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**Brussels, 17 October 2014**

## **COMMENTS ON THE COMMISSION COMMUNICATION ON “ENERGY EFFICIENCY AND ITS CONTRIBUTION TO ENERGY SECURITY AND THE 2030 FRAMEWORK FOR CLIMATE AND ENERGY POLICY”**

Orgalime welcomes the Commission’s Communication “Energy Efficiency and its contribution to energy security and the 2030 Framework for Climate and Energy Policy”, which presents strategic mid and long term objectives for the EU’s energy efficiency policy by assessing progress towards the 2020 target and by proposing a new 30% target for 2030.

The Communication, in our view, underlines the need for commitment to implementing the existing 2020 target and successfully complements the Commission’s initial 2030 Energy and Climate Change Framework proposal in the area of energy efficiency. It thereby moves Europe towards establishing an integrated, holistic such 2030 Framework, which Europe needs as a matter of urgency to create sustainable jobs and growth in competitive, innovative areas, such as cutting edge technologies.

The significant potential of energy efficiency and energy savings measures not only help for both, gaining time for a global climate change agreement and for boosting growth, as has been confirmed in the 2012 World Energy Outlook<sup>1</sup> and recent Special Report on “Redrawing the Energy Climate Map” of the International Energy Agency.

The wider energy benefits of energy efficiency are wide ranging, from helping to control energy costs, alleviating energy poverty, increasing security of supply through less energy import dependence, allowing for the integration of a higher share of energy from renewable energy sources to increasing the overall robustness and stability of the EU’s energy system.

In September 2014, the International Energy Agency has published its additional report on “capturing the multiple benefits of energy efficiency”, demonstrating its benefits beyond energy aspects and concluding 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 (see [http://www.iea.org/W/bookshop/475-Capturing the Multiple Benefits of Energy Efficiency](http://www.iea.org/W/bookshop/475-Capturing%20the%20Multiple%20Benefits%20of%20Energy%20Efficiency)).

Against this background, we analyse the Energy Efficiency Communication as follows:

*Orgalime, the European Engineering Industries Association, speaks for 40 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10.3 million people in the EU and in 2013 accounted for some €1,800 billion of annual output. The industry not only represents some 28% of the output of manufactured products but also a third of the manufactured exports of the European Union.*

## **1. Regarding the 2020 perspective, implementation of the existing 2020 commitment is more relevant than ever**

Overall, the Communication finds that with current measures the EU will achieve energy savings of 18-19% by 2020. If all Member States work properly to implement the already agreed legislation, the 20% target can be reached without the need for additional measures.

*We also believe that realising the EU 2020 energy efficiency target is still possible. However, we mind caution in taking it for granted at this stage that the 2020 target will indeed be achieved, as the Communication seems to imply.*

Implementation of the existing EU acquis in place remains the key issue, considering in particular that only 5 Member States have fully transposed the existing Energy Efficiency Directive, the number of energy efficiency obligation schemes still needs to rise from 5 to 16 or that the implementation of the Energy Efficiency of Buildings Directive is equally lagging behind.

To close the gap between today's energy efficiency levels and Europe's 2020 commitments, the Commission suggests concentrating efforts on focusing on three areas:

- Reassuring the consumer of the quality of buildings (by strengthening verification of national building codes and accurately informing consumers of the energy performance of their buildings at the time of sale or rent),
- Fully implicating utilities in working with their customers to obtain energy savings and
- Strengthening market surveillance of the energy efficiency of products.

We believe that this suggestion is generally going in the right direction. It would in our view be particularly appropriate to strengthening the implementation of art. 7 EED, since utilities remain to be encouraged to get active and the roll out of smart metering and smart services lags ways behind.

*We encourage Member States to speed up implementation and mind that if more is done now to meet the 2020 target, the easier and less costly it will be to meet the new 2030 target.*

## **2. Regarding the 2030 perspective, an integrated energy and climate change framework coupled with the right instruments is the answer**

We welcome that the Communication now closes the gap of the initial 2030 Framework proposal through suggesting an additional 30% energy efficiency target by 2030. Tying in a binding EU 40% lead carbon target with both, energy efficiency and renewable energy sources, is in our view both, a prerequisite while indispensable for a successful 2030 energy and climate change policy and EU Industrial Policy. Such an integrated approach should be adopted at the European Council in October 2014 at the latest.

A 2030 Energy and Climate Change Framework without a firm energy efficiency target, however, would in our view not only represent an erroneous signal for Europe's competitiveness, overall sustainability, security of supply and robustness of the energy system, but especially hinder implementation of the EU's 2030 carbon and RES targets themselves, considering that a higher level of integration of energy from renewable energy sources cannot be realised without energy efficiency investments.

Investment in energy efficiency improvements throughout all market segments, in particular buildings, transport, energy and industry, will boost growth and jobs in Europe. The energy efficiency target will have a positive impact on the two other targets, opening new opportunities for the EU manufacturing sector offering the technology solutions, ensuring job creation, growth and competitiveness in the EU.

