

To:

European Commission
Directorate-General Climate Action
Unit A.4 – Strategy and Economic Assessment



European Commission
Directorate General Energy
Unit A1 – Energy Policy

CLIMA-ENERGY-GREEN-PAPER-2030@ec.europa.eu

**First contribution from the German Business Association for Energy Efficiency
Deutsche Unternehmensinitiative Energieeffizienz e.V. (DENEFF)
to the public consultation on the**

Green Paper “A 2030 framework for climate and energy policies”

Berlin, July 2, 2013

Note:

DENEFF unites about 80 frontrunner companies in the field of energy efficiency to collectively represent their political interests for an effective and ambitious energy efficiency regulation in Germany. In sum the German energy efficiency industry stands for more than 800,000 employees and a total annual turnover of about 146 bn EUR (2012).¹

DENEFF is a registered organisation on the Joint Transparency Register, ID number 19736167705-91.

A more detailed position on setting a 2030 target for energy savings will follow.

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¹ DENEFF (2013): Branchenmonitor Energieeffizienz 2013

Summary

The German Business Association for Energy Efficiency believes that the Commission’s consultation on its Green Paper for the 2030 framework for climate and energy policy is an important opportunity to re-emphasize the importance of energy savings as essential building block of a coherent and consistent policy-framework.

DENEFF calls for energy savings to be treated as an objective in its own right in the 2030 policy framework, supported by a target for after 2020. Given Europe’s economic, job and social crises, this is a bare necessity for a viable, acceptable and stable climate and energy policy. It is urgently needed to maintain and step up actions and investments to improve energy efficiency, which will deliver jobs, growth and competitiveness, while reinforcing the other objectives of the framework.

Realising Europe’s cost effective energy savings potentials would achieve over €239 billion in annual net savings in 2030 and around €500 billion in 2050 on the EU’s energy bill², reduce trade deficits, create local and stable jobs and boost sustainable growth, and in short, give the EU a much needed boost in productivity and global competitiveness.

A binding 2030 energy savings target, based on cost effective savings potentials and linked to a 2050 perspective, is a necessary condition for the correct dimensioning and sustainable transition to a new energy system to replace Europe’s present ageing, vulnerable and environmentally damaging system.

Setting a binding energy saving target is not premature, on the contrary a target is needed now to step up and realise actions to tap the vast and remaining saving potentials. In addition, an indicative 2020 target is already set out in the Energy efficiency Directive (EED)³, which makes it an integral part of the policy package that needs to be built upon, and in some cases extended. The energy savings target can and in fact must be ambitious and lead to a doubling or even tripling of energy efficiency improvements. This will also result in much lower energy consumption than projected in the Commission’s 2050 Energy Roadmap. This will significantly support the security of energy supply and the viability, acceptability and stability of renewable and climate policies.

Continuing to increase the European renewables share in a cost-effective manner is also dependent on a strong and ambitious energy savings target. A binding 2030 target will improve implementation of the EU acquis for energy efficiency and therefore contribute to the harmonisation of the regulatory environment, which is essential for attracting investments into Europe’s energy system and further completing the internal market.

DENEFF therefore calls for an ambitious binding target for energy savings aligned with and reinforcing the two other targets in the EU’s climate and energy policy framework for 2030, namely a renewable energy and a GHG emission target.

Experience from the 2020 framework

The 2020 framework as established in 2007 failed to establish energy efficiency as an objective of its own right and to secure sufficient commitment to realising the savings potentials. It did not provide the conditions to create a level playing field vis-a-vis supply side policies.

The 2020 framework was missing a mandatory target for energy efficiency, which would help prioritising policy on and investments in energy efficiency improvements. Out of the three 20% targets for 2020 (energy efficiency, renewable energy and greenhouse gas emissions), the energy efficiency target is the only one to be non-binding and also the only one not yet on track to being achieved. The currently projected reduction in energy demand for 2020 is only partially due to energy savings stemming from increased energy efficiency and once economic growth picks up energy security, energy trade deficit and environmental challenges will become even larger. In addition it is evident that the current greenhouse gas related policies (the 2020 target, EU-ETS and effort sharing directive) are insufficient to tap energy

² Fraunhofer ISI “Concrete Paths of the European Union to the 2°C Scenario”, 2012

³ Directive 2012/27/EU

saving potentials, as the main barriers are not economic nor market based, but require specific regulatory and financial support instruments to be overcome.

