

**GREEN PAPER ON ENERGY EFFICIENCY "ON DOING MORE WITH LESS"  
EUROGAS POSITION**

**Introduction**

Eurogas, the European Association of wholesale and retail gas suppliers, attaches great importance to energy efficiency, which it recognises as critical in addressing the adverse environmental effects of increasing energy consumption, while at the same time contributing positively to security of supply.

Eurogas is pleased to contribute this response to the Green Paper. As an association of companies and national federations involved in gas supply, Eurogas and its members believe they are well placed to comment, since gas suppliers generally have the primary relationship with individual domestic (household) customers, whose behaviour plays such a key role in securing improvements in efficiency.

**Overview of Eurogas Position**

The main part of this response provides answers to the individual questions in the Green Paper. There are certain themes to our answers, which for your convenience we set out in the following overview of our position:

1. Gas suppliers are already very active in energy efficiency as a result of individual company policy, voluntary agreements and as a response to encouragement or obligations at Member State level.
2. In a wide range of applications, natural gas is a natural choice for an efficient energy approach, as it offers efficient economic tailored solutions in power and heat production, manufacturing processes and domestic and industrial space heating. It has also growing potential as a vehicle fuel.
3. Member State requirements or incentives are generally tailored to industry structures and regulatory frameworks. The design of any future incentive or regulatory schemes must be careful not to conflict with current energy efficiency schemes at Member State level or at EC level, emissions trading schemes nor can they be allowed to adversely affect competition. The proposals in the Green Paper must be carefully scrutinised before adoption to ensure they do not undermine competition or cut awkwardly across existing arrangements within individual Member States.
4. In general Eurogas favours market-based practices/incentives rather than regulation as the best way of encouraging energy efficiency.
5. While additional measures at EU level or harmonisation initiatives should be considered, it will be important for the success of these that they build on experience in the implementation of the proposed directive on End Use Efficiency and Services.
6. We fully recognise the value of sharing ideas and approaches between Member States.
7. Eurogas considers that any EU funding for energy efficiency is best directed towards support to Member States for existing initiatives, both through additional incentives or availability of increased resources to publicise energy efficiency messages.

8. Eurogas recognises the important role that public authorities have in taking account of energy efficiency in public procurement. We believe that this role can be used to help spread best practice and publicise new technologies.

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**Q.1 *How could the Community and the Commission in particular, better stimulate European investment in energy-efficiency technologies? How could funds spent supporting research in this area be better targeted? (Section 1.1)***

There are three areas where action to stimulate energy efficiency technologies could be envisaged. We see the Community and Commission being directly involved in the first of these and facilitating action at Member State level on the second and third.

- R&D:– Eurogas has written separately to Commissioner Piebalgs commenting on the Seventh R&D Framework Programme. As noted in the green paper, there would be value if this programme could give greater priority to energy efficiency technologies
- energy efficiency promotion:– the gas industry is already active in this area in a variety of schemes including practical demonstrations support (by, for example, “House of the Future” projects)
- getting technology on to the market: gas suppliers may be well placed to encourage this, through campaigns linked to public funded incentives to buy.

**Q2. *The emission trading mechanism is a key tool in developing a market-based response to meeting the goals of Kyoto and climate change. Could this policy be better harnessed to promote energy efficiency? If so, how? (Section 1.1)***

We agree that emissions trading is a key tool in meeting Kyoto objectives. The sectors covered by the Emissions Trading Directive seek to lower their own emissions by encouraging energy efficiency and fuel switching. However, we would be concerned if the emissions trading scheme were to be specifically adapted to encourage greater energy efficiency and were to lead to unintended consequences i.e. if intervention to boost energy efficiency slowed the CO<sub>2</sub> emissions trading market.

This it is important that greater focus on energy efficiency does not distort existing framework mechanisms for control of emissions.

**Q3. *In the context of the Lisbon strategy aiming to revitalise the European economy, what link should be made between economic competitiveness and a greater emphasis on energy efficiency? In this context, would it be useful to require each Member State to set annual energy-efficiency plans, and subsequently to benchmark the plans at community level to ensure a continued spread of best practice? Could such an approach be used internationally? If so, how? (Section 1.1.3)***

Energy efficiency represents huge untapped potential for those sectors not able to be included in the emission trading scheme (small business and households as well as

transport). Energy efficiency initiatives complement the Lisbon strategy, offering the prospect of improved competitiveness on the part of energy users as well as facilitating the development of new businesses and services in the energy sector.

In general we believe it would be better to gain experience first in the implementation of the proposed End Use Efficiency and Services Directive.

