EUROPEAN FEDERATION
OF INTELLIGENT ENERGY EFFICIENCY SERVICES

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POSITION STATEMENT

The EU strategy for heating and cooling should put energy efficiency first

EFIEES welcomes the communication on the Energy Union published by the European Commission on 25 February 2015 including the announcement of the upcoming strategy on heating and cooling. We would like to take this opportunity to present key points that should be taken into account while framing the Energy Union concept, especially in the context of heating and cooling.

Heating and cooling account for 45% of final energy use in Europe[1] and have a key role to play in the successful pursuit of the European energy transition. Therefore, a well-designed strategy addressing this sector would be an essential step forward towards achieving EU energy goals: sustainability, competitiveness and security.

Energy-efficiency services play a fundamental role in building a strong heat market in the EU energy transition, while linking supply and demand sides and improving energy efficiency of the system as whole.

In order to build efficient heat markets, a clear legal framework and identified priorities are needed. In the context of the emerging EU strategy for heating and cooling, EFIEES stresses the need for:

Improved statistics on heat and modelling tools

- **More and better European-level data on the nature of the heating and cooling market** including data on **energy sources of heat production** (gas, coal, oil, biomass, electricity, District Heating), the corresponding **floor area of buildings** and the detailed data on **heat consumption by sectors** (industry, residential individual and collective, tertiary)

[1] International Energy Agency (2011)

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- In most EU Member States the statistics on heat is a neglected area,. This systemic weakness must be redressed!

- **Adjustment and improvement of the modelling tools** used in the development of long-term EU energy scenarios so as to better reflect the reality and potential of the heating and cooling sector.

"Pull measures"

- **"Heat plans"** - ensuring a high quality implementation of Art. 14, Energy Efficiency Directive (2012/27/EU) - a requirement to carry out a comprehensive assessment of the potential for the application of high-efficiency cogeneration and efficient district heating and cooling by MS,
- **promotion of energy efficiency-services including Energy Performance Contracting** - ensuring a high quality implementation of Article 18, Energy Efficiency Directive (2012/27/EU),
- **a binding and ambitious energy savings target expressed in primary energy** - without ensuring that energy efficiency is kept at the core of its actions, the EU will lose valuable energy efficiency gains and economic stimulus, which it badly needs in order to put the economy on a growth track.

Identifying and addressing barriers to energy efficiency

The European Commission is empowered on the basis of Art. 19, Energy Efficiency Directive (2012/27/EU) to require MS to take **appropriate measures to eliminate regulatory and non-regulatory barriers to energy-efficiency**.

The role of the European Commission is crucial by taking action to assess this process, possibly by developing an **"Energy Efficiency Barriers and Solutions Rating"** presenting problems and measures in different MS.

Regulatory obstacles to energy efficiency persist at national and European levels, they include[2]:

- **split tendering in EU Directives on Public Procurement** hindering overall energy-services contracts,
- **threshold of 20 MW for installations to be covered by the European Emission Trading System** (EU ETS), which leads to disconnections from District Heating Networks and distortions of competition,
- **heat pricing regulation which does not enhance energy-efficiency actions** in some Member States,
- **rules on VAT which are discriminatory to energy-efficiency services** in instances when they favour equipment-only purchase in some MS.

A list of the main non-regulatory barriers involve:

- **lack of awareness and information,**

[2] More barriers are listed in "ESCO market report 2013" by Paolo Bertoldi, Benigna Boza-Kiss, Strahil Panev, Nicola Labanca, the Joint Research Centre, the European Commission (2014)

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- **lack of knowledge of public purchasers on energy-efficiency actions** that may be complex in nature,
- **lack of targeted financing instruments** such as guarantees and low-interest loans (long-term) enabling affordable financing.

Split incentives between owners and tenants or among owners is another essential barrier which is linked to both regulatory and non-regulatory aspects.

Introducing appropriate incentives

Another important step towards a well-developed energy-efficiency services market are **proper incentives**, which are necessary to give an adequate signal to the market actors. Such incentives include development, promotion and implementation of:

- **effective solutions** to existing obstacles to energy efficiency (EU & MS),
- **favourable regulatory framework to energy-efficiency services** such as rules supporting public-private partnerships (PPPs), overall and long-term contracts (EU & MS),
- **capacity building in public and private sectors** including establishing the positions of energy managers in big buildings (e.g. collective housing, public buildings (MS & EU funds?),
- **diagnosis on the state of the buildings/installations involving mapping/scoring tools** (MS, EU funds?),
- **energy certification of buildings' performance**, not only on the building envelopes and equipment, but also on the "functioning" of buildings (EU),
- **guarantees for energy-efficiency services projects and low-interest rates loans** (long-term) enabling access to affordable financing (MS).
- **white certificates schemes should be scrutinised to avoid lock-in effects and excessive red-tape** (EU & MS).

EFIEES represents private companies ensuring an overall management of energy demand to end-user (Energy Efficiency Service Companies, EESCs). These companies provide operational maintenance and management of equipment of their industrial, tertiary and residential customers (collective or individual), public and private, particularly sporting facilities, schools and hospitals. They commit, by long-term contracts, a technical, financial, economic and environmental performance. **EFIEES'** members are involved in the production/distribution of heat in several Member States as well as in operation of District Heating networks.

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