

BELLONA'S COMMENTS ON THE ENERGY EFFICIENCY DIRECTIVE PROPOSAL

Reference is made to the consultation process initiated by the Ministry of Oil and Energy regarding the Commission's proposal for a EU Directive on Energy Efficiency replacing directive 2004/8/EC and 2006/32/EC.

Bellona welcomes the Commission's proposal and recognizes that energy efficiency is the most cost-effective and fastest way to increase security of supply and is an effective way to reduce the GHG emissions responsible for climate change. If the recommendations of the proposal are adopted, it will give a path towards an important effort within energy efficiency in all Europe.

The proposal is EEA relevant and will impact on Norwegian energy efficiency policies. Bellona's comments on the proposal and recommendations on how Norway should handle the proposal is summarized as follow.

Overall target (article 3)

Bellona considers that the main weakness of the proposal is that it does not provide mandatory national targets to achieve the overall goal of 20% energy efficiency within 2020 and provides instead binding measures on the assumption that they should be sufficient and even more effective. Binding measures might enable the Commission to better control and enforce the measures than with binding national targets, but such a method makes it more difficult to predict in advance the total volume of energy savings achieved.

According to the latest estimates, the suggested measures are more likely to deliver additional GHG emission reductions than what the EU ETS was calibrated for. As a result, a fall in the EUA price can be expected and jeopardize the main incentive for long-term investment in low carbon technologies. **Therefore, Bellona strongly recommends lowering the EU ETS cap at least as**

much as the estimated additional energy savings occurred through the energy efficiency directive.

Norwegian authorities should not wait until the EU takes position on reducing the EU ETS cap and should already now set aside a volume of EUA corresponding to the increased reduction of GHG occurring from energy efficient measures taken in Norway.

The commission does not exclude to adopt binding national targets if its evaluation of the national plans in 2014 shows that member states are not on track. Possible changes of the legal framework already in 2014 might however create uncertainties for investors and create a “wait and see attitude”. Bellona recommends that the commission should make an assessment of the impact that possible policy changes would have on investments decisions prior to 2014.

Should an EU directive for energy efficiency be adopted, it would be EEA relevant. As the legislation would have to be implemented into national law, MS can adopt more favorable energy efficiency improvement measures. Bellona recommends therefore that the Norwegian authorities initiate immediately increased efforts on energy efficiency measures without waiting its handling and adoption in the EØS committee.

National efficiency obligation schemes or other alternative measures (article 6)

The proposal requires that MS adopt a national energy efficiency obligation scheme, similar to the White Certificate Scheme, aiming at achieving annual energy savings equal to 1,5% of energy sales, by volume, based on the previous year. Alternatively to this scheme, MS can adopt other measures but provided they reach the same goal of 1,5% energy savings.

Bellona welcomes the setting of a specific target of 1,5% to be achieved through an obligation scheme similar to White Certificate Scheme. Such a scheme is “off budget” and appropriate in time of budget constraints and has proven to be efficient in the countries where it is implemented. It also gives predictability and enables to tap a larger potential of energy savings. With a white certificate scheme, the cheapest measures are deployed first. **To allow development of innovative solutions Member States should be given the possibility to supplement the obligation scheme with other financial incentives (as investment support, tax reduction) targeted towards more immature technologies and solutions. These supplementary incentives should however be limited and designed in such a way that they do not distort competition and do not jeopardize the efficiency of the white certificate market. The Commission should provide exemption from state aid rules.**

Norway should, without waiting for the implementation of the final directive, take the necessary steps to assess and implement a white certificate scheme and reassess the current financial supports given through Enova and Husbanken in view of their compatibility with State aid rules.

Eligible measures:

Bellona also welcomes the commission's intention to establish - if appropriate - a system of mutual recognition of energy savings achieved under national energy efficiency obligation schemes (for compliance purposes). Future trading of energy savings proofs/certificates across EU would more likely accelerate the deployment of more cost efficient solutions to reach energy efficiency targets. **The commission should encourage regional cooperation between MS regarding energy efficiency schemes and provide as soon as possible guidelines describing the framework of such trading.**

Long term energy savings

Bellona also welcomes the fact that long-term savings shall be the main contributor, and that only 10% of energy saving shall come from short term savings (as fluorescent light bulbs, shower heads etc.). Experience show that it has been a problem in several MS.

Energy savings proofs/certificates should however only be given for measures in existing buildings and industry as well as for new buildings exceeding minimum requirements. Energy saving measures that are implemented as the consequence of stricter regulations (as technical specifications) should not be eligible for certificates as they are only implemented for compliance purposes. Certificates should remain an incentive meant to trigger measures that otherwise would not have been triggered.

Calculation of energy savings

Annex V provides alternative methods for MS to calculate energy savings in national energy efficiency obligation schemes. The European default value and default lifetime provided in the Annex V only apply when Member states have not established their own national standards or when such national standards are considered by the Commission as distorting competition (as artificial extension of the lifetime of equipment or overestimation of yearly energy savings of equipment). Bellona recommends to inverse the principle so that common minimum standards become the principle and national standards the exception to be notified to the commission. This would encourage countries to apply similar standards from the beginning and facilitate a possible future mutual recognition of energy savings achieved under national energy efficiency obligation schemes.

