

**EUROGAS POSITION ON THE PROPOSED DIRECTIVE ON THE PROMOTION OF END-USE EFFICIENCY AND ENERGY SERVICES**

Eurogas endorses the importance European Union policy gives to energy efficiency. Eurogas agrees that a policy aimed at moderating energy demand and meeting that demand more efficiently using cleaner fuels including natural gas will contribute to the twin concerns of the environment and security of supply.

Eurogas recalls that the properties of natural gas make it the cleanest of the fossil fuels, and furthermore the primary fuel of choice for energy efficiency objectives. Eurogas has assessed the proposed Directive from the perspective of whether it will maintain opportunities to exploit the benefits of gas.

Eurogas has looked at this proposal from the viewpoint of gas suppliers, that is wholesale and retail interests, since in the evolving gas market structure, it is suppliers who have the primary relationship with customers. Eurogas considers that energy savings initiatives will work best in the context of that relationship provided that:

- they are market based and recognise that energy saving is generally driven by customers' decisions (since users have the ultimate responsibility for energy consumption);
- suppliers have flexibility in the way they supply energy services, which will encourage innovation and also competition between suppliers in the energy saving schemes provided;
- initiatives are targeted and results should be measurable, to enable the efficiency and the effectiveness of the measures to be assessed and modifications made;
- they are cost-effective and do not incur an undue bureaucratic burden.

While Eurogas accepts that network organisations may, in some cases, share responsibility for the promotion of energy efficiency and energy services, it will comment on any relevant provisions from the network user's (i.e. supplier's) viewpoint.

Eurogas accepts that an EU wide initiative of some sort is justified, provided that it is market oriented, avoids introduction of market distortions, is complementary to other measures affecting the energy sector and takes full account of the circumstances in Member States including the progress that has already been achieved. It should be a framework approach, under which Member States can decide on implementation measures on the basis of subsidiarity.

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**Objective and Scope of the Directive**

The Directive proposes an EU-wide framework for the promotion of energy services and energy efficiency measures based on removal of market barriers, mandatory national energy savings targets and obligations to promote energy services and/or energy audits; in addition other aspects provide for incentive schemes, subsidies, and more detailed implementation. The Directive covers the retail supply and distribution of electricity and gas, together with other energy forms and also transport fuels.

Eurogas does not think that mandatory savings targets are an appropriate mechanism. Some Member States have already achieved significant improvements in energy efficiency in which cases prescribed targets albeit designed on a flexible basis could lead to a comparatively higher cost-burden for them. Eurogas would prefer to see a system of indicative targets and it should be clearer that they include future savings from existing efficiency initiatives.

Furthermore, Eurogas suggests that the proposal should explicitly recognize the benefits of fuel switching and not only technical and technological changes should be eligible areas to be taken into account in assessing energy saving measures.

Eurogas can support in principle the removal of barriers and provision of information mechanisms and instruments to promote energy services. Incentives and subsidies may also have a role, but these would have to be consistent with and not distort competition.

Eurogas welcomes that the proposal now envisages covering the other energy forms but is nonetheless concerned that that aspect will be difficult to police with the result that the burden will fall disproportionately on the network energies (gas and electricity), resulting in distortion of competition. Eurogas notes that companies with small turnovers will be exempt (Article 3 l), and is concerned that this should not provide opportunities for companies to escape obligations, with the possibility of further distortions. All sectors and participants should play their part in achieving the target.

Eurogas is also concerned at the potential lack of cohesion with internal gas market measures. Liberalisation of the energy markets will increase market liquidity, but this proposal seeks to control demand and there is a risk that the wrong measures to achieve this will have detrimental consequences for the market in energy services, offered by energy companies. Furthermore if distortions are introduced into the growing energy services market the activities of independent Energy Service Companies, including small and medium enterprises, whose initiatives in this area are very important, could also be undermined.

### **Principal Concerns**

#### **Article 6 (key article asking M.S. to ensure that energy companies promote energy services, including free energy audits for some customers ...)**

Eurogas has significant concerns about this Article, which seems to imply an obligation on retail companies to offer free audits. According to the definition of energy services as a physical amenity for energy end users, it is extremely unlikely that the target of 5% of a large company's customer base would ever be met, therefore it amounts to an open ended requirement on companies to provide free audits.

- EU wide, the cost to the gas supply industry for such audits could be in the area of €10 billion, and there is no guaranteed value for the customers in such audits.
- It is unclear what criteria would be used to determine if customers were covered by energy services; not least since customers cannot be forced to accept them.
- A fluctuating customer base will complicate any determination of customer numbers covered by energy services.

Article 6 needs to be revised to take these points on board. In the first sentence the word *ensure* should be replaced by *encourage*. The last sentence of 6a should be deleted. Eurogas would prefer to see clear incentives for supply companies to promote energy saving schemes involving perhaps longer-term contracts with customers.

#### **Article 10 (Tariffs and other regulations for net-bound energy)**

Eurogas opposes Article 10a as presently drafted.

- It shows total misunderstanding of the transmission business and capacity issues; the suggestions are counter to the need to ensure adequate investments in additional capacity. Transmission tariffs would, therefore, be an inappropriate mechanism to provide energy saving and could lead to price or market distortions; The other mechanisms at the end of 10a would be equally unsuitable especially the implied intervention in tariffs and could also run counter to other objectives e.g. the encouragement of gas as a more environmentally friendly fuel.

10b is cause for concern on several aspects.

- The role foreseen for DSOs is unacceptable, as it apparently involves a direct link between DSO transport tariffs and energy saving schemes carried out by DSOs. If DSOs engage in energy saving - such an approach could be practicable for a Member State opting for a highly regulated mandatory target based approach rather than a market driven initiative - it should be through a separate company ESCO, which would permit competition with other providers of energy services.

**Article 13 (Metering and billing of energy consumption)**

- No account has been taken in Article 13.1 of the differences between gas and electricity metering.
- In 13.2 metering and billing requirements should not entail a disproportionate burden on gas suppliers or net-bound energy forms. Information requirements for billing should be cost-effective; how this should be achieved should be left to Member States
- The possible requirement in 13.3 to give historical data would be problematic in many countries and could be administratively complex and costly especially if the customer or supplier has changed during the year; there could also be potential conflict with data privacy laws.
- The other information referred to in 13.3 goes beyond supply side measures and again should be left to Member States.

**Additional points:**

- With reference to the proposed annual savings target of 1.5% annual savings of energy distributed and/or sold to the public sector set out in Article 5.2, it is important for Member States that public sector is defined.
- The implications of the certification and accreditation scheme mentioned in Article 8 need to be further considered. This scheme could be costly and bureaucratic for retail companies, and could involve customers in additional cost.

Eurogas looks forward to contributing to further discussions on this proposal with a view to clarifying and improving its approach.