



ANEC/BEUC POSITION ON ENERGY EFFICIENCY

Joint ANEC/BEUC position paper on the
Commission's Communication
"Energy Efficiency Plan 2011"

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Summary

Prior to the publication of a proposal for an Energy Efficiency Directive on 22 June 2011, the European Commission published an Energy Efficiency Plan. ANEC and BEUC are taking this as an opportunity to outline its demands on European policy measures that start from a truly consumer perspective.

BEUC and ANEC are asking the EU to take measures on the following issues:

Building with low energy consumption: To consider obligatory renovation targets to upgrade the energy efficiency of the entire building stock (without imposing unreasonable demands on consumers); proposing a harmonised calculation method for the determination of energy consumption of buildings; developing a Green Paper on sustainable construction and construction products.

Regarding the energy efficiency of products, we call for an extension of the scope of the Ecodesign Directive; a true consideration of other environmental impacts and benchmarks under Ecodesign Implementing Measures; a speedy implementation of new Ecodesign standards for boilers, together with short-term reviews to ensure continued improvement of standards; a survey of consumer perceptions and understanding of the new layout of the label to be carried out as soon as possible as a basis to the review process; the review of the Energy Label foreseen in 2014 to be conducted earlier, i.e. no later than 2013; and to go back to a closed A-G scale in case the new layout is found not to be effective in steering the market towards more efficient products and the greening of consumption.

Because of the increasing number of European consumers who do not manage anymore to cope with their energy bills, affordability of energy needs to be a special focus of European measures in this areas. We therefore ask for the definition of a reporting framework that enables comparison of energy efficiency programmes for vulnerable consumers across Member States, so that lessons can be learnt and to ensure energy efficiency measures are accessible to vulnerable consumers and low income households.

Special attention needs to be given to the issue of smart meters. We call upon Member States to prepare national strategies for the smart meter roll-out and to review consumer protections ensuring that customer interests are safeguarded in a smart world. The Commission should conduct a Privacy Impact Assessment prior smart meter roll out and review and offer assurances to consumers regarding the alleged health impacts of smart meters. Moreover, technical standards and systems should be developed with a focus on upgradeability to safeguard end-to-end security ensuring the overall intelligent metering system is future-proof.

The issue of training in energy efficiency concerns most sectors of the economy.

We therefore ask for a truly cross-sectoral training development effort, reaching out to professionals within and outside the building industry and for targeted information campaigns and training effort towards end-consumers, considering that not all efficiency works require strong expertise.

Introduction

On 8 March 2011, the European Commission published the Energy Efficiency Plan 2011. European consumer organisations believe that more needs to be done to ensure that consumers are helped to reduce their energy use and their energy bills. Energy bills are high and rising and the size of energy bills is a big worry for many consumers in the EU.¹ Recent EU initiatives are in fact likely to increase the pressure on the affordability of energy. We agree that energy efficiency is one of the most cost-effective, if not the most cost-effective, ways of not only reducing these bills but also of enhancing security of supply, reducing the need for new generation capacity and reducing carbon emissions. A transition to a low carbon economy based on carbon minimization in all sectors will be crucial to limit the effects of climate change. A transition towards low-carbon energy systems can only be achieved by building a low carbon society. This requires improving energy efficiency, increasing the share of renewable energy sources and guiding consumers towards better choices. We will be commenting shortly on the draft proposal for the new Energy Efficiency Directive as a means of helping achieve change.

Consumers must be helped and encouraged to contribute to the creation of a low carbon society via purchasing energy-efficient goods and services and making it easy for them to change their behaviour to make important reductions in their energy use. Only if consumers feel motivated to change their energy consumption behaviour and if they are given a real choice by offering the right tools to become active participants in the development of a more efficient and less costly energy system, it will be possible to enact the necessary changes. It will be highly important that competitive technology and effective tools are widely deployed and that the right incentives are set.

Moreover, it is the role of the European Commission to coordinate: the relevant policies, cooperation between stakeholders; financing opportunities and exchange of best practice. At the same time, we believe a binding target – which should be enforced and monitored – is needed in order to make a considerable step forward. To maintain momentum, the Commission will also need to monitor the strategies of particular EU Member States to guarantee that consumers' interests are assured and the implementation of smart and low-carbon technologies is based on cost-efficiency.

The necessary technologies and ideas are available; the challenge is to put them into practice. This means reducing financial and regulatory hurdles slowing down the take up of innovative technologies and solutions, while setting clear cut measures, as well as emphasizing correct implementation.