While requiring Member States to set efficiency plans might be helpful, care should be taken to ensure that any subsequent benchmarking mechanism is not overly bureaucratic. In particular, we are concerned that the peer review process and the role of the Sustainable Energy Forum runs the risk of becoming very bureaucratic, and that the outcome could be a lack of flexibility in e.g. dealing appropriately with geographic and market structure differences between Member States. There is a large variety of property types, differing levels of energy efficiency in buildings and energy usage, all of which will make comparisons across the EU very difficult in practice.

In addition we do not believe that such planning should be on an annual basis; member states will typically plan measure over 3 years, and this frequency should be sufficient.

- Q4. ***Fiscal policy is an important way to encourage changes in behaviour and the use of new products that use less energy. Should such measures play a greater role in European energy-efficiency policy? If so, which sort of measures would be best suited to achieve this goal? How could they be implemented in a manner that does not result in an overall increase in the tax burden? How to really make the polluter pay? (Section 1.1.4)***

Eurogas recognises that fiscal policy may be used to encourage greater energy efficiency. As an example, we would note the importance of fiscal policy in encouraging forms of road transport. Fiscal measures can help drive customer engagement and cut through the apathy which often stands in the way of greater efficiency. Fiscal incentives that take account of a fuel's externalities will promote use of cleaner, lower CO<sub>2</sub> emitting energy forms.

In order to be tax neutral in overall terms, the tax obtained by such means could be ploughed back into public transport, into provision of financial support for the development of vehicle technologies that use cleaner fuels, and encouragement for the necessary infrastructure e.g. gas fuelling stations.

Especially market distortions should be avoided that do not encourage most economic and sustainable solutions e.g. favourable tax treatment in order to promote district heating (which the Green Paper puts forward) risks being unfair competition with direct gas heating.

However, fiscal measures must be undertaken with due regard to the circumstances relating to cross-border trade. The difficulties inherent in harmonising fiscal measures across Member States should not be underestimated. On the other hand, lack of harmonisation will distort competition within the EU.

Finally in using fiscal instruments, policy makers should avoid putting EU industry at a competitive disadvantage in global competition.

- Q5. ***Would it be possible to develop State aid rules that are more favourable to the environment, in particular by encouraging eco-innovation and productivity improvements? What form could these rules take? (Section 1.1.5)***

In theory this would be possible but aid notification must be maintained to ensure aid does not result in inappropriate and unjustified market distortion.

- Q6. ***Public authorities are often looked to for an example. Should legislation place specific obligations on public authorities, for example to apply in public buildings the measures that have been recommended at Community or national level? Could or should public authorities take account of energy efficiency in public procurement? Would this help build viable markets for certain products and new technologies? How could this be implemented in practice in a way that would promote the development of new technologies and provide incentives to industry to research new energy efficient products and processes? How could this be done in a manner that would save money for public authorities? As regards vehicles, please see question 20. (Section 1.1.6)***

This approach appears desirable, although we are not able to assess its practicability at Member State level. Government and local authorities should be in the forefront of measures to limit energy waste. In the construction of new public buildings (and major renovation projects too), energy efficiency should be a tender requirement. Such an approach helps to spread best practice and give publicity to new technologies.

- Q7. ***Energy-efficiency funds have in the past been used effectively. How can the experience be repeated and improved? Which measures can be adopted usefully at:***  
– ***international level***  
– ***EU level***  
– ***national level***  
– ***regional and local levels?***  
***(Section 1.1.7. See also question 22)***

Energy efficiency funds could be useful in areas of particularly poor housing to help bring about improvements in efficiency. However, given the range of existing funding schemes at Member State level, we do not see a need for new European or international mechanisms. Our preference would be for Member States to assess and where necessary re-prioritise their use of funds, targeting them to where the potential is greatest.

We do not see a need for further harmonisation at this time. The focus should be on implementation of the current Directive rather than the creation of new funds/schemes and harmonisation of existing schemes.

- Q8. ***Energy efficiency in buildings is an area where important savings can be made. Which practical measures could be taken at EU, national, regional or local level to ensure that the existing Community buildings directive is a success in practice? Should the Community go further than the existing directive, for example extending it to smaller premises? If so, how could the appropriate balance be achieved between the need to generate energy-***

***efficiency gains and the objective of limiting new administrative burdens to the minimum possible? (Section 1.2.1)***

Measures to ensure energy efficiency in buildings are driven in part by the need for Member States to meet their Kyoto obligations. Consistent with our answer to Q7, we do not see new EU measures as appropriate; measures are better set by Member States since a common framework across the EU would be difficult given the range of property types and different uses of energy.

The primary focus should be on implementation of the current Directive to be implemented in 2006 and assessing the cost-effectiveness of measures undertaken in this regard.

