



Tap into the vast potential!

An open letter from industry and environmental NGOs on the need to promote energy efficiency and strengthen the Energy Services Directive¹

Today climate change and security of energy supply are amongst the greatest threats to the growth of the economy and the well-being of citizens. The European Union is growing more and more dependent on imports of fossil forms of energy: by 2030, 90% of Europe's oil and 80% of our gas will be imported at increasingly higher prices. As stated in the Green Paper on energy efficiency² the most cost-effective tool to fight both climate change and guarantee the security of energy supply is energy efficiency. Achieving higher levels of energy efficiency and a wide diffusion of new technologies in Europe are essential to cut energy demand, reduce dependence on energy imports, and promote smart economic growth for the benefit of the environment and society at large.

As responsible, world-leading companies in our respective fields of activity and as representatives of the environmental movement, we strongly support an ambitious Energy Services Directive that captures the vast potential of energy efficiency. The adoption and successful implementation of a progressive Directive will be key in reducing energy demand and promoting energy-efficient technologies. However, for this to happen, some key elements must be part of the final text of the directive.

Mandatory measurable energy savings targets

Mandatory measurable targets are essential to create a stable legal framework, provide certainty for investors and ensure that all member states introduce effective measures to reduce energy demand and create a market for energy services. Past experience³ shows that without an obligation to reach clearly set-out targets, member states have little incentive to adopt policy measures which are conducive to achieving the objectives set out in EU law.

The need to clearly define how to account for member states progress is as important as setting an ambitious target. Although initiatives like awareness-raising campaigns are laudable and should be promoted, it is very difficult to quantify their indirect role towards reaching a target of energy savings. That is why such initiatives should be con-

¹ Commission Proposal for a Directive on energy end-use efficiency and energy services – COM(2003) 739.

² Green Paper on energy efficiency “Doing more with less” – COM(2005) 265.

³ Directive 2003/30/EC on the promotion of the use of bio-fuels or other renewable fuels for transport, for example, sets non-binding targets. Several member states deviated from the reference value.

sidered only if additional to more concrete actions which deliver quantifiable results. *Vertical measures* evaluated by *bottom-up methods* are, therefore, more precise and suitable for the measurement of energy savings.⁴

As the aim of the directive is to tap further into the great potential of energy efficiency only measures dating back to the *year 2000* should be taken into account by member states in meeting their targets.

Transform the energy market

Policies must aim at a *transformation of the energy market*, looking beyond short-term programmes. Consumer behaviour being primarily guided by upfront prices, financial incentives such as rebates have proven track records of promoting the acquisition of new, energy efficient products. However, they must not be short-lived as we recently experienced in some member states.

One of member states' main concerns is the cost associated with achieving the targets. It cannot be expected that national governments bear the entire costs for achieving energy savings targets but innovative solutions are already available, such as those provided by *energy services companies*. ESCOs can provide the financing and facilities upgrades necessary to achieving energy efficiency improvements without any up-front capital investment through Energy Saving Performance Contracting (ESPC). This system is particularly valid for improving energy performance of buildings, which is one of the areas with the highest energy savings potential. We call for the inclusion of provisions clearly recognising the role of these measures in the final text of the directive, as it is currently proposed by the European Parliament.

Member states must recognise the vanguard role authorities have to play, as *public procurement of goods and services account for 16% of EU GDP*. Through targeted acquisition, authorities can provide an initial market for new, energy-efficient products and services, actively contributing to reduce energy demand and motivating producers to continue developing ever more efficient and better performing products. It is therefore only logical that the public sector should have higher targets than the economy as a whole as suggested by both the Commission and the European Parliament.

Opportunities to save energy are still abundant, tap into them!

All European member states still have large untapped potential for energy savings. According to the Green Paper, Europe could save €60 billion every year through tapping into its energy efficiency potential. The Japanese economy is already almost twice as efficient in its energy use compared to the EU and Japan recently decided to increase its efficiency even further.⁵

The European energy label has transformed energy efficiency into a competitive factor for manufacturers; the recently adopted Directive on eco-design of energy-using products⁶ will further promote technological innovation. What we now need is an Energy Services Directive, which promotes additional energy savings, the creation of a market for energy services and the diffusion of innovative technologies and energy audits, and supports competitiveness. If each household and company in the EU were encouraged – through tax breaks, subsidies, energy savings performance contracting or other incentives – to replace old, energy-thirsty equipment, and to operate correctly new equipment, major energy savings would be obtained.

