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Comments on the Commission's communication "Action plan for Energy Efficiency: Realising the potential"

Finnish Energy Industries (ET) supports actions towards energy efficiency. According to a number of analyses, energy efficiency provides benefits for all important objectives in energy policy: competitiveness, security of supply and environment. ET thus welcomes the publication of "Action Plan for Energy Efficiency: Realising the Potential", published in October 2006 by Commission of the European Communities.

ET agrees that all energy production and consumption sectors should join the effort to achieve the energy saving targets, and the Action Plan for Energy Efficiency carries many worthwhile suggestions. However, the content of existing action and regulation towards energy efficiency at both national and EU level should also be acknowledged when the action plan is evaluated. ET's general principles regarding the action plan are

- All policies towards energy efficiency should be coherent with the development and action towards common European energy markets.
- Multiple overlapping steering mechanisms should generally be avoided and the subsidiarity principle should have priority if possible.
- EU emissions trading scheme is already a very strong instrument promoting energy efficiency and covering almost all electricity and heat generation installations across Europe. Additional EU-wide regulation should be kept as limited as possible for the ETS-companies. ET supports the action plan for being consistent with this.
- As the action plan states, appropriate and cost-reflective price signals are essential for improving energy efficiency and for overall economic efficiency.
- Concerning electricity and heat production and distribution principles, ET doesn't consider mandatory targets for energy conservation a relevant approach. Instead ET prefers the voluntary energy efficiency activities, including voluntary agreements for energy saving and energy auditing. These have been successfully used in Finland and would merit wider use.
- The cost-efficiency of activities in different sectors should be evaluated in order to target the actions correctly. Roles and responsibilities should also be clear: energy companies provide the end-users with knowledge and advice, end-user execute the efficiency measures.

Comments on the "Annex: Proposed measures"

1. Dynamic energy performance requirements for products, buildings and services.

• Implementation and amendment of the Energy End-Use Efficiency and Energy Services Directive (2006/32/EC)

- prepare a Memorandum of Understanding on energy efficiency in co-operation with CEER through ERGEG

If this measure is implemented, ET wishes to be heard during its evaluation.

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– **assess a Community-wide White Certificate Scheme**

Like the action plan, ET supports measures that give appropriate and cost-reflective price signals that improve energy efficiency. On the question of a European white certificate scheme, ET believes that existing national experiences should be analyzed and compared before any extension. The same applies for the impacts of white certificate schemes to common European energy markets, energy end prices and the EU emissions trading scheme. Furthermore, the introduction of certificates should be consistent with existing measures, bring an added value, and be cost effective – i.e. the least bureaucratic possible. Multiple overlapping steering mechanisms should generally be avoided and EU-wide regulation should be as limited as possible.

Any discussion on white certificates shall not neglect that calculations of savings shall include the whole energy chain from production to end-point use in order to make sure no point of the energy process is neglected.

– **seek agreement on more stringent and harmonised criteria for voluntary agreements to significantly increase energy efficiency**

Finland has a long experience on voluntary energy efficiency agreements, first agreements were signed in the early 1990's. The energy efficiency agreements have played a decisive role in raising Finnish energy efficiency to the present level. The agreements take into account the actors' different starting points and are reasonable in terms of administrative costs. The flexible framework has proven to be clear and functional. Binding or homogenous targets might have reduced the number and motivation of companies and communities joining the agreements. ET supports energy efficiency agreements on a voluntary basis.

– **issue a mandate for a European norm (EN) for energy audits**

ET supports the creation of energy audition programs. Finland has had from 1992 an energy audit system that covers energy generation and distribution, industrial energy use and energy use in municipal as well as private buildings. The audits' coverage has been very good, for instance 65-70 % of total industrial energy use from 1992 to 2005. In service sectors and industry alone, these audits contributed in 2005 to annual savings of 1 TWh (lifetime for savings 6 years) or 30 M€. There is a broad acceptance of the system by both the clients and the auditors, and new period of audits for 2008-2016 is being planned.

– **propose more detailed metering and billing requirements**

ET sees that if more detailed metering and billing requirements are proposed in 2009, it should be made certain that all the requirements are technically possible, financially reasonable and proportionate in relation to the potential energy savings (ESD article 13.1).

