

## UEAPME position on the Proposal for a revised energy efficiency directive COM (2016) 761 final

### Executive summary

- It is crucial that financial means are available and easily accessible by energy consumers in order to cover the high upfront costs related to energy efficiency improvements.
- UEAPME welcomes the prolongation of the energy efficiency obligation scheme beyond 2020 and until 2030.
- The possibility to choose between energy savings obligations, alternative policy measures or a combination of both is good.
- On the calculation of energy savings, UEAPME calls for the deletion of the 25% limitation and that all energy savings can be phased over to the period after 2020.
- Energy efficiency measures should benefit social and private housing as well as SMEs in the non-residential sector.
- The EED should guarantee the competition of SMEs in the area of energy services.
- UEAPME welcomes that SMEs will still be exempted from mandatory energy audits.

### General considerations

UEAPME represents about 12 million small and medium-sized enterprises, which employ around 55 million people across Europe. Our SME members are both energy consumers and energy service providers.

On the one hand, as consumers, SMEs can rationalise to a large extent their energy consumption but need awareness-raising as well as the right financial and technical support schemes to do so. Similarly, they also need to improve their understanding of the real risks and benefits of energy efficiency investments based on market evidence. In connection to this, the open-source database, the De-risking Energy Efficiency Platform (DEEP) aimed at up-scaling energy efficiency investments through the analysis of existing projects in Buildings and Industry, developed in the framework of EEFIG, is a good initiative. On the other hand, as energy service providers, SMEs offer a wide array of clean and innovative solutions but need to be able to openly participate in the market and have access to skilled employees. We expect the directive will ease the way for SMEs.

Energy efficiency plays a very important role in reaching the EU climate and energy goals and the Paris international climate commitments. Moreover, promoting energy efficiency across the EU can contribute to make the EU less energy dependent and ensure the security of energy supply. In spite of this, energy efficiency is not the only means of fulfilling the long-term decarbonisation goals. UEAPME is of the opinion that the three headline targets (greenhouse gases emission reduction, renewable energy and energy efficiency) and their accompanying policy instruments need to work coherently. The publication of the revised energy proposals through the vast Clean Energy for all Package shows the Commission is trying to have a comprehensive approach in energy policy that also takes into account other policies such as climate, employment, research and innovation, etc. We expect the co-legislators will keep this approach throughout the legislative procedure.

## Specific considerations

### Energy efficiency target

In UEAPME's opinion, whatever the percentage of the energy efficiency target is finally selected, it needs to be realistic and accompanied by measures that contribute towards its achievement. A central point should be the widespread availability and accessibility of financial means so that energy consumers are able to cover the high upfront costs related to energy efficiency improvements. As stated above, SMEs also need to receive information and tailored technical assistance in order to understand which improvements/investments in energy efficiency have a higher return in their business.

### Base targets on energy efficiency potentials and give Member States flexibility

UEAPME views some aspects of the proposed governance mechanism critically. As currently proposed, this mechanism would give the Commission wide-ranging competences to intervene into the nationally determined policy to reach a specific target. It is important to bear in mind that EU interventions into the national energy and climate plans can undermine the planning certainty and be detrimental for investment prospects also for SMEs. From our point of view, it is important to determine in the first place where the biggest potentials for cost-effective energy efficiency measures are located. Based on this knowledge, corresponding targets should be fixed. Member States should be granted extensive flexibility in reaching these targets. Moreover, the EED or the Governance Regulation should clarify the extent to which early contributions to the energy efficiency target by Member States should be counted into the overall EU-target.

### Energy savings obligations

#### Prolongation of the scheme

With regards to article 7, directive 2012/27/EU requires Member States to achieve cumulative end-use energy savings at least equivalent to 1.5% of annual energy sales to final consumers until 2020. UEAPME is pleased that the current Proposal prolongs the scheme beyond 2020 and until 2030. However, UEAPME thinks that a one-size-fits all 1.5% annual reduction target is likely to make it difficult for certain Member States to attain energy savings obligations as each Member State has a different potential in terms of energy efficiency. Moreover, UEAPME does not agree with the quasi-automatically anticipated prolongation after 2030 of the annual reduction target of 1.5% unilaterally by the Commission, (7.1. (b) "*Unless reviews by the Commission conclude it is not necessary*"). This is a relevant provision which definitely needs to be decided with the other EU institutions through the ordinary legislative procedure and in the framework of the next revision of the Energy Efficiency Directive, which is foreseen in 2024.