- Q9. ***Giving incentives to improve the energy efficiency of rented accommodation is a difficult task because the owner of the building does not normally pay the energy bill and thus has no economic interest in investing in energy-efficiency improvements such as insulation or double glazing. How could this challenge be best addressed? (Section 1.2.1)***

This problem is widely encountered and difficult to resolve. One approach adopted in the UK Energy Efficiency Commitment scheme involves suppliers putting forward energy efficiency schemes specifically targeted at the 'fuel poor', a large number of whom live in rented accommodation. These schemes have been successful in addressing rented accommodation in the social housing sector, but less so for privately rented dwellings.

To reach the private landlord, fiscal incentives or legislation related to minimum thermal efficiency levels may be the best way.

- Q10. ***How can the impact of legislation on the performance of energy-consuming products for household use be reinforced? What are the best ways to encourage the production and consumption of these products? Could, for instance, present rules on labelling be improved? How could the EU kick-start research into and the subsequent production of the next generation of energy efficient products? What other measures could be taken at:***  
– *international level*  
– *EU level*  
– *national level*  
– *regional and local levels?*  
***(Section 1.2.2)***

We refer in our answer to Q1 to the Seventh R&D Framework Programme and the role of energy efficiency within this. Marcogaz, the technical association of the natural gas industry, addresses the issue of labeling in their work on gas utilization, and Eurogas urges that their comments are taken into account.

- Q11. ***A major challenge is to ensure that the vehicle industry produces ever more energy efficient vehicles. How can this best be done? What measures should be taken to continue to improve energy efficiency in vehicles and at which level? To what extent should such measures be voluntary in nature and to what extent mandatory?***  
***(Section 1.2.3)***

As indicated in the answer to Q4 above, Eurogas supports the wider use of natural gas for vehicles, which can be encouraged by fiscal policy and initiatives designed to ensure that a suitable NGV filling station network is put in place.

- Q12. ***Public information campaigns on energy efficiency have shown success in certain Member States. What more could and should be done in this area at:***  
– ***international level***  
– ***EU level***  
– ***national level***  
– ***regional and local levels?***  
***(Section 1.2.4)***

Governments have a role to play in the development of energy awareness, both in schools and in adult public information programmes. This complements and validates the work which the energy industries themselves undertake. However, consumers also need incentives to act.

Any EU (or international) information initiatives are best focused through action at Member State level, whether at national or regional/local level, since Member States are best placed to take into account the geographic differences between and within countries in energy demand, building type etc..

In relation to consumer protection, Eurogas attaches great importance to effective and non-discriminatory switching processes and the availability of price information for domestic customers.

- Q13. ***What can be done to improve the efficiency of electricity transmission and distribution? How to implement such initiatives in practice? What can be done to improve the efficiency of fuel use in electricity production? How to further promote distributed generation and cogeneration? (Sections 2.1-2.3)***

The emissions trading scheme already encourages greater efficiency in generation. In relation to distributed generation and co-generation schemes, Eurogas supports such developments. The greater efficiency of energy distribution obtainable with gas and the overall energy savings that are possible make this approach highly attractive when compared with expenditure to improve conventional electricity transmission and distribution.

As regards network losses, these are primarily for the companies themselves and the regulatory authorities in each Member State to address.

- Q14. ***Encouraging electricity and gas providers to offer an energy service (i.e. agreeing to heat a house to an agreed temperature and to provide lighting services) rather than simply providing energy is a good way to promote energy efficiency. Under such arrangements the energy provider has an economic interest that the property is energy efficient and that necessary investments are made. Otherwise, electricity and gas companies have an economic interest that such investments are not made, because they sell more energy. How could such practices be promoted? Is a voluntary code or agreement necessary or adequate?***

We would refer you to our answer to Q9; there are mechanisms which can be used to ensure that the energy provider has a financial incentive to encourage energy efficiency. A review of experience across Europe will yield a number of possible

incentive-based approaches. In general we believe that market-based practices/incentives rather than regulation is the best way of encouraging the desired behaviour.

However, it must be recognised that suitable frameworks for the provision of energy services generally mean that customers are committed to an energy or heat provider under a medium/long term contract, with a consequent lessening of competition.

- Q15. ***In a number of Member States, white (energy-efficiency) certificates have been or are being introduced. Should these be introduced at Community level? Is this necessary given the carbon trading mechanism? If they should be introduced, how could this be done with the least possible bureaucracy? How could they be linked with carbon trading mechanism? (Section 2.4)***

We have some concerns about the development of an EU level scheme alongside the existing emissions trading mechanisms and existing energy efficiency schemes on white certificates. There is potential conflict between schemes and resultant distortions. We would therefore prefer white certificates to be an option at Member State level i.e. a tool Member States can use to reach their objectives.