¹ Consumer research by Which? in the UK has found that energy prices are still the number one financial concern for UK consumers. 89% of consumers said they were extremely, very or fairly worried (1,298 UK adults aged 18+ were surveyed in June 2011, weighted to be representative; Which? Consumers Economic Tracker, June 2011)

This joint ANEC/BEUC position paper is to provide a feedback on the Energy Efficiency Plan 2011 from a consumer perspective and stress what activities should be undertaken (especially as regards the recently proposed Energy Efficiency Directive) to ensure that consumers and the environment benefit in the medium and long term from that Plan.

I. Energy efficiency and consumers

Consumer engagement

Policy-makers should focus not only on benefits that energy efficiency can bring to the quality of life of consumers – such as warmth in winter (even though important) – but also communicate the costs and benefits of efficiency measures. Consumers need transparency and information on these multiple benefits, whether comfort or money savings. In order to help consumers to reduce their energy bills, the Commission should bring in behavioural change methodologies in conjunction with experts and consumer organisations as the basis for its policy making. The Commission should also encourage Member States to implement strategies that reflect the different needs among different groups of consumers in order to make it easier for all consumers to make energy-efficient choices.

In order to protect consumers' interests, not only in issues related to energy efficiency – such as smart metering - but also in achievement of environmental goals through changed consumer behaviour, the Commission has to ensure there are national strategies on how to engage with consumers, in order to optimize the outcomes, both for the individual consumer and for society at large.

We emphasise that energy efficiency policies that are not supported by the right kind of (financial) incentives which are attractive to consumers may lack consumer acceptance.

The needs of vulnerable consumers in particular have to be an integral part of all efficiency policies. These policies will have to pay attention to the possibly discriminating effects of energy efficiency incentives for that category of consumers and adopt corrective measures where relevant.

Aiming at complementary policies

As rightfully pointed out in the Commission's Energy Efficiency Plan, energy efficiency is peculiar in that it has an effect on multiple sectors across the economy. Energy efficiency policy often comes in addition to other, sector-specific policies. Therefore with careful consideration, energy efficiency policies and sector-specific policies can be complementary. A good example would be the energy-efficient refurbishment of buildings in social housing schemes: the energy saved translates into money saved and improved quality-of-life for consumers who need it most.

Unfortunately, energy efficiency policy can at times be oblivious to other policies targeting the same object (be it a sector of the economy, a geographical area or a category of population). Indeed, one drawback of the past and current energy efficiency strategies is that they have too often been decoupled from other policies. Even under a unique policy framework, energy efficiency instruments have sometimes collided with other instruments. A good example of inconsistency is the lack of a complementary approach among Ecodesign requirements, the EU Eco-Label scheme and the Energy Label scheme. The Ecodesign and energy labelling processes were designed to be interlinked, in order to combine push and pull mechanisms of market transformation. In reality, however, the processes are not interlinked anymore but proceed in parallel.

Energy efficiency policies should acknowledge and complement broader sustainability initiatives, such as the Sustainable Consumption and Production Action Plan, and their respective instruments. In this context, we have especially great expectations of the Commission's announcement that the Energy Efficiency Plan "*will be pursued consistently with other policy actions under the Europe 2020 Strategy's Flagship Initiative for a Resource Efficient Europe*", which should be launched this year, and the accompanying "*roadmap to decouple growth from resource use*"².

Not ignoring the rebound effects

The notion of "rebound effect" refers to instances where consumers save money thanks to energy efficiency measure only to spend those savings on more or less energy-intensive goods and/or services. From the consumers' perspective, the rebound effect can be either *direct* or *indirect*. The rebound effect is *direct* when energy efficiency gains of a product/service decrease the effective price of running that product/service, causing consumers to use it more (e.g. a consumer will heat his house more often once he has bought an energy efficient boiler). The rebound effect is *indirect* when savings made thanks to energy efficiency gains in a product/service are spent on another energy-using product/service (e.g. a consumer uses money saved from using energy efficient appliances to fly by plane more often). Additional categories of rebound effect exist on the producers' side and at the macroeconomic level. The intensity of the rebound effect appears to vary immensely, depending on a great number of factors.

