

Brussels, 8 March 2011

The Commission's new Energy Efficiency Plan

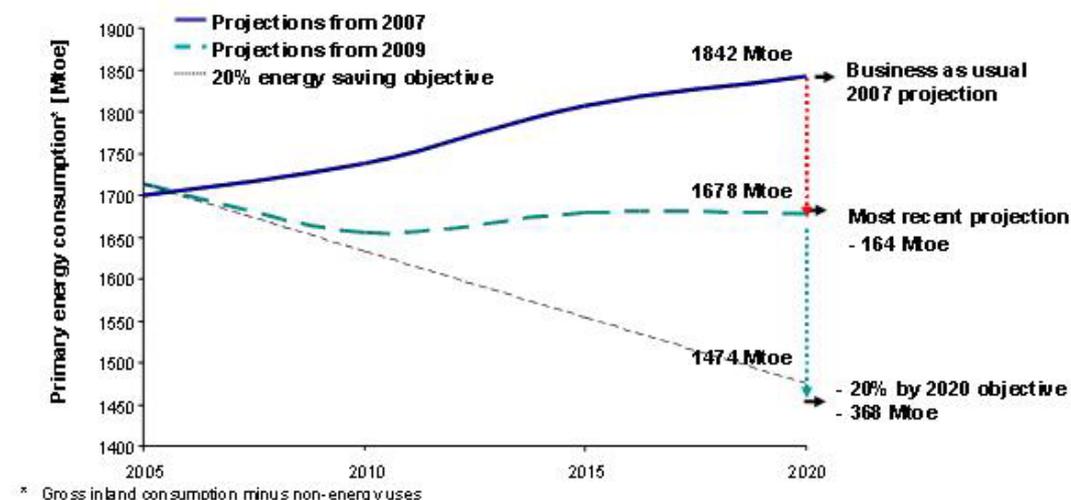
What is at stake?

Energy savings is one of the most cost effective ways to **enhance security of energy supply**, and to **reduce emissions of greenhouse gas and other pollutants**. This is why in 2007, the EU has set itself a target for saving 20 percent of its energy consumption by 2020.

The 20% objective translates into **a saving of 368 million tons of oil equivalent (Mtoe)** by 2020 compared to projected consumption in that year of 1842 Mtoe. This needs to be achieved by the EU as a whole.

According to the Commission's most recent projections, which take into account measures implemented at national and European level up to the end of December 2009, consumption in 2020 is expected to be 1678 Mtoe, equivalent to a saving of **only 9% relative to the previous projection**. This is illustrated on the figure below.

Figure 1: Projection of primary energy use for the EU by 2020 (Source: DG ENER)



Why was so little progress made?

A number of market and regulatory failures are responsible for that:

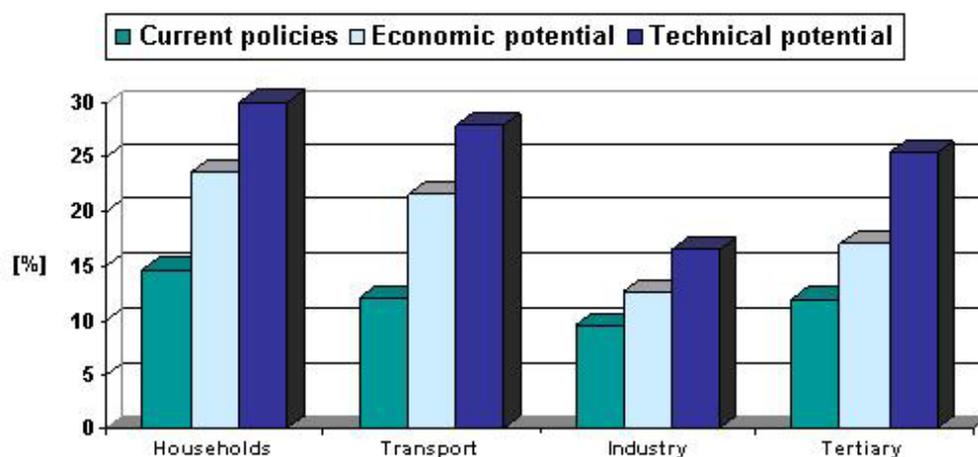
- **Governance:** the prominence of energy efficiency has increased in recent years but is still **not sufficiently high on policy agendas**, the policy mix is often insufficient or too softly worded to address all challenges and in many cases there is poor policy coordination.
- **Building sector** (residential and commercial buildings): **there is still low awareness on the benefits**, low mobilisation of the available funds to cover the initial costs, and a lack of the skills required by the buildings workforce.

Industry: significant improvements have been achieved but energy is not a major concern in many production processes due to low awareness (especially for SMEs) and low availability of funds to cover the initial costs.

What can be done now? What sectors should be targeted?

Current estimates show that the sectors that deserve the highest attention **are residential, transport and tertiary** with more limited possibilities also available for industry. Major improvements are also needed in the energy transformation sector if the overall 20% target is to be achieved.

Figure 2. Final energy savings potential in EU 27 in 2020 (as percentage of the projections done in 2007)



Why is there a need for an Energy Efficiency Plan? What about legislative proposals?

