

Position Paper

UEAPME¹ position paper on the Energy Efficiency Directive – COM (2011) 370 final

INTRODUCTION

The Proposal for the Energy Efficiency Directive published last June shows the will of the European Commission to move towards the 20% target in energy efficiency. However, in UEAPME's opinion, the Commission seems to underestimate the tremendous potential that the different categories of SMEs have in achieving the energy efficiency goals. In this line, UEAPME welcomes the inclusion of a favourable framework for SMEs in Considerandum 27 but regrets that it is not in the legally binding text of the directive, where only spare references to SMEs are made.

As voiced in other occasions, the favourable framework for SMEs consists of measures, such as:

- Awareness-raising campaigns specifically addressed to them in cooperation with national SME organisations;
- Technical assistance for free or at a reduced price for SMEs which plan to improve their energy efficiency (for instance through the implementation of energy audits) ;
- Alternative finance possibilities compared to banks (such as for instance venture capital) and fiscal incentives to overcome the problem of the high upfront investments which deter SMEs from improving their energy efficiency;
- Regulatory and non-regulatory barriers to energy efficiency being removed.

Moreover, UEAPME welcomes the Commission's efforts to develop high efficiency cogeneration and efficient district heating and cooling. The wider deployment of cogeneration will only be possible through the removal of the existing barriers and through the establishment of a favourable regulatory framework. As a result, the big bulk of EU SMEs will undoubtedly benefit from the decentralisation of energy and enjoy a better access to it.

PUBLIC BODIES, article 4

UEAPME agrees with the leading role of the public sector, which will contribute to boost employment in SMEs operating in the concerned branches, such as the construction sector.

PURCHASING BY PUBLIC BODIES, article 5

Following the above, UEAPME could state that public bodies should also have an exemplary role in the purchase of products, services and buildings with high energy performance. However, public purchasing based solely on green aspects can be a threat for SMEs, increasing their difficulties in accessing public procurements.

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](https://ec.europa.eu/transparency/procurements/interested-parties/55820581197-35).

Problem: Most SMEs already encounter considerable difficulties in accessing public procurement. Article 5 can represent a further barrier discouraging lots of SMEs from responding to tenders.

UEAPME's proposal: Widening the dissemination of highly efficient products or services in public procurements should be achieved without hampering the access of SMEs to the public procurement market. Furthermore, it is necessary to empower SMEs to provide products and services with high energy performance at competitive prices. In order to achieve this, a favourable framework as mentioned in *Considerandum 27* is needed aimed at providing SMEs with the necessary technical assistance, targeted information as well as easier access to finance.

OBLIGATION SCHEMES ON ENERGY SAVINGS, article 6

UEAPME welcomes the introduction of an open approach in the draft directive (art.6.9) by allowing energy distributors and retail energy sales companies to opt for different methods to reach the 1.5% target among final customers. However, there are two main issues of concern derived from this article:

- **Energy services market**

Problem: Introducing an energy saving obligation on energy distribution companies or energy retailers will limit the market access of existing independent SMEs specializing in energy services if the right framework is not set up. In the Member States where energy savings obligation schemes have already been implemented, large energy distribution companies have engaged in subcontracting SMEs or creating subsidiaries in order to achieve energy savings among end-users.

These practices have proven to disrupt competition in the energy services market at the disadvantage of independent SMEs.

UEAPME's proposal: In order to prevent any market abuse in this direction, a separation of roles needs to be established. Hence, energy savings should be the responsibility of companies providing energy services which ought to be independent from energy distribution or energy retail companies. This provision will enhance the role of SMEs in the energy services market, also enabling the creation of numerous local green jobs.

- **Exemption from energy savings obligation for SMEs**

Problem: The exemption of small energy distributors and small retail energy sales companies is not sufficient since it only concerns those companies that distribute or sell less than the equivalent of 75 GWh of energy per year, employ fewer than 10 persons or have an annual turnover of annual balance sheet total that does not exceed EUR 2.000.000. According to the EU definition of micro-enterprises, only micro-enterprises² will be considered as small distribution system operators and small retail energy companies and thus only they may be exempted from the energy saving obligation.