We strongly encourage the European Commission to take into account the rebound effect when analysing and developing new policy instruments or encouraging green technologies. This could avoid partly or entirely offsetting the environmental improvements intended by a specific policy instrument. In extreme cases, it could avoid so-called 'backfire', i.e. an increase of environmental burden compared with the previous situation, caused by a misconceived or misapplied policy instrument. Considering the rebound effect in our understanding of consumer behaviour is also a key to better adapting information campaigns and developing proper information tools (e.g. labelling schemes). The Commission can ensure that a strong evidence base on consumer behaviour is gathered as part of the early process of designing policy instruments to help ensure that the desired effect is achieved.

II. Buildings with low energy consumption

The Energy Efficiency Plan 2011 rightly states that "the greatest energy saving potential lies in buildings". ANEC and BEUC also agree that the focus should be "on instruments to trigger the renovation process in public and private buildings". However, it is all the more disappointing to see that the Commission's Energy Efficiency Plan hardly proposes any concrete and tangible measures to significantly reduce the energy consumption of the private building stock.

Supporting the transformation of existing building stock

We welcome that the Commission's Energy Efficiency Plan addresses renovation of public buildings and applaud the intention to require public authorities to refurbish at least 3% of their buildings (by floor area) each year, as well as the goal that each refurbishment should bring the building up to the level of the best 10% of the national building stock. We believe that the refurbishment-quota for public buildings

² We do not believe in the concept of decoupling growth from resource use. Surely, one can temporarily decouple economic growth from resource use in certain areas, but only if the processes used are highly inefficient and the potential for improvement is big. As marginal efficiency gains diminish however, any economic growth will result in an increase of resource use.

could be even more ambitious. However, public buildings constitute a small proportion of the entire building stock. It is entirely insufficient just to invite Member States "to establish promotion systems for private sector buildings". Renovation targets for private buildings of course need careful consideration but any such targets would need to be accompanied by measures (especially financial incentives) for consumers to be able to refurbish their homes in a cost-efficient way. These financial incentives need to be acceptable to consumers and any targets should not impose unreasonable demands on them. This also relates to the idea of a sustainable renovation process which does not only comprise environmental aspects but also takes economic and social aspects into account.

Call for comparability of energy certificates

The Energy Performance of Buildings Directive (EPBD)³ leaves methods for determining energy consumption to a large extent to the Member States and provides only for a "Common general framework for the calculation of energy performance of buildings" in Annex I. Thus, the energy performance of a building can be determined, for instance, on the basis of the calculated or actual annual energy consumed (in some countries even both procedures are applied in parallel). Similarly, EN 15217 "*Energy performance of buildings – Methods for expressing energy performance and for energy certification of buildings*" constitutes just a framework for energy performance assessment of buildings. In consequence, quite different energy certificates exist for buildings in Europe (again sometimes even in one country) that are not comparable. The lack of a common European method also hampers the development of EU Ecolabel criteria for "Buildings" or other specifications (e.g. building related criteria in the field of tourism or green public procurement (GPP)). ANEC and BEUC therefore strongly advocate more harmonisation in this area.

Call for a Green Paper on sustainable construction

A large number of European regulatory and non-regulatory initiatives related to green building products and buildings have been launched in the past years.⁴ This includes e.g. the recently revised Energy Performance of Buildings Directive (EPBD); the newly adopted Construction Products Regulation (CPR) – arising from the former Construction Products Directive (CPD); the recast Energy Related Products (ERP) Directive - formerly Energy Using Products (EUP) Directive - and the recast Energy Labelling Directive; standardization work in CEN/TC 350 "Sustainability of construction works"; the EU-Ecolabel for buildings; criteria for green public procurement, etc. However, there is no accepted EU policy concept or master plan for sustainable construction and therefore all the activities develop in an uncoordinated and even contradictory manner. These initiatives have stimulated discussion and progress during the past years, but have also led to a waste of resources. In addition, some of these activities are highly unsatisfactory from a consumer perspective (this holds true for CEN TC/350 in particular). ANEC and BEUC therefore highlight that a European discussion involving all stakeholders is urgently needed to elaborate a consistent European policy in this area. We deem it may be useful in this context to develop a Green Paper on sustainable construction.

We ask for:

- To consider obligatory renovation targets for Member States to upgrade the energy efficiency of the entire building stock (accompanied by measures (especially financial incentives) for consumers to be able to refurbish their homes

³ Directive on energy performance of buildings (2010/31/EC)

in a cost-efficient way).

- A review of the ability to compare energy performance ratings of buildings, and consideration of the need for a harmonised calculation method for the determination of energy consumption for buildings and, as a first step, to establish a European calculation method for Ecolabelling (buildings, tourism, etc.) and other EU criteria setting purposes.
- A Green Paper on sustainable construction and construction products.