Facing the danger of unmitigated climate change becoming a reality in our lifetime and considering the increasing and often volatile prices of oil, gas, and coal *we call on the decision-makers in Europe to strengthen the proposed Energy Services Directive and implement bold policies that will deliver the available energy savings.*

We trust that you will fully incorporate these concerns into the final text of the Energy end-use efficiency and energy services directive.

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⁴ The bottom-up method is the most accurate way to calculate energy savings from energy efficiency improvements, since energy consumption is estimated or measured before and after the implementation of the measure in question.

⁵ Energy intensity measured per unit of output (tonnes of oil equivalent/M€1995), Green Paper on Energy Efficiency – COM(2005) 265.

⁶ Directive 2005/32/EC establishing a framework for the setting of eco-design requirements for energy-using products and amending Council Directive 92/42/EEC and Directives 96/57/EC and 2000/55/EC.

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Climate Action Network (CAN) Europe's mission as a network of close to a hundred NGOs is to support and empower civil society organisations to influence the design and development of an effective global strategy to reduce greenhouse gas emissions and ensure its implementation at international, national and local levels in the promotion of equity and sustainable development.

CECED's (European Committee of Manufacturers of Domestic Equipment) member companies employ over 200,000 people, are mainly based in Europe, and have a turnover of about 40 billion euro. If upstream and downstream business are taken together, the sector employs over 500,000 people. Direct Members are *Arçelik, BSH Bosch und Siemens Hausgeräte, Candy Elettrodomestici, De'Longhi, Electrolux Holdings, Fagor, Gorenje, Liebherr Hausgeräte, Indesit Company, Miele, Philips, Groupe SEB and Whirlpool Europe*. CECED's member associations cover the following countries: Austria, Belgium, Czech Republic, Denmark, Estonia, France, Germany, Italy, Lithuania, Netherlands, Norway, Poland, Slovakia, Spain, Sweden, Switzerland, Turkey and UK.

e5 - Climate is Business. The European Business Council for Sustainable Energy (e5), representing the climate protection-related business interests of 120 companies and organisations, promotes a strong sustainable energy agenda and an effective, business-oriented climate change programme. Members include major multinational corporations such as *Deutsche Telekom (Germany), Deutsche Bahn (Germany), Vodafone Pilotentwicklung and SONY International (Europe)*. *Government-prone institutions such as Gesellschaft fuer Technische Zusammenarbeit (GTZ) are also e5 member, as well as a range of small and medium enterprises (SMEs)*. e5 is an umbrella organisation that represents prominent associations such as the European Photovoltaic Industry Association (EPIA), the Community of European Railways (CER), the International Public Transport Union (UITP), the World Fuel Cell Council and the European Climate Forum.

The **European Renewable Energies Federation (EREF)** is an association of independent renewable power producers from Europe in the field of wind, solar, biomass, small hydro energy and biofuels.

EURIMA is the European Association of Insulation Manufacturers and represents the interests of all major mineral wool producers throughout Europe. EURIMA members are *Armstrong, FlumRoc, Glava Isolation, Heraklith, Isover, Izocam, Izotoprak, Knauf Insulation, Ow, Paroc, Rockwool, Sager, Schwenk, Saint-Gabain Insulation, Termo, and URSA*. They manufacture a wide range of mineral wool products for the thermal and acoustic insulation and fire protection of domestic and commercial buildings and industrial facilities. EURIMA was established in 1959 to promote improved standards and regulations for the use of insulation materials. More recently, it has developed to reflect the growing environmental concerns of society.

EuroACE, the European Alliance of Companies for Energy Efficiency in Buildings, was formed in 1998 by twenty of Europe's leading companies involved with the manufacture, distribution and installation of a variety of energy saving goods and services. EuroACE member companies, which include *Armacell International, Honeywell, and URSA*, together employ 438,000 people and have a turnover of 70 billion euro.

European Solar Shading Organization (ES-SO) is a newly created association bringing together 12 national associations with the single objective of demonstrating the energy savings that can be achieved through smart shading, as an alternative to expensive artificial cooling.

Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International

WWF - The Global Conservation Organization. WWF's mission is to stop degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.