If, at a later stage an impetus is perceived towards cross-border co-operation, EU level activity can then be considered. In this case, the measurement systems used by Member States would have to be transparent, consistent with other schemes involving the valuation of carbon savings and, before trading can be considered, follow the same broad methodology across Member States.

- Q16. ***Encouraging industry to take advantage of new technologies and equipment that generate cost-effective energy efficiencies represents one of the major challenges in this area. In addition to the carbon trading mechanism, what more could and should be done? How effective have been the steps taken so far through voluntary commitments, non-binding measures adopted by industry, or information campaigns? (Section 3)***

We agree it will be important to evaluate the effectiveness of initiatives undertaken by individual industrial sectors which have an important role.

We have already commented on suppliers' promotion of energy efficiency and the desirability of public information schemes by Government to complement this. Most suppliers already promote energy efficiency in a variety of ways, often in the context of voluntary agreements within the energy sector.

Any further incentives to promote energy efficiency would have to be cost-effective and produce returns in a reasonable period.

- Q17. ***A new balance between modes of transport — a major theme of the strategy set out in the White Paper that the Commission adopted in 2001 on a European transport policy for 2010 — is still a top priority. What more could be done to increase the market share of rail, maritime and inland waterway transport? (Section 4.2)***

Eurogas has no comment on this question.

- Q18. ***In order to improve energy efficiency, it is necessary to complete certain infrastructure projects from the trans-European transport network. How should the investments needed for infrastructure projects be developed, using what sources of financing? (Section 4.2)***

Eurogas has no comment on this question.

- Q19. ***Among the measures that could be adopted in the transport sector, which have the greatest potential? Should priority be given to technological innovations (tyres, engines...), particularly through standards defined jointly with the industry, or to regulatory measures such as a limit on fuel consumption of cars? (Sections 4.3-4.5)***

We refer to our comments on the desirability of measures to encourage the uptake of NGVs – see answers to questions 4, 11, 20 and 21.

- Q20. ***Should public authorities (State, administrations, regional and local authorities) be obliged in their public procurement to buy a percentage of energy efficient vehicles for their fleets? If so, how could this be organised in a manner that is technology neutral (i.e. it does not result in distorting the market towards one particular technology)? (Section 4.3)***

We see this as another aspect of the approach we advocate in our answer to Q6.

- Q21. ***Infrastructure charging, notably paying to use roads, has started to be introduced in Europe. A first proposal was made in 2003 to strengthen the charging of professional road transport. Local congestion charges have now been introduced in some cities. What should be the next steps in infrastructure charging? How far should 'external costs' such as pollution, congestion and accidents be directly charged to those causing them in this manner? (Section 4.4)***

The methodology of road infrastructure charging is beyond Eurogas competence. However, we note that in a number of congestion charge schemes, the opportunity is taken to provide an encouragement for green vehicle technology by means of zero or reduced charges.

- Q22. ***In certain Member States, local or regional energy-efficiency project financing schemes, managed by energy-efficiency companies, have proven very successful. Should this be extended. If so, how? (Section 5.1)***

Such schemes, the nature of which may be affected by any system of white certificates, can be effectively delivered in partnership with suppliers. In this way energy efficiency can be encouraged within the context of a competitive energy supply market. Successful schemes reflect favourably on the reputation of the supplier for innovation or social responsibility, and competitive pressures will ensure the cost effective delivery of such schemes.

- Q23. ***Should energy-efficiency issues be more integrated in the Union's relationships with third countries, especially its neighbours? If so, how? How can energy efficiency become a key part of the integration of regional markets? Is it necessary to encourage the international financial institutions***

***to pay more attention to demand management issues in their technical and financial assistance to third countries? If so, what could be the most effective mechanisms or investments? (Section 6)***

This aspect already has high priority and it is an important part of the Energy Charter Secretariat's instruments, also UN-ECE's. Energy efficiency can also be incorporated into the EU-Russia Dialogue and also South East Europe Treaty. As noted in our answer to Q7 we see no need at this stage for new instruments; the important thing is to ensure that existing funds are targeted in the most appropriate manner.

Q24. ***How could advances in energy-efficiency technology and processes in Europe be put to effective use in developing countries? (Section 6.3)***

We see significant commercial opportunities in the introduction of energy efficiency technologies to developing countries, to help address the dangers of rapid growth based on inefficient utilisation. Possibilities exist through Kyoto Protocol – Joint Implementation/Clean Development Mechanism. We would like to see energy efficiency built into such dialogues.

However, technologies have to be suited to cultures and way of life. Sophisticated technology must be accompanied by on the ground knowledge, and maintenance capability.

Q25. ***Should the Union negotiate tariff or non-tariff advantages within the World Trade Organisation (WTO) for energy efficient products and encourage other members of WTO to do the same? (Section 6)***

Eurogas has no comment on this question.