Elettricità Futura's Reply to the Public consultation on Inception Impact Assessment

Review of the Directive 2012/27/EU on energy efficiency

21th September 2020

General comments

Elettricità Futura welcomes the European Commission initiative evaluating the possible revision of the Energy Efficiency Directive. The revision of the Directive is an important opportunity to further expand the energy efficiency benefits, as the "Energy Efficiency First" principle constitutes one of the main pillars of the EU's fight against climate change and a successful and sustainable energy transition, in order to create a common framework. Among the policy options presented by the inception impact assessment, Elettricità Futura supports Option 3 (revision of the EED) combined with Option 2 (non-regulatory measures).

Elettricità Futura supports the Commission's proposal of an increased EU decarbonization ambition by 2030 to reduce GHG emissions at least 50% and towards 55% compared to 1990 levels in a responsible way, and to reach climate neutrality in the EU by 2050. Upscaling climate action through the energy transition will deliver substantial benefits in terms of economic and resource efficiency, reduction of global and local pollution, resilience to economic, technological and environmental change. In this context, energy efficiency is one of the most cost-effective ways of addressing the EU's strategic policy objectives of carbon neutrality by 2050, ensuring security of supply and enhancing competitiveness. Energy efficiency has become a structural trend, accelerated by ambitious policy targets, which place the "energy efficiency first" principle in the center of the energy policy in Europe.

Detailed observations

Elettricità Futura supports the assessment within the Impact Assessment of an upwards revision of the 2030 EU energy efficiency headline target to 35%, to better align the energy efficiency needed to reach the increased GHG emission reduction ambition by 2030. To further decarbonize the EU energy system, energy efficiency must be prioritized. For example, considering the potential of higher energy efficiency for renewable heating, the target for renewable heating and cooling should be increased to achieve at least 50% of the final heat from renewable sources by 2030. In general, it will be necessary to check both the formal transposition and actual implementation of the EED Article 14 and Article 15 provisions related to CHP in national legislation. In order to bring out the benefits of CHP for final end uses, it will be necessary to facilitate even the connection/installation of high-efficiency micro/small/medium cogeneration units which can have a positive impact on grid balancing, also guaranteeing their use in energy communities.

The policy options assessed in the Impact Assessment should consider a wide range of target scenarios delivering on the potential contribution of energy efficiency to a higher greenhouse emissions reduction target. Awaiting the European Commission assessment, preliminary analysis suggests that the final NECPs might still have the potential to further increase energy efficiency. The potential gap between the nationally set targets and the common target of 32.5% by 2030 must be filled to achieve carbon neutrality by 2050.

The revision of the Energy Efficiency Directive should consider the potential benefits and feasibility of setting sectorial sub-targets. There is a large energy savings potential to be exploited through synergies among end-uses of energy in the different sectors. One good example is the synergy between the transport and the buildings sectors, where both sectors can support each other to increase energy savings. A synergic approach could enable home charging while supporting on-site generation and balancing electricity production and consumption of communities and citizens, enabling energy savings coming not only from the technologies themselves but as well from reduced energy losses in energy systems. Sectorial sub-targets are cost-efficient and support a bottom-up approach and promote cross savings among sectors. Through specific sub-targets Energy Efficiency can capture value from sectors with high potential for energy savings (heating & cooling and transport), address non-economic barriers in specific areas (e.g. information, training, permitting, lack of coordination) and avoid overburdening energy bills.

A multi-technological approach that includes various options could accelerate the improvement of energy efficiency in all sectors and can effectively support the 'energy efficiency first' principle and generate substantial energy savings throughout Europe. We therefore suggest that the evaluation and the impact assessment should pay specific attention to the following:

- Promotion the use of modern natural gas CCGT that can enhance the efficiency of thermal power plants until 63% allowing to increase the reduction of CO2 and NOx emissions.
- Shifting to electricity as one of the most efficient energy carrier plays an important role in reaching the energy efficiency targets, by means of technologies spanning across sectors. Thanks to its efficiency, electrification results in a significant reduction in overall energy consumption, which also reduces the cost of use and limits the impact of new types of consumption on infrastructure. In order to support such electrification, it would be important to remove all the obstacles that could slow down or stop the diffusion of electric vehicles. In particular, given that the use of private recharging points - in line with the definition of the use of recharging points accessible to the public - is considered a "*service*" since the supply of electricity represents only one of the production inputs of the final service, without it being a "resale" of electricity, it should be clear that the recharging of electric vehicles at private recharging points is not subject to the obligations provided for energy sale such as billing, at least once a year, on the basis of actual consumption. Such prevision for private recharging points should also apply in case the owner of the POD is the same person who uses the private recharging service.

- A lot of technological options bring multiple benefits, including enhanced decarbonization, better sector coupling, energy system integration, increased flexibility, air quality improvement, resource efficiency, citizen empowerment and new quality jobs. For example electrification can bring forward a set of benefits that go well beyond increased energy efficiency to include CO2 emission reduction, improved urban air quality, security of supply, increased flexibility and sector coupling thanks to digitalization, system and resource efficiency (given the ever increasing share of both utility scale and distributed renewables in the power sector) and new quality jobs emerging from a well-planned just transition process. Moreover, also other measures could allow an improvement in energy efficiency end uses, such as the use of high-efficiency CHP plants among final consumers.
- As proposed in the Energy System Integration Strategy, a review of the Primary Energy Factor (PEF) (ANNEX IV EED – footnote 3) should be updated in the event of a revision of the Energy Efficiency Directive in order to better reflect the current energy supply mix, allowing for better recognition of these energy efficiency savings. Its application in EU product regulation should happen at a pace compatible with technical and commercial processes of the EU industry.

