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REPORT

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Subject : Green Paper on Energy Efficiency
- *general overview of written comments by Member States*

Introduction

The Green Paper on Energy Efficiency or Doing More With Less was presented by the Commission in June 2005. It provides a basis for an intensive consultation process which is scheduled to end on 31 March 2006. After that, taking into account the input received during the consultation period, the Commission will present an Action Plan. Energy efficiency will also appear on the agenda of the High Level meeting on 3-4 November and be the topic of a policy debate by the TTE Council on 1st December

In response to an invitation by the Presidency, Member States have submitted written comments on the Green Paper ¹ without prejudice to ongoing national consultations. This report, drafted under the Secretariat's sole responsibility, aims to give a general overview of these contributions. It is subdivided into three sections:

¹ In total, 24 Member States have submitted comments ranging from one to twenty pages, most of them following the structure suggested in the Presidency Note on Handling (DS 387/05). It should be underlined that some of these comments are of a preliminary nature.

- I. General remarks
- II. Main actions under way at national level
- III. Priorities for action at Community level.

Other aspects suggested in doc. DS 387/05 (obstacles to be overcome; instruments used; appropriate level of action) are addressed as appropriate under these sections.

I. General remarks

Member States subscribe to the importance of increased energy efficiency, and the imperative reasons therefore as cited in the Green Paper:

- increased competitiveness (because of cost savings on energy on the one hand, and because of the opportunity to exploit further the competitiveness of the Community in energy-efficient products and services on the other hand);
- increased security of supply (since in relative terms, less energy will be needed);
- environmental benefits such as reduced pollution and climate change (even though not all forms of energy engender these consequences), and more generally contribution to sustainable development.

The following should be taken into account when debating the measures that must be taken to increase energy efficiency in the Community: firstly, there are evident close links to related policy issues such as the increased use of renewable energy and the diversification of sources of energy used; secondly, there exist large differences between the 25 Member States. Some Member States have a long tradition of energy-efficiency measures, whereas others are just beginning. As a result, the potential for improvement differs vastly between Member States. Furthermore, there are differences in climate, national energy resources, tradition and composition of the existing national "energy mix".

Partly as a result of these factors, and the interlinkages with other policy goals and areas, Member States put forward a vast number of ways in which increased energy efficiency is being pursued, should be pursued, or will be pursued in the future: legislative instruments, voluntary agreements, research and development, communication/information campaigns, subsidies, fiscal incentives, international cooperation, with these approaches taking place at the appropriate Community / national / regional / local / individual level.

Member States agree that as a consequence of this diversity, a policy focusing on a single instrument is not appropriate: the "optimal mix" of energy-efficiency measures differs per country, i.e. subsidiarity should be respected. For the same reason they further note the need for a coherent overall framework or strategy encompassing all aspects of energy efficiency.

In relation to communication efforts it is noted that they should address not only the benefits to be expected from the implementation of energy efficiency measures but also the means (technology, assistance, etc.) to do so, and not taken for granted that households or businesses will spontaneously implement such measures.

In general, Member States underline that the administrative burden and expense of energy-efficiency measures should be as limited as possible, i.e. the measures should be cost-efficient. In this context, many place emphasis on market-based instruments. Securing adequate and sustainable financing, e.g. through instruments linked to the general budget or incentivising pricing schemes, is essential given the long payback period of certain measures.

Taxation is mentioned by a number of Member States as a key means of influencing energy consumption patterns. Its effectiveness lies in the fact that there is a "direct link to the consumer's pocket" and can thus influence consuming behaviour to a certain extent. It is attractive because taxation instruments in general are established public policy instruments, and because a number of different eco-tax schemes already exist in many Member States, so raising these taxes is simple.

Several Member States see public procurement of energy-efficient goods as an effective (and cost-effective) way to achieve a "technology push" - leading to an acceleration of the market penetration of more energy-efficient products.

One Member State remarked that the agricultural sector is not mentioned at all in the Green Paper; it seems however that this sector - being an important energy consumer - could also make a significant contribution to energy efficiency.

Several Member States expressed the view that as regards the industrial sector, voluntary agreements have, in most instances, proven their worth. The use of (duly monitored) voluntary agreements for industry is therefore to be continued, except in some specific areas where voluntary agreements have proven not to be effective.

II. Main actions under way at national level

Most Member States have already adopted an Energy Efficiency Action Plan in one form or another. In several cases, the renewal or establishment of such a plan is currently underway, and the Member States concerned remark that the presentation of the Green Paper will stimulate the discussions on their national Energy Efficiency Action Plan.

For the implementation of the Action Plans, several Member States have established a dedicated national authority or task force for energy efficiency, which oversees and coordinates legislation pertaining to energy efficiency, or performs other tasks in this context. Many other types of agencies dedicated to energy efficiency exist, at regional or local level. These provide information and/or audits to various target audiences such as local authorities, households, large energy-consuming industrial companies or small companies.