III. Energy efficient industry

Energy efficiency is affordable and represents both a competition and an innovation opportunity for EU producers and businesses. It should no longer be seen as merely necessary to comply with legislation, but rather as a tool for pursuing new market opportunities and future growth. When addressing efficient generation of heat and electricity, the Commission's Plan addresses the importance to reflect Best Available Technology (BAT). ANEC and BEUC highlight that energy efficiency in generation and transportation must be ensured by establishing ambitious BAT levels and by making BAT compulsory also for existing installations. This holds true not only for energy provision, but for all energy intensive industries.

The costs related to (in)efficient aspects of production chains and full life-cycle impacts of products are often not taken into account by industry itself. Yet incorporating efficiency concerns, via environmental management schemes, into product designing and delivering services may lead to a reduction in the use of energy among other resources, the minimisation of waste and toxic dispersion, as well as reduced risks to human health and safety. It is therefore important to stress that the greening of supply chains can lead to significant cost savings.

An energy saving scheme for energy utilities

Europe has incorporated Combined Heat and Power (CHP) into its energy policy via the CHP Directive. CHP is considered as means to achieve Europe's energy policy objective of improving energy efficiency and its environmental objective of reducing greenhouse gas emissions. The European Commission estimates that doubling the amount of CHP electricity in the EU will result in CO₂ reductions corresponding to one-half of those to which the EU has committed itself.

In order to speed up the deployment of CHP, the European Commission has proposed concrete measures in its proposal for an Energy Efficiency Directive. The new Directive also intends to replace the existing Directive on Co-generation which aims to increase the efficiency in the electricity and heat production and supports the expansion of CHP and micro-CHP to realise considerable CO₂ reductions.

We ask for:

- Ambitious Best Available Technology (BAT) levels to be established and made compulsory also for existing installations.

IV. Products and new technology: Energy efficiency opportunities

Strengthening the Ecodesign Directive

At the time of its revision foreseen in 2012, we plead for the Ecodesign Directive to be turned into a truly key instrument, aimed at reducing the environmental impacts

of a product during its whole life-cycle through adapted design, without compromising its functional quality and safety. We consider that an urgent priority is the speedy adoption of robust and ambitious new standards for the energy efficiency of boilers. Although we welcome the Commission's sound methodological approach underpinning the targets-setting, we regret the limited level of ambition of the said targets. In the case of the latter, we would like to see the Commission highlights the savings that consumers could achieve as a result on their energy bills as well as the carbon savings.

Extending the scope of the Directive

The Commission's Communication lists several product groups to be tackled under the Ecodesign Directive such as equipment for heating and cooling. However, it should be pointed out that Ecodesign measures for these product groups have been under preparation for a long time and have suffered persistent delays. Regarding the new working plan for Ecodesign for 2012-2014, we believe there is an opportunity for the EU sustainability strategy to address more (consumer) products than what is the case today. The recast of the Ecodesign of Energy-using Products Directive saw the extension of the scope of the Directive to energy-related products⁵, i.e. products that have an indirect impact on energy use, and emphasised the need to improve resource efficiency. In our view, the new Energy-related Products (ErP) Directive, still has not achieved its full potential. Moreover, we believe the ErP Directive should be extended to *all* consumer products which have a considerable environmental impact, whether or not related to energy. For instance water-using products present a great improvement potential⁶, just like other consumer products which are already subject to a European Ecolabel (e.g. detergents, building materials like floor coverings, paper, mattresses).

Addressing all environmental impacts

Until now, most of the emphasis of ecodesign implementing measures has been put on energy efficiency. Yet energy efficiency is rarely addressed in a comprehensive way. For instance, our members have shown that the energy efficiency of energy-saving light bulbs ("CFLs") can vary from single to double in the same power range. They have also shown how the calculation formula behind the energy consumption of air conditioners was not adapted to the realities of the residential sector.

The Commission's Communication states that *"the Commission will continue to analyse the life-cycle energy impact of products"*. We believe that Ecodesign should not only tackle energy efficiency more comprehensively, but also not be limited to energy aspects. The Ecodesign Directive should continue to be followed by ambitious sectoral implementing measures which outline more specific performance requirements than only energy-related. In particular, it should clearly require that all relevant environmental impacts in all the life-cycle phases of products are addressed. Product-specific Ecodesign regulation should indeed not only include minimum requirements for energy efficiency but, where possible, also for the use of natural resources and materