



Association for the
Conservation of
Energy

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Towards a new Energy Strategy for Europe 2011-2020 – ACE consultation response

Introduction to the views of ACE

The Association for the Conservation of Energy is a lobbying, campaigning and policy research organisation, and has worked in the field of energy efficiency since 1981. Our lobbying and campaigning work represents the interests of our membership: major manufacturers and distributors of energy saving equipment in the United Kingdom. Our policy research is funded independently, and is focused on three key themes: policies and programmes to encourage increased energy efficiency; the environmental, social and economic benefits of increased energy efficiency; and organisational roles in the process of implementing energy efficiency policy. We welcome the opportunity to respond to this consultation.

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Overview

1. The next decade is a pivotal time that should see accelerated change in the way Europeans source, save and use energy. A comprehensive and far-reaching energy policy strategy is necessary to support this change over the coming years. ACE welcomes the Commission's intention to develop such a strategy over the coming months. However, ACE would like to underline that energy policy encompasses both supply and demand side considerations. A competitive and sustainable internal energy market cannot be achieved without greater energy efficiency gains on the ground. Indeed, such gains have contributed more to the EU's energy requirements over the past thirty years than traditional fuel sources (Source Enerdata 2006). This trend must continue as Europe moves towards a decarbonised energy society.
2. It is widely acknowledged that energy efficiency gains offer an overall negative-cost solution to achieving Europe's goals on energy security, carbon abatement and economic recovery. Investing in energy efficiency is a win-win solution, unlike investments in generating capacity, infrastructure or carbon capture and storage, which are a net cost drain. Prioritising the potential of permanent energy savings, especially in buildings which account for 40% of the EU's primary energy use, is paramount to achieving Europe's objectives on competitiveness, sustainability and security of supply in a time of economic cutbacks and severe budget constraints.

An energy savings target, including for buildings

3. In energy efficiency, there are a huge variety of technologies, processes, systems and actors involved – in particular in the buildings sector. This is not inherently a barrier to progress in achieving energy and carbon savings from end-use sectors, but it does represent a large degree of complexity which necessitates a sophisticated policy response (relative to supply-side energy policies). This type of response should rightly be developed at Member State level but there is a significant gap at EU level to facilitate this. The absence of an ambitious and above all mandatory energy saving target at EU level is becoming ever more glaring and risking the integrity of the EU's entire energy policy to date. With RES and CO₂ targets in place, the Commission itself acknowledges that progress by Member States in these areas has been better than in energy efficiency. These policy areas should not be competing as a result of the Commission's omissions, yet in the UK, they already have done. The RES target has in the UK resulted in a policy for incentivising renewable heat, in buildings in particular. The incentive will be based on the amount of heat generated, yet does not have energy efficiency improvements as a prerequisite. Putting each of the 20-20-20 objectives on a legislative par with one another must be the new energy strategy's first priority, and would minimise the risk of disjointed energy policy making at national level.
4. It is generally accepted that, even if the existing measures were fully implemented, the current 2020 energy savings target is unlikely to be reached. Many Member States continue to show a lack of commitment to this policy area. While there are many factors at play, it is no coincidence that progression towards the two 2020 mandatory targets is taking place at a faster rate. In light of what we say at the beginning of this section, ACE strongly laments the fact that Member States seem to have taken a further step backwards under the EU2020 Strategy by committing only to 'moving towards a 20% increase in energy efficiency'.

5. For energy efficiency, however, a binding target at national level for energy savings in buildings is easier to calculate and administer than an overall primary energy saving target. Moreover, to meet both 2020 and 2050 EU climate and energy goals it is essential that significant improvements be made in the energy performance of existing buildings in all Member States. It is thus necessary to guarantee that large-scale renovation programmes are carried out over the next decade. The mandatory approach has clearly been more effective for meeting the carbon reduction and renewable energy targets and, without a clear and measurable target for reducing the demand for energy use in buildings, Europe risks falling far short of its efficiency goal.
6. We welcome the Commission's action to enter into a dialogue with Member States on how to determine national energy savings targets. However, the Commission should also ensure that energy efficiency policy is strategically placed in any future EU Energy policy to highlight the benefits and potential of cost-effective energy savings.