All Member States have legislative instruments in place which address energy efficiency either directly or indirectly (such as legislation pertaining to the reduction of CO₂-emissions). These instruments usually address specifically one or more of the following sectors of activity: energy, construction, industry, households and transport.

Among legislative instruments, many Member States have a system of energy taxes, in which cleaner (e.g. natural gas) or renewable energies are taxed less, and other energies more. In these systems however, provisions often exist which ensure adequate energy availability for lower income groups at appropriate prices. Other legislative instruments prescribe mandatory energy-efficiency measures; this concerns both transposed Community legislation as well as purely national legislation, devoted either fully or partially to the issue of energy efficiency. Several Member States plan the introduction of a "white certificates" system, which one Member State has already introduced. Complementing these legislative instruments, several Member States also have "soft measures" in place, in which aims or targets are set, to be met within a specific timeframe.

Many Member States have subsidies or co-financing schemes for the stimulation of energy-efficiency measures, targeted at industry, households, or both. Targets are often used, which are linked to the use of energy-efficiency measures such as insulation, to CO₂ reduction, power generation, etc.

The public sector plays, and has played, a leading role in implementing energy-efficiency measures in several Member States. It is recognised that the public sector carries a moral obligation to "practice what it preaches".

Several Member States emphasise that it is difficult to "reach" the individual citizen and/or small company, and to motivate them to become more energy-efficient. To improve this situation, taking into account the size and density of the population to reach, information on energy-efficiency is provided by most Member States to citizens and companies, either through general means of communication campaigns or making available information, or through more targeted measures such as energy-efficiency advisers for companies and households.

Other measures in this context include for example energy-efficiency awareness actions in schools or directed at public procurement officers, training and education in general, technology showcasing through theme parks, energy-efficiency pilot projects, international technology twinning projects, etc.

Several Member States devote substantial amounts of funds to research and development aimed specifically at energy-efficiency. This is done both within the framework of Community R&D programmes as well as in a purely national public (universities, research institutes) or private (energy companies) context.

Some Member States note the importance of developing measures having an impact on the energy (mostly electricity) sector itself, either at the generation or transmission stage: improved demand-side management (DSM) to smooth the demand curve and reduce peak load, better use of supply sources (e.g. micro-generation in buildings) located close to the consumer in order to reduce transmission losses.

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III. Priorities for action at Community level

As can be seen from the following sections Member States frequently identify the Community level for certain actions when they consider that the obstacles to be overcome in relation to these actions cannot be fully addressed at the national level.

A. Implementation of adopted Community legislation versus adoption of new legislation

A widely-shared view is that - in the short term - Member States as well as the Commission should concentrate their energies on the effective application and enforcement of several legislative instruments recently adopted by the Community: Directive 2005/32/EC on eco-design requirements for energy-using products, Directive 2004/8/EC on the promotion of cogeneration, Directive 2002/91/EC on the energy performance of buildings and the framework Directive on the labelling of energy-using appliances. It is expected that this will yield substantive energy savings. Many Member States are of the view that this would - in the short term - constitute the most effective use of available resources.

Against this background, most Member States express the view that in general - but in particular in the areas covered by recently adopted Community legislation - the exchange of best practices, gathering of experience and analysis, together with other "soft" measures are to be preferred over more legislation. In any case, any new Community legislation which might be proposed in the medium term should address areas which so far have received little or no attention but which do have a considerable potential.

Nevertheless, some Member States do call for some action in the legislative field, expressing the wish to revise (or "tightening up") the recently adopted Community legislative instruments cited above, because scope for improvement still exists. However, this option is staunchly opposed by others, which argue that firstly, experiences with the new legislation should be gathered before considering amendments, and that secondly, economic actors need legal certainty, not an ever-changing regulatory framework. Member States agree however, on the urgent need for implementing measures in the context of the Eco-design Directive, especially pertaining to lowered stand-by consumption of electrical appliances.

It is furthermore pointed out by some Member States that a certain harmonisation of the levels of the various eco-taxes and eco-excise duties which exist at national level would be welcome. Other legislative measures mentioned by some delegations are: lowering VAT-rates for energy-efficient categories of products - which would enable Member States to reward energy-efficient consumer behaviour, and amending state aid rules so as to permit Member States to stimulate energy-efficient behaviour of enterprises ².

B) Inventory of existing policies and measures, exchange of best practices and benchmarking, further conceptual analysis

A large energy savings potential can still be realised using the exchange of best practices. Existing national plans and the Energy Efficiency Action Plans mentioned in the Green Paper (and currently under consideration in the context of the discussion on the draft Directive on energy end-use efficiency) should be exchanged and discussed. In particular, experiences in the context of the implementation of recently adopted Community legislation should be exchanged.