Setting a binding energy savings target for 2030 would support and complement the objectives of the Energy Efficiency Directive by showing the future path beyond 2020. Providing this outlook would provide the greater predictability and confidence that investors in energy efficiency need. This would establish the certainty needed to end the current under-investment in energy efficiency. It would also provide national policy makers with a clear and quantified framework within which to further develop new national measures and policies.

An important lesson from the three headline targets for 2020 is that it is not possible to develop a coherent policy architecture if one uses only projections, which systematically underestimate energy efficiency, do not address the combined effect of high energy efficiency and renewable energy deployment and ignore the uncertainty in economic growth.

In light of this, the approach to setting 2030 targets must be improved and commence with a bottom up approach to assess the cost-effective energy savings potentials from the main sectors linked to a 2050 perspective. This will result in much lower energy consumption than projected in the Commission's 2050 Energy Roadmap and contribute to reducing greenhouse gas emission and increasing renewable energy shares. This will significantly support the security of energy supply and the viability, acceptability and predictability of renewable and climate policies⁴.

Efficiency and savings equal competitiveness

Competitiveness is not served by addressing it through the narrow prism of energy prices.

*"Competitiveness is defined by the productivity with which a nation utilizes its human, capital and natural resources.... Productivity depends both on the value of a nation's products and services – measured by the prices they can command in open markets – and by the efficiency with which they can be produced"*⁵.

Energy efficiency is therefore one of the central elements deciding competitiveness. It can help to address the EU's crises - the economic and financial crisis, the climate crisis and the unemployment crisis - by boosting competitiveness, creating jobs and protecting the environment.

Europe has the world's largest energy trade deficit (€423 billion in 2012⁶), which substantially impacts Europe's competitiveness, energy security and investment capacities and underlines its geo-political and economic vulnerability while frightfully exposing its ability to control energy prices. Europe's first choice, as indicated also by the IEA World Energy Outlook 2012, is to tackle this through reducing energy demand, and thus by stepping up energy efficiency and increasing absolute energy savings.

In addition to reducing the cost of energy (energy savings resulting in lower energy consumption), commitment to energy efficiency also aids the development of European industry to support this commitment with the development of new products and services. This in turn leads to innovation and growth of industries, creation of new jobs, and economic growth.

2030 targets: Energy savings target – the economic pillar of the package

The lesson learnt from the 2020 framework together with the pressure of the economic crisis means that energy demand reduction and particularly reduction in fossil energy imports has to be given priority, which can only happen if an energy savings target is put in place on its own right and that can secure the commitment for stepping up energy saving policies. Energy savings provide the most cost-effective, least expensive and easiest solution for achieving reductions in greenhouse gas emissions and increasing renewable energy deployment by reducing energy demand and increasing efficiency. Therefore, the suite of targets must be mutually supportive, built on the basis of the energy savings delivered through realising the cost-effective efficiency potential.

To establish this potential, it is vital to assess the cost-effective energy saving potentials across all sectors and Member States. At this point of time DENEFF does not possess the data to propose a concrete

⁴ IEA "Summing up the parts – combining policy instruments for least-cost climate mitigation strategies", 2011

⁵ Michael Porter, "The Competitive Advantage of Nations", Harvard Business Review, March-April 1990.

⁶ Eurostat, News release - January 2013, Euro area international trade, 18th March 2013.

EU-wide percentage or absolute limit of energy consumption or absolute energy savings, which should cover all cost-effective saving potentials that can be grasped when all non-economic market barriers are removed. In any case this percentage should aim to reduce both the final and the primary energy consumption of the union by significantly more than 30 % by 2030 (compared with the PRIMES baseline for 2009). A recent study⁷ indicates final energy saving potentials (by sectors) between 26 % (industry), 41 % (transport), 45 % (tertiary sector) and 61 % households.

Responses to Green Paper Questions

4.1. General

Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?

The 2030 Climate and Energy policy is being developed in a dramatically different economic, social and environmental context than in 2020, which make delivering energy efficiency and saving objectives a necessity and not just an option. The growing importance of energy security (i.e. reducing the energy trade deficit and dependency) and competitiveness/affordability (i.e. reducing energy costs) requires stepping up energy savings objectives and policies, especially as these are the most effective measures for which the EU has a strong basis to act.

