

1 March 2017

CLEAN ENERGY FOR ALL EUROPEANS PACKAGE

Proposal for a revised energy efficiency Directive (COM(2016) 761 final)

Proposal for a revised energy performance of buildings Directive (COM(2016) 765 final)

Fortum's key messages:

- In a modern and low-emitting energy system where an increasing share of power production is characterised by intermittency, when energy is consumed is more important than how much energy is consumed. Energy efficiency policies and legislation should be designed to reflect this paradigm and focus more on measures to accommodate the ever more flexible power markets rather than imposing static savings obligations like the Commission is proposing in the Energy Efficiency Directive (EED) (Art. 3).
- Policies and policy measures should be drafted carefully in order to avoid policy overlaps, i.e. a situation where conflicting or parallel measures end up diluting the effect of each other. Raising the energy efficiency target from the 27% to 30% (Art. 1(1)) to speed up decarbonisation is welcome, provided that this increased ambition is also reflected in the ETS cap. Otherwise, this higher target will inevitably lead to building the EUA oversupply and diluting the effect of the CO2 price steering. This negative effect has also been noted in the Commission impact assessment, which shows that raising the energy efficiency target from the originally agreed 27% to 30% will lead to a 35% lower CO2 price and, as a consequence, higher utilisation of coal. Unfortunately, the Commission doesn't propose any corrective measures to deal with the situation.
- For this reason, the European Parliament's proposal in the context of the EU ETS revision on 15.2.2017 to address the interaction of the EU ETS with other Union-level and national climate and energy policies, including how those policies impact the supply-demand balance of the EU ETS, is extremely helpful. The European Parliament proposes also to define measures to account for the impact of overlapping policies on the supply-demand balance of the EU ETS. The EED should similarly include provisions to assess annually the overlap between the EED and ETS and to recalibrate the ETS supply accordingly, either by placing a corresponding amount of emission allowances in the Market Stability Reserve or by cancelling them. Provisions to rectify the unintended effect of such overlaps should also be included in the draft Governance Regulation (COM(2016) 767 final).
- Each policy measure should focus on the subject matter of that proposal. For example, energy efficiency legislation should not be used to promote the use of renewable energy in buildings, as the proposal is now suggesting (Art. 7(2)(e)). Prioritising solutions based on renewable energy

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might lead to a less efficient outcome from an energy efficiency point of view. It is also important to give equal treatment to distributed and self-generated renewable electricity.

- Regarding the saving obligation (Art. 7(1)), it is also important to leave sufficient flexibility for member states to implement the energy efficiency target. Member states should maintain the possibility to choose between the 1.5% supplier obligation scheme or alternative measures (like voluntary agreements).
- National measures to implement the energy efficiency target should in both cases primarily focus on non-ETS sectors, while the EU ETS should be the primary tool to drive energy efficiency improvements in sectors covered by the EU ETS.
- The proposal emphasises the role of heat meters and cost allocators as a crucial way to lower the heat consumption by flat owners in buildings (Art. 9a, 10a, 11a). Although metering can be useful in directing user behaviour in single-family houses, accurate metering is economically and technically more complex in multifamily houses, as heat is transferred in various ways (directions) between the dwellings, hence making flat-specific measurement unreliable and costly. Also, taking into account the EU ambition for Nearly Zero Energy Buildings (NZEB), it is hardly feasible to require installations of heat meters in all new/renovated buildings to measure the trace amounts of thermal energy. The focus on the measurements should be at the customer (building) level, i.e. with whom the contractual relationship is, which, in the case of district heating, is usually the building owner. There are new technologies arising to support the adjustments of heating comfort between individual flats, but the implementation should be based on the free choice of customers.
- The proposed obligation to install EV charging points in new buildings and buildings undergoing major renovation, both non-residential and residential, can be seen as a positive measure to accelerate the take-off of electric vehicles and the decarbonisation of transportation (Art. 8 of COM(2016) 765).