#### Calculation

The proposed limitation of maximum 25% of energy savings referred to in article 7.3 poses a problem. It can provoke investment backlogs thus inhibiting a smooth transition between the two periods. In fact, article 7.3 limits the flexibility granted under article 7.2. UEAPME welcomes article 7.2 but deplores the fact that in practice the different sections of this article (e.g. deduct early actions from the annual goal, deduct renewable from the objective, etc) compete with each other due to the 25% limitation of article 7.3.

We would very much like energy savings resulting from energy efficiency measures taken before 2020 (early action) to be counted in the following period to the extent to which they exceed the 2020 energy efficiency target as well as be able to exclude from the calculation the energy savings generated from renewable energy sources. Consequently, we call on the EU institutions to delete the 25% limitation and that all energy savings could be phased over to the period after 2020.

### **Flexibility of the scheme**

The flexibility that the scheme offers (article 7.6) by allowing Member States to choose how to deliver their savings commitments either via energy efficiency obligations or via alternative policy measures or a combination of both is welcome. However, for the success of the Directive, it is of high importance to respect country-specific frameworks. The use of alternative policy measures by Member States has proven particularly positive for SMEs. Some alternative measures can be a source of private funding for the renovation of buildings and at the same time can contribute to the up skilling of players involved in energy efficiency.

With regards to obligation schemes, UEAPME was informed by some of its members that they can increase the administrative burdens on SMEs. Thus, we demand that this burden is kept to the strict minimum.

### **Social aim of the scheme**

UEAPME considers it important to tackle energy poverty and thus to support the most vulnerable people in the European Union. However, we see the introduction of the requirement to take energy poverty into account in designing energy efficiency obligation schemes and alternative measures critical. First of all, the missing definition of energy poor is an issue of concern to UEAPME. Furthermore, and more general, the introduced provision may lead to an artificial segmentation of the market. Energy efficiency measures aimed at boosting energy efficiency should rather be inclusive and non-discriminatory thus benefitting the greatest possible number of energy consumers including social and private housing in the residential sector as well as SMEs in the non-residential sector.

The current draft legislation prioritizes energy saving improvements in social housing over respective measures in private housing. The energy savings potential in the private housing sector must, however, not be neglected especially since it also represents significant business opportunities to a large number of local construction SMEs. The establishment of a framework guaranteeing the full competition of such SMEs in the market would boost jobs and ensure the achievement of the directive's objectives.

### **SMEs exempted from mandatory energy audits**

UEAPME welcomes the fact that SMEs will still be exempted from mandatory energy audits like under directive 2012/27/EU. UEAPME is of the opinion that making energy audits for SMEs binding would entail costs and an extra administrative burden for this type of businesses. In spite of this, it is good that the current directive promotes programmes to encourage SMEs not only to carry out energy audits but also to implement the audits' recommendations. We expect the current revision will maintain these provisions. In Italy for instance, there is a regional initiative aimed at encouraging energy audits among SMEs and financed jointly by regional and national funds.

### **Metering**

On metering, article 9 a) para.4 of the Proposal provides that as of 1<sup>st</sup> January 2020 meters and cost allocators installed should be remotely readable. Although further building automation is good, the problem is that the costs for metering and invoicing equal the actual energy costs in a number of low-energy buildings already today. UEAPME fears that the roll out of remotely readable heat meters to all consumers might not be the most cost-effective approach. Therefore, we would propose to introduce the possibility to refrain from a roll-out of remotely readable meters and cost allocators if a cost-benefit analysis shows that the roll-out will not contribute to the overall aim of increasing energy efficiency and reducing energy consumption.

Since metering and billing play a primary role in energy efficiency policies, the fact of excluding electricity from articles 9, 10 and 11 of the EED into the Electricity Market Design is not coherent. The EED directive applies to gas as well as to electricity and it would be good that the metering and billing provisions would also apply to both as it is currently the case.

Brussels, May 2017