Move towards accelerated deep renovation in buildings

7. The EU Energy Performance of Buildings Directive (EPBD recast – 2010/31/EU) provides a sound basis for maximising opportunities to refurbish buildings and for ensuring all new buildings will be nearly zero energy before 2021. However, a major acceleration in the refurbishment of the existing building stock, especially in built up areas, is needed if Europe is to achieve its stated energy policy objectives. There is a massive untapped potential for reducing energy demand in all types of buildings at cost-optimal level. The rate of renovation needs urgently to increase by a factor of two or three up to 2020 and stay at this level until 2050 if Europe is to meet its short and long-term energy, carbon and economic goals. An EU strategy for widespread deployment of deep renovation (reducing the energy demand by a factor 8 to 10, with an average factor of 6, representing an 83% improvement in energy performance) in the existing building stock is required to capitalise on this potential and to avoid a lock-in of the savings potential in the building stock if not done properly the first time.

Energy Efficiency Action Plan Review

8. The planned review of the EU Energy Efficiency Action Plan (EEAP) this year should provide the basis for energy savings in, inter alia, the building sector to become a first pillar of the EU's energy policy. According to the preliminary results of the forthcoming study 'Energy Savings 2020' by Ecofys and Fraunhofer ISI, to be published in September 2010, a full tripling of EU policy measures is necessary to achieve the 20% energy savings target in order to reduce energy bills annually by €78 billion, create 1 million jobs and save 560Mt of CO₂. Given the scale of potential in buildings, the EEAP review is the key vehicle for providing the framework, mechanisms and incentives for promoting accelerated deep renovation.
9. Energy use can also be effectively reduced by good management systems and services. The EEAP should contain a provision for a recast of the EU Energy End-Use Efficiency and Energy Services Directive (2006/32/EC) to include measures to harmonise the National Energy Efficiency Action Plans, to support the development of the European Energy Services market, to mandate the establishment of energy efficiency funds, and to increase the ambition level of the targets. In particular, the ESD recast should be used to introduce a

mandatory target to increase the renovation rate as well as a mandatory target to reduce the demand for energy use in buildings. The role of the public sector to act as best practice in relation to deep renovation and increased renovation should be given a high priority in the recast.

Finance and innovation

10. The Commission's stock-taking document rightly states that investments should contribute maximally to creating safe, secure, sustainable and affordable energy for everyone. A major investment plan for the large scale refurbishment of the existing building stock is urgently needed. While funding is available for buildings under the EU's structural and cohesion policy and via the European Investment Bank, barriers still exist. The EU's energy action policy should comprehensively address investment and funding bottle-necks in order to capitalise on budgets that are already available. Smart city programmes, in particular, provide a useful mechanism for channelling funds down to the level required for buildings.
11. Energy efficiency is not a distinct technology. It is the result of a complex interaction of numerous and varied individual technological components in a systemic manner, in turn interacting with societal and sectoral expectations of energy services and patterns of energy consumption and behaviour. Innovation in energy efficiency thus encompasses performance improvements in materials and components, improvements in the ways in which they fit and are brought together, and optimisation of energy management and consumption behaviour. As such – and to some degree in contrast to energy supply technologies – research, development and demonstration (RD&D) in energy efficiency necessarily extends further beyond technological innovation into the realms of socio-technical systems, organisation and implementation. In light of this, the Commission communication on 'Investing in the Development of Low Carbon Technologies' rightly placed an emphasis on innovation in the delivery of energy efficiency through the Smart Cities Initiative. But in contrast to the original Strategic Energy Technology Plan of 2007, which promised to give energy efficiency 'first and foremost' priority, Smart Cities (and thus energy efficiency) only constitutes a small proportion of the RD&D investment requirement (ca €75 billion to 2020) put forward by the Commission, as Figure 1 below illustrates. This will not suffice and does not reflect the Commission's rhetoric on energy efficiency since 2005 at all. More importantly, it weakens the signal to Member States' RD&D priorities.

