



GEODE COMMENTS ON THE EUROPEAN COMMISSION GREEN PAPER “A 2030 FRAMEWORK FOR CLIMATE AND ENERGY POLICIES”

GEODE the Voice of local energy distributors across Europe, welcomes the opportunity to provide comments on the Commission Green Paper and to contribute with our views to support the development of the 2030 framework.

Questions:

4.1. General

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

From the experience made when evaluating the 2020 framework, **GEODE** notes that EU targets will not be achieved if Member States fail to implement EU legislation set for achieving these targets. Therefore, implementation of EU legislation should be carefully monitored. A first urgent matter is for instance the still lacking implementation of the third energy package.

GEODE also thinks EU policies and targets should not be considered independently the ones from the others. By achieving one target, others may not be achieved and are therefore in contradiction. For instance, the CO₂ reduction target in relation to the energy efficiency target, where an improvement of the overall efficiency would lead to a reduction of the price of the CO₂ ton. Therefore EU policies and targets need to be considered in an overall framework in order to guarantee the successful energy transition in the EU.

4.2. Targets

- **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 sectorial), and to what extent should they be legally binding?**

GEODE supports the EU-wide CO₂ reduction goal for 2050 and therefore this target should be kept for 2030 as well.

Regarding energy efficiency, the recent Energy Efficiency Directive does not establish an EU binding target but indicative national targets have to be settled by Member States. The Commission will report by 30 June 2014 on the progress made and adopt further measures if necessary (Art. 3 EED).

In the case of setting binding targets, these should be fixed at EU level. Otherwise, the risk exists that some Member States will be more ambitious than others, leading to important disparities .



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

A major example of inconsistency is the fact that one side effect of increasing energy efficiency would be the decreasing prices of a ton of CO₂ within the ETS trade system. Since less energy would be consumed in the EU, less CO₂ would be emitted; the need for certificates on the market would decrease, leading to a lower price of a ton of CO₂. In order to solve this problem, **the energy efficiency and carbon emissions reduction policies have to be developed conjointly** and one has to be updated when the other is significantly modified.

- **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?**

Renewable energy or energy saving targets **may be set by sector, however not mandatorily equally for all Member States**. Member States have different economic patterns and binding targets on a given sector, e.g. industry or agriculture could be more detrimental to some countries than to others, especially in difficult times for the industry or the overall economy in Member States. **It is therefore important that Member States are free to determine in which sector they want to enforce energy efficiency or climate policies, as long as overall targets are achieved.**

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

In GEODE's view, targets should reflect the technological developments. This has for instance been the case with the renewables target – where Member States adopt support schemes, these have to be linked to technology maturity. Therefore subsidies for mature technologies should be phased out.

- **How should progress be assessed for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets?**

4.3. Instruments

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

GEODE believes that adequate dedication of **research and development (R&D) for new highly efficient technologies or technologies based on the use of renewable energies** could lead to better energy management. Within the scope of energy efficiency obligation schemes, it should be ensured that innovative efficiency technologies are added as quickly as possible – where appropriate – to the catalogues of standard energy efficiency measures leading to deemed savings.



The setting up of a **common market for energy efficiency** would possibly also lead to increased energy efficiency. For this purpose, several policy instruments could be taken into consideration like setting **European standards** or a **European label for energy services**, in the case of building refurbishing for example. Such a label could be visually similar to the already existing one for energy related products, to which consumers have become accustomed. This would create awareness among end-consumers and make offers more transparent while leading to increased demand for energy services.

Another target could be set for the widespread replacement of coal-driven power plants. **GEODE** advocates for this purpose in particular a replacement by gas-driven power plants. This would be advantageous in regards to efficiency and flexibility as well as contribute to further limitation of CO₂ emissions.

- **How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?**

In order to optimise cost-efficiency of meeting the energy efficiency target set namely by Article 7 of the new Energy Efficiency Directive, the **implementation of the energy efficiency measures with the longest lifespan or with the highest ratio between investment costs and overall effect** should be favoured. For this purpose, it is necessary to allow these parameters to be **fully taken into account within the calculation of the savings achieved by the obligated parties**. This requires weighing in the energy saved by an energy efficiency measure with a factor that reflects its real lifespan, and not only the savings it will be achieving between the time of implementation and 2020. For example, new windows that can last 25 years may deliver yearly as much savings as another measure which effects last for 5 or 6 years but will carry on delivering savings also after 2020. However, the two measures will be seen as having delivered the same amount of savings by 2020 with a standard method of calculation. It would be more cost-efficient, and therefore more adequate in order to meet climate and energy objectives, to allow the measure with the longest lifespan to be favoured over the other. It is therefore **necessary that a measure's lifespan is fully taken into account within the calculation of achieved energy savings**.