To tap the 2030 energy efficiency potentials, the Communication mentions that the Commission will continue to support Member States' efforts through policy measures at EU level, which would use five elements in particular, which we assess as follows:

Element suggested to be used	Orgalime comment
<p>1. The <b>upcoming evaluation and review of the Energy Labelling and certain aspects of the Ecodesign Directives</b>, due for the end of 2014, will provide an opportunity to update the product-related policy framework</p>	<p>While certain improvements could perhaps be made to the Energy Labelling Directive, we believe that the existing Ecodesign Directive provides for the appropriate framework for the setting of sustainable ecodesign requirements from a life cycle perspective and advancing energy efficiency.</p> <p><i><u>We strongly advise to not amend the Ecodesign Directive at this stage, as it would risk breaking its current balance between environmental improvement, cost efficiency, product functionality and affordability for consumers. Energy efficiency improvements are resource efficiency improvements and should be acknowledged as such by regulators.</u></i></p>
<p>2. <b>Further development of financial instruments and project development assistance</b> to leverage private sector investment in energy efficient equipment and technology</p>	<p>Awareness of the multiple benefits of energy efficiency is increasing. However, it is not sufficiently translating into energy efficiency measures and investments. Actually, the products and services to deliver the 30% (and also 40%) energy efficiency target by 2030 are already available, however still remain to be deployed at a wider scale. Market response and return on investment of our industry in the design development and production of low carbon and energy efficient technologies, also following the over 46 product groups targeted by implementing measures under the Ecodesign Directive, remain an issue.</p> <p><i><u>We therefore support the focus of further developing financial instruments and project development assistance. It should become a first priority.</u></i></p>
<p>3. <b>Evaluation and reviews of the EED and EPBD, Art. 7 EED, and the next NEEAPs in 2017</b>, will provide the opportunity to consider what policy elements would be necessary to drive sustained investments in energy efficiency, especially in light of the currently planned phasing out of some key elements of the EED in 2020.</p>	<p><i><u>Orgalime agrees with the recommendation.</u></i></p>
<p>4. The <b>upcoming retail market Communication will focus on creating a market where innovative services based on dynamic pricing</b> ensure that the market offers products that promote efficient use of energy, based on a dialogue with MS and regulators and within the framework of the EED &amp; Internal Energy Market legislation.</p>	<p><i><u>Orgalime fully agrees with this suggestion. A more competitive retail market within an overall competitive, better interconnected, consumer centric future internal energy market will boost the development of new innovative services for the consumer to enjoy (see <a href="#">Orgalime response to Public Consultation on the Energy Retail Market of 16 April 2014</a>).</u></i></p>

<p>5. Implementation of the <b>market stability reserve of the Emissions Trading System</b> which will drive energy efficiency improvements in the industrial sector and will ensure that synergies between energy efficiency and climate policies are reaped.</p>	<p>The European Emission Trading Scheme (ETS) is in theory a market based instrument that works, and which we feel should be retained as any alternative would take time to negotiate and put in place. Nevertheless, the current ETS requires significant revision to allow it to meet its objectives of reducing carbon emissions, providing incentives for industry and competitive energy prices.</p> <p><u>The proposal to introduce an ETS market stability reserve, however, raises our concern of leading to a higher CO2 price than necessary and therefore higher prices for electricity consumers. It should not be introduced for the running trading period up to 2020.</u></p>
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**As additional and/or alternative elements for use, we would like to suggest the following:**

- Increased component and equipment efficiency is not sufficient to fully exploit the energy savings potentials. Efficiency increases on product level are often reaching their technical limits, but appropriate system engineering often result in much bigger efficiency gains.  
*The challenge is to better exploit energy savings potentials at the system level.*
- More focus should also be on *what can be done in the industry segment*, notably through a proper implementation of energy audits and management systems (art.8 EED) *and what incentives should be given.*
- Orgalime supports the *implementation of the future 2030 Energy and Climate Change Framework via the government process and considers the EED and EPBD reviews as important.*

## 6. Conclusions

The combination of a binding Greenhouse Gas target with both, new energy efficiency and RES targets for 2030, will not only integrate energy and climate change policy objectives, but also the wider EU Industrial Policy, growth and jobs agenda, while maintaining Member States' flexibility to choose the technology that best meets their needs.

We call upon regulators to adopt such an integrated 2030 Energy and Climate Change Framework at the European Council in October 2014 and to take every effort necessary at national level for the timely and entire realisation of the existing 2020 commitments.

Considering the international dimension of this debate, we encourage the EU to make the necessary efforts to obtain a global and legally binding climate agreement at the UN-FCCC in Paris in 2015. It is essential that other regions of the world show a comparable degree of ambition and take similar action.

European engineering industries remain committed to boost energy efficiency and low carbon investments throughout all market segments and are already today delivering the products necessary for Europe's transition.

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