

GREEN PAPER: A 2030 FRAMEWORK FOR CLIMATE AND ENERGY POLICIES

Kingfisher response

Kingfisher plc, Europe's leading home improvement retail group and the third largest in the world, is active across the European Union. The vast majority of the company's 1,000 stores are located in the UK, France, Poland and Spain and its online business delivers to customers in [XXX] countries. Its 78,000 employees work for its retail brands B&Q, Castorama, Brico Dépôt and Screwfix. As a pan-European Do-It-Yourself (DIY) retailer and in line with the company's philosophy of providing "better homes for better lives" we aim to make it easier for our customers to enjoy better and more sustainable homes.

We view ourselves as steadfast supporters of the development of energy efficiency at European and National level. We believe energy efficiency is a win-win objective which fulfils all of the EU aims objectives whether with regards to environmental challenges, energy security, climate change, or job creation. Moreover, we look at the emergence of a growing energy efficiency service market as a crucial long-term business opportunity for the DIY sector, providing much needed sustainable growth and jobs in the process.

Kingfisher has always endorsed the European Commission's Energy Efficiency Agenda and has been highly engaged with the European Institutions in order to contribute towards an ambitious and functioning European and energy efficiency long term strategy.

1. General

1.1. Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?

The 2020 framework has been a fundamental element in reducing GHG emissions across the EU and symbolizes the leadership role the EU has in being at the forefront of sustainable development.

Kingfisher responded to the introduction of the 2020 framework by putting Kingfisher has put the targets set by the European Union at the core of its long term business strategy, working tirelessly towards lowering its own energy consumption, but also – and crucially – towards working to encourage its customers to uptake efficient energy consumption patterns. In this effort, the company launched in 2012 its new approach to doing business, "Net Positive" by which we notably set ourselves the target to create energy savings equivalent to 38 TWh for our customers and deliver a 45% reduction in energy intensity of our property by 2020. "Net Positive" also set out our 2050 aspiration: for every store and customer's home to be zero carbon or, where possible, to generate more energy than it consumes.

A new and ambitious energy and climate change policy is now needed to replace the 2020 framework, one that aims to fulfill the European Commission's ambitions of developing a low carbon economy and increasing energy security. Such a policy should set high ambitions for the EU but should also ensure that the business community operates in a transparent, competitive and predictable legal framework. Only such legal certitude will lead the business community to substantially invest to achieve the aims of the EU.

This was missing from the 2020 framework which failed to provide adequate signals to the business community and to stimulate the uptake of energy efficiency across the Union. The non-binding aspect

of the 2020 framework target for energy savings sent a weak signal as to the commitment of European and national governments and authorities to energy efficiency. The 2030 Framework should ensure that energy efficiency is considered as a key political priority and Kingfisher whole-heartedly endorses the European Parliament Energy Roadmap 2050 which calls on the Commission to set a binding Energy efficiency target as part of the 2030 framework.

To achieve its energy saving ambitions, the EU needs to develop a coherent framework to encourage Energy Efficiency both at EU level and national level. The current measures are insufficient.

The Energy Efficiency Directive (EED) adopted in 2012 fails to take into account the scope of industry players who have a significant role to play in the uptake of energy efficiency, focusing quasi-solely on utilities. Retailers such as Kingfisher are central to such an uptake. Provisions tied to shoring up Energy efficiency financing facilities should have been reinforced to avoid market distortion, lack of competition and incentivise innovation among energy efficiency service providers. Furthermore, all energy service providers should have access to these funds to help households embrace energy efficiency. This would also allow competition between those service providers to thrive, thereby lowering costs of transition and fostering innovation in that sector. Finally it would ensure consumers can pursue energy efficiency through a variety of actors, from high-street retailers to energy providers, thereby guaranteeing information transparency and increased “street visibility” of the advantages of energy efficiency.

In short the European Commission’s future work should focus on ensuring the energy efficiency service market becomes a highly diversified and competitive one where non traditional competitors such as retailers and utilities are brought to compete.

2. Targets

2.1. Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?

An ambitious legally binding target for energy savings as part of the 2030 framework will send a forceful message to the European business community and be crucial in rolling out energy efficiency measures across the EU.

Kingfisher welcomed the EED as a political signal of commitment to energy efficiency. Retailers have a central role in ensuring consumer uptake of energy efficiency. First, they have the goods and expertise necessary to deliver domestic energy efficiency services to citizens. Second, retailers are uniquely active across the territory and able to partner with local SMEs to deliver energy efficiency services to households. Third, retailers have a direct contact with their consumers, an interaction based on trust which can be used to market energy efficiency. This third point is crucial to the success of policies, however well designed.

Targets should be set at Member State or EU level in order to maintain flexibility and take into account the diversity of the EU legal frameworks on this issue while incentivising national and European policymakers to take a pro-active and ambitious approach to energy savings.

Sectoral targets such as those set by the EED and discussed above are counter-productive as they skew competition, favouring one particular actor of the energy efficiency service market above another. Moreover, the development of financing facilities dedicated to energy saving, while crucial to a successful policy, should be systematically supportive of all actors in the domain.