The 2020 framework is missing a mandatory overall target for energy efficiency, which would help prioritising investments in energy efficiency improvements. Out of the three 20% targets for 2020 (energy efficiency, renewable energy and greenhouse gas emissions), the energy efficiency target is the only one to be non-binding and also the only one not yet on track to being achieved. The currently projected reduction in energy demand for 2020 is only partially due to energy savings stemming from increased energy efficiency and once economic growth picks up energy security, energy trade deficit and environmental challenges will become even larger. In addition it is evident that the current greenhouse gas related policies (the 2020 target, EU-ETS and effort sharing directive) are insufficient to tap energy saving potentials, as the main barriers are not economic nor market based, but require specific regulatory and financial support instruments to be overcome.

An important lesson from the three headline targets for 2020 is that it is not possible to develop a coherent policy architecture if one uses only projections, which systematically underestimate energy efficiency, do not address the combined effect of high energy efficiency and renewable energy deployment and ignore the uncertainty in economic growth.

In light of this, the approach to setting 2030 targets must be improved and commence with a bottom up approach to assess the cost-effective energy savings potentials from the main sectors linked to a 2050 perspective. This will result in much lower energy consumption than projected in the Commission's 2050 Energy Roadmap and contribute to reducing greenhouse gas emission and increasing renewable energy shares. This will significantly support the security of energy supply and the viability, acceptability and predictability of renewable and climate policies⁸.

4.2. Targets

Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?

An ambitious and forward looking 2030 Climate and Energy Policy framework needs to have a **legally binding target for energy savings**. Energy savings, besides being an increasingly important individual EU objective, provide the most cost-effective, cheapest and easiest solution for achieving reductions in greenhouse gas emissions and increasing renewable energy deployment by reducing energy demand and increasing efficiency. Therefore, the **suite of targets and policies on the different policy levels must be**

⁷ Fraunhofer ISI, Federal Ministry for the Environment (2012): Policy Report

Contribution of Energy Efficiency Measures to Climate Protection within the European Union until 2050

⁸ IEA “Summing up the parts – combining policy instruments for least-cost climate mitigation strategies”, 2011

mutually supportive, built on the basis of the energy savings delivered through realising the cost-effective savings potential.

The EU target should be established through considering the available cost-efficient potentials in the main energy-using sectors for 2030 linked to a 2050 perspective. The effort to reach the target should be shared, considering the national potentials, amongst Member States. At national level the contribution from different sectors should be guided by cost-effective potentials, taking into account other macro-economic impacts when applicable.

The most detailed bottom up modelling available comes from Fraunhofer ISI 2012, which suggests that the EU has a cost-effective potential to reduce end use energy savings by 41% by 2030 compared to the PRIMES 2009 reference⁹.

Have there been inconsistencies in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?

Targets for 2020 were consistent with the projections used. However, the projections were systematically underestimating energy efficiency and the combined effect of renewable energy and reduced consumption, and ignoring the impacts of different GDP developments.

In light of this, the approach to setting 2030 targets must be improved. It has to commence with a bottom up approach to assess the cost-effective energy savings potentials from the main sectors linked to a 2050 perspective and analyse their contribution to reducing greenhouse gas emission and increasing renewable energy shares. This will increase the predictability for climate and renewable policies¹⁰. A binding energy savings target is essential for the success of two other pillars (reduction of greenhouse gas emission and increased deployment of renewable energy) as by reducing energy consumption, energy efficiency leads to decreased greenhouse gas emissions and facilitates a transition towards renewable energy.

Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO₂ reductions for passenger cars and light commercial vehicles?

In order to capture the full energy savings potentials while recognising uncertainties of future sector developments, an overall binding energy savings target is most appropriate to allow for flexibility and to avoid double counting. Setting 2030 targets must include a bottom up approach to assess the cost-effective energy efficiency potentials, alongside their contribution to reducing greenhouse gas emissions and increasing renewable energy shares. Thus a transport sector energy savings potential would serve an important coordination and integration function, as is the case in all the other sectors.

How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?

Targets based on the cost-effective energy savings potentials include the maturity and current application of today's technology, and to a limited extent future improvement and learning curves of current technologies, and even newer technologies. The latter effect means that the potentials are in general conservative and thus economically viable, and therefore could be stronger from the outset.

