

PREPARATION OF A COMMISSION GREEN PAPER ON ENERGY EFFICIENCY

UNICE CONTRIBUTION

I. Introduction

Improvement of energy efficiency (EE) represents an important objective in economic and environmental terms. Progress in EE takes place both:

- a) through the effect of spontaneous initiatives by economic players, fostered inter alia by a stimulating investment climate, easy access to relevant information, etc.;
- b) and through the effect of specific measures taken by public authorities in the fields of standards, R&D, incentives, etc.

For public authorities, the challenge consists in:

- i) Fostering as much as possible the spontaneous process of making progress in EE. As will be explained below, implementation of the economic reforms contained in the Lisbon agenda is of critical importance in this regard.
- ii) Stimulating further progress through well-designed specific measures which do not generate negative secondary effects which run counter to the Lisbon objectives for promotion of competitiveness and entrepreneurship.
- iii) Making carefully thought-out choices regarding the scale of EE policies and measures, taking account of the fact that some economic and environmental objectives targeted by EE policy can also be pursued through other approaches (use of nuclear energy, for instance).
- iv) Exploiting the margin for manoeuvre which exists for non-interventionist measures designed to promote EU exports of advanced EE technologies, a sector in which Europe has a significant edge.

UNICE believes it very important that the green paper presents relevant information and holistic impact analyses (impacts on the economy, the environment and employment) so that there can be a well-documented debate on how to develop an effective policy mix, addressing the four challenges described above in a balanced and coherent manner.

This document addresses the issue of energy prices at many points. UNICE's broad message on this matter is that policies and measures resulting in higher energy prices should not be used to promote EE in industry. That would have a negative impact on industry's competitiveness, which would exceed many times the benefits of EE.

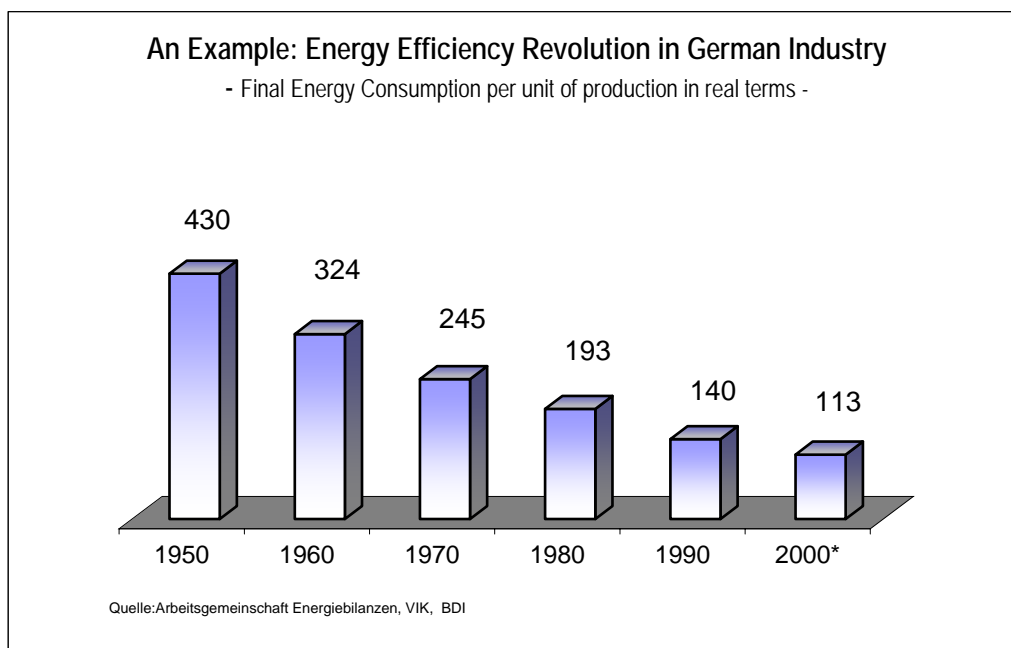
II. Some fundamental observations on the process of improving energy efficiency in European society

Any EU policy for EE must be developed taking due account of the following economic and socio-economic factors:

1. Progress on EE is very strongly linked to technological innovation, which in turn depends on:
 - the competitiveness of the European science and technology system;
 - a climate conducive to entrepreneurship.
2. The prevailing climate for business investments in general has a determinant influence on the rhythm of investments specifically targeting EE.

Companies' strategic investments (for growth, rationalisation, etc.) represent the major channel for modernising the production system from the angle of EE. There are frequent overlaps between strategic investment projects and EE investment projects. It is essential to strengthen the competitiveness of companies since this influences the rhythm of their general investment programmes.

By way of illustration of this, the following graph shows the progress in EE made in German industry in the wake of growth in general industrial investments from 1950 to 2000.



3. Regarding historical trends in improving EE performances, the industrial sector is ahead of households, passenger transport and public authorities. In particular, there remains good potential for energy savings in buildings.
4. The competitiveness of companies exposed to international competition is vital to support the purchase of energy-efficient supplies and equipment in:
 - the household sector (buildings, means of transport, electrical appliances, etc.)

- public departments and administrations
- the infrastructure sector (production and distribution of electricity, transport, etc.).

