Asociación Española de la Industria Eléctrica

UNESA[1] response to Public consultation on the review of progress towards the 2020 energy efficiency objective and a 2030 energy efficiency policy framework

A. Energy efficiency targets and measures

1. Do you think the right approach in addressing the shortfall is:

a) To define energy efficiency target(s)
b) Reinforced implementation of existing legislation, including active policy on infringements
c) Proposing new legislation
d) other

Justification:

A major lesson from the 202020 package has been that overlapping targets and instruments – some command and control some market based - do not result in the required level of cost-effectiveness for energy efficiency. Facing the 2030 horizon, a single binding target to reduce CO_2 emissions will be essential to address these overlaps and strengthening the ETS structurally will drive supply-side investment for energy efficiency in a more cost effective way and not jeopardise the completion of the internal energy market.

The main focus for EU energy efficiency policy needs to be on streamlining and implementing the existing legislation– as well as to strengthen the ETS to enable its crucial role for low-carbon investments (including energy efficiency on the supply side). We call on the Commission to encourage member states to properly implement the existing European legislation before endeavouring on more regulation. This is to avoid the repetition of instruments and targets undermining each other and technologies being picked by policymakers – not the market. The power sector continues to develop and transform toward new business models including energy efficiency services and decentralised generation. However, the implementation of some additional measures could be necessary to undertake an efficient transition towards the electrification of heating/cooling and transport – as envisioned by the Commission in its 2050 roadmap but currently undermined by regulatory obstacles. To reach a rapid development of the energy services market, the penetration of energy efficient technologies and behaviours should be improved through information, trainings,...
Energy efficiency has an important role to play in our future energy policy but we must ensure that actions taken are cost-effective and realistically achievable. Focus should therefore be on the most cost efficient activities in the first instance, as such cost effective energy efficiency can play a role in reducing primary energy demand and keeping energy affordable for consumers.

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B. Energy efficiency sectors

2. Do you think that further policy measures are needed at EU level to foster energy efficiency in buildings?

a) **Yes**
b) No
c) No opinion

Justification (1000 characters):

The energy efficiency potential from buildings in Europe is enormous, as it shows the articles involved in the Energy Efficiency Directive 2012/27/UE. Generally, UNESA sees the priority in this sector on the implementation of existing European legislation and in ensuring a level playing field for the technologies available to make buildings as energy efficient as possible. The share of low-energy buildings should be increased trough proper implementation of the new EED, the EPBD, proper RD&D initiatives focusing on buildings with a CO2 -neutral energy system, especially for new buildings and major refurbishments. Further, fair competition in the heating sector, reflecting the effectiveness of reducing carbon emissions, should be guaranteed in order to promote the most energy-efficient and environmentally friendly technologies.

UNESA believes that through the roll-out of smart meters, making available financing schemes to trigger investments and awareness raising much can be achieved. Further, efficiency improvement incentives/ requirements on end-users and property owners would be effective in creating more demand for energy efficiency services.

3. Do you think that further policy measures are needed at EU level to foster energy efficiency in industry?

a) **Yes**
b) No
c) No opinion

Justification (1000 characters):

Energy prices should reflect energy costs and this should be the key principle to Promote energy efficiency in European industry As the recent Communication from the European Commission on prices and energy costs highlighted, to improve energy efficiency in the industry, especially intensive energy use industries, is necessary to reduce energy costs and to remain competitive against third countries whose prices are below the European ones.

At industry level, we believe that the European Emissions Trading Scheme is the right instrument for energy efficiency improvements. In order to create incentives for energy efficiency measures beyond low-hanging fruits, we continue to advocate structural measures strengthening the ETS in order to make it fulfil its role better as the central market based instrument.

4. Do you think that further policy measures are needed at EU level to foster energy efficiency in transport?

a) Yes
b) No
c) No opinion

Justification (1000 characters):

The European power sector is fully committed to play a substantial role in decarbonising transportation. Increasing the energy efficiency of the transport sector has always been regarded as a key challenge. This will be possible with the increasing capacity of renewable and low-carbon electricity, but it cannot be done without the right policy framework.

More specifically, it can be highlighted two types of measures that can be implemented in the transport sector, but these have to be taken jointly to exploit synergies generated:

- Policies aimed at rationalizing the use of conventional fuel. Among them, the most important one refers to the development of appropriate allocation of prices of different fuel sources, so that it is possible to internalize all costs arising from their use. In this regard, it is necessary to advance in the revision of the energy taxation directive consistent with the objectives pursued.
- Promotion of new transportation modes and new low-carbon fuels through financial and fiscal incentives to advance the electrification of the economy. These must be divided depending on the group to which they refer, whether for domestic use or for passenger and freight transportation.
    - Electric Vehicle is a key tool because the greater efficiency level of these vehicles compared to internal combustion ones is beyond discussion. The benefits of such developments are clear, so that reductions in emissions of polluting gases as well as reduces our energy external energy dependence, making renewable penetration in transport sector easier.
    - Freight transport offers huge potential for energy savings, together with the ability to decongest our roads, allowing at the same time rationalization and reorganization of expenditure by general government. One of the main energy saving measures in this area would be the promotion of rail freight transport.

UNESA believes that the EU should provide a long-term regulatory framework promoting non emitting road and rail transport. Use of public transport, and its electrification, should also be further promoted. A new assessment of efficiency and CO emissions in transport is thus needed, with the full internalization of CO_2 emissions in all means of transport.