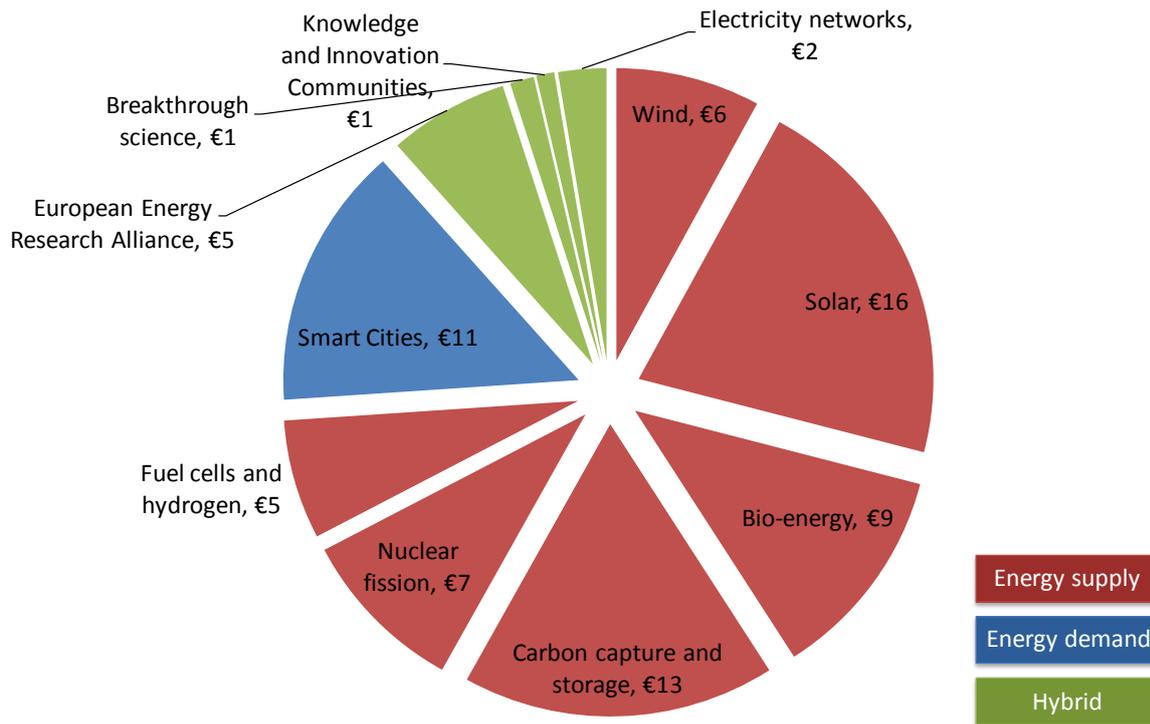


Figure 1: European RD&D investment requirements to 2020 [€ billions]

12. It is true that the EU ETS can act as a driver for innovation in low carbon technologies and energy efficiency, but there is too strong a reliance on the markets taking the right decisions in the interests of a low-carbon economy – and not enough support to ensure these innovations aren't simply sourced in from economies outside the EU, thus missing a major economic opportunity.

Training and education

13. A more sustainable and secure energy economy cannot be achieved without the effective mobilization of a new energy workforce. Special emphasis should be given to providing the support and stimulus for educating and training workers as the back-bone of the move towards a low-carbon energy system. Wide-scale up- or re-skilling will be necessary and much of the work, especially for buildings, is likely to be carried out by local SMEs, requiring specialized measures. These are European jobs that are not easily relocated abroad. To this end, ACE welcomes DG Energy's building workforce initiative on training and qualification in the field of EE and RES for 2011-2013.
14. For new entrepreneurs to move into the energy efficiency arena and for existing qualified architects and engineers alike, it is essential that more substantial efforts are made in the field of training to support the building chain as it moves Europe's building stock to a low energy status. Newcomers to the industry need to be adequately trained to ensure that the installation and maintenance of energy efficient technologies results in the best possible energy savings, while existing architects, engineers, builders, installers and maintenance personnel must be up-skilled. Quality is paramount – if the confidence of consumers in energy efficiency is undermined by poor skills, then the required investment and the achievement of actual savings are severely threatened.

15. Member States should be obliged to provide the necessary training and education programmes for the energy efficiency workforce – but not in a way that encourages companies to make a ‘quick buck’. The next step is to ensure that there is mutual recognition between Member States of training schemes so that the labour force can operate freely across the internal market when necessary.

Implementation

16. ACE welcomes the Commission’s concern over the overall poor state of implementation of energy-related legislation and agrees that providing more regulatory oversight at both national and EU level is imperative. The Commission should exercise all mechanisms available to it to ensure that Member States are transposing and implementing legislation in a timely and effective manner.
17. On a final note, a challenge which has grown steadily in importance since 2006 is that of energy security. Europe currently imports 50% of energy consumed; this is set to rise if the status quo is maintained. The Russia-Ukraine gas disputes of recent years again highlighted Europe’s vulnerability to foreign energy dependence. A true energy security policy is one that mitigates dependency and promotes home-grown solutions. To this end, the Energy Action Plan should include a stronger energy security element, with energy efficiency becoming the corner-stone of Europe’s efforts to ensure that the energy needs of Europe are met continuously.