

31. March 2006

## **NOAH's comments on Green Paper on Energy Efficiency**

This letter is from NOAH-Friends of the Earth Denmark<sup>1</sup> commenting on the Green Paper on Energy Efficiency adopted by the European Commission on the 22nd of June 2005.

In general

- Not innovative enough
- Potential for energy savings are underestimated
- There should be a clear distinction between energy efficiency potentials and measures in energy conversion, in energy distribution and in energy consumption (end use)

### **QUESTIONS FOR DEBATE**

**1. How could the Community and the Commission in particular, better stimulate European investment in energy-efficiency technologies? How could funds spent supporting research in this area be better targeted?**

European research in the seventh Research Framework Program should give top priority to energy efficiency technologies.

It is undermining for the peoples trust in the European Community that taxpayer's money are being spent on nuclear research, even when several polls clearly show that Europe's citizens prefer clean safe alternatives such as energy efficiency and renewable energy. New and more sustainable technologies should be prioritised over nuclear. How to develop new technology for energy savings should be the goal – not throwing more money at white elephants like the ITER project.

The European Community should focus research on how to improve energy efficiency and integrate renewable energy generation in buildings. Energy losses from grids transmission are very large, therefore decentralised energy generation including CHP should be a priority. In the transport sector research should focus on how to support modal shift away from road transport to rail and waterways. In order to increase the average speed that goods travel across Europe research should focus on how to facilitate the modal shift and on the removal of administrative barriers.

---

<sup>1</sup> Friends of the Earth International is the World's largest federation of environmental organisations with members in 73 countries. NOAH is the Danish member of FoEI and the European branch Friends of the Earth Europe.

**2. The emission trading mechanism is a key tool in developing a market-based response to meeting the goals of Kyoto and climate change. Could this policy be better harnessed to promote energy efficiency? If so, how?**

The national implementation of the EU Emissions Trading System (ETS) for the first period 2005-2007 has failed from an environmental perspective. EU member states have failed to set ambitious emission limits for Europe's energy and manufacturing industries. Furthermore, rules laid down at national level does not provide incentives to channel investment into cleaner plants and processes. For the second trading period in 2008-2012, member states must make stricter emission caps in the National Allocation Plans.. Member states should also make use of auctioning to the full extent possible. Benchmarks are a second-best alternative. Benchmarks should be set on the basis of the best available technology for individual processes and not use the average performance of existing plants. Combined Heat and Power has great potential to improve the effectiveness of many plants covered by the EU ETS, it should therefore be strongly encouraged. With stricter emission allocations and a higher price on CO<sub>2</sub>, all companies directly or indirectly get a financial incentive to become more efficient as electricity prices start reflecting the real cost of energy.

**3. What link should be made between economic competitiveness and a greater emphasis on energy efficiency? Would it be useful to require each Member State to set annual energy-efficiency plans, and subsequently to benchmark the plans at community level to ensure a continued spread of best practice? Could such an approach be used internationally? If so, how? (Section 1.1.3)**

Energy efficiency is one of the most important factors related to economic competitiveness. Except of the fact that it limits our climate impact, it reduces our energy dependence and provide a strong positive push for innovative technology development as well as creating many thousands of new jobs across Europe. All member states should develop national energy efficiency plans and efforts should be made to spread best practices between member states. The idea of comparable, benchmarked national action plans is good and should be pursued. Reporting at community level should be made as public as possible, citizens and policy makers should know how their own country is doing and what other countries have done to improve. Energy efficiency should also be promoted internationally by the EU and the idea of supporting the development of national energy efficiency action plans in neighbouring countries is sound and would also be advantageous for EU companies exporting solutions and material in this field.

**4. Should fiscal policy measures play a greater role in European energy-efficiency policy? If so, which sort of measures would be best suited to achieve this goal? How could they be implemented in a manner that does not result in an overall increase in the tax burden? How to really make the polluter pay? (Section 1.1.4)**

Fiscal measures might be very important to deliver the goals. A shift in the tax burden to higher taxes on energy and finite natural resources and lower taxes on labour might be a good direction. There are many good examples in Europe – e.g. incentives for home-owners who improve their houses such as increase the insulation of their houses or invest in renewable energy installations such as solar thermal water heaters or PV solar panels. Higher taxes for less fuel efficient models of cars and no taxes for the first years on the most fuel efficient models is another example.

