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Position Paper

Input to the Energy Efficiency Directive (EED)

9 February 2021

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SGI Europe generally welcomes the European Commission's ambitions to revise the Energy Efficiency Directive (EED), after its recent adoption within the finalisation of the Clean Energy Package. It is important to remember that many of the adopted legislation of the first EED have not yet been fully transposed into national law and it is therefore difficult in some areas to evaluate its true impact. Nevertheless, on a general note, t**he revision of the EED needs to meet the newly adopted climate ambition targets of 55% by 2030 and ensure its contribution to achieve carbon neutrality by 2050.** As a cross-sectorial EU association, we recommend that the European legislator considers that **the climate targets will only be achieved if all sectors and instruments contribute to their achievements,** i.e., not only EED and Renewable Energy Directive (REDII), but also Eco-Design Directive, Energy Performance in Buildings Directive (EPBD), measures in the transport and energy sectors, Emission Trading System (ETS), Effort Sharing and the EU Climate Law.

More generally, SGI Europe believes that energy efficiency alone will not meet the targets set in the EU Green Deal as intended. **Energy efficiency will play a major role in decarbonising the economy if the European Commission adopts a climate-centric approach** leading to a higher reduction of fossil fuel consumption.

SGI Europe is convinced that the Energy Efficiency First principle (EE1 principle) is an admirable guideline across many sectors. At the same time, it must be subordinate to the decarbonisation and reduction of climate impacts. In fact, the EE1 principle is not cost effective and does not lead to prioritising the most important actions for climate. **The EED revision should focus on "climate-efficiency centric approach"**, with the need to reduce at the same time GHG emissions and energy consumption, with more ambitious targets on carbon than on energy efficiency. It is simply not beneficiary for Europe to base the EE1 principle on the meaning to implement the maximum efficiency standards no matter the cost. This clarification would significantly improve the image of energy efficiency measures.

Furthermore, in the spirit of subsidiarity, the Member States should be granted more freedom in implementing the EED. **Individual Member States must have the option to align the requirements of the EED based on national conditions.** The EED should therefore create a framework for Member States but should not get further involved in the concrete implementation options.

Finally, SGI Europe would like to highlight that there are still various obstacles to investments in energy efficiency measures. The so-called SME Recommendation (2003/361/EC) is notably making this difficult. According to this definition, companies are not considered as SMEs (despite falling below the otherwise relevant thresholds) if 25% of their capital or voting rights are directly or indirectly controlled by one or more public bodies, individually or jointly. **Due to this discrimination many local public service enterprises (LPSEs) are excluded from various energy efficiency related EU funds and investment schemes.** This leads also to municipal SMEs - unlike private SMEs - not being able to draw advantage of certain support programmes (at all or only at worse conditions) meant to support energy efficiency. The above-mentioned SME recommendation should therefore be revised. Furthermore, the implementation of efficiency measures often fails due to the lack of qualified and skilled personnel available on the market. This is especially true for new technologies. **We therefore call for a fair and level-playing field between the private and public enterprises**.

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Harmonising EU Energy and Climate policies and avoiding double legislations

SGI Europe deems this as important to avoid unnecessary double legislation amongst the EU energy and climate legislation. In this evaluation and for future policies, the **reviews should be made systematically with the two-eyed approach of cost-effectiveness and carbon efficiency across all EU policies in all sectors.** In the previous mandate, the European Commission did not make a very clear link between the EED, RED and ETS to meet more cost-effectively the climate ambitions of the European Union. EU ETS has been voted a long time before the Clean Energy Package, and it misses measures against carbon emissions in the energy efficiency directives (both EED and EPBD). **A coherent policy between both, EED, RED, EPBD and ETS will enable a switch towards low-carbon energies and open a natural and economically efficient way for the deployment of renewables.** There are positive synergies between the EED and the RED in terms of heating or CHP systems in buildings when they are based on the use of renewable energy. In fact, the less energy is consumed, the higher the overall share of renewable energy in generation.

Overall, the EED provides a comprehensive framework for achieving the upcoming energy and climate goals. The **energy markets developed based on the EED 2012 and EED 2018 must not be undermined by mandatory changes**, such as focusing solely on energy efficiency savings obligations. Rather the energy services market should be further developed competitively, e.g., by setting incentives. It will therefore also be important to promote the energy services market through new innovative measures (e.g., energy efficiency networks) and new technologies. Market barriers, e.g., insufficient availability of qualified personnel, must be removed through innovative solutions.

In sum, energy efficiency is key to achieve Europe's decarbonation. However, it should not be considered separately from the promotion of decarbonised and effective solutions in the different sectors and EU legislations.

Building Sector

SGI Europe is also concerned that **the "renovation obligations for public buildings to be extended to local and regional government (LRG's)" is not a proportionate measure.** This would raise a number of practical difficulties for LRGs and will have a social impact, where tenants having to pay for the renovation through increased rents. Relevant energy efficiency measures should instead be achieved through more flexible ways to identify and implement cost-effective measures, tailored to the local, regional, and national context and available financial means.
For similar reasons, the suggested **minimum energy performance standards and deep renovation requirements for buildings should in general be applied only as recommendations**, with due regard to individual building specifics and be backed with appropriate enabling support. Energy performance contracting in the renovation of public buildings should be facilitated but not a requirement, since LRG can find capital and competence also in other ways.

Furthermore, **massive housing renovation is lacking viable and attractive renovation offers**. The EED and national measures should support companies in the development of such offers. This support would focus on making available industrial solutions, highly carbon efficient and affordable thanks to volume spreading.

Regarding the lack of fiscal measures and incentives, there is an unequal treatment between different energies in some Member States. **A lack of fair competition between different types of energy carriers is a main barrier to decarbonisation.** In many Member States today, electricity is still more taxed than fossil fuels.

Specifically, **for the building sector, all fossil-fuel equipment should be gradually excluded from receiving public subsidies as part of a renovation scheme as long as it is in line with national laws.** Old fossil fuel boilers and heaters should gradually be banned in order to reduce pollution and escape the highly variable prices of fossil fuels. Overall, if a further increase in energy efficiency measures should take place, the Commission needs to consider higher investments that will support energy efficiency schemes that are in line with the GHG reduction targets for 2030 to 2050.

Public procurement

Furthermore, **public procurement obligations to purchase energy efficient products is not a proper tool and should be avoided**. Public authorities should be encouraged but not obliged to develop plans for climate protection, energy efficiency and renewable energy. Decisions on procurement must be taken according to the principle of local self-government by each LRG. At the same time, the EU has an important role to facilitate sustainable procurement by setting appropriate regulations. For example, the Commission could help by launching a process for reliable and transparent EU wide certificates and labelling schemes, particularly in the field of environmental sustainability, in order to create legal certainty and reduce burdens for LRGs.

SGI Europe further recommends the following modifications:

- **Art. 1 & 3**: enshrine the objective of carbon neutrality with a greater consistency between energy efficiency savings and climate objectives to reduce GHG emissions;
- **Art. 7**: leave open to Member States the choice of improving the energy efficiency obligation scheme by including a carbon component, in order to prioritise efficient low carbon technologies;
- **Art. 10 & 11**: add a reference to final energy consumption in the billing information and simplify the information available to increase its visibility and raise the awareness of customers to help them have a better understanding of their energy bills and savings;
- **Art. 21 + Annex IV:** accelerate the downward trajectory of Primary Energy Factor (PEF) by creating an additional review, which will foster decarbonisation of the heating sector (compared to a fossil fuel based alternative a low PEF does not do justice to benefits from electrification).