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## **FORTUM'S VIEWS ON THE REVIEW OF THE ENERGY EFFICIENCY DIRECTIVE**

The EU Commission launched a consultation to collect opinions and suggestions on the review of the Directive on Energy Efficiency (EED). The upcoming February release of the EU strategy on heating and cooling is designed to give further input to the review of the EED.

The key EU target is to reduce carbon emissions. The strengthened EU Emissions Trading Scheme (ETS) should be the main driver of energy efficiency in the sectors covered, while additional EU- and national-level activities should focus on non-ETS sectors. Targets and measures related to energy efficiency and renewable energy should be more flexible for national implementation because they are the main tools for the achievement of carbon reduction. The main part of the heating and cooling sectors in Europe today fall outside the ETS, while heating and cooling represent roughly half of the EU's total energy consumption. Decarbonisation of the heating and cooling sectors will further help to prioritise security of energy supply in the EU.

For the upcoming review of the EED and the related target-setting towards 2030, the following factors should be enhanced:

- Ideally there should be only one European-level binding target to reduce emissions. Targets and measures for renewables and energy efficiency should focus on the sectors remaining outside the EU ETS, while the carbon price enhances both renewable energy and energy efficiency in the sectors covered;
- As energy markets are becoming more volatile in terms of supply and prices, when energy is consumed will become just as important as how much energy is consumed. Such energy market development should be a bigger factor in future energy efficiency schemes;
- The focus of the upcoming EU heating and cooling strategy should be on putting the customers and end-users at the core in order to provide a competitive and well-functioning heating and cooling market. Policies should provide a level playing field for different heating options in order to promote energy-efficient, alternative heating and cooling solutions.
- Efficient, renewable district heating and cooling (DHC) and co-generation (CHP) can provide a scalable fast-track towards a low-carbon economy and energy efficiency, but the pathway should be smoothed by well-designed regulatory encouragement, i.e. by competition that benefits end-customers and by departing from heavy-handed regulatory scrutiny in some member states;
- The combination of binding EU targets and binding measures under article 7 of the EED should be reconsidered in order to provide more flexibility for implementing nationally most cost-optimal measures because local baselines and conditions – especially in the heating and cooling sector – vary substantially. National flexibility, including sufficient optionality between energy efficiency obligation schemes (EEOS) and alternative measures, should be continued;
- The prevailing obligation under article 7 is to set up an energy efficiency obligation scheme (EEOS) with a binding target of achieving savings equivalent to 1.5%/a of annual energy sales to final customers of all energy. The EU target of 27% by 2030 would be

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enough; measures should focus on sectors remaining outside the ETS. Further, mandatory savings targets can only be placed on final users, not on the energy distributors and/or retailers. A sales company cannot force its customers to save energy. It should be up to the market to decide who should deliver energy savings services;

- The limitations of savings of the energy efficiency measures in article 7 regarding the production and distribution of DH should be reassessed in order to allow more flexibility and to incentivise on a national level the full potential of cost-effective measures by the DH companies;
- The EED should make a clear distinction between roles and responsibilities of customers and final users related to billing and invoicing under articles 9-11. In the heating sector, they are often different legal and natural persons. Most often, the customer is a housing association or corporation, while final users are the flat owners. The articles that mainly relate to the energy performance of buildings could be transferred to the Energy Performance of Buildings Directive (EPBD);
- The requirement of article 9 to provide individual metering should continue to be subject to technical feasibility and cost effectiveness in the heating and cooling sector. It is not technically feasible or cost effective to install a heat meter in each flat in a centrally heated building. National flexibility and steering regarding the technical feasibility and cost effectiveness of heat metering should be kept in the heating and cooling sectors;
- However, it should be considered always technically feasible and cost effective to provide individual metering for electricity. This will further promote the development of the internal electricity market. Further EU harmonisation of standardised interfaces and smart meters will increase awareness of energy efficiency, facilitate smart service markets and enable the offering of optional hourly priced products;
- It should be better recognised that in a digitalising world there are several cost-effective alternatives for energy company interaction with customers, alternatives that go beyond the invoices. The main task of invoices is to provide information about payments;
- Instead of trying to detail the energy efficiency-related legislative burden even further, the Commission should promote EU-wide financing possibilities, share best practices and develop benchmarking to motivate stakeholders to make stepwise improvements.

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