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Winter package - Top 5 most important Consumption (Energy Efficiency) issues

Introduction

The Danish Energy Association welcomes the proposed revision of Energy Efficiency Directive (EED) and Directive on the energy performance of buildings (EPBD) with special concern to the energy efficiency elements of the directive. Energy efficiency is an important tool to reduce GHG emissions, improve sustainability, reduce dependency on imported fossil fuels and ensure job-creation and competitiveness.

1. Ambitious energy efficiency target that goes hand-in-hand with a reform of the ETS¹

The Energy Efficiency directive suggests a 30% binding target for the European Union as a whole, as well as indicative targets for each Member state to support the overall EU target. Member States shall also, according to Article 7, achieve cumulative end-use energy savings of at least 1.5 % of annual energy sales to final customers by volume.

The Danish Energy Association welcomes an ambitious energy efficiency target of 30 %. We believe however, that a highly ambitious energy efficiency target needs to go hand-in-hand with a reform of the ETS, to enable the ETS to become the main driver of investments in carbon abatement and ensure the overall cost efficiency of EUs energy and climate policy.

Given that the EU has to fulfill several policies to meet the competitiveness, economy growth, independence of imported fossil fuels, reduction of GHG, job-creation, the energy efficiency target cannot be separated from other EU policies and is not a goal that can be isolated from other goals and policy-instruments. Therefore the energy efficiency target should not be defined as an absolute target for reduction in energy consumption, but rather as an energy intensity target, that allows for economic development.

Furthermore we support that the annual binding target of 1.5 % should be revised more often than suggested in the EED in order to ensure a cost optimum of measures in the directive.

¹ Energy Efficiency directive Article 3 and 7

2. Energy efficiency policies with focus on decarbonisation and electrification²

Both directives, but in particular the EPBD is aligned with the overarching long-term EU target of decarbonizing the energy sector by 2050. The EED suggests that the default primary energy factor (PEF)³ for electricity that is based on annual average values is amended to take technological development into account. Therefore the PEF is changed from 2.5 to 2.0 for electricity.

The Danish Energy Association believes that a strong focus on decarbonisation should be the driving force behind energy efficiency policies in EU. Electrification of particularly heating and transport should play a crucial part in contributing towards that objective.

The PEF as proposed in the Directives is an obstacle for increased electrification which undermines effective use of clean energy in our homes, industry and heating sector. We strongly believe that the PEF must mirror the development of the future share of renewables in the energy system. The directives should pave the way for decarbonisation and electrification of the energy system and hence the primary energy factors should be defined to support this development. Therefore we strongly recommend that the PEF for all non-combustible renewables is to be set to zero, as they have no primary energy use.

It should still be possible for member states to establish the default primary energy factor for electricity. The methods used to establish the default primary factor for electricity should be forward looking and projected on basis of the development of the electricity system 5 to 10 years ahead.

3. Cost efficiency as the main driver in energy efficiency policies⁴

In both the EED and the EPBD cost efficiency is the main argument when defining energy efficiency policies. Nevertheless in the proposed revision of both directives the increasing share of detailed regulations compromises with the cost efficiency.

The Danish Energy Association believes that the directive should include sufficient flexibility to ensure that cost efficiency from a societal point of view is the main argument in the energy efficiency policies implemented. Not all energy savings contribute equally to decarbonization of the energy system. Thus in order to save the right energy and to change the energy system as cost efficient as possible it is important that enough flexibility is ensured in the chosen instruments to reach the 2050 decarbonisation target. This means accepting that not all energy savings contribute equally to decarbonisation.

Overall cost efficiency of the transition towards decarbonisation can only be achieved effectively when interlinkage between different directives are promoted and non-overlapping. We believe that promotion of renewable energy should happen in the Directive on Renewable Energy rather than in energy efficiency regulation. Also such promotion should to the furthest extent possible be market based, thus not discriminating between onsite and offsite genera-

² EED – annex I (annex IV in existing directive),

³ The PEF is used to calculate primary energy input from final energy consumption (i.e. factoring energy losses in the process from generation to consumption)

⁴ EED and EPBD - several articles

tion units. The focus of the directive should be towards end-use savings in households, industry etc. not towards savings in the energy system.

4. Market driven feed-back on energy consumption⁵

The EED suggests that consumer's rights to clear and timely information about their energy consumption is strengthened to provide for frequent and enhanced feedback on gas, heating, cooling and hot water supplied from central sources. Similar provisions for feed-back on electricity consumption are included in Electricity Directive.

The aim of providing customer's with frequent and enhanced information on energy consumption is to allow customer's to actively take part in changing and reducing their energy use.

The Danish Energy Association believes that consumers should be given every opportunity to better control their energy consumption - thus providing information and feed-back on energy consumption is an effective tool to make energy consumption more visible for customers. Hence the Danish Energy Association supports the overall approach, but finds that requirements for feed-back and billing information should be flexible and market driven, to allow energy suppliers to introduce the most cost-efficient solution.

5. Intelligent buildings with possibility to interact with the energy system⁶

Introducing provisions for building automatization and the smartness indicator the EPBD provides the pathway for more intelligent buildings that enables interaction with the energy system promoting demand response and activate the customers to take ownership of their energy use. Further integration with the energy system is sought through provisions for charging infrastructure for electro-mobility.

The Danish Energy Association believes it is important that energy efficiency and energy flexibility go hand-in-hand and support each other in the correct proportions. Efficient use of our increasing share of renewable energy calls for further integration of the energy system. In EPBD we welcome the increased focus on intelligent building systems that allows for communication with the energy system e.g. on price signals from the market. Furthermore we welcome the development of a smartness indicator to promote knowledge of intelligent buildings.

We also see the promotion of charging infrastructure for electro-mobility as an important part of the review of the EPBD and support that infrastructure of electro-mobility should be considered as part of the technical systems of a building.

While we welcome the increased focus on both intelligent buildings and electro-mobility we stand skeptical on the nature of the regulation which is both detailed and specific in relation to certain technical solutions and need. We believe that there is need for flexibility in the implementation of the directives.

⁵ EED - articles 9-11 (current directive) and Electricity Directive - article 17

⁶ EPBD – article 8 (current directive)