.

We are convinced that the realisation of the new 2030 climate and energy targets and EU world leadership in Renewable Energy Technologies cannot be achieved without a thorough implementation of the "Energy Efficiency First" principle throughout all market segments.

In addition, designing the new energy market together with the Digital Agenda matters to build in the reality of the ongoing rapid change that the use of ever more digital technologies in industry brings, including in the energy and manufacturing sectors.

**The energy market design proposal should implement the three no regret options of "more RES + more Energy Efficiency + more smart, flexible distribution grids", including through:**

- Setting in place a market driven and competitive market, where price peaks function as investment signals rewarding flexible, clean and "fast delivery" technology solutions. We support price signals reflecting actual scarcity and the market needs to value flexibility at a fair price through dynamic retail tariffs.
- Granting demand side resources access to all markets (wholesale, balancing, ancillary services) at all timeframes.
- Empowering the consumer by codifying the right to self-generate, to self-consume, to trade and sell energy and to aggregate.
- Rewarding consumers (industrial and private) for their flexibility and introducing a new obligation to remunerate customers for the flexibility.
- Introducing more performance based remuneration of DSOs (rather than CAPEX based remuneration) to incentivise DSOs to invest in smart distribution grids, since 90-95% of RES are/have to be integrated at that level.
- Regarding capacity mechanisms, progress should be made on the assessment of the adequacy of the power system: Common methods and a common European approach are necessary. The strong focus on generation capacity in the context of the generation adequacy debate requires balancing – the different options of ensuring capacity (including energy efficiency and Demand Side Flexibility) should be able to compete at equal level.

For more information, please consult [Orgalime's response to the Commission's public consultation on the energy market design of 8 October 2015](#).

<sup>1</sup> Fraunhofer IWES (2015): The European Power System in 2030 – Flexibility Challenges and Integration Benefits.

### 3. A sustainable, low emission transport sector through timely Alternative Fuels Infrastructure Deployment and Interoperable, Cooperative Intelligent Transport Systems (“C-ITS”)

Orgalime generally supports a gradual decarbonisation of the entire transport system. We believe the proposed Low Emission Mobility Strategy confirms that there is no single action that could lead to a future-proof, decarbonised entire transport system.

Building policy actions on a mix of measures in a coherent manner and in particular recognising the Energy Union objectives and potentials of Digitising European industry are in our view key ingredients for success.

Increasing the efficiency of the transport system by making the most of digital technologies, smart charging, smart pricing and further encouraging the shift to lower emission transport modes, especially in congested urban areas and along the TEN-T corridors, is a particularly promising step.

**The Commission Communication “A Master Plan for the Deployment of Interoperable Cooperative Intelligent Transport Systems (C-ITS) in the EU” should...**

- send a clear investment signal to all actors involved.
- set a coherent roadmap for the EU, including an ambitious target to deploy the available ITS technologies and services by 2019 (as has been agreed by the Commission’s C-ITS platform).

For more information, please consult [Orgalime’s Position Paper on the C-ITS Masterplan of 26 July 2016](#).

In addition:

- **Speeding up the deployment of low-emission alternative energy for transport, and as ambitious as possible an implementation of Directive 2014/94/EU on the Deployment of Alternative Fuels Infrastructure** so as to remove obstacles to the electrification of transport will deliver further concrete results. Our recommendations for implementing this critical piece of legislation are available [here](#).
- The new market design for the electricity market should also tap into energy efficiency and flexibility potentials in the transport sector in combination with the empowerment of the consumers.
- The new design must fully integrate electric mobility in the market through facilitating the uptake of interoperable electric mobility market services.
- We support establishing more coherence between the EPBD and the Directive 2014/94/EU as buildings are paramount for the development of the recharging infrastructure for electric vehicles and the integration of smart charging capabilities. Member States need to consider smart charging functions that are a key enabler for energy management in homes and buildings as well as in public charging stations, when implementing the Directive 2014/94/EU.

### 4. Modernised European waste infrastructures are needed for the Circular Economy and better use of resources

Investments into waste management infrastructure will not only spur energy efficiency and energy savings in this sector but at the same time lead to cleaner waste streams and better quality of secondary raw materials in line with the EU’s Circular Economy and wider Resource Efficiency policy objectives. More industrial symbiosis across different industry sectors would be facilitated.

The **implementation of the Industrial Emissions Directive on the waste sector** should be further pursued coupled with **a strict landfill, waste shipment policy and ambitious EU recycling targets** to make the necessary progress in the waste management sector for the sustainable use of resources in our economy and reduction of its carbon intensity.

The more the use of secondary raw materials is promoted, the more **minimum quality requirements of secondary raw materials** are needed to protect human health and the environment.

Our industry's own efforts into improved product design and extended producer responsibility (EPR) obligations can only materialise if such proper European waste management structures and sufficient resources for **enforcing and surveilling waste policy measures**, and the waste shipment regulation in particular, are in place.

For more information, please consult [Orgalime's Position Paper on the Action Plan Circular Economy of 18 April 2016](#).

## IN CONCLUSION

Europe can no longer afford to lose time or be less ambitious on as critical an issue as leading the transition to a low carbon, energy and overall resource efficient economy. We call on European regulators to deliver both on time and on track with pending policy proposals including, in particular, on the energy efficiency (EED and EPBD) and new energy market design proposals.

These initiatives will be essential for helping Member States to implement the new 2030 Effort Sharing Decision and to reap the benefits of the shift to a low carbon, energy efficient and resource efficient economy.

The Commission's proposals for the Non-ETS sectors in our view provide a good basis for implementing the -30% target by 2030 compared to 2005. It will be most effective as soon as coupled with a timely and determined energy efficiency package (EED and EPBD reviews), energy market design and governance proposals based on the three no regret options "more renewables + more energy efficiency + smart, flexible distribution grids".

We support leaving Member States the appropriate level of flexibility to allow for cost-effective achievement of targets in the non-ETS sectors while safeguarding environmental integrity.

*"The EU has all the potential to turn climate change into an opportunity"*, states the Commission Communication on "Accelerating Europe's Transition to a Low Carbon Economy".

Indeed, low carbon, energy efficiency and resource efficiency technologies manufactured in Europe are ready – we call on policy makers, and EU Member States in particular, to tap into their environmental, energy, innovative jobs and growth potentials for Europe and in Europe.

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