**5. Would it be possible to develop State aid rules that are more favourable to the environment, in particular by encouraging eco-innovation and productivity improvements? What form could these rules take? (Section 1.1.5)**

They should take the form of subsidies for energy efficient behaviour. The EC structural and regional funds could play a role for example in retrofitting the existing building stock in new EU member states. Such rules should allow to include energy efficiency criteria in public tenders and to promote the use of local services in order to minimise transport. These can take both the form of tax exemptions and direct state aid.

**6. Should specific obligations be placed on public authorities, for example in the area of building standards for public buildings, in public procurement? Would this help build viable markets for new technologies? How to promote development and research into new energy efficient products and processes? How to do this in a manner that would save money for public authorities? (Section 1.1.6)**

The public sector at Community, national, regional and local level should be an early adapter of energy saving technologies. The public sector is particularly well suited to set positive examples on how energy saving can be done in practice and should be obligated to develop procedures and guidelines for the inclusion of energy saving considerations in its daily activities. As public procurement of products and services accounts for some 16% of EU GDP the public sector should play a unique role in providing a guaranteed first market for energy efficient products and services. This would have the double dividend of supporting innovation as well as saving tax payers' money currently wasted on heating and electricity bills.

**7. Energy-efficiency funds have in the past been used effectively. How can the experience be repeated and improved? Which measures can be adopted usefully at international level, EU level, national level, regional and local levels? (Section 1.1.7. See also question 22)**

Action on local level is very important. Local energy networks for electricity and gas should be in the hands of the local communities, the responsibility for energy efficiency also should be transformed to the local communities. A main part of funding from national energy tax therefore should be transferred to local energy efficiency funds, to local energy advice centers (independent from suppliers) and local energy agencies.

**8. In Important energy savings can be made in buildings. How to ensure the success in practice of the existing Directive on buildings? Should the Community go further than the existing directive, for example extending it to smaller premises? If so, how to achieve the balance between the need for more energy efficiency and the need for limited administrative burdens? (Section 1.2.1)**

The great potential for energy savings in buildings are far from being realised with the current legislation, so the EU should go on with more strict regulations.

**9. Giving incentives to improve the energy efficiency of rented accommodation is a difficult task because the owner of the building does not normally pay the energy bill and thus has no economic interest in investing in energy-efficiency improvements such as insulation or double glazing. How could this challenge be best addressed? (Section 1.2.1)**

**10. How to reinforce the impact of legislation on the performance of energy-consuming products for household use? How to encourage production and use of more energy efficient products? Should rules on labelling be improved? How could the EU kick-start research and development of energy efficient products? What other measures to take at international, EU and other levels? (Section 1.2.2)**

Labelling all energy consuming household goods with the A-G energy efficiency label which gives the information of its expected total cost should be mandatory. Consumers should also be informed on how much it will cost to operate the product over its expected life time (calculated on an average electricity price for the member state on an average life time for the product category.) This would help with the problem of high up-front costs for energy efficient products. EU should introduce methodology of progressively stricter criteria for products and get rid of the A+, A++ categories that confuse consumers. The whole A-G level needs to be made stricter over time. Clear standards need to be set and it should for example be forbidden to sell refrigerators with less than a “B” energy label or electric appliances without a manual off-switch,

**11. A major challenge is to ensure that the vehicle industry produces ever more energy efficient vehicles. How can this best be done? What measures should be taken to continue to improve energy efficiency in vehicles and at which level? To what extent should such measures be voluntary in nature and to what extent mandatory? (Section 1.2.3)**

The European Commission should immediately replace the current voluntary agreement with legally binding targets for the following four pillars:

