

# REVIEW OF THE ENERGY EFFICIENCY DIRECTIVE

## *RECOMMENDATIONS OF THE FRENCH ELECTRICITY INDUSTRY*

### **A post 2020 framework for Energy-Efficiency consistent with the energy and climate 2030 framework**

The European Council of October 2014 set as core objective for the EU' energy and climate policy the reduction of CO2 emissions of at least 40% by 2030 compared to 1990.

Energy efficiency, as well as the deployment of renewable energy, is a means to achieve this objective, and should not be subject to an objective uncorrelated to the CO2 emission target. **It is essential to guarantee consistency between the Directives developed during the implementation of the 2030 energy-climate package, and the objectives set in this package.**

Yet, the Energy Efficiency Directive has not been developed in consistence with the European CO2 emissions reduction objective, which was absent in the various provisions of the said Directive. The European energy efficiency policy must be correlated with decarbonisation, and target the sectors that represent the main sources of energy savings and reduction of fossil fuel energy consumption (transport, building, etc.). Contrary to the current situation and for the post-2020 framework, the rise of an ambitious, Europe-wide carbon price signal should be the best means to reduce CO2 emissions in a cost-efficient way whilst supporting the implementation of energy efficiency measures.

### **Further comments on the implementation of Article 7 « Energy efficiency obligation schemes**

**As main tool for the implementation of the EED at the European level, Article 7 has indeed several limits that should be considered and addressed in the review of the Directive:**

1) A mechanism providing few incentives:

The obligation of energy savings by suppliers (CEE mechanism) stemming from Article 7 has not led to the development of an energy efficiency service market. The price signal revealed by the CEE does not provide sufficient incentive (about 4% to 5% of the costs of the total works), because it is too low in comparison to the investment costs (cost of technologies that remains too high as a result of the lack of structuring of the sector).

2) A dispersed and suboptimal targeting:

The charge of the obligation mechanisms is exclusively burdening on the energy suppliers of final customers, and therefore has an impact on the consumer prices, which can undermine companies' competitiveness and households' power purchase.

**The promotion of Energy efficiency measures is being made without consideration of the economic efficiency of the measures engaged:**

- **Article 7 of the Directive on Energy Efficiency does not drive investments towards the right tools that target the most economically relevant energy efficiency actions, ie according to a cost-efficiency criterion.** Indeed, energy suppliers consider that the choice for energy saving measures does not depend on their profitability but on their cost of access. Thus, there is no incentive for Member States to choose the most cost-efficient solution.
- 3) A level of constraint too high in choosing appropriate tools, leading to suboptimal national policies

**Having a unique obligation rate at the European level is disconnected from reality**, given that the initial level in terms of energy efficiency greatly differs from one member state to another. The level of this rate (1.5%) is excessive as it does not take into account the fact that demand trends are heavily influenced by growth. A more pertinent economic approach might target reductions in energy intensity (energy consumption per unit of GNP output), obviously taking into account the initial existing differences between MS.

**The level of constraint imposed in Article 7 leaves too little flexibility for MS regarding the means they choose to achieve the energy efficiency objective.** About 16 MS chose to implement an energy saving obligation scheme. Yet, this mechanism was not subject to any feedback review in the MS where it was already implemented, which is essential to assess its efficiency and its potential in achieving energy efficiency targets.

**Besides, various obstacles remained, preventing the development of an ambitious Energy efficiency policy.**

**The issue of structuring the energy efficiency sector:** energy efficiency is a social, economic and industrial challenge. The structuring of the manufacturing, equipment laying and installation sectors as well as of the maintenance industry is essential to energy efficiency policies. The issue of the structuring of the sector is an important leverage to reduce the costs of energy efficiency measures. This challenge has to be taken into account in the introduction and development of public policies via training programs for the main actors of the sector.

**Adapting the existing fiscal schemes:** the fiscal tools (tax credits, etc.) include neither the economic efficiency criterion nor the CO<sub>2</sub> criterion. They thus do not foster the development of the most efficient technologies.

## RECOMMANDATIONS FROM THE FRENCH POWER SECTOR TO THE EUROPEAN COMMISSION FOR THE REVIEW OF THE EED

### Overall policy framework :

- 1) **Review the provisions of the EED in consistency with the objectives adopted in the 2030 energy-climate package, including the CO2 emissions reduction target**
- 2) **Initiate a thorough work at the European level aiming to define the main accessible sources of energy savings.**
- 3) **Target the most cost-efficient energy saving measures in terms of climate policy.** In a context of capital scarcity, it is essential to prioritize energy efficiency measures based on their economic efficiency. This approach must be developed *de concert* with a policy accompanying consumers that promotes the development of innovative offers.

### Article 7 :

- 4) **Rethink the mechanisms promoting energy efficiency measures based on their economic performance.**
- 5) **Develop a specific incentive mechanism for the transport sector,** which is missing from the EED.
- 6) **Provide MS with sufficient flexibility for the introduction and implementation of an efficient Energy efficiency policy, whilst taking into account national specificities.** This flexibility should be guaranteed both at the level of the objective (expressed in energy intensity) and in the choice and implementation of mechanisms promoting energy efficiency measures.