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## **RESPONSE ON ENERGY EFFICIENCY REVIEW ENERGY EFFICIENCY AND ITS CONTRIBUTION TO ENERGY SECURITY AND THE 2030 FRAMEWORK FOR CLIMATE AND ENERGY POLICY**

IFIEC Europe – the International Federation of Industrial Energy Consumers represents companies from energy intensive industries throughout the EU. Energy efficiency is the key necessity for any energy intensive manufacturer to survive in a competitive market, so IFIEC’s members have improved their efficiency drastically in the last decades.

IFIEC Europe understands and applauds the attention given to energy efficiency by the Energy Efficiency Directive and the broader scope taken by the Communication “A policy framework for climate and energy in the period from 2020 to 2040”. As follow up to this 2030 Communication IFIEC Europe would now like to offer some ideas on the energy efficiency prospects for 2020 and the potential for further improvements to 2030.

### **PROSPECTS FOR MEETING THE 2020 TARGET**

In 2007 the EU Council and Parliament set out to deliver 20% energy efficiency savings by 2020. At EU level this was defined by the Commission as energy consumption of no more than 1483 Million tons oil equivalent (Mtoe) primary energy and 1086 Mtoe final energy. At national level, Member States have set themselves indicative national targets. The Commission now estimates that the EU will achieve 18-19% reductions in 2020. The EU risks falling short of its target, but by only 20-40 Mtoe. In that context, IFIEC Europe likes to address the following points:

- First, for energy intensive industry **efficiency is a survival and growth strategy** because greater efficiency gives enterprises latitude for future growth. European industry, and more in particular energy-intensive industry, has been investing heavily in energy efficiency ever since the oil crises in the 1970s and 80s. It will continue to do so when economically justified, because it can only survive if it remains competitive in terms of energy use and cost; if the cost becomes too high, then it will locate the next generation of primary manufacturing outside the EU.
- Second, **industry’s remaining economic potential to improve efficiency is relatively small** according to the Impact Assessment on the Energy Efficiency Directive. The lowering of energy use per ton produced will continue within the limits of what is economically and physically feasible as far as the policy framework allows industry to produce, invest and grow in the EU. State-of-the-art investments in new and replacement of production capacity will lead to significant energy-efficiency. Restrictions on production and growth and an unattractive investment framework will hinder the necessary steps to further reduce.
- Third, several examples in the energy intensive industry show that **successful schemes supporting efficiency in industry are applied through incentives and voluntary agreements** rather than binding requirements. Due to the heterogeneity of this sector, companies have been offered full flexibility in how to achieve requirements, e.g. through the

introduction of energy management systems, the consideration of energy efficiency in their investments or demand management.

- Fourth, it should not be forgotten that ***already other overlapping instruments above all the EU Emissions Trading System (ETS) indirectly requires industry to be more energy efficient.***

**Therefore**, in the mid-term prospects for 2020

- it needs to be acknowledged that European energy intensive industry is one of the most efficient ones worldwide operating with best available technology.
- it is highly important to proceed sector by sector on the basis of remaining economically feasible technical potential and early actions.
- full flexibility in how to achieve requirements must be granted.
- it needs to be recognized that voluntary agreements are an appropriate tool to improve energy efficiency and should be stimulated.
- double regulation with ETS or other measures must absolutely be avoided.
- no cap on energy consumption should be set.
- the EU should aim at providing a positive investment climate and through stimulating innovation to attract investments in new, more efficient installations.

## **ASSESSING THE POTENTIAL FOR 2030**

IE welcomes the statement by the Commission that the EU ETS is being the main tool to drive energy efficiency (and GHG reductions) in industry, providing the necessary regulatory predictability. It shouldn't be forgotten that other instruments have been introduced to require industry to be efficient, above all the EU ETS which imposes fixed CO<sub>2</sub> savings targets on industry to be met. Although CO<sub>2</sub> reduction cannot be equated with energy savings, there are two ways to reach the CO<sub>2</sub> targets: first, fuel change and, second, efficiency improvements.

**Therefore**, in the long-term potential for 2030

- IE welcomes the statement by the Commission that additional measures to improve energy efficiency fall to a significant extent on the non-ETS sector.
- IE calls on the European institutions to adopt a more streamlined approach after 2020 in order to reach the agreed targets by avoiding a multitude of overlapping instruments.
- IE urges the European institutions to focus on ETS as key driver for energy efficiency in the ETS sectors.

## **THE WAY FORWARD**

The Commission sets the ***level of ambition*** by stating that after years of hesitation, Europe's energy efficiency policy is starting to deliver. Framed by the 20% absolute saving target for 2020 some momentum is now being seen at European and at national level. Maintaining this momentum and cutting absolute energy consumption by the same amount between 2020 and 2030, would mean achieving 30% energy saving in 2030. Therefore the Commission recommends adopting a 30% target for 2030.

At IFIEC Europe's recent Energy Forum on 12 June 2014 EU-Commissioner for Energy, Günther Oettinger, re-stated, that ***growth is the key message*** as confirmed in the communication '*For a European Industrial Renaissance*' (adopted on 22 January 2014). The European Commission

recognises the central importance of industry for maintaining skilled jobs, for our capacity to innovate to compete globally and to master our future creating growth and success. An absolute cap on energy-use for the industry will hamper growth. The European Union has set itself the objective for industry to represent 20% of GDP by 2020. Currently, industry accounts for about 15 to 16% of the EU's GDP. What is worse, there has been a decline in the industrial base over the last decade. We urgently need to reverse this trend. Strengthening Europe's competitiveness should therefore be a core concern of the European Commission. It is at the core of our proposals, particularly in the field of energy.

**Therefore**, on the way forward

- IFIEC Europe supports a modified EU ETS (a dynamic system allowing industrial growth) as the central instrument for climate change policies in the future, which could be combined with a re-energised drive towards energy efficiency. Nonetheless, the economics and calculations in the published Impact Assessment seem counter-intuitive<sup>1</sup>, and we stress the need to consider the cost effectiveness on any measures introduced to promote energy efficiency.
- it is vital to provide a positive economic and investment climate, because new installations in industry provide higher steps in innovation and therefore in energy efficiency.
- share the burden so that sectors with the highest economic efficiency potentials contribute the most (market models would help identify the lowest-cost routes to this).
- it is of fundamental importance to understand that pursuing energy efficiency must not be misinterpreted as putting limits to energy consumption and therefore production itself.
- Instead, efficiency should be seen as a stimulus towards creativity, modernization and sustainability.

## **CONCLUSION**

Representing the world's most efficient energy users, IFIEC Europe supports a long-term energy efficiency strategy for 2030, since energy efficiency remains fundamental to a cost-effective transition of the energy system that creates growth and jobs.

IFIEC Europe urges the Commission to consider flexible, result-focused solutions for energy intensive industry. Industrial energy consumers are the foundation of EU manufacturing developing tailor-made materials necessary for modern life and innovative products manufactured further up the value chain. Therefore, the efficiency measures envisaged by the Commission should allow basic production to maintain its international competitiveness in Europe and to underpin the re-industrialisation of Europe.

Brussels, 30 July 2014

***IFIEC Europe represents energy intensive industrial consumers where energy is a major component of operating costs and directly affects competitiveness.***

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<sup>1</sup> Compare the Impact Assessment on the Communication (SWD(2014) 255), Table 12: Impacts on production by sector in EU28 (2030) in GEM-E3 Model, in which the assertions are being made, that tighter efficiency targets will lead to progressively greater increases in the outputs of energy intensive industries.