- First, the existing target of 120 g/km of CO<sub>2</sub> for 2010 should be respected, which is equivalent to 4.5 ltr/100km for diesel cars and 5 ltr/100km for petrol cars. Second, the fuel efficiency of new cars should be doubled over the next decade, to achieve 80 g/km by 2016.
- A carrot and stick approach: under the existing voluntary agreements, no individual brand has an incentive to cut emissions – because the targets are an average for all brands and there are no rewards for achieving it. Reductions in CO<sub>2</sub> should be rewarded every step of the way; and equally, companies that lag behind should be punished.
- Transparency: It is currently possible to find out the emissions of individual car models, but there is no publicly available information linking these figures to sales by company. In other words, it is not possible to see how an individual manufacturer is doing at cutting overall emissions of its new car fleet. Consumers have the right to know how much every individual car brand is doing to cut emissions. This would also provide an incentive for manufacturers to cut emissions and capitalize on their environmental performance.
- We insist that the targets for fuel efficiency of cars should NOT be diluted with measures on fuels – for example the introduction of biofuels. Experience in the US shows that such a mixing of responsibilities of stakeholders makes the process unaccountable. In addition, it ignores the fact that biofuels are a scarce resource too.

**12. Public information campaigns on energy efficiency have shown success in certain Member States. What more could and should be done in this area at international level, EU level, national level, regional and local levels? (Section 1.2.4)**

Consumer information on the energy use of products is very important. Information campaigns have to be performed systematically, on the local and regional level in the first place. Local and regional NGOs could play a major role in this, since they know the values of the local population. The basic message should be very easy to communicate to people: don't waste your money - save energy! The Commission should offer financial support for such campaigns.

At national level different government agencies could raise the awareness of the problem, offer feasible solutions and empower citizens to change their behaviour, either in their role at work, as consumers or as family members. Moreover, the use of reliable user-friendly public database should be encouraged where for several categories of products people could find the best appliances available on the market.

**13. What can be done to improve the efficiency of electricity transmission and distribution? How to implement such initiatives in practice? What can be done to improve the efficiency of fuel use in electricity production? How to further promote distributed generation and cogeneration? (Sections 2.1-2.3)**

Losses for electricity transmission and distribution are up to 10% of the electricity produced. Grid operators should make the necessary investments with mechanisms that allow them to recover the costs (as proposed in the Energy End Use Directive). A more decentralised energy system with a number of producers using CHP and renewables to feed into the grid would make sense. A decentralised system is also a better defence against any supply disruption. Obstacles (of bureaucratic or other nature) that make it difficult for small operators to input the energy they produced into the grid should be removed.

**14. Encouraging electricity and gas providers to offer an energy service (i.e. agreeing to heat a house to an agreed temperature and to provide lighting services) rather than simply providing energy is a good way to promote energy efficiency. How could such practices be promoted? Is a voluntary code or agreement necessary or adequate?**

A voluntary code is not sufficient. Mandatory targets should be adopted. But even that would not suffice, unless complemented by intensive training programmes for utility and energy company's staff. Finally, all forms of energy monopoly (or duopoly) that dope the energy market and prevent fair competition in many countries should be curbed according to the EU principles.

**15. In a number of Member States, white (energy-efficiency) certificates have been or are being introduced. Should these be introduced at Community level? Is this necessary given the carbon trading mechanism? If they should be introduced, how could this be done with the least possible bureaucracy? How could they be linked with carbon trading mechanism? (Section 2.4)**

**16. In addition to the emissions trading system, how can industry be encouraged to further energy efficiency? How effective have been the steps taken so far through voluntary commitments, non-binding measures adopted by industry, or information campaigns? (Section 3)**

A new balance between modes of transport – a major theme of the strategy set out in the White Paper that the Commission adopted in 2001 on a European transport policy for 2010 – is still a top priority. What more could be done to increase the market share of rail, maritime and inland waterway transport? (Section 4.2)

First of all, the framework in pricing should be completed as quickly as possible. See the response under item 20. This includes abolition of all direct and indirect subsidies to individual transport by car and to air transport. In particular, fuel taxes and VAT need to be introduced in air transport.

Second, the EU's transport investment policy needs to be modernised. See the response under question 18. Third, the liberalisation and interoperability of railways needs to be pursued vigorously – which does not include the privatisation of railway infrastructure.