The future revision of the Energy Efficiency framework should reinforce the role of digitalization in the efficiency of energy systems including grid infrastructure, products and services. The impact assessment should address the need for upgrading and digitalizing transmission and distribution grids. It should explore the best means of accelerating the integration of 'smart-ready' equipment and appliances in networks and end-use sectors, enable and maximize efficient flexibility and demand response services and support the transition from early 1st generation to 2nd generations of smart meters. Along with smart grids technologies, the ongoing increasing digitalization of end-users facilitates the deployment of smart equipment in households, buildings, transport, services and industries, thus enabling the potential of smart cities. Such digitalization is able to unlock flexibility and demand response capabilities, while empowering consumers to make a smarter use of ever cleaner energy. Particularly for industry, flexibility measures can facilitate the energy transition and improve the efficiency of the energy system. Demand response is able to reduce peaks in electricity supply or demand, enabling greater flexibility and grid stability, hence encouraging efficiency in the energy system while increasing the capability of the grid to accommodate a larger share of renewables. In the buildings sector, a revision of the directive opens new opportunities to reinforce complementarity of Energy Performance Certificates and the Smart Readiness Indicator. Regarding networks efficiency, newer generations of smart meters offer enhanced energy savings capabilities due to their potential integrating flexibility and demand response to the grid, better consumer awareness and more efficient networks operation.

The policy design of a revised Energy Efficiency Directive should consider the need to set stronger links between the Energy Efficiency Directive and other regulations, including the EU Renovation Wave for buildings and the Renewables Directive. Building renovation needs to rapidly become much deeper, structurally incorporating electrification and heat pumps, Demand Side Response and dynamically interacting with the electricity sector. The Energy Efficiency Directive should leverage on the EU Renovation Wave initiative to help increasing the renovation rates of the EU building stock, set

milestones and targets for decarbonizing EU buildings, support fuel switching to clean fuels such as decarbonized electricity and establish sufficient EU funding for energy efficiency measures. Increasing building renovation rates requires administrative simplification for permitting, standardizing financing procedures to strengthening building standards, fiscal incentives and actions aimed at abating non-economic barriers. The Energy Efficiency Directive, the Renewables Directive and the EU Strategy on Energy System Integration should be better linked, exploring how sectors can be coupled to reach both higher energy savings and a higher share of renewables.

Furthermore, the upwards revision of the Energy Efficiency headline target could be supported by a number of new and existing measures both at Member States and EU level. Such measures should be carefully assessed in the impact assessment and include:

- Additional levies not related to the cost of supplying the electricity to the consumer should be abandoned to foster renewables-based electrification. Energy taxation needs to be reviewed in line with enhanced climate and environmental objectives.
- Explore the synergies with the Circular Economy Action Plan to promote the environmental sustainability of products and services. Higher energy efficiency levels together with electrification technologies can provide opportunities to enhance and strengthen a circular economy.
- Assess the possibility to gradually extend the energy efficiency audits mandatory scheme (Article 8.4 of the Directive 2012/27/EU) to Small and Medium Enterprises (SMEs), as a way to unlock the further energy savings potential that underlies in industrial and commercial activities beyond the large enterprises, given that often the SMEs are an integral part of value and supply chains in Europe.
- Energy-intensive industries are important emitters of greenhouse gases in Europe, with the cement, chemical and steel sectors dominating industrial emissions. Finding solutions to drive down energy consumption and emissions is a top priority. Exploiting waste heat fosters a circular economy and lower fossil fuel-derived-energy consumption and emissions represent a key priority in the recent smart sector integration strategy. A specific effort to support waste heat recovery technology targeting primarily energy-intensive industrial applications is strongly recommended, representing an opportunity to boost energy efficiency development. This can be achieved: a) by creating a common framework in order to incentivize waste heat, introducing a feed in tariff dedicated to energy produced by waste heat recovery; b) adjusting incentive scheme such as White Certificate mechanism focused even on waste heat recovery.
- Increase the renovation rate of owned and occupied public buildings from the current 3% to higher values (Article 5 of the directive) and consider extending the requirement to commercial and residential buildings.
- The role of flexibility given to Member States in the energy savings scheme of the Article 7. An effective policy on energy efficiency should ensure consistency, flexibility, market-driven and cost-effectiveness measures. Article 7 should ensure adequate flexibility to make the obligation

cost-efficient across the diverse implementation schemes followed by the different Member States thanks to the development of an efficient market for energy products and services through alternative measures.

- Push for more stringent energy efficiency standards regarding energy labelling and eco-design and plan the gradual phase-out of fossil fuels in final energy uses.
- Explore the possibility to set voluntary mechanisms for energy efficiency certificates at EU level