- **How can fragmentation of the internal energy market best be avoided particularly in relation to the need to encourage and mobilise investment?**
- **Which measures could be envisaged to make further energy savings most cost effectively?**

The completion of the European internal energy market is of utmost importance as well as the removal of market barriers. It is also very important to develop the needed inter-connections, together with delivering energy efficiency in buildings and making smart grids to become reality, including the roll-out of smart meters. The engagement of consumers is vital.

- **How can EU research and innovation policies best support the achievement of the 2030 framework?**



As **GEODE** represents the interest of European DSOs, and it is essential that the development of smart grids is achieved in the coming decades, we would like to stress out that DSOs being responsible for the secure operation of the electricity system will need to lead the testing of new solutions through R & D projects. This is the way to evaluate and examine benefits of innovative intelligent technology, estimate costs, learn about customer behaviour and barriers to overcome, and lay the foundation for possible further deployment.

As DSOs are essential in the deployment of Smart Grids, it is necessary that all DSOs, small, medium and large, are able to participate in these R & D projects. Larger and more numerous R & D funding programmes than the currently existing ones are needed on both national and European level. Such **funding should be accessible to all network operators, regardless of their size.**

The R & D projects which are publicly funded should not only deliver benefits to society as such but also increase the level of knowledge and expertise within the industry as well as to all actors in the value chain.

Also EU research and innovation policies can focus on new highly efficient technologies or technologies based on the use of renewable energies, particularly on small scale. For example, innovative solutions for the development of micro/local production of renewable energy, which could be used locally or injected into the grid, could be in the focus of EU research and innovation policies.

4.4. Competitiveness and security of supply

- **Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?**
- **What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?**
- **What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?**
- **How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international negotiations be taken into account?**
- **How to increase regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets)?**
- **How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?**



- **How can the EU best exploit the development of indigenous conventional and unconventional energy sources within the EU to contribute to reduced energy prices and import dependency?**

GEODE thinks that gas could not only be used as fossil fuel but has a huge potential as a renewable energy source that can be used to produce energy or be injected directly into the grid. This provides not only a way of utilising domestic and industrial waste but offers also a practical solution for the disposing of sewerage and manure.

Biogases have a key role to play in helping the EU meeting its renewable energy targets for 2020 and its carbon reduction commitment for 2050. Bio energy has a role to play in the three key sectors of electricity, heat and transport.

The benefits of bio fuels are well known – in addition to their obvious renewable origins they provide continuous supply of energy without depending on the production of wind or solar and tidal intermittency.

Biomass currently accounts for two thirds of renewable energy in Europe and bio energy will play a key role in achieving the ambitious targets contained in the renewable energy directive¹.

20% of the final energy consumption has to be provided from renewable sources by 2020. Renewable sources currently provide 8.5%. According to the European Environmental Agency study “How much bio energy can Europe produce without harming the environment?” (2006) the potential from agricultural is still largely unexploited and this is likely to see the highest growth rates.

Biogas has a range of applications which so far have not yet been exploited, such as high-tech process energy for industries, small scale power generation and transportation fuels. Biogas cogeneration plants have reached a parity of heat and electricity output (one kW electric for every kW thermal) through technological progress in recent years.

Europe’s dependence on fossil fuel imports should further encourage the market and policy makers to invest in renewable alternatives and create market incentives for biogas.

The successful deployment of grid-connected bio methane requires not only appropriate energy policy but also complementary agricultural and waste policy. GEODE believes there is more work to be done for developing adequate waste collection policies. Efforts are needed to promote the safe use of the by-products of the AD process such as fertilisers and ground improvers.

¹ http://www.aebiom.org/IMG/pdf/Brochure_BiogasRoadmap_WEB.pdf



Therefore GEODE recommends the European Commission to take steps to encourage the use and production of biogas – and to remove barriers – in order to create a level playing field for those entering the market.

At the same time, national governments should take steps to simplify and facilitate gas injections into the grid while national regulators should require retailers to use renewable gas (including biogas and hydrogen) as a proportion of the gas they're selling.

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