



Energie-Cités' Opinion

GREEN PAPER on Energy Efficiency

Energy Efficiency is a stimulus for employment and innovation and the essential role of local authorities must finally be recognised

October 2005



Energie-Cités' Opinion on

« GREEN PAPER on Energy Efficiency or Doing More With Less »

Adopted by the Energie-Cités' Board of Directors, 26 October, Sofia (BG)

Note. *Energie-Cités will deal with questions arising from the Green Paper which fall within its area of expertise in a subsequent document. Reacting to these questions remains secondary, however, to a discussion of the underlying theme of the Green Paper, which is the purpose of the present opinion.*

1 - General observations

1.1 - A welcome initiative...

Energie-Cités applauds the publication of the Green Paper on Energy Efficiency. Such an initiative had been long awaited. Given the right conditions, the current climate/energy situation can provide an opportunity for players and citizens at all levels to get involved in debate and action on a sustainable energy future and- by implication- on the future of our society itself.

Energie-Cités supports the Energy Commissioner's intention to make energy efficiency his personal priority, thus contributing to its success. We are not oblivious to the existence of opposing forces, which are never overtly voiced but concealed under glib statements on energy efficiency, while their proponents remain happy for the status quo to continue. Too many opportunities to improve energy efficiency have been squandered in the past. We want to avoid the adding of this opportunity to that list.

In the light of past experience, Energie-Cités will not settle for half measures which fail to live up to the challenges we face today in Europe and the wider world.

1.2 - ...to be assessed with an eye on the past

Without going back as far as the Green Paper for a European Union Energy Policy published in January 1995, several past European Commission initiatives dealing with energy efficiency can be noted:

- > Action Plan to Improve Energy Efficiency in the European Community (1998-2000)
- > Green Paper: "Towards a European Strategy for the Security of Energy Supply" (2000-2001)
- > Stakeholders' Consultation on the Framework Programme for Competitiveness and Innovation (CIP).

While appreciating that the omission of the energy issue from the EU treaty necessarily limits the European Commission's ability to take initiatives, Energie-Cités has for over 10 years drawn constant attention to the existence of failings and shortcomings through

its reactions to the above documents on energy efficiency. Some of the more notable of these are:

- > The underestimation of the issue's implications and of the absolute necessity for the EU to bring about much more economical patterns of energy use;
- > The lack of energy use models to show the sensitivity of end consumption to proposed measures;
- > The lack of compulsory figures-based targets;
- > The inadequacy of the proposed means of meeting objectives in relation to the objectives themselves, whether simple guidelines or actual targets;
- > The low level of integration of energy efficiency into EU sectoral policies;
- > The overestimation of the leverage effect of legislation in isolation, without taking into sufficient account the conditions necessary for its implementation;
- > The failure to adopt a local and regional stance, despite this being the most appropriate way to tackle the problems at issue;
- > The underestimation of the need for local capacities to implement policies at local level;
- > The underestimation of the importance of working through networks, both national and European, to broaden the scope of initiatives;
- > The lack of engagement with new Member States - necessary long before they achieve such a status- and applicant countries with regard to the work needed to bring their energy performance levels into line and thus reduce their handicap in terms of economic, social and environmental policies;
- > The lack of attention given to fuel poverty, as experienced by numerous European citizens in old and new Member States alike;
- > The consideration in the decision-making process of the viewpoint of those on the supply side of the energy industry rather than the demand side;
- > The failure to appreciate the basic differences between demand-based policies (involving a wide range of different stakeholders) and supply-based policies, which deal mainly with networked industries and thus require a radically different approach.

Extract of the Energie-Cités' opinion on Europe Intelligent Energy & Competitiveness and Innovation Programme (Lisbon Strategy) – February 2005

A policy with a stronger focus on demand management and renewable energy requires one to redirect attention towards a different set of players. A policy nearly exclusively oriented towards the supply side is compatible with a small number of specialised political and economic decision-makers and with centralised decision-making mechanisms. On the contrary, a policy focussing on the demand side and the development of a decentralised production must involve a large number of "decision-makers" from all levels, from researchers to businesses, local authorities and consumers. These decision-makers have little – and sometimes, nothing to do with the energy sector, but their decisions have an influence on final energy consumption. Any demand-oriented energy policy would end in failure if no actions are taken towards and in collaboration with them.