5. Do you think that further policy measures are needed at EU level to foster energy efficiency in electrical equipment?

a) Yes
b) No
c) No opinion

Justification (1000 characters):

Energy efficiency in electrical equipment is already effectively supported by existing different legislations. The current review of the energy labelling and certain aspects of both the Ecodesign as well as the new EE directive promotes through article 7 efficiency in electrical equipment. In general, we believe these measures set a workable framework for energy efficiency in electrical equipment, apart from our major concern regarding the application of primary energy factors, which continue to put electric equipment specifically in heating/cooling at a disadvantage in relation to other fuels.

6. Do you think that further policy measures are needed at EU level to foster energy efficiency in generation and distribution?

a) Yes
b) No
c) No opinion

Justification (1000 characters):

The current energy and environmental regulatory frameworks (liberalisation of the electricity market, EU ETS and the promotion of renewable energy sources) are setting the right conditions for promoting energy efficiency.

On the generation side, UNESA believes that European Emissions Trading Scheme is the right instrument for efficiency improvements.

On the distribution side, a regulated activity, smart grids will provide an intelligent platform for a smooth integration of distributed generation, renewable energy sources, end users smart devices, electric cars and plug-in (hybrid) cars into the electricity grid. This would result in a reliable infrastructure for demand side participation by customers and a higher overall system efficiency. To enable the needed investments European DSOs need a proper remuneration including incentives for innovation to allow DSOs to invest successively in research & development, demonstration and implementation of smart grids. However, it would be desirable that more guidelines / best practices / assessment papers were developed, to indicate the appropriate and effective implementation of the proposed / necessary measures, and the correct performance of the cost-benefit analysis needed in order to avoid decisions that are not economically efficient, affecting the price faced by the final consumer.

7. Do you think that further financial mechanisms and instruments are needed at EU level to mobilise energy efficiency investments?

a) Yes
b) No
c) No opinion

Justification (1000 characters):

While stating our support for measures aimed at promoting an effective market for energy efficiency and energy services, we also recognise that the market will not necessarily stimulate the early uptake of all cost-effective energy efficiency measures, particularly those with high energy saving potential but long payback times and high upfront capital investments.

From the investment point of view, the establishment of an appropriate signal of CO_2 cost (either through the ETS or taxation) and a properly functioning internal energy market will mitigate market failures that prevent investments in energy efficiency from reaching their potential, especially in sectors such as transport and building.

A well-designed environmental tax framework would, on one hand, be a useful tool for achieving structural improvements in energy efficiency with a positive impact on competitiveness and, second, establish a solid revenue base with the ability to obtain resources to finance investments and policies for economic and environmental sustainability of the energy model.

Additionally, it is remarkable that support for bringing new innovative technologies for energy efficiency along the entire value chain to the market is essential, especially in the deployment phase.

The building sector, as pointed out above is a specific case in which bottom up legislation also for financing is necessary to correct market failures. It must however be ensured that coordination between public funding sources is ensured to get the best leverage out of financing measures. Further, financing mechanisms should always work to complement the development of energy efficiency markets. UNESA also underlines its position that public funding in this field must be open to all market players.

8. Do you think that further measures are needed to build the capacity of actors in the energy efficiency sector?

a) Yes
b) No
c) No opinion

Justification (1000 characters):

It is imperative that energy prices reflect real costs, so energy improvements are perceived on economic results. Although energy efficiency improvements create value itself, the reality is that their value is linked to economic savings. Their acceptability level is related to its contribution to the reduction of recurrent costs. Measures should be focused on mitigating the "energy efficiency financing gap", which explains a current level of energy efficiency investments below its potential. Although energy efficiency improvements create value itself, the reality is that their value in is linked to economic savings. Their acceptability level is related to its contribution to the reduction of recurrent costs. Keeping this in mind, it is imperative that energy prices reflect real costs, so energy improvements are perceived on economic results.

In all cases, after solving profitability, the main barriers in the sector of energy efficiency rely on the difficulties to access affordable financing lines or on unacceptable requirements of hedges of default risk. The existence of soft loans and / or hedging solutions would pave the way.
Finally, we would like to remark that information and awareness raising campaigns are the best way to motivate final customers in implementing EE measures. They play a key role in abating the high non-economic difficulties that currently inhibit the penetration of efficient technologies.

9. What are the most promising technology solutions that can help deliver energy savings in the 2020 and 2030 time horizon? How can their development and uptake be supported at EU level? (open question – max 1000 characters)

On the demand side, especially in buildings several technologies will produce efficiency gains. In its innovation action plan UNESA has pointed to next generation heat pumps, insulation materials, electrical vehicles as well as smart meters in this context.

The development of many utilities toward a more a service-based model of energy supply will open essential potential around cost-effective energy efficiency technologies – along the entire value chain. Expanding the innovation policy toolset to include additional mechanisms to create a market setting for innovation, such as public procurement as well as giving a bigger role to public-private partnerships to capture private sector insight and enable better risk-sharing can be enablers for this.

10. Further comments (max 1000 characters)

The character limitation on question 1 might force us to move part of our general response here.

- We disagree with the inclusion of an energy efficiency target for 2030.
- An appropriate signal market price of allowances (ETS) would encourage for economically efficient investment in efficiency and decarbonisation, considering national circumstances. It is particularly important if we consider that countries have very different characteristics (eg climate or specific average consumption by consumer type) by which energy efficiency solutions can have a pay-back much longer. A robust ETS would encourage some countries to invest more in solutions for decarbonization and other countries opt for more energy efficient solutions.
- We don´t agree with the analysis made by the Commission concluding that the achievement of the 40% emissions reduction goal by 2030 would require necessarily an efficiency target of 25% by 2030.