DG Energy

28. February 2014

The Role of Primary Energy Factors in Future EU Policy

Dear Mr Ristori,

2014 will be an important year regarding future EU energy and climate policy. We are a group of energy stakeholders representing more than 2.800.000 jobs ranging from power generation, electrical contracting to appliance manufacturing. We seek to address challenges regarding the use of a primary energy factor on electricity (PEF)[1] in the context of EU energy and climate policy.

For statistical purposes PEF is used to calculate primary energy consumption throughout the whole energy value chain. However, we oppose its current use to regulate electricity consumption and the use of electrical products in a series of EU legislative acts such as the Energy Efficiency Directive (EED), Energy Performance of Buildings Directive (EPBD) and Ecodesign and Energy Label Regulations. We very much appreciate the Commission's decision to add a question on Primary Energy Issues in the consultation on *Energy Labelling Directive and aspects of the Ecodesign Directive* and will respond accordingly. Due to its importance however, this matter needs to be independently addressed and discussed.

In practice, improper regulatory application of the PEF artificially undermines a level playing field in end-user energy markets toward fossil energy carriers, such as gas, oil & biofuels and therefore impacts on energy consumption and end-users choice of energy carriers and energy solutions. It is important to review current regulatory application of these factors in light of the objectives of current and future EU energy and climate policy.

The signatories have shared concerns regarding the use of conversion factors for electricity, in EU energy and climate policy. In our view the current use of PEF as a tool/instrument leads to

- **Contradictions with current EU energy and climate objectives and their instruments e.g. RES and the EU ETS**
- **Inconsistencies with the realization of the internal market for electricity and gas**

[1] Also referred to as 'conversion factor' or 'conversion coefficient'

We call on the Commission to undertake the proper steps to find solutions to the challenges caused by the current application of a PEF in relation to realizing the EU decarbonisation roadmap and its long-term energy and climate goals. The signatories of this letter hope the Commission acknowledges the problems identified and would appreciate an appropriate forum for discussion.

Contradictions with current EU energy and climate objectives and their instruments such as RES and the EU ETS

EU long-term climate and energy objectives are presented in the low carbon economy and Energy Roadmap 2050, which envision greenhouse gas emission reductions of 80-95% below 1990 levels by 2050. This will require fundamental changes in both energy production and consumption. In the Commission's roadmap, the electrification of heating/cooling and transport plays a critical role in all scenarios in combination with CO2 neutral power generation. The Commission also recognises the urgency of the relevant investments for this shift in the Roadmap study. Not providing the correct value for electric solutions in these sectors today will cause an emissions lock-in for decades to come. These emissions at end-user level will not only remain outside of the ETS but, also prevent air quality improvements at the point of consumption.

Inconsistencies with the realization of the internal market for electricity and gas

Regulatory application of PEF represents a barrier to a well-functioning electricity market as it distorts the demand side of the market. Consumers are being misled in fuel choice and consumption no longer based on price signals but instead on wrong parameters. The use of PEF would also be detrimental to energy efficiency. Consumers might chose less efficient appliances only because they rank better on a label based on primary energy. Furthermore, by favoring fossil fuel based solutions over electricity other EU measures, such as the SET-plan and other initiatives in order to promote intelligent networks, smart cities, electricity storage, CCS will be undermined.

Final remarks

The 2030 framework must draw on the lessons from the current framework. One crucial lesson is that there is a lack of coherence between the use of PEF and overall EU energy and climate objectives. The signatories of this letter would kindly request a meeting with the Commission to discuss this matter.

Yours sincerely,

AIE	European Association of Electrical Contractors
CECED	European Committee of Domestic Equipment Manufacturers
EUEW	European Union of Electrical Wholesalers
European Copper Institute	
EUHA	Electric Underfloor Heating Alliance
EURELECTRIC	Association of the electricity industry in Europe
NHO	Confederation of Norwegian Enterprise