How should progress be assessed for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets?

Other aspects of EU energy policy, and particularly security of supply, are captured by an energy savings target. For example, if the 20% energy saving target is achieved in 2020, this also means an increase of 20% security in supply. This can be accurately measured in energy and in Euros.

⁹ Fraunhofer ISI, Federal Ministry for the Environment (2012): Policy Report. Contribution of Energy Efficiency Measures to Climate Protection within the European Union until 2050

¹⁰ IEA “Summing up the parts – combining policy instruments for least-cost climate mitigation strategies”, 2011

4.3. Instruments

Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?

DENEFF encourages the EU to strategically and iteratively refine the policy-mix as a whole (and to encourage member states to do the same) to specifically and efficiently overcome market barriers and exhaustively achieve all target groups and sub-targets. Besides that, we would like to point out some policy fields that could affect energy efficiency markets positively if better linked to energy policy:

- Public procurement – there should be rules and requirements to ensure all products and services purchased by public sectors organisations have high energy efficiency performance.
- Earmarking of EU budget for energy efficiency programmes, alongside energy efficiency as a condition of EU funding.
- Setting ambitious minimum energy performance criteria for granting EU funding and other public funding and financing
- Public deficit accounting - Interpretations of accounting rules on public debt and deficit¹¹ need to be modified so that investments in energy efficiency under energy service contracts are not necessarily counted as deficits in national and public accounts. This includes the so-called "on-balance sheet" obstacle that hampers the wider use of energy performance contracting in the public sector

How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?

Optimising the cost-efficiency of meeting climate and energy objectives requires tapping full cost-effective energy saving potentials. An overall energy savings target should be based on an assessment of cost-effective potentials a bottom up approach to assess the cost-effective energy savings potentials from each sector. Life-cycle cost analysis (LCCA) should be used to measure the impacts of the measures. This calculation should take full account of societal and the other multiple benefits of energy efficiency, including improved air quality, health, employment, etc.

How can fragmentation of the internal energy market best be avoided particularly in relation to the need to encourage and mobilise investment?

A binding 2030 target will encourage Member States to improve implementation of the EU acquis for energy efficiency, thereby contributing to the harmonisation of the regulatory environment. This is essential for attracting investments into Europe's energy system and helping to complete the internal market. Harmonisation of calculation methods and standardisation around energy efficiency will also add to this. Energy savings and efficiency have shown to be very difficult to mobilise using only market mechanisms, a target approach will allow member states to implement standards and measures as the best option for positive payback (and LCCA) results for steering investment.

Which measures could be envisaged to make further energy savings most cost effectively?

In order to realise the cost-effective energy saving potentials it is necessary to overcome and remove the remaining non-market barriers to energy efficiency. The Energy Efficiency Directive takes the first step to doing this, and is estimated to be worth €200 billion net savings per year for households and businesses¹², but strong and ambitious implementation and vision for 2030 and beyond is needed.

As stated in the Coalition for Energy Savings Guidebook for Strong Implementation of the Energy Efficiency Directive¹³ DENEFF shares as to be needed to ensure an effective implementation:

