

FIT FOR 55: EFIEES' VISION – scaling up energy efficiency actions

EFIEES, the European Federation of Intelligent Energy Efficiency Services, is the voice of private energy service companies (ESCOs) and their national associations in 10 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 & cooling 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, in the heating and building sectors in particular**, which stand for a large share of the Union's energy use.

In our examination of the Fit for 55 package, we have been focusing on the revision of key energy legislation, namely the: Energy Efficiency Directive (EED), Renewable Energy Directive (RED), EU Emission Trading System (EU ETS), Effort Sharing Regulation (ESR), Energy Taxation Directive (ETD), and Energy Performance of Buildings Directive (EPBD).

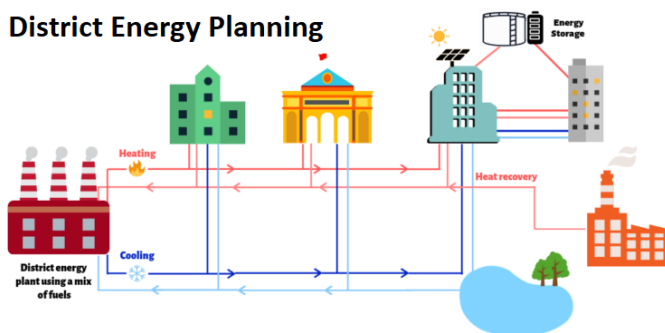
In these revisions, **we welcome the raised ambitions**, new and more stringent instruments, and increased support for heightened targets. However, as a general observation, **we believe that the Energy Efficiency First principle should be mainstreamed further across the entire package, and that additional resources are needed to meet the higher ambitions.**



Our demands are regrouped under four themes:

- ➔ Prioritising **decarbonisation** of the heating and cooling sector.
- ➔ Massifying **energy efficiency** actions across all sectors.
- ➔ Ensuring rigorously a **just transition**.
- ➔ Strengthening **coherence** and guaranteeing proper **implementation**.

District Energy Planning



PRIORITISING DECARBONISATION OF HEATING AND COOLING

Heating and cooling (H&C) stand for half of the EU's energy demand and is heavily fossil fuels dependent. Thus, **scaling up energy efficiency and the use of renewable energy** in this sector would contribute radically to the climate neutrality objective.

District heating and cooling (DHC) networks have a vast potential to speed up the transition by using and streamlining a mix of local energy sources, including waste heat, and providing dynamic management solutions such as storage, highly efficient production and distribution of heat, as well as balancing services for the electricity grid. To incentivise efficiency, it is very important that legislation create a level playing field between district approaches and individual solutions.

In parallel, reducing energy demand is essential as a prerequisite to fuel switching. **Energy efficiency services, particularly EnPCs, play a crucial role in reducing energy demand, maintaining energy performance over time, and increasing the share of renewable energy.** Therefore, they are vital components for a paradigm change in this sector and for implementing the Energy Efficiency First principle.

We welcome the Fit for 55 package's intentions to increase the use of renewable energy and waste heat in H&C through enhanced targets, mechanisms to drive a higher price on emissions - across the entire heat market, and effective instruments to strengthen the role of DHC. **However, we have several suggestions to increase energy savings and renewable energy share in the H&C sector.**

Reminder: Fit for 55 instruments to decarbonise H&C

- Binding annual 1,1% increase of renewables in H&C at national level (REDIII, Art.23).
- Indicative annual 2,1% increase of renewables and/or waste heat in DHC at national level (REDIII, Art.24).
- 49% renewables in buildings by 2030 (REDIII, Art.15a).
- Reducing the carbon emission allowed each year in several sectors, including heating (EU ETS).
- Gradually increasing the minimum tax rates for certain heating fuels (ETD, Annex I).
- New definition of an efficient DHC, increasing the share of renewable energy & waste heat (EED, Art.24).
- Encourage regional and local H&C plans (EED, Art.23).
- Support to energy system integration (REDIII, Art.20).
- Rules for third party access to DHC (REDIII, Art.20).



We ask the EU's co-legislators to:

- ✓ **Treat renewable energy and waste H&C equally** towards reaching the renewable energy target for buildings (RED).
- ✓ Ensure a **level playing between DHC and individual H&C solutions** (EU ETS).
- ✓ **Remove the minimum taxation levels for renewable energy**, including sustainable biomass, to fully incentivise decarbonisation (ETD, Annex I).
- ✓ Enable **DHC networks** and their operators to participate in **renewable energy communities** (REDII, Art.22).
- ✓ Mandate **waste heat producers to inform DHC operators about available waste heat** and provide justifications if they decide not to supply it (REDIII, Art.24).
- ✓ **Foster energy management solutions with guaranteed energy- and CO2 performance** such as EnPCs in reaching the renewable energy targets (REDIII, Art.15).
- ✓ **Step-up local planning** with a focus on district approaches for energy efficiency and H&C (EED, Art.23).
- ✓ Treat on-site and nearby renewable energy sources equally (EPBD).

MASSIFYING ENERGY EFFICIENCY ACTIONS

Buildings account for 40% of the energy consumed and 36% of energy-related greenhouse gas emissions in the EU. Therefore, reducing the energy demand of buildings will have a huge impact on the energy savings achieved and the possibilities for reaching our climate targets.

Energy efficiency services and energy performance solutions such as Energy performance contracts (EnPCs) are essential tools for reducing the energy consumption of buildings. These solutions offer an essential complement to deep renovation through energy efficiency improvements that guarantee energy performance over time and increase renewable energy share while facilitating financing.