What is needed is a change of paradigm: a demand-driven culture must substitute for a supply-driven culture. To put it plainly, each player, each citizen and also each company manager and each mayor must be aware of the energy saving potential they are accountable for and be encouraged to set up "action plans" to exploit this resource. It is therefore along these lines that both financial and human resources should be reallocated.

In this context, local authorities have a pivotal role to play which differs from the role played by businesses. Municipalities are closer to their citizens and are involved in everyday activities, they manage the urban environment and are responsible for building, transport and many other activities. They are, therefore, at the most suitable level for the implementation of sustainable energy policies.

In addition,

- > the representation of Member States on the Council by economy and/or industry ministers, who are in close contact with energy suppliers and remain generally impervious to the demands of other stakeholders, does not facilitate the emergence of a new approach to energy issues.

Like many others, Energie-Cités has always used its experience and knowledge at local level to make constructive suggestions on subjects falling within its remit.

It should be acknowledged that a number of the recommendations in the above-mentioned documents have been legislated upon, through the Buildings, Cogeneration and Eco-design directives and the Energy Efficiency and Energy Services draft directive. The people responsible for these initiatives deserve our congratulation. Likewise, the Energy Intelligent – Europe programme has supported and continues to support useful initiatives, as does the FP 6 through CONCERTO and CIVITAS.

Such initiatives are a first step. However, they fall dramatically short of what is required in 2005 to reduce the precarious energy situation facing Europe – at national, regional and local levels - and to meet current and future obligations on climate change.

1.3 - Ambition and dynamism in short supply

Energie-Cités' analysis of the Green Paper on Energy Efficiency or "Doing More With Less" necessarily takes the arguments listed above into consideration. It is our wish that the European Union's policy on energy efficiency should succeed, and therefore that it should avoid repeating the mistakes of the past.

The Green Paper's first sentence invites criticism through its manifest lack of ambition and dynamism. It reads thus: *"Even without high and volatile oil prices, which have led to a downgrading of the prospects of economic growth in Europe, there would be very good reasons for the European Union to make a strong push towards a re-invigorated programme promoting energy efficiency at all levels of European society"*

The second sentence reads as follows: *"(...) According to numerous studies the EU could save at least 20% of its present energy consumption in a cost-effective manner (...)"* This is a vague statement with nothing of the objective about it.

In reality Europe has no choice but (far from simply having "good reasons") to make a strong push towards a re-invigorated programme promoting energy efficiency and to fix a target of 20% for 2020, a way of involving all members of European society in the implementation of a new model for energy efficiency. Far from being a technical or technocratic policy dictated by constraint, the creation of an Energy Intelligent Europe is a challenge with the potential of firing the enthusiasm of the people of Europe, starting with the young.

We should waste no time in stating it loud and clear, without beating about the bush. Failure to do this will result yet again in a de facto continuation of old policies while energy efficiency is officially trumpeted as the new priority. And Europe's people will have been bypassed in both debate and decisions. In the current context, the opportunity to launch a major, pan-European energy efficiency debate based on subsidiarity at every level could provide a fine, much needed example of bringing Europe and the citizens.

Unfortunately, the spirit of the Green Paper does not convey these imperatives.

1.4 - There is a lack of clear vision about the future which hinders the development of a strategy

Similar reticence can be seen in the fact that the Commission has yet to produce scenarios which:

- > Demonstrate the available alternatives
- > Propose/ decide upon a "direction" for EU and Member State policies
- > Test the sensitivity of proposed measures in terms of energy performance gains
- > Test the cost effectiveness of proposals using differing energy pricing levels which take current trends into account
- > Establish the basis for a broad European debate.