1. National energy efficiency targets reflect increasing ambition, lead to new actions to reach national energy saving potentials in 2020 and beyond and contribute a fair share to the EU 20% target.
2. An annual 1.5% energy end-use saving target is put in place by end of 2013, securing at least 10.5% savings in the year 2020, and the use of exemptions is kept to an absolute minimum.
3. The methodology for calculating the impact of energy efficiency measures to achieve the binding 1.5% annual end-use energy savings target does not exaggerate claimed savings. It counts only the savings that are realised during the period 2014-2020, deliver savings until at least the end of 2020 and are additional to a baseline, thus excluding savings from EU product or building standards.
4. The only savings counted in the target result from policy measures that explicitly aim to improve energy efficiency (no general taxation, like VAT, for example) and whose impact is verified. Double or multiple counting is avoided.
5. Obligation schemes (including market-based incentive schemes with binding targets and liable parties designated to achieve those) are put in place and are an integral part of the mix of national energy efficiency measures. Alternative measures that lead demonstrably to the same results in terms of energy savings should be accepted too provided that they are politically and strategically intended and more cost-effectively eligible to achieve energy savings.
6. The costs of obligation schemes to end-use customers and potential market players are made transparent and the value of longer lived energy efficiency measures is fully reflected in the accounting and target design of the energy efficiency obligation schemes.
7. The public sector undertakes a comprehensive and accurate inventory of its own building stock, including energy performance and other relevant energy data that will serve as a starting point for renovations and as a model for an equivalent inventory of the national building stock.
8. The public sector leads by example and implements well-planned, high-quality deep renovations (including staged deep renovations) in all of its buildings. This activity should prepare and stimulate the entire market for the long-term deployment of such renovations, as part of the national renovation strategies.
9. Additional energy efficiency criteria in public procurement are set in a sufficient level of detail to avoid misunderstandings in their implementation.
10. Energy audits that meet the financial and economic criteria and demands of so-called investment grade audits are promoted. They are based on life-cycle cost analysis and provide guidance for future investments and maintenance.
11. SMEs and households are given clear and strong incentives to undertake audits and implement the recommended measures that result from these audits. To do so in the most effective way local networks of SMEs and further supporting measures must be implemented broadly.
12. Interpretations of accounting rules on public debt and deficit are modified so that investments in energy efficiency under energy service contracts are not necessarily counted as deficits in national and public accounts.
13. Energy performance contracts and other types of overall energy service contracts are included as justified cases in public procurement, to ensure that public bodies are not obliged to divide contracts into separate lots when a holistic approach is more cost-effective and brings more energy efficiency improvements.

¹³ <http://energycoalition.eu/guidebook-strong-implementation-0>

14. Facilitation of the market for energy efficiency services by ensuring a level-playing field compared to self-implementation of energy efficiency measures, by common definitions, increased information, dissemination of good practice and particularly by increasing trust into services and service providers via networks, qualification and accreditation schemes.
15. Facilitation of energy efficiency services in the public sector, particularly with regard to smaller municipalities or regions, by improvements in public procurement processes and the provision of intermediary actors (project coaches) who consult public authorities on tenders, selection of bidders, conclusion of contracts, monitoring and verification of performance after implementation.
16. Spatial planning rules are linked to national comprehensive assessments of the potential for the application of high-efficiency cogeneration and efficient district heating and cooling to ensure an “integrated approach” to energy supply and demand.
17. Cost-benefit analyses for efficient heating and cooling options, particularly those at installation level for power plants and industries, are done in a transparent and participatory manner and explicitly include socioeconomic costs.
18. Distribution and transmission system tariffs are set in a transparent manner and to empower consumers, and those incentives are removed which are detrimental to improving energy efficiency activity, in particular demand response and energy efficiency obligations carried out by energy companies.
19. Clear provisions are provided for demand response actors and those able to provide other energy efficiency services to be included in market design in a non-discriminatory fashion to improve overall network efficiency.
20. National building renovation strategies are in place and aim at an 80% energy consumption reduction target for the country’s entire building stock, to be achieved through the gradual and systemic improvement of the energy performance of all buildings by 2050.
21. The multiple benefits arising from deep renovations are integrated into a policy framework to stimulate deep renovation (including staged deep renovations) of the building stock.
22. Energy Efficiency Funds that are capable of blending various streams of financing and backing high quality national energy efficiency investment programmes are in place.

How can EU research and innovation policies best support the achievement of the 2030 framework?

A larger share of the EU Research budget should be earmarked for programmes that help identify and remove all types of barriers to the rapid deployment of new, energy-efficient technologies and techniques.

4.4. Competitiveness and security of supply

Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?

Competitiveness is not served well by addressing it through the narrow prism of energy prices. “Competitiveness is defined by the productivity with which a nation utilizes its human, capital and natural resources.... Productivity depends both on the value of a nation’s products and services – measured by the prices they can command in open markets – and by the efficiency with which they can be produced”¹⁴.

Energy efficiency is therefore one of the central elements deciding competitiveness. It can help to address the EU’s crises - the economic and financial crisis, the climate crisis and the unemployment crisis - by boosting competitiveness, creating jobs and protecting the environment.

¹⁴ Michael Porter, “The Competitive Advantage of Nations”, Harvard Business Review, March-April 1990.

Commitment to energy efficiency also aids the development of European industry to support this commitment with the development of new products and services. This in turn leads to innovation and growth of industries, creation of new jobs, and economic growth, including new export industries. Furthermore, energy efficiency is the largest clean-tech market worth €720bn in 2010 and growing by 10% annually¹⁵.