However, while a binding target is needed to send a strong signal to industry, the development of a balanced, supportive, transparent, consistent across borders and fair policy framework will be the most substantive challenge for the European Institutions. Such a framework should draw on the failures and successes of existing national policy frameworks like the Green Deal in the UK to be successful. A key element of this will be stimulating the demand side for energy efficiency and this will entail close engagement with SMEs, DIY retailers, construction companies and other actors. A successful policy on energy efficiency will naturally drive investment, innovation and job creation as it is a substantial emerging market for a raft of actors.

2.2. Have there been inconsistencies in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?

The lack of binding target for energy savings in the 2020 framework was the most significant incoherence within the 2020 framework. It has led to a general underestimation of the potential benefits, environmental and economic, of the widespread development of energy efficiency and has slowed the development of this crucial, growth and job creating market.

When setting targets with a 2030 perspective, the European Union will give a strong signal and stimulate investment in certain sectors over others. 2030 targets should be coherent: the European Commission should have a harmonised approach to policy where it sets a number of binding targets – including energy efficiency – and avoid aspirational policymaking

2.3. Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO2 reductions for passenger cars and light commercial vehicles?

As highlighted in answer 2.1, Kingfisher strongly believes targets in specific sectors and subsectors skew the market and competition. In light of this we do not believe policymakers should endorse one mean or sector of delivering progress on the target over another. On the contrary it should leave the market to ensure that consumers / states can choose the most appropriate and beneficial manner of reducing energy consumption. This is particularly important as we believe that there is a significant potential financial benefits for consumer who adopt energy efficiency and that business should be left to make the case for those benefits in the aim of entering the energy efficiency market

2.4. How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?

With regards to Energy Efficiency the technological aspect is already advanced enough to lead to significant energy savings even if further innovation will reinforce this potential. The real challenge facing business is bringing those innovations – many of which require substantial upfront investment – to the market. The European Institutions should focus on developing a framework to incentives the uptake of energy efficiency by stimulating demands.

Aside from financial incentives which are discussed below the Commission's initiative to apply behavioural economics to certain aspects of policy should be closely involved in this. There is significant evidence that behavioural aspects is key to ensuring consumers fully understand the benefits of energy efficiency and Kingfisher has been running intensive trials in tandem with the UK

government to study those aspects. Were the European Commission to be interested in Kingfisher's work in this area the company would be happy to further engage with European institutions.

3. Instruments

3.1. Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?

Legislation on taxation and incentives should be aligned with Commission objectives in order to allow industry to operate in a clearly defined legal framework. Legal uncertainty will only undermine the uptake of energy efficiency. In light of this, it is essential that the European Commission ensures Member States have the capacity to use incentives to encourage the uptake of energy efficiency.

The European Commission should also engage with national administrations developing ambitious energy efficiency policies to assess the benefits of developing a European financing scheme aimed at offsetting the upfront cost of energy efficiency measures.

3.2. Which measures could be envisaged to make further energy savings most cost-effectively?

Kingfisher believes that energy savings are currently cost effective and group the necessary conditions to be rolled out in the market provided an adequate financing framework is developed to mitigate the large upfront cost associated with retrofitting.

The Commission should investigate the possibility of developing such a financial framework at European level and available across the EU to ensure a harmonised approach to stimulate the uptake of energy efficiency.

3.3. How can EU research and innovation policies best support the achievement of the 2030 framework?

The EU can support research and innovation in a number of fields linked to energy efficiency ranging from technological development to the shaping of sustainable consumption and production patterns.

Notably key to the uptake of energy efficiency is the development of Energy efficiency systems as opposed to individual's goods and services.

While there is always progress for further technological progress and as stated above we strongly feel the main impediment to energy savings is not the lack of adequate technology but the ability to develop a better understanding of consumer patterns and match an offering which matches those patterns. This should be primarily financial (i.e. underscore the savings brought by energy efficiency) but also moral and aspirational. The former must be dealt with through an innovative approach to financing incentives for energy efficiency at the consumer level – this is where the real need for innovation lays. The latter will be solved through engaging in further research on consumption and production patterns and including this aspect in policymaking to deliver effective incentives.

[GREEN DEAL TEAM INPUT]

4. Competitiveness and security of supply

4.1. What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?

Domestic prices of energy have constantly increased across the EU as wholesale prices have stagnated. Broad uptake of Energy Efficiency can clearly lower energy consumption of energy. The impact on energy cost is uncertain. Trends of energy costs depend on a raft of various factors such as the emergence of new domestic sources energy, the success of the 3rd liberalization package, external events... However, fostering the widespread development on energy efficiency can only lead to a reduction in consumption and thereby the reduction of pressures of energy prices.

4.2. Are new financing instruments or arrangements required to support the new 2030 framework?

If the EU is truly ambitious about its Energy Efficiency policy, developing a financing scheme to incentivise home owners to adopt energy efficiency should be a central political priority. Such a scheme must combine financial incentives and preferable loan treatments and should be flexible enough to be applicable to countries with significantly different housing infrastructures.

A comprehensive financing framework is being developed in the UK in the framework of the Green Deal. In this national context the company has been at the core of the development of the UK's flagship programme and continues to work with the government to develop an efficient financing scheme for the uptake of energy efficiency.