The Communication is a strategy paper that sets out **ideas for binding measures** to save energy. In a few months, **legislative proposals with very concrete binding measures** will follow.

As regards national energy efficiency targets, the Commission will firstly monitor the implementation of the national energy efficiency targets set in the context of Europe 2020 and check in 2013 whether they will deliver the European 20% objective. If the **2013 review** shows that the overall EU target is unlikely to be achieved, the Commission will, at a second stage, **consider proposing legally binding national targets** for 2020.

What is proposed in the new Energy Efficiency Plan?

The plan focuses on instruments to **trigger the renovation process in public and private buildings**, to improve the energy performance of the appliances used in them and to foster energy efficiency in households and the industry.

The Communication does not cover transport, as a White paper on Transport is due to come out soon.

For the **public sector**, the EU Commission proposes the following binding measures:

- **Public authorities should be required to refurbish at least 3% of their buildings (by area) each year. This is roughly double of the actual renovation rate.** Each refurbishment should bring the building up to the level of the best 10% of the national building stock. When public bodies rent or buy existing buildings, these should always be in the best available energy performance class.
- High standards of **energy efficiency** should systematically be applied when **public authorities purchase** goods (e.g. office appliances), services (e.g. energy) and works (e.g. refurbishment of buildings). Due to the large volume of public spending (17% of GDP or roughly €2,000 bn and public buildings are about 12% of the EU build up area) it could serve as a strong driver for higher market uptake of energy efficiency and development of the skills and knowledge required

For the **private building sector**, the EU Commission proposes:

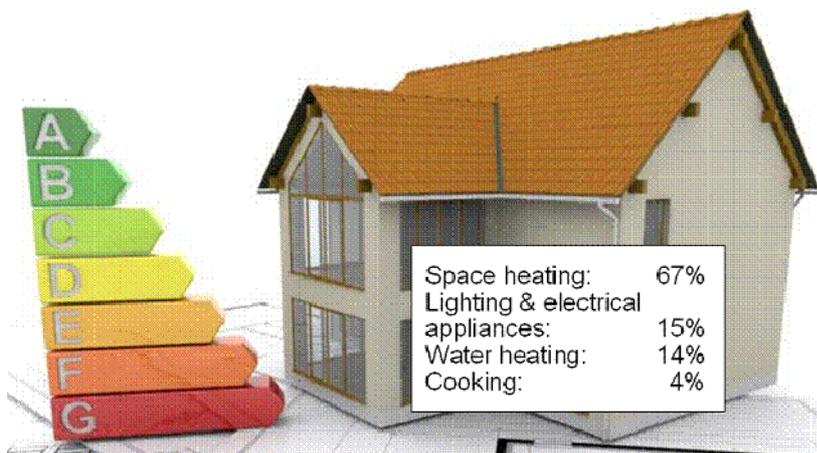
- Member States are **called upon to introduce measures** – in line with national property law - to address the problem of **split incentives**. This means how the costs of renovation are split between the tenant and the landlord in case of rented buildings and apartments. At the same time, Member States are called on to support the uptake of **Energy Service Companies** as catalysts for renovation. Energy Service Companies renovate private houses and apartment at their own costs and make profits by receiving the difference between the energy costs before and after the renovation over a defined period of time.

For **energy companies**, it is proposed:

Energy companies have to enable their **customers to cut their energy consumption**. This could take different forms. In the UK for example, large electricity and gas suppliers are obliged by law to cut energy consumption of their customers by a pre-defined level. The energy companies pay for new installations in private houses such as double glazing to cut energy. They get their costs back via energy prices. Another model is to ask Energy Service Companies to do the necessary investments.

For the **industry**, it is proposed:

- **Large companies** have to do regular and **independent energy audits**. They have to organize these themselves. Member States are encouraged to develop incentives for companies that introduce an energy management system as a systematic framework for the rational use of energy.
- **Exchange of best practices** in energy efficiency and projects aimed at building capacity on energy management are proposed for **micro and small companies**.



Source: Odyssee indicators, Build-up

What is the impact on consumers of the Energy Efficiency Plan?

The combined effects of full implementation of the existing and new measures has the potential to generate financial savings of up to **€1000 per household** each year; improve Europe's industrial competitiveness; create up to 2 million jobs

Through the Energy Efficiency Plan, the Commission aims to:

- Engage with industry and consumer organisations to create the right conditions for **better information, communication** Bills have to be clear and sent regularly to customers reflecting the real costs, not a forfait.
- Set out its approach to smart grids and smart metering in more detail in a Communication in the next months. This will help consumers to know in more detail where he has consumed how much energy. It will be possible to break this information down to specific rooms or even specific machines and appliances.

What is the difference between "Energy Efficiency" and "Energy Savings"?

While the two words are often used interchangeably, technically, '**energy efficiency**' means using less **energy inputs while maintaining an equivalent level of economic activity or service**; 'energy saving' is a broader concept that also includes **consumption reduction through behaviour change or decreased economic activity**. Examples of energy savings without efficiency improvements are heating a room less in winter, using the car less, or enabling energy saving modes on a computer.