What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?

What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?

The main driver in increasing energy costs is the development of energy demand. Energy savings and efficiency can reduce energy demand, and thus the cost of the energy system and the energy cost for the individual who makes energy savings. As energy efficiency and savings are an EU Treaty objective and shared competence the EU has a first class instrument at hand to influence energy costs.

How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international negotiations be taken into account?

Energy efficiency is the no regret option in the international climate context and at the same time a necessity to support an international agreement. Even in an EU-only context, the benefits of improved energy efficiency greatly outweigh the costs. This is also true when international competitiveness is taken into account.

How to increase regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets)?

An ambitious climate and energy policy framework including a binding energy savings target would provide certainty for business to invest in energy efficiency and savings. In addition energy efficiency and savings would make businesses more resistant to changes within the energy market, for example increased prices. The target would also encourage EU industry to develop capacity to produce technology and services that can then be exported to help other countries meet their obligations.

In setting the indicative target under the Energy Efficiency Directive a modelled baseline and set of assumptions on market conditions were used including energy pricing and CO₂ prices. This modelled approach should be continued but improved, with re-modelling at the appropriate intervals and with transparency and clarity in all assumptions.

How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?

Providing investor certainty and strengthening deployment of energy savings and efficiency services and technologies in Europe through having a target for energy savings would increase innovation capacity in Europe. Member States should at least earmark significant parts of the revenues resulting from the auctioning of ETS allowances to energy efficiency. In particular, part of these revenues could contribute to the Energy Efficiency National Funds that Member States may establish under Article 20 of the Energy Efficiency Directive.

How can the EU best exploit the development of indigenous conventional and unconventional energy sources within the EU to contribute to reduced energy prices and import dependency?

The EU's largest indigenous energy resource is energy savings. As an example, the Commission's contribution to the European Council of 22 May recognizes that “meeting the EU's 20% energy efficiency target by 2020 means saving the equivalent of 1.000 coal power plants or 500.000 wind turbines”¹⁶.

¹⁵ German Federal Ministry for the Environment, GreenTech made in Germany 3.0, 2012

How can the EU best improve security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes?

The best way of increasing security of supply is first to reduce demand along the whole energy supply chain driven by a target for energy savings that realises the available cost-effective potential. This will also help determine the necessary size and optimal structure of the energy generation, transmission and distribution system.

4.5. Capacity and distributional aspects

How should the new framework ensure an equitable distribution of effort among Member States? What concrete steps can be taken to reflect their different abilities to implement climate and energy measures?

Energy savings potentials should be an important parameter in effort sharing considerations, because the expected socio-economic benefits of realising cost-effective potentials at national level should leverage acceptability and support fairness across Member States. The main issue will be the differences in financing capacities, but this should be reduced through providing a strong common framework for all Member States and further developing/using existing and new European financing tools to support those that need it. Other macro-economic factors may need to be taken into account, including level of education and training, potential bottle-necks in the national labour markets, level of standardisation, available institutional frameworks, monitoring and compliance tools, etc.. These might impact on the initial uptake of energy efficiency, although they would even out in the longer term.

What mechanisms can be envisaged to promote cooperation and a fair effort sharing between Member States whilst seeking the most cost-effective delivery of new climate and energy objectives?

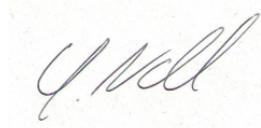
Energy savings targets need to be established through summing cost effective sector and national energy savings potentials and understanding interactions with other targets. This would provide guidance on potential share of responsibility. However, an overall target is also needed with allowance for flexibility in implementation for Member States.

Are new financing instruments or arrangements required to support the new 2030 framework?

The framework for financing needs to be strengthened and improved:

- Public procurement – there should be rules and requirements to ensure all products and services purchased by public sectors organisations have high energy efficiency performance.
- Earmarking of EU budget for energy efficiency programmes, alongside energy efficiency as a condition of EU funding.
- Setting ambitious minimum energy performance criteria for granting EU funding and other public funding and financing.
- Public deficit accounting - Interpretations of accounting rules on public debt and deficit need to be modified so that investments in energy efficiency under energy service contracts are not necessarily counted as deficits in national and public accounts. This includes the so-called "on-balance sheet" obstacle that hampers the wider use of energy performance contracting in the public sector

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