Primary energy factor for electricity

Annex IV suggests using a Primary Energy Factor of 2.5 as the default coefficient for electricity (Annex IV, footnote 3). Bellona is of the opinion that such a conversion factor is not relevant in all countries and it is crucial that the directive opens for other factors if justified as presently suggested. Further, Norwegian authorities must make sure to implement a factor that reflects the Norwegian electricity production mix. If one fails to do so, the result could be that e.g. natural gas is justified as heating over renewable energy. This is contrary to the goal of reducing climate emissions.

Transport

The proposed directive should include provisions for energy efficiency measures in the transport sector, rather than waiting for separate legislation.

Obligations of Public bodies: Building renovations and purchases (article 4 and 5)

Bellona strongly supports the obligation put on public bodies at all levels to show an exemplary role as regards energy efficiency (products, buildings and services). The suggested 3% annual rate of renovation of all buildings owned by public bodies to upgrade their energy performance is strongly welcomed by Bellona. Article 4 should however explicitly indicate that the obligation also applies to all buildings rented by public bodies on the private market. It is not sufficient to have it mentioned in the appendix III. The public body is indeed a large lessee and should be in position to require energy efficient buildings. This would pave the way towards increased demand for such buildings. **The energy performance should at least meet the minimum energy performance requirements as referred to in the Energy buildings directive.**

Metering and billing (article 8)

To fully tap the energy saving potential, it is not sufficient to provide incentives schemes applicable only to the supply side. The demand side should also play a more active role. The proposal addresses the issue of demand side management by requesting MS to ensure that final customers are provided with individual meters that accurately measure and allow making available their actual energy consumption and providing information on actual time of use (1). They shall also ensure that the billing is accurate and based on actual consumption, easy accessible and with possibility to get historical data, all this free of charge (2).

(1) Metering: **The provisions should clearly state that the information to consumers should be given in real time and include actual costs** (peak price or load price), so that consumers can change their consumption patterns accordingly.

The directive should state that **the flow of information should be bi-directional** in the sense that the smart meter should electronically measure in real time how much energy is being used, how much it costs and then communicate the information back to the energy supplier. On this basis utilities will then be able to more effectively manage power distribution and identify and resolve

problems remotely. This assumes that smart grids are developed in parallel with smart meters.

Bellona recommends introducing in the proposal a provision on smart grids roll out in parallel with smart meter roll out.

The proposal should also include incentives for the use of smart appliances. Smart meters enhance even more the benefits of smart grids when they are combined with smart appliances. Smart appliances enhance the intelligent grid by providing the smart meter with real time information about electrical use at the appliance level; refrigerators, dryers and other appliances can then automatically respond to signals from the utility, shutting off or reducing energy consumption to allow consumers to avoid paying the peak prices according to agreement with supplier. When the grid, the meter and the appliances are implemented and integrated, consumers will be able to monitor energy use in real time and make automatic changes to reduce energy waste.

Bellona welcomes provisions regarding the introduction of individual consumption meters in multi apartment buildings supplied with district heating network. Such measures have proven to be very efficient with a reduction of 20% to 25% energy consumption.

(2) Billing: Bellona is positive regarding the billing requirement, i.e that it shall be accurate and based on actual consumption, easy accessible and with possibility to get historical data. The deadline suggested by the proposal – no later than 1.01.2015 – could however be a challenge as the billing information is closely related to the roll-out of smart meters.

It is important that the set deadline does not lead MS to adopt immediate suboptimal smart meters solutions, which might need to be replaced at a later stage to adapt to future technology development regarding smart grids and smart meters and to be in line with systems used across EU. Following the recently adopted regulation on smart meters, Norway intends to have a full roll-out of smart meters in 01.01.2017.

The Directive should open for the possibility for MS to obtain extension of the deadline if the technology framework chosen by MS justifies it.

Promotion of efficiency in heating and cooling - Site location (article 10)

Provision 10 puts an obligation on MS to ensure that all new thermal electricity generation installations with a total thermal input exceeding 20MW are provided with equipment allowing for the recovery of waste heat by means of a high efficiency cogeneration unit and are sited in a location where waste heat can be used by heat demand points.

Bellona welcomes the requirement regarding the proximity of installations to heat demand points but stresses the need to:

- specify that the thermal electricity generation installations concerned by this obligation should not include CHP installations which are built as an extension of an existing industrial plant. A general obligation to all thermal electricity generation installation, without distinction of whether

the generation is the main activity or a side activity, would undermine the objective of efficiency sought by the directive.

- specify that the siting of power plants should not only be assessed according to the proximity of demand points but should also take into account technical and economic factors as fuel transport, cooling possibilities, permitting issues, connection to the grid and grid congestion.

Energy transmission and distribution

Bellona welcomes provision 12-5 giving priority or guaranteed access to the grid of electricity from high efficiency cogeneration (as defined in Annex 2) as well as priority dispatch. It is however necessary to ensure that such priority or guarantee does not come in conflict with priorities/guarantees already given to renewable electricity generation. As the share of renewable in the electricity generation is expected to increase, it might be appropriate **to anticipate possible conflicts and set “priority rules” between renewable electricity and electricity from high efficiency cogeneration.**

With regards

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