It is important that energy end-use billing is presented in clear and understandable terms. Feedback from Finnish final customers has underlined that electricity bills are often considered difficult to understand. One reason is too much content in the bills. The bill, as the name states, should primarily be for money transactions. It naturally has information on energy prices and consumption of energy as grounds for payment. On the other hand, additional reports like comparisons of energy consumption and contact information to different bodies and websites (ESD article 13.3) should be kept separate from the bill. The energy bill should be kept as simple as possible.

ET does consider these additional reports important in improving energy efficiency. Alternative media for sending the reports should be investigated. For instance with electronic reports, it would be convenient to include links to customer-specific extranet websites with additional consumption, metering and billing information.

Also, the most detailed metering and billing requirements should only be proposed to those customer groups who have potential to save energy in the long term in relation to the companies' costs related to metering and billing. (ESD article 13.1).

- **Implementation and amendment of the Energy Performance of Buildings Directive (2002/91/EC)**

The plan limits itself to the boundaries and building-bound possibilities whereas actually the important point is to consider the overall resource consumption – what matters is not so much kWh consumed/saved inside the building but the resources used along the whole energy chain.

However, ET believes that for the moment new restricted measures should not be considered before we have experience and analysis of the results. The directive must be implemented as from 2006, though transition period of three years is allowed for some parts of the directive.

2. Improving energy transformation

The plan recognises high losses that feature the European energy systems but misses a part of the picture considering only condensing installations. CHP installations reach an efficiency over 80% and therefore must be at the core of the ambition to raise efficiency in Europe.

District-heating and -cooling will provide a heat/cooling load (demand) for the expansion of the technology. It is therefore in this direction that the plan should look into: How to get investors move to district heating and cooling networks?

- **develop minimum efficiency requirements for new electricity, heating and cooling capacity lower than 20 MW and consider if necessary such requirements for larger production units**

If necessary, the minimum energy efficiency requirements for small capacity should be developed in the similar manner than the reference documents for best available technology. For larger production units there are already this kind of BAT reference documents covering the generation. Emissions trading scheme also encourages to energy efficiency in the most cost-efficient way in larger units which suggests that these kind of requirements are unnecessary and over-lapping.

- **develop with supply industry guidelines on good operating practices for existing capacity**

Good operating practice is already a part of the BAT principle of the IPPC directive. The BAT reference documents already cover these principles. If there is a need for more thorough development of principles it should be done in the context of the BAT reference documents in order to avoid over-lapping measures.

- **issue a mandate for a European Norm for a certification scheme for heat and electricity plant engineers**

ET considers this kind of certification unnecessary. It is in the responsibility of the plant operator to educate and train their personnel to operate the plant according to the legislation and licenses of the plant including the energy efficiency. In Finland the vast majority of the generation capacity is connected with the energy efficiency agreements demanding energy audits and systematic development of energy efficiency. From this viewpoint there is no need for additional certification schemes.

- **agree guidelines in co-operation with CEER through ERGEG on good regulatory practices to reduce transmission and distribution losses**

The action plan mentions that losses in the transmission and distribution of electricity are often as high as 10%. With Finland this is an exaggeration, as our transmission and distribution systems only have losses of about 4%. If regulatory practises to reduce losses are set, it should be acknowledged that Finland has less potential to lower losses than some other EU members.

- **propose a new regulatory framework for the promotion of grid access and connection of decentralised generation**

ET sees that when grid access and connection of decentralised generation is promoted, it should be done through direct state subsidies to companies that generate decentralised energy. As with all electricity generation in Finland, the expenses of grid access, connection and the possible restructuring of the grid for the generator should be paid for larger than marginal part by the decentralised generation companies. Electricity distribution companies in Finland can only receive income from their customers. If there are regulatory restrictions on billing the decentralised generation companies, it could be reflected in all end-user electricity prices of this specific distribution area. As for instance wind power generation in Finland is mostly in remote areas, these kinds of regulatory restrictions could lead to regional inequalities in end-user electricity prices.

Additionally, it should be noted that decentralised energy generation is not automatically efficient. Indeed at the moment, the vast majority of decentralised energy generation is less energy-efficient than centralised energy generation.

- **Implementation and amendment of the Directive on the Promotion of Cogeneration (CHP) (2004/8/EC), including**

- **accelerate harmonisation of the calculation methods for high-efficiency CHP**

A simpler and more harmonised approach at EU level would be welcome. A high-quality project involving experts (CHP/DHC experts) should be set up to look into this technical question (thermodynamics). But coordination should be on the agenda now, at a time when the comitology process dealing with the Directive is not finalized – and precisely dealing with the question of calculations methods.

- **issue a mandate for a European Norm (EN) for certification of chief engineers for CHP plants**

Operators have a strong economic incentive to run plants in the most efficient way with highly-qualified workforce; ET does not see the added value of such a proposal. Plants are very specific and such a certification should therefore be quite general: What would be then the added value? Moreover, technical progress may run faster than the time required to update European norms.

The question of training is though relevant. More information should be made available on CHP/DHC in technical universities.

- **reach agreement on a harmonised electronic Guarantee of Origin**

As long as the calculations methods are not harmonised, it is unlikely that guarantees of origins will bear any meaning. We also warn on the issue of CO₂ savings – CHP Directive compare on a fuel basis, so indicating CO₂ may be misleading for the final users.

- **propose stricter requirements for market regulators to promote CHP**
The promotion of CHP falls primarily under the responsibility of governments – though regulators play a certain role in tariffs setting.
- **propose to require Member States to identify heat demand suitable for CHP**
The study of national potentials is already a part of the Directive.
- **propose that Member States be required to identify in national potentials waste heat potential**
It is a good idea. However the framework of the Directive is not the relevant one to deal with the potential for waste heat.
- **propose minimum efficiency requirements for district heating based on new norm**
A CEN standard related to the measurement of the performance of district heating already exists. What would be welcome at European level would be the setting of efficiency requirements for all heating systems (gas boilers, electric heating, district heating etc..) using the comprehensive methodology available in the CEN standard that covers all aspects of the energy chain – from production to delivery to end-users.
- **seek to adopt a European Norm and a minimum efficiency requirement for micro CHP**
ET supports this idea.

4. Financing energy efficiency, economic incentives and energy pricing

Question of heating and cooling networks is key. Heat is the largest consumer of primary energy in Europe. Increasing efficiency means developing heat recovery (CHP but also use of industrial surplus heat and heat from waste incineration) and therefore the networks to distribute that heat. Specific attention should be given to these infrastructures that are very capital-intensive in a current business environment that only values short-sighted quick return on investments.

- **prepare a Green Paper on indirect taxation (2007) and, subsequently review the Energy Tax Directive to incorporate better energy efficiency and environmental considerations**

Industrial competitiveness for manufacturing as well as energy industries is a key question for the European energy policy. At present energy price formulation is a complex combination of trade and other global policy, market mechanism and economic instruments. EU should ensure that economic incentives, such as emissions trading, taxes and subsidies are cost-effective, non-discriminatory inside EU and not overlapping with each other.

On the other hand, increasing the overall energy tax burden will decimate the competitiveness of the EU and make it even more difficult to achieve the Lisbon growth and jobs target. Energy taxation whenever it is used, should always lead to more sustainable, efficient and competitive energy structure in the long term. Now the valid energy tax directive gives all the tools to the Member States for good and competitive energy taxation. Thus, ET doesn't see any need to amend it.

5. Changing Energy Behaviour

- **adopt energy efficiency Commission procurement guidelines (2008), promote energy management schemes, guidelines on how to promote energy-efficient products, and training toolkits for industry, SMEs and the public sector and present IPPC47 reference document**

ET supports the idea of setting guidelines for all these areas. However the guidelines, as the name states, should not be mandatory.

6. International partnerships

The EU has engaged dialogue and cooperation with Russia and South-Eastern Europe that should be supported. In these regions, the district-heating sector plays a key role and in some cases would need both funds to gear up networks' update, and the setting of an appropriate regulatory network to attract investments. It is important that this dialogue continue and intensify on the question of energy efficiency as higher efficiency will benefit the EU in terms of secure supply, environment and economic activities. More credits should be committed for local energy projects involving district heating, and streamlined procedures for access to funds should be aimed at.

Just a hint regarding the impact of further action on renovation of district-heating networks: in Russia district-heating networks' gas consumptions represents 1/3 of total energy consumption and 150 bcm gas/year (import is 180) – figures IEA. At a time when there are concerns on Russian ability to meet gas demand, the refurbishment of these networks would indeed lead to serious savings and a win-win situation for Russia and its trading partners.