**In order to improve energy efficiency, it is necessary to complete certain infrastructure projects from the trans-European transport network. How should the investments needed for infrastructure projects be developed, using what sources of financing? (Section 4.2)**

**Among the measures that could be adopted in the transport sector, which have the greatest potential? Should priority be given to technological innovations (tyres, engines...), particularly through standards defined jointly with the industry, or to regulatory measures such as a limit on fuel consumption of cars? (Sections 4.3-4.5)**

A new round of voluntary commitments on fuel consumption is unacceptable. The technological potential will only be exploited if challenging, carrot-and-stick and transparent fuel consumption standards are set (see response to question 11). These standards should ideally include the energy characteristics of accessories such as tyres and air conditioners, in order to provide the maximum range of incentives to the industry.

**Should public authorities (State, administrations, regional and local authorities) be obliged in their public procurement to buy a percentage of energy efficient vehicles for their fleets? If so, how could this be organised in a manner that is technology neutral (i.e. it does not result in distorting the market towards one particular technology)? (Section 4.3)**

Public fleet owners should be given an upper limit of fuel consumption for any particular vehicle they purchase and an average performance target for their whole fleet. This prevents public bodies from purchasing extreme gas guzzlers for certain staff on the other hand (an important symbolic move) and encourages them to purchase a fuel efficient fleet overall.

The limits should become stricter over time, in order to maintain the challenge for industry to continuously improve the energy efficiency of its products.

**Infrastructure charging, notably paying to use roads, has started to be introduced in Europe. Local congestion charges have now been introduced in some cities. What should be the next steps in infrastructure charging? How far should 'external costs' such as pollution, congestion and accidents be directly charged to those causing them? (Section 4.4)**

Despite the political agreement on the 'Eurovignette' Directive on lorry charges in December 2005, the legal framework for transport pricing is very incomplete at European level. This has the unfortunate effect of unacceptable levels of external costs borne by society at large – estimated at 8% of the EU's GDP – and of providing the perfect excuse for every individual mode to point at the – perceived or real – unfair way it is treated vis-à-vis its competitors.

The midterm review of the Common Transport policy and the request from Transport Council and European Parliament in the recent 'Eurovignette' compromise should be used to finally introduce a Framework Directive on transport infrastructure charging. Such a framework should obviously include all categories of external costs, reduce existing distortions between different modes of transport, give clear incentives to better use of existing infrastructure capacity and improved

environmental and safety performance, and include a transparent and complete methodology to calculate infrastructure and external costs.

This Framework Directive should be quickly followed up with appropriate daughter Directives for all modes of transport – but those daughter directives should be more of an enabling character (i.e. much more flexible) than the Eurovignette Directive that is more restrictive than enabling in its wording.

**In certain Member States, local or regional energy-efficiency project financing schemes, managed by energy-efficiency companies, have proven very successful. Should this be extended. If so, how? (Section 5.1)**

**Local funds are essential to empower local communities which are the most important actors when it comes to concretely implementing energy efficiency. A larger portion of structural and regional funds should help increase and reinforce local communities**

**Should energy-efficiency issues be more integrated in the Union's relationships with third countries, especially its neighbours? If so, how? Should international financial institutions be encouraged to pay more attention to demand management issues in their technical and financial assistance to third countries? If so, what could be the most effective mechanisms or investments? (Section 6)**

Energy efficiency is an issue not only in the EU but also outside its borders. So, yes energy efficiency should be a topic in external policy. IFI's should also set up criteria on energy efficiency when funding projects or giving technical support to third countries. Preferential aid should be allocated to sustainable projects promoting efficiency and renewables.

**How could advances in energy-efficiency technology and processes in Europe be put to effective use in developing countries? (Section 6.3)**

By consequently building capacity and supporting the use and development of energy efficient technologies in these countries. In a second step, instead of recycling "old" technology in poor third countries, new efficient products and technologies should be exported.

**Should the Union negotiate tariff or non-tariff advantages within the World Trade Organisation (WTO) for energy efficient products and encourage other members of WTO to do the same? (Section 6)**

Best available technology on energy efficiency is a 'common social good' and should be accessible all over the world without trade barriers. The transfer of green, clean technologies will play a key role in the future negotiations on the post 2012 climate regime and it is high time that the EU does its utmost to improve the way international trade system interacts with these efforts. At the same time it should be kept in mind that removing tariffs on specific products can be helpful but our solutions are not necessarily the best ones for other countries.

Henning Bo Madsen  
NOAH Energy Group