In the EED in particular, **we welcome the intention to increase the uptake of energy services such as EnPCs.** However, more needs to be done to promote proactive energy management to keep and enhance energy performance over time. Also, to **increase stringency in the requirements regarding EnPCs.**

Reminder: Fit for 55 instruments to enhance energy savings

- The EU to reduce its energy consumption by at least 9% to 2030 compared to the previous ambition (EED, Art.4).
- Member States to achieve 1,5% new savings each year from 2024 of final energy consumption (EED, Art.8).
- A new target for Member States to reduce energy use in the public sector by 1.7% every year (EED, Art.5).
- Member States to renovate at least 3% of the total floor area of all public buildings annually (EED, Art.6).
- An expanded ETS covering buildings (EU ETS).
- New measures to increase the uptake of energy services, including provisions for public bodies to assess the feasibility of using EnPCs prior to certain renovations (EED, Art.27) and public procurements (EED, Art.7).
- Long Term Renovation Strategies to become National Building Renovation Plans with more detailed provisions (EPBD, Art. 3).
- Minimum energy performance standards introduced progressively to reach a decarbonised building stock by 2050 (EPBD, Art. 9).

We ask the EU's co-legislators to:

- ✓ **Guarantee the continuation of incentives for white certificates** (energy savings certificates) under the energy savings obligation (EED, Art. 8-9 & Annex V). The desire to avoid double counting energy savings stemming from the EU ETS covering buildings must not eliminate effective energy efficiency mechanisms.
- ✓ Ensure that Member States **always consider long-term energy performance solutions and give them an essential role** with proper incentives in renovation policies and funding programs for energy efficiency (EED).
- ✓ **Require justifications from public bodies if they decide not to use an EnPC** after conducting a feasibility assessment to make this decision transparent (EED, Art. 7 & 27).
- ✓ Add to the definition of an Energy Management System (EMS) to **clearly describe involved actors and their respective responsibilities** and guarantee that a concrete action plan is duly implemented (EED, Art. 2).
- ✓ **Systematically consider energy management solutions** as a complement to renovations, and incentivise them through a yes/no indicator of the use of an Energy Management System (EMS)/EnPC within the Energy Performance Certificates (EPC) template (EPBD).

Energy Performance Contracts play a crucial role in **reducing the energy demand of buildings** and serve as an essential complement to deep renovation by offering energy efficiency improvements that **guarantee energy performance over time and increasing the share of renewable energy.** Read more about **how energy efficiency services can assure quality at the [QualitEE Project](#).**

To exemplify, a recent study of 150 contracts covering 3400 buildings by our French members SNEC/Fedene showed that they could **contractually guarantee up to over 50% of energy savings and greenhouse gas reduction, respectively ([Enquête SNEC 2020](#))**

A perfect answer to the Fit for 55 "challenge"



ENSURE RIGORIOUSLY A JUST TRANSITION

The **need for a social dimension** in the energy transition becomes especially true in light of the recent exceptional rise in energy prices, that are likely to become a constant feature of the energy market landscape.

We believe that **building resilience to future shocks will depend on our efforts to increase predictability and reduce and maintain low energy bills over time.** To reach the ambitions in the package, we believe that the EU must not only mobilise more resources, but also distribute them fairly to where the need is greatest.

Reminder: Fit for 55 instruments for a just transition

- The new Social Climate Fund will mobilise €72.2 billion, including for energy efficiency.
- Obligations for achieving energy savings among energy poor and vulnerable households (EED, Art.8).
- Possible to exempt vulnerable households from higher energy taxes (ETD).
- Financial incentives for renovations targeting energy poverty as a priority (EPBD, Art. 15).

We ask the EU's co-legislators to:

- ✓ **Boost public investments in energy efficiency actions** including energy management solutions and ensure that the benefits of investments are distributed fairly.
- ✓ Prioritise energy efficiency actions such as **energy management solutions in the Social Climate Fund.**
- ✓ Improve **consultation of all relevant stakeholders** in the programming of dedicated funding.
- ✓ Provide better **access to public information** on existing cost-efficient solutions.
- ✓ Grant **flexibilities and extra support for reaching the milestones in the definition of an efficient DHC system** to Member States and regions that predominantly rely on coal, facing challenges and massive investment needs, conditioned upon dedicated decarbonisation roadmaps (EED, Art.24).



STRENGTHENING COHERENCE AND GUARANTEEING PROPER IMPLEMENTATION

We ask the EU's co-legislators to:

- ✓ Create **synergies between measures that support renewable energy and energy efficiency** by consistently mainstreaming the Energy Efficiency First principle across the package and give legitimacy to energy savings as a prerequisite to fuel switching.
- ✓ Raise the **price on the most emitting fossil fuels** while boosting investments in renewables and energy efficiency.
- ✓ Ensure **proper implementation, especially at the local level**, through capacity building, planning, and adequate support and treatment of regions depending on coal in particular.
- ✓ Include **flexibilities in the EU's support schemes** for proper implementation of national strategies.



The Fit for 55 is “a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net emissions by at least 55% by 2030, compared to 1990 levels”. It is a high ambition that requires **coherence and adequate instruments to ensure implementation, also of existing legislation as a first step in the transition.** We believe that proper implementation must hold a consistent approach and adapt to local situations.

Reminder: Fit for 55 instruments for climate neutrality

- Lower cap in EU ETS and expanding to new sectors.
- An increasing use of renewable energy (REDIII).
- Higher ambitions on energy efficiency (EED).
- Green Deal aligned taxation policies (ETD).
- High energy performance and emissions performance targets for EU building stock including all new buildings to be zero emission buildings as of 2030 (EPBD)