Indeed, the health and competitiveness of European business largely determine:

- the purchasing power of employees in the private and public sectors
- the capital budgets of national/regional/local public authorities
- the capital budgets of utilities

and this via wages, taxes, supplies and services paid for by the business sector.

It is consequently essential to reject approaches to promoting EE which lead to higher energy prices for companies exposed to international competition.

5. There are still obstacles holding back full exploitation of the potential for progress in EE, in particular in the non-industrial sector, including:
 - lack of information
 - insufficient awareness of the importance of EE for combating climate change
 - obstacles to deployment of innovative financial instruments, like third-party funding
 - obstacles to deployment of energy services, understood as offerings combining the delivery of energy and energy efficient technology.

III. Consequences for EU policy for EE

1. Fundamental priorities

A first fundamental priority lies in promotion of the competitiveness of European companies, in line with the Lisbon agenda.

Another fundamental priority consists in supporting research and innovation. In this context, UNICE supports a strengthening of EU actions to promote RTD relevant to EE, in particular in the 7th RTDFP, insofar as the thematic direction of specific programmes is defined in consultation with industry.

2. Other actions

a) General

Targeted actions at European level are also desirable to eliminate the obstacles described in point II.5. It is essential that the motto "less and better regulation" inscribed on the European political agenda guides the preparation of these targeted actions. It is therefore important for the Commission to carry out very rigorous impact analyses before proposing any legislative initiative, in order to avoid generating an excessive administrative burden which cancels out the expected benefits of these initiatives.

b) Energy services and national strategies/schemes to promote EE

Recent debates in the Council of Ministers' Energy Working Group on the draft energy services directive have highlighted the pitfalls that an unduly interventionist approach may create.

UNICE fully supports the less interventionist orientation that the Working Group recommends for the energy end-use efficiency and energy services directive:

- by suppressing the reference to mandatory national targets,
- by eliminating the obligation for distribution companies to ensure that the offer of energy services represents at least 5% of their turnover,
- by incorporating voluntary agreements in the list of instruments that can be used to achieve the directive's objectives.

UNICE believes that presentation by the Commission of detailed studies on the potential for progress in energy efficiency in the different sectors of society should constitute a sufficient basis for accelerating development at EU, national and local level of appropriate public measures to foster EE.

UNICE cannot support the idea of mandatory national targets for EE, because such targets could trigger bureaucratic regulation and supervision mechanisms in the field of EE, affecting companies. UNICE also has serious reservations about the concept of indicative targets, which could to produce the same result.

UNICE also supports the Working Group's call for Member States to be obliged to consider implementation only of measures which are cost-effective, proportionate and reasonable.

It is also important to avoid overlaps between regulatory instruments pursuing the same objectives and making it more difficult for companies to formulate their strategic plans. By way of example, the companies covered by:

- the emissions trading directive, which stimulates major progress on EE
- and/or the IPPC directive, which also stimulates such progress

should not fall within the scope of the energy end-use efficiency and energy services directive.

Generally speaking, it is essential to reject all bureaucratic approaches, in particular in the energy production and distribution sector, which would lead to increased energy prices for industrial customers and reduced international competitiveness.

In this context, UNICE has serious reservations about the idea of introducing an EU plan for "white certificates" linked to obligatory objectives which would be imposed on companies for energy efficiency. The possibility of such a plan co-existing with the emissions trading system is not self-evident and neither is the impact of such a plan on energy prices.

The public sector offers good potential for improving energy efficiency. This potential must be realised in an exemplary manner. It is important to encourage greater recourse in the public sector to modern financial and legal tools such as:

- public-private partnerships;
- funds which underwrite repayment of costs in the framework of innovative public or public-private projects.

Increased use of such tools would make it possible, among other things, to accelerate the creation of a market for services relating to energy efficiency in buildings. Over the last ten years, public-private partnership contracts have become a regular instrument in

the field of public procurement across Europe, and have demonstrated their effectiveness.

c) Legislative actions dealing with energy-using products (EuP)

UNICE appreciates some of the innovative elements contained in the directive on eco-design of energy using products, for instance possible recourse to self-commitments to make progress on EE. The field that is actually left open for true (non-forced) self-commitments will be a test for effective development of future EU policy for EE.

It is essential to maintain fair competition between European manufacturers and non-European manufacturers who export to the EU. It is essential at all costs to avoid engaging in scenarios whereby European industry would be subject to severe requirements and controls with regard to EE, and whereby imported products would not be subject to controls or only to controls without real meaning due to insufficient administrative infrastructure.

d) Fiscal instruments

It is sometimes argued that price signals based on energy taxation could be useful to stimulate industrial investments in EE. UNICE does not subscribe to this argument, among other things because the European Emissions Trading Scheme already has the effect of creating a form of additional energy taxation. In addition, such taxation would have the effect of reducing the resources available to companies for investments in general, which are an important channel for EE improvements.

UNICE is open to discussion of positive fiscal incentives as a means of promoting EE.

IV Closing remark

UNICE appreciates the fact that the debate the Commission wants to open on energy efficiency reflects its wish to establish a closer link between EU climate change policy and EU energy policy.

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