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EFIEES' position on the Energy Efficiency Directive

EFIEES, the European Federation of Intelligent Energy Efficiency Services, is the voice of private energy service companies (ESCOs) and their national associations in 12 EU Member States. Our members represent over 130.000 professionals committed to the design and implementation of energy efficiency measures in public and private buildings, industrial facilities, as well as to the efficient operation of district heating and cooling (DHC) networks.

Following the launch of the European Green Deal, EFIEES has been actively engaged in the process, which has led to the comprehensive and interconnected set of proposals in the Fit for 55 package to deliver on the Union's climate ambitions. To reach these ambitions, **the role of energy efficiency is crucial. Therefore, we welcome the European Commission's recast proposal of the Energy Efficiency Directive (EED), which sets a binding EU target and provides tools for reducing energy use.**

EFIEES's position

Our views of the EED proposal stem from the perspective of **ESCOs and their energy management solutions, such as Energy performance contracts (EnPC), which play a key role in ensuring that energy performance is improved and monitored and maintained over time.** Furthermore, these schemes offer financial arrangements that can help finance energy efficiency measures in a cost-efficient way while developing sustainable and qualified local jobs. In this light, **we would like to reiterate our main messages and suggestions for an effective EED, which fully considers the key role of energy efficiency services:**

A new legal basis for applying the Energy efficiency first (EE1st) principle

We welcome EE1st as a guiding principle of the Union's energy policy and its formal introduction as an article in the EED, providing the legal basis for applying the principle. **It will be of utmost importance to ensure implementation of this principle along the whole energy chain and, more generally, to better tap on the potential of energy efficiency measures as a prerequisite to fuel switching.** We are also glad to note that from now on, cost-benefit analysis for the application of EE1st will integrate wider societal benefits of energy efficiency.

Stepped-up ambitions, a crucial step towards climate neutrality

Raising the EU's 2030 energy efficiency ambitions into binding targets expressed in both primary and final energy consumption tackles a significant shortcoming of the current legislative framework while setting a coherent level of ambition in line with the impact assessment of the 2030 Climate Target Plan. Equally important will be to monitor the national contributions towards reaching the targets to ensure they are genuinely and effectively set up and delivered. However, **it is paramount that appropriate regulatory and financial support is mobilised to ensure effectively achieved targets.**

Furthermore, **we understand the intention to avoid "double-counting" between energy savings achieved to fulfil the energy savings obligation in the EED's article 8 and energy savings stemming from the new separate ETS provisions covering the building sector.** However, we believe that the effort to avoid double-counting may be detrimental to schemes (such as "white certificates" or other EEOS schemes) introduced in some countries to effectively – and successfully – implement EED's Article 8. Hence, **we recommend lifting this requirement to avoid unnecessary complexities or side-effects**, and more so as the building sector remains included under the Effort sharing regulation.

In addition, **we question the exclusion of counting "policy measures regarding the use of direct combustion of fossil fuel technologies"** when calculating the impact of existing energy efficiency obligation schemes towards the 1,5% target of Article 8. **This exclusion would disincentivise important energy savings in existing installations** and would not be in line with the energy efficiency first principle or the EU's climate objectives.

Finally, **we would like to keep the incentives for energy efficiency improvements of DHC networks under the energy savings obligation to support the decarbonisation of the heating and cooling system.** Thus, the possibility given to the Member States to count towards the amount of required energy savings, energy savings in the transformation, distribution and transmission sectors, including efficient DHC infrastructure, should not cease by the end of 2023.

The public sector taking the lead?

There is very little doubt that the public sector should take on a greater role in triggering and illustrating the potential gains of investing in energy efficiency. **We welcome that the proposal comes with extended obligations for public bodies at all levels** and that a specific objective for energy savings is dedicated to the public sector. We are also very much in favour of consulting other stakeholders when public authorities develop energy efficiency plans.

Yet, regarding the 3% annual renovation rate for buildings owned by public bodies, the proposal is progressive but should better promote the benefits of complementary approaches as it is done in the new Article 27. Complementary approaches, including **energy management solutions such as EnPCs, should always be considered to ensure the most resource- and cost-efficient way to save energy over time.**

Efficient district approaches towards decarbonisation of heating and cooling

We welcome the new and progressive criteria for what can constitute an efficient DHC system in Article 24. The new criteria truly go in the right direction towards the decarbonisation of heating and cooling. However, some Member States will need more time than what is proposed in the criteria, accompanied by adequate support to decarbonise their heating systems. Therefore, **we suggest granting flexibility for reaching the milestones in the revised criteria.** Flexibilities considered could be conditioned upon decarbonisation roadmaps for DHC systems towards achieving carbon neutrality by 2050.

Adjusting these milestones is especially needed for the Member States or regions that predominantly rely on coal, facing challenging and massive investment needs, and where DHC is a cornerstone of the heating system. Regions benefiting from the Just Transition Fund need massive support to trigger the energy transition of DHC systems. Thus, they need a realistic time frame for employing cleaner technologies and mobilising solutions to make the transition affordable and socially acceptable.

Furthermore, Article 24 should clarify that the proportion of waste heat originating from renewable energy can count towards the share of renewable energy required. We would also like to make sure that the definition of efficient district cooling is updated once a definition of district cooling has been agreed upon, considering its specificity. In addition, **we welcome the stepped-up ambitions to make heating and cooling planning the norm at a local level and would like to highlight that district solutions should be further recognised for their general benefits and as a critical tool for systemic energy efficiency gains at the local level.**

Fulfilling the purpose of energy management systems and energy audits

Energy management systems are important tools for ensuring controlled and predictable energy savings over time. Therefore, it is much appreciated that the new definition of an energy management system includes monitoring actual energy consumption. However, **the definition of energy management systems should include a requirement to clearly describe the involved actors and clarify the parties' responsibilities**, and ensure the full implementation of the strategy and the objectives of the energy management system.

We welcome the new **strengthened requirements under Article 11 for implementing energy management systems and energy audits**. We also welcome that those enterprises that implement an EnPC will be exempted from these requirements. However, **a broader scope of exemptions should be possible beyond what is covered under the definition of an EnPC**, provided that energy performance criteria and energy efficiency improvements are settled.

Furthermore, the proposal comes with a clear improvement regarding the obligation to carry out an energy audit. The obligation is now linked to energy consumption instead of the size of a company. An energy audit must in the proposal also identify energy efficiency measures to decrease energy consumption, which is an important step towards fulfilling the purpose of an energy audit. **One crucial aspect of ensuring regarding energy management systems and energy audits is that they result in concrete and duly executed plans to be effective.**

Increasing the uptake of energy services

We are very satisfied that the proposal aims at improving the uptake of energy services and EnPCs in particular. The proposal comes with new requirements for the Member States to ensure a whole set of measures, including fostering necessary competencies, certification and qualification schemes. However, **work remains to ensure coherence between the measures and increase stringency for mandatory requirements rather than simply encouragements.** Article 27 requires the Member States to ensure that public bodies assess the feasibility of using an EnPC when renovating large non-residential buildings. To strengthen this requirement, we believe it would be necessary to **request justifications from the public bodies if they decide not to use an EnPC** to make this decision transparent.