This should not turn into a bureaucratic exercise however, and therefore such plans should not be presented too frequently, certainly not annually. Related reporting requirements imposed by existing legislation should be integrated where appropriate and possible, in order to avoid overlaps. In addition, taking into account the large responsibility concerning energy efficiency resting on regional and local authorities or other actors, the exchange of best practices should not be restricted to the national level.

Several Member States believe that a necessary accompanying measure would be the gathering of statistical data, and the setting of harmonised energy efficiency indicators and benchmarks (which would of course have to take into account fundamental differences between Member States, for example climate). Such indicators and benchmarks would enable Member States to assess in which area the greatest or most cost-effective energy efficiency potential lies.

² Existing Community legislation on reduced VAT-rates and even proposed revision of this legislation does not allow the use of lower VAT-rates for energy-efficient or energy saving categories of products; existing Community legislation on state aid does not allow Member States to fiscally reward companies which invest in energy efficiency.

In general, further conceptual analysis of energy-efficiency measures should take place at Community level. For example, in a context where some Member States are planning to introduce systems of "white certificates", the experience gathered in using these systems should be studied and analysed in depth at Community level before a Community-wide system of white certificates is put in place. Other Member States warn against the development of many different national systems in the absence of a harmonised Community legislative framework.

C) Coordination with related policy areas and promotion of the energy efficiency agenda

Increased energy efficiency can be achieved using a wide range of policy instruments, and should therefore be integrated into all other relevant policy areas, and at all levels. It is thus important to ensure synergy and consistency with other policy areas (such as environment and transport), and to reduce or remove obstacles which other Community legislation - or proposed legislation - may pose to an increased energy efficiency. In order to achieve this, energy efficiency should be placed higher on the political agenda. Relevant policy areas in this context are: state aid rules, fiscal legislation, the EU's climate change commitments and the role of the Emission Trading Scheme (ETS), the Lisbon agenda.

In addition, energy efficiency should be promoted more vigorously so as to increase its attractiveness: several Member States refer to the "low status" of the concept of energy efficiency. Placing energy efficiency higher on the European political agenda could contribute to motivating others in the public and private sector - down to the individual energy consumer - to invest in energy-efficiency measures and to adopt more energy-efficient behaviours.

D) Access to investment and funding

The access to private and public capital to finance cost-efficient energy-saving measures should be improved. Even if a particular energy-efficiency measure is cost-efficient, third-party financing remains necessary, in particular if the payback period is long; facilitating such financing at all levels (including for citizens with low incomes) is a priority. A reflection at Community level, and an exchange of experiences and best practices would already be a valuable means of improving this situation. Further suggestions made by Member States in this context are: the establishment of a Community non-profit investment organisation, the

use of Community funding such as the Structural and Regional Development funds for energy efficiency measures, and financial legislation for third-party financing.

E) Transport

There is certainly scope for action at Community level with regard to transport, because Member States agree that the transport sector holds a large potential for increased energy efficiency. Among the ways to decrease the amount of energy used by transport in general are mentioned:

- stimulate the use of public transport;
- stimulate intermodal and multi-modal transport;
- progress towards a modal shift (the transfer of transport by road to more energy-efficient means of transport such as train or boat);
- increase the fuel-efficiency of vehicles (by legislation or voluntary agreements with industry concerning norms and standards, R&D, and by using public procurement policy to push demand for the most energy-efficient vehicles);
- the development of mobility plans (at all appropriate levels);
- changing user behaviour.

However, it remains a subject for discussion which of these measures should be a priority at Community level, because Member States' views on this diverge.

F) Research and Development

Many Member States support an increased emphasis on Research and Development of energy-efficient technologies and products, notably within the framework of the Seventh Framework Program for Research and Technology. Some Member States even call for increased funding for this area. Among the elements which deserve attention by Member States in this context are:

- the successful translation of R&D results into marketable products;
- improving the efficiency of energy production and distribution;
- traffic telematics and intelligent (intermodal) logistics.

G) The international context

The promotion of energy efficiency at a global level, notably towards developing countries, is imperative for a number of reasons. The reduction of pollution and climate change are the most important, taking into account that these are global problems requiring global solutions, and the fact that in large parts of the developing world there is a relatively large potential for energy efficiency where results can be achieved at a smaller cost than in the EU. The Kyoto protocol framework forms an appropriate context to promote energy efficiency. Furthermore, the exchange of best practices and information on successful and promising energy-efficiency practices should take place on a global level, with both countries and international organisations such as the International Energy Agency (IEA).

As regards the competitiveness of European industry, Member States mentioned the following two factors: firstly, the cost of some energy-efficiency measures or policy instruments could damage the competitiveness of European industry if the EU would be the only one to introduce these measures or instruments (for example, stricter norms or some forms of energy taxation); secondly, the energy-efficiency norms which were developed at EU level (and which will be made even stricter in the future) should form a basis for agreement on energy-efficiency norms at global level - with the potential accompanying competitive advantages for companies already complying with the EU norms. In this respect, the possibility to limit the importation of low-efficiency products should be considered.