Furthermore, inadequate coverage is given to the impact in energy terms of economic development in China and India on access to fossil fuels, a phenomenon which is radically changing the global energy scenario, and by extension that of Europe. It will make us increasingly disadvantaged in terms of physical supply, rising prices, fuel poverty, war risk, etc. Upon considering that we are moving from a state of relative balance based on the historical situation of 1/4 of the world's population consuming 3/4 of its energy resources to a situation of almost 100% demand, no one can deny that everything is set to change. Why not say so?

2 - Chapter by chapter observations

In addition to the "general observations" made above, Energie-Cités' chapter by chapter analysis of the document is presented in the tables below.

Chapter by chapter analysis of the Green Paper – Energie-Cités – August 2005

Chapter	Positive aspects	Shortcomings and risks
A	<p><u>The obstacles</u> have been identified well: information, training, price, taxation, set of players, etc. The need for action by public authorities has also been highlighted.</p>	<p>No mention of:</p> <ul style="list-style-type: none"> - the lack of adequate human resources at local level - the importance of involving stakeholders from across society, including those outside the energy sector, as these are ultimately the people who determine consumption. <p>Underestimation of the <u>cultural dimension</u> (despite its being mentioned) of energy efficiency, with players who are quite different from those on the supply side.</p> <p>No <u>distinction between sectors</u> which have been liberalised (efficiency being stimulated by competition) and those which remain protected, such as tertiary public services and social housing, which need to be considered apart.</p>
B – 1.1	<p><u>Better proposed integration of energy efficiency in Community sectoral policies</u> (eg. R&D, Lisbon Strategy, taxation, state aid, public purchasing, cohesion policy, EIB)</p>	<p>Arrangements need to be made to monitor these measures, including at DG TREN staff level, so that they do not simply remain good intentions.</p> <p>The section on the <u>cohesion policy</u> could be improved by:</p> <ul style="list-style-type: none"> - underlining that the proposed measures would greatly facilitate the alignment of <u>new Member States</u> in terms of energy efficiency. This requires targeted action. - giving special attention to those citizens subject to <u>fuel poverty</u>, especially in new Member States and candidate countries, where Europe is synonymous with higher household energy prices. This will worsen as prices rise, and can be combated by improving energy efficiency. Technical and heating improvements to <u>social housing</u> should be made eligible for Structural Funds financing. <p>R&D into energy efficiency matters should be developed, while bearing in mind that <u>considerable progress can be made</u> using the techniques and materials already available.</p>

Chapter	Positive aspects	Shortcomings and risks
B – 1.2	<p><u>Specific Community energy policy measures</u> are proposed (eg. buildings, domestic appliances, fuel consumption of vehicles, informing consumers and professionals). These are essentially extensions of initiatives already in place.</p>	<p>It is essential to <u>monitor and evaluate initiatives</u> that have been already launched, with emphasis on their implementation and without relying exclusively on government reports.</p> <p><u>Energy labelling</u> (ABCDEFGF) is mentioned but not accorded the attention it deserves. This should increasingly become:</p> <ul style="list-style-type: none"> - an obligatory item of information on all products (including food) and constructions - enabling the consumer to make purchasing choices based on energy performance. <p>This is a <u>simple, familiar, non-bureaucratic</u> system.</p> <p><u>Information and training</u> should not be restricted to <i>energy sector</i> professionals (1.2.4) but extended in particular to those working <u>outside the energy field</u>, such as architects, construction companies, property developers, planners and infrastructure managers. This is where a change of paradigm is needed as regards energy efficiency players.</p> <p>Information and training need to be provided <u>as close as possible to the local level</u>, as well as loud, clear signals at national and European levels to make citizens and stakeholders more receptive to the issue.</p>
B – 2	<p>The <u>national level</u> is deemed to be the most “appropriate” level. This is all the more true given the absence of the energy issue in the Treaty. This means that Member States should therefore assume full for the implementation of the future Action Plan.</p>	<p>However, it is <u>worrying</u> to note the lack of urgency in the Member States- often running to major reservations- concerning Commission initiatives, and this despite Parliament’s stance. This is evident, for example, in the outright refusal of figures-based targets in the adoption of recent directives.</p> <p>The question of <u>Commission supervision of implementation of European directives</u> is not tackled, despite current failings in this area (eg. implementation of the Buildings directive). Formal transposition alone is not enough; it is only the actual implementation at local level which means something to citizens and energy players.</p>