UEAPME's proposal: The exemption should apply not only to micro, but also to small and medium-sized enterprises that struggle to enter the energy distribution market, traditionally in the hands of big multinational companies. Therefore, article 6.8 '*Member States may exempt small energy distributors [...]*' should be replaced with '*Member States shall exempt small energy distributors and small retail energy sales companies, namely those that distribute or sell less than the equivalent of 750 GWh of energy per year or have less than 50.000 customers. Energy produced for self use shall not count towards these thresholds. If the threshold of sold energy or the number of customers is exceeded over a time period for two years, then the concerned*

² According to the Commission Recommendation 2003/361/EC of 6 May 2003 on the definition of SMEs, micro-enterprise is an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

business shall be treated as an obligated party. Another solution could be to fix different percentages according to the size of the company.

ENERGY AUDITS AND ENERGY MANAGEMENT SYSTEMS, article 7

UEAPME supports this article and the fact that energy audits are not mandatory for SMEs since this would put an extra administrative burden on this type of businesses. In some sectors SME-companies may well have more than 250 employees working mainly at clients locations (building cleaning services, construction), whilst still maintaining only a small office structure. For such companies mandatory energy audits may be as burdensome and unjustified as for SME companies with less than 250 employees. UEAPME agrees with the fact that Member States should promote these programs as well as the possibility that energy audits are carried out as part of broader environmental audits.

Problem: The article does not foresee the role of business support organisation, like SME organisations.

UEAPME's proposal: Member States should work with SME organisations in the promotion of energy audits and energy management systems since these organisations possess the necessary know-how in working with SMEs.

METERING AND INFORMATIVE BILLING, article 8

UEAPME is in favour of this provision as long as it is based on actual consumption.

- **Costs:**

Problem: SMEs fear the costs related to the installation and maintenance of intelligent meters. In this line, in spite of article 8.3 (*information from metering and billing of individual consumption of energy shall be provided to final customers free of charge*) UEAPME expects the costs to be added to the energy price or the network tariffs and as a consequence, be borne by final users.

UEAPME's proposal: SMEs should be offered cost advantages, for example via a tiered pricing system. Moreover, in order to avoid costs of implementation of smart metering and billing to be transferred to final customers, the meters should be as technologically advanced as possible in order to achieve the maximum energy savings for final users and as a result, enable them to recover the upfront investments in the minimum period of time.

- **Market uptake:**

Problem: The obligation of article 8.2 to provide accurate billing based on real consumption before January 2015 is not realistic. To achieve this, smart meters need to be installed and this might not be technically feasible in all Member States in such a short time.

UEAPME's proposal: The best solution would be to extend the date proposed by the directive taking into account that it will only be transposed at national level, at the earliest, at the end of 2013. Likewise, in order to ensure that the introduction of such meters is cost-effective, it is important that the meters available on the market are designed according to harmonised technical standards and are as technically reliable and advanced as possible. UEAPME prefers not to rush in the introduction of smart meters since it can be counterproductive for final energy users, among them SMEs, and not economically viable.

- **Innovation and market freedom**

Problem: Article 8 does not include safeguards to prevent large technology developers from pushing their standards for smart meters, coming to dominate the market.

UEAPME's proposal: The only role that smart meters should fulfil is that of measuring devices. They must be based on open standards and interoperability in order to promote innovation and market freedom.

PROMOTION OF EFFICIENCY IN HEATING AND COOLING, article 10 ENERGY TRANSMISSION AND DISTRIBUTION, article 12

As mentioned above, UEAPME welcomes the approach to cogeneration given by the Commission in the current proposal. SMEs should benefit from the setting up of micro-cogeneration (micro-CHP) plants and have easy and more affordable access to the electricity and heat they need. Moreover, UEAPME highly appreciates the statement in article 12.5 on facilitating 'the connection to the grid system of electricity produced from high-efficiency cogeneration from small scale and micro cogeneration units'. However, some issues of concern still arise from these provisions.

Problem: Article 10 creates a favourable environment for traditional energy operators to set up large cogeneration plants. UEAPME fears that the draft directive does not emphasize enough the necessity to enable the uptake of micro-CHP, which would enhance the transition to a distributed energy system, ensuring lower energy costs, the creation of local jobs, and less dependency on imported fossil fuels.

UEAPME's proposal: Article 10 should refer to the need to promote the widespread deployment of high-efficiency micro-CHP plants at national level. Member States should firstly facilitate the access to complex and expensive technologies to local and regional producers such as SMEs in order to achieve a high level of efficiency of the plants. Secondly, Member States should take into account the 'Think small first principle' and avoid lengthy permitting procedures for such plants.

With regards to the grid access, high-efficient micro-CHP should be as connected with national and European level corridors as bigger micro-generation plants. In UEAPME's opinion, this will only be possible through the harmonised deployment of smart grids in Europe.

AVAILABILITY OF CERTIFICATION SCHEMES, article 13

Achieving a high level of technical competence among professionals in the energy savings services sector or in the construction sector has become a real need in order to reach the desired high level of energy efficiency in the EU. The open approach of article 13 'certification schemes or equivalent qualification schemes' is well received by SMEs working in the sector which are rather reluctant to go through extra certification schemes when having to prove their qualifications.

Problem: The current provision has no links with the Directive on the Recognition of Professional Qualifications.

UEAPME's proposal: Consistency should be ensured between sectoral directives such as the one under consideration and the Directive on the Recognition of Professional Qualifications This would simplify the EU acqui for all the actors involved in the implementation of these directives. In addition to this, EU requirements on qualifications should not undermine institutionalised and well-functioning vocational training systems already in place in some Member States like Germany. The ultimate aim of achieving high level of technical competence across the EU must be kept in mind and hence avoid that EU legislation weakens well-performing systems.

ENERGY SERVICES, article 14

In overall, UEAPME welcomes this article and particularly the mention on SMEs. However, there is room for improvement as far as incentives and ESCOs are concerned.

- **Incentives and financial instruments**

Problem: the draft proposal is not precise enough when it comes to incentives and financial instruments for SMEs. The dissemination of information of point e) is not sufficient.

UEAPME's proposal: Member States cannot only have the role of providing information on the financial measures available. They have to guarantee the availability of incentives and other financial instruments for SMEs. UEAPME is aware of the fact that fiscal incentives are not on the agenda at the moment due to the ongoing budgetary restrictive measures. UEAPME however believes that a long-term vision by national authorities is essential in this respect since small incentives to SMEs can foster the development of the energy efficiency services market, create businesses and jobs and ultimately be beneficial for the whole economy. Likewise, the promotion of a framework ensuring the availability of financing and credits to SMEs (such as the venture capital market) proves necessary in the current economic context.

- **Energy performance contracting:** UEAPME supports the promotion of the so-called ESCOs. SMEs as energy-users will be able to use the services provided by ESCOs. At the same time, SMEs can also become ESCOs by offering energy efficiency contract services to other energy end-users.

Problem: However, SMEs wanting to provide energy performing contracting services face difficulties in raising capital from traditional financial institutions.

UEAPME's proposal: A good way to enable SMEs to provide energy contracting services is to promote innovative funding models such as energy efficiency funds. Such funds would be earmarked for SME-supplied energy services and in particular energy contracting.

Problem: the major utility companies using their competitive advantage and dominant market position can monopolise this market and as a consequence, SMEs might not be able to offer these services and can only enter this market as subcontractors of bigger companies.

UEAPME's proposal: Member States should watch against any dominant market position and make sure that SMEs have access to the necessary funding. For instance, Member States should try to improve the cooperation between financial institutions and SMEs wishing to offer such services.

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