

Briefing on the role of energy savings in the EU's 2030 Climate and Energy Policy Framework

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1. Introduction

This document aims to provide initial views on the approach regarding energy savings, proposed by the European Commission (EC) in its 2030 framework communication and accompanying documents. More specifically, it elaborates why it is important to demonstrate real commitment for the continuation of EU energy savings policies and ensure that a proposal for an energy savings target, followed by policies and measures, will take place.

2. Key messages

Conclusion 1: The EC 2030 Communication does not reflect the analysis from its accompanying Impact Assessment, which outlines that energy savings is essential for all EU objectives in climate and energy policies.

Conclusion 2: According to the European Commission, the progress made by Member States with existing energy savings policies and measures is important for defining the ambition of future policy. However, a delay in committing to a 2030 energy savings target will not drive ambitious implementation of existing legislation.

Conclusion 3: In its energy costs and prices report, the European Commission recommends that energy efficiency be further improved to save energy and money and, in turn, to keep energy costs in check.

Conclusion 4: The huge potential of different sectors of the European economy to save energy is broadly accepted. Tapping into that potential means intensifying efforts to overcome the barriers associated with energy efficiency, which require dedicated policies guided by an overall binding energy savings target.

3. Analysis

3.1 A gap exists between recognising the importance of energy savings and the actual commitment needed to deliver the benefits

The European Commission has made a weak 2030 proposal for a 40% greenhouse gas emissions reduction target and a renewables target of "at least 27%," with no proposal for an energy savings target. The Commission chose to wait for the Energy Efficiency Directive (EED) review foreseen in June 2014 to assess further action on this issue, but there is no clear commitment that a proposal on an energy savings target will follow when the EED process is completed. This choice contradicts the statements that are also included in the Communication about a broad political consensus of the importance of energy savings and about the crucial nature of energy savings for achieving all of Europe's objectives on climate and energy. The conclusions from the Commission's own Impact Assessment (section 6.2.1) of the 2030 Climate and Energy Policy Framework, some of which are presented below, support more ambition on renewables, energy efficiency policies and greenhouse gas emission reductions.

- *A single greenhouse gas target would have the advantage of reduced complexity of the 2030 framework and would in principle allow achievement of greenhouse gas reductions cost efficiently.*

Nevertheless, this may risk not sufficiently reflecting the complexity of energy objectives in a 2030 perspective, which in addition to environmental sustainability (including greenhouse gas reductions) include competitiveness and security of supply.

- Whatever the policy choice, **dedicated energy efficiency and renewables policies, including in the sectors outside the Emissions Trading System, will be required to transform the energy system and achieve the greenhouse gas reduction efficiently in order to address market failures, imperfect information, and investor certainty; thereby better ensuring that the necessary investment takes place**
- A single greenhouse gas target would in principle treat options for greenhouse gas reductions in a non-discriminatory and technology neutral way without preferential treatment of energy efficiency or renewable energy. However, **higher efforts geared towards energy efficiency and renewable energy beyond what is needed to achieve a greenhouse gas target would result in higher benefits** relating to e.g. improvements in fuel efficiency, security of supply, reduction of the negative trade balance for fossil fuels, environmental impacts and health... (A single greenhouse gas target) is also expected to result in lower GDP and employment compared to a Framework based on more ambitious targets for also renewables and energy efficiency.

As far as energy savings is concerned, the uncertainty needs to be eliminated by ensuring that the Commission will come up with an energy savings target proposal together with the EED review. Annex 1 of this document presents, in more detail, some of the benefits of renewables and energy efficiency that are included in the Impact Assessment.

3.2 Strong policies and measures are facilitated by the existence of an energy savings target

The focus of the European Commission on implementation is confirmed by its intention to revisit the 2030 role of energy savings, without committing to an energy savings target for 2030 before the EED review. The 2014 EED review will provide further analysis on the progress made towards achieving the 2020 energy savings target. This analysis could be valuable for providing insight on what needs to be improved and refined in current policies and measures. However, this analysis should not be a prerequisite for politically committing to an energy savings target for 2030. Such a commitment should rather be based on the knowledge that there is still a lot of cost effective energy savings potential to be captured and the broad acceptance that energy savings should be considered a priority.

Furthermore, the European Commission acknowledges the need to maintain or accelerate dedicated policies and measures to increase energy efficiency in different sectors. Many targeted policies were adopted or revised and improved under the common goal to achieve the 20% EU target on energy savings in 2020. For example, the Energy Performance of Buildings Directive (2010) includes complying with requirements that go beyond 2020, when all new European buildings need to be nearly zero energy. Member States have already started to implement the energy efficiency measures foreseen by the EED. These targeted policies were adopted or revised and improved under the common goal to achieve the 20% EU target on energy savings in 2020. This is also one of the conclusions of the Commission's Impact Assessment, which highlights that *"the 20 % energy savings target has provided significant momentum to reduce energy consumption and intensity in Europe, facilitating agreement on strong measures, in particular the Energy Efficiency Directive."*

The sense of direction and the drive of a target are needed to ensure that the right measures are put in place and effectively implemented not only for 2030 but also toward 2020. The lack of a post-2020 objective or a delay in providing the certainty that a target would bring, would undermine motivation to go beyond existing minimum requirements and tap into the huge energy savings potential in different sectors.



3.3 Energy savings are crucial for containing energy costs

One of the main recommendations of the energy prices and costs report prepared by the European Commission is that more needs to be done to increase energy efficiency and help consumers lower their consumption and consequently their energy bills. A proposal for a 2030 energy savings target would show that the European Commission is following its own recommendations to address an issue that has been very much in the public debate and has been affecting discussions on the post-2020 climate and energy policy framework. Energy savings can reduce greenhouse gas emissions and energy costs for industry and households.

Annex 1. The Benefits of ambitious energy efficiency policies and a higher share of renewables

The following sections identify important messages from the European Commission's Impact Assessment that are worth noting.

More jobs

Although the results of the modelling from the Impact Assessment are quite divergent, with many differences among sectors, scenarios with ambitious energy efficiency policies have positive effects on total net employment. From Tables 21 and 22, we can conclude that more effort on energy efficiency alongside a renewables target for 2030 would increase net employment between 300,000 and 1,250,000 jobs.

Higher fossil fuel import savings

Higher ambition in energy efficiency alongside a renewable energy target lead to higher fossil fuel import savings and increased energy security. Annual savings of 27bn€ per year are shown in Table 12 for the most ambitious scenario.

More savings in pollution control costs

A 40% GHG reduction target, combined with energy savings policies and a 30% renewable energy target, would create up to €33.2 bln annual savings in pollution control costs, more than double the effect of a single GHG target approach. Table 2 shows that these annual savings could increase to up to €41.5 bln with the highest ambition scenario for GHG reductions, energy savings and renewable energy.

Economic Impact

The impact on GDP from implementing a scenario with ambitious energy efficiency policies alongside a renewable energy target would be very limited, if not positive.¹ Calculations estimate positive contributions of around 0.5% in some scenarios, taking into account a higher level of investment (Table 18).

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Climate Action Network Europe is Europe's largest coalition working on climate and energy issues. With over 120 member organisations in more than 25 European countries, CAN Europe works to prevent dangerous climate change and promote sustainable climate and energy policy in Europe.

¹ The very small or positive impact on GDP is dependent on the assumptions used in different models.