Chapter	Positive aspects	Shortcomings and risks
B – 2.1	The extension of the <u>regulators' role in improving energy efficiency</u> is a welcome move. Control over competition alone is not enough to protect consumers if it does not also involve the management of physical energy consumption, especially for households affected by fuel poverty (cf. OFGEM in the UK).	There is a risk that the <u>culture of certain regulators</u> will impede this measure (eg. CRE in France).
B – 2.2	The promotion of <u>energy services</u> as part of this proposal is a useful measure. It follows the directive's stance.	This is a 'good' example of the <u>attitude of Member States and large energy companies</u> when it comes to converting words into positive action : they are opposed to bonding figures-based targets.
B – 2.3	The <u>promotion of distributed generation</u> as an energy-efficient concept is especially welcome. It heralds a new energy paradigm in which consumption and production are more closely integrated, through bringing energy production and energy consumption sites closer together. This is a system which strikes us as being more appropriate, more reliable, less expensive in terms of network investments and placing greater responsibility on the consumer than centralised systems.	There is a risk that in <u>some countries</u> with a tradition of centralisation, and/or where the practical implementation of European legislation is at odds with the spirit of the initial directives, the process of distributed generation will be hampered.
B – 2.4	<u>White certificates</u> (energy saving certificates) are to be encouraged; this is definitely a worthwhile approach.	However, care should be taken to avoid the disruption of the <u>functioning of the market</u> by companies in a position of virtual monopoly, who could see the scheme as an opportunity to strengthen customer loyalty.
B – 2 (general)		The measures listed in section B2 mainly concern energy sources distributed over transmission grids such as <u>electricity</u> : even when cogeneration is referred to and in the only instance when heating networks are mentioned it is under the sub-title "electricity generation". The <u>heat</u> issue and the more efficient use of traditional fuels such as oil and coal should be addressed.

Chapter	Positive aspects	Shortcomings and risks
3	<u>Industry</u> – no particular comments	
4	<u>Transport</u> (non urban) – no comments other than to applaud the forthcoming initiative on air traffic.	
5	<p>In this chapter, <u>the regional and local levels</u> are given equal weight to other levels. This is a welcome piece of genuine progress.</p> <p>The only proposal here (5.1, despite the non-existence of 5.2!) concerns <i>specific financing instruments</i>. It recommends the setting up of <i>an EU working group with stakeholders, involving financing institutions like the European Investment Bank and other commercial banks, regional funds, and Member States' representatives. They could develop proposals as soon as possible on how to rearrange existing financing mechanisms, including focused organisation of clearinghouse-type instruments, to review the investment potential in small-scale sustainable energy projects, and consider ways to overcome barriers to investment, including the role of energy companies, recovery of energy bill savings, pricing, etc..</i></p> <p>Energie-Cités shares the belief that a need exists to facilitate access to financing for small and medium scale projects and would be ready to participate in such an initiative.</p>	<p>Local authorities are not yet given enough importance in view of their responsibilities in developing energy efficiency policies. They should be considered as places where:</p> <p><u>Local areas are made subject to proactive planning</u> through urban development, land use, traffic and transport plans. They are the only place where the traditional energy domains- buildings (housing and offices) transport and industry- are to be found under one roof. The way they are combined determines the energy performance of the local area:</p> <ul style="list-style-type: none"> - how can solar panels be installed on roofs if the building permit does not allow such installation? - how can "low consumption" areas be defined without the active involvement of local decision-making bodies? - what of plans for cycle and pedestrian routes and public transport? <p>Without local authorities this is simply whistling in the wind! This is why they should be accorded greater recognition in the Green Paper and other Community documents as well as representation at consultation bodies such as the <i>European Sustainable Energy Forum</i>.</p> <p><u>Initiatives are taken</u>, pilot schemes launched and possibilities demonstrated, showing they are not just somewhere at the end of a line where decisions made at higher levels are executed.</p> <ul style="list-style-type: none"> - are not the German bill on renewable energy sources and the directive which followed the outcome of the practical experiences of towns and of Stadtwerke? - does not the Spanish bill on solar heating have its origins in the Barcelona solar thermal ordinance?

Chapter	Positive aspects	Shortcomings and risks
5 (cont.)		<ul style="list-style-type: none"> - is not the local dimension of the Bulgarian bill on energy efficiency inspired by an initiative taken by a network of towns? - did not positive energy buildings at a large scale - originate from Freiburg im Breisgau? - is it not the towns of Dunkirk and Grenoble which annually organise the biggest meetings in France on the subject of energy efficiency? - is it not a network of towns which makes information on the energy performance of municipal buildings available throughout Europe? - Do not towns in Denmark offer a model of sustainable energy supply through heating networks? - are there any countries where cogeneration has developed without the decisive participation of towns? - is not London a pioneer in the field of urban toll systems? <p><u>Close contact can be established with the citizens</u> concerning everyday issues such as the increase of fuel poverty, through information, advice, support for initiatives, the creation of <i>sustainable energy communities</i> or <i>energy forums</i>, etc..</p> <p><u>Investments are made and public procurement</u> for appliances, buildings, transport systems, services and infrastructure is arranged, with the potential to strengthen the market in energy efficiency.</p> <p>Local authorities nevertheless need to <u>improve their initiative-taking capacity at the individual and the collective level</u>. They:</p> <ul style="list-style-type: none"> - are not sufficiently aware of their responsibilities in the field of energy efficiency; time needs to be spent on informing and educating so as to expand current horizons, rather than relying on pioneering towns and cities - <u>do not usually have adequate human resources</u> to meet their ever-increasing obligations. It is essential to appoint <u>local teams</u> to staff agencies, information centres and 'energy teams' at local community administration level, particularly in countries with a tradition of centralisation and/or planned economies, where their absence has a particularly damaging impact. - <u>are not sufficiently aware of other's experiences and performance</u>. It is essential to promote networking among them and their active participation in existing specialised <u>networks</u> as well as supporting the activities of such networks, on a national, regional (zone-based) and European level. <p>The following should be included in the <u>national Action Plans</u> which have been</p>

proposed for Member States:

- a regional and local section including the measures to be taken at these levels to support initiatives
- the drafting of "Local action plans to promote sustainable energy and combat climate change".
- incentives to organise local energy forums to encourage the development of sustainable energy communities.
- measures to encourage networking between local authorities at national level
- support for the formation and empowerment of local teams (or 'ambassadors') for the promotion of intelligent energy
- financial support mechanisms customised for the different categories of consumer and which are as unbureaucratic as possible
- specific initiatives for households affected by fuel poverty
- legal urban planning provisions to promote intelligent energy.

Support from the Community is essential if new kinds of initiative are to be taken, new technical, logistical, communications and educational possibilities explored and good practice exchanged, and so on. However, the crux of the matter lies

- not only in the innovative or pioneering nature of initiatives
- but in the widespread dissemination of tried and tested measures.

It is difficult to believe that, despite their obvious value in a 'piloting' sense, the existing Commission-backed initiatives such as CIVITAS, CONCERTO or those under the EIE programme, are capable of fulfilling needs and expectations. A wider-scale implementation is needed, incl. through Structural Funds

Chapter	Positive aspects	Shortcomings and risks
6	<p>In <i>A strategy open to the world</i> it is proposed that the EU should take the lead globally in terms of energy efficiency, including where standards are concerned. We can but support this intention, which is intrinsic to our own security of supply.</p> <p>We also unreservedly approve of the recommended inclusion of energy efficiency in the <i>Neighbourhood and Development policies</i>.</p>	<p>The EU is lagging behind other countries and groups of countries in certain areas. To move from the current situation to one of providing an example requires a significant qualitative leap forward which would show our intention to boost our energy efficiency policy.</p> <p>Until now this is a dimension which has suffered relative neglect:</p> <ul style="list-style-type: none"> - urgent action to increase energy efficiency is called for in neighbouring countries such as the Ukraine and in the Balkans, where people are afflicted by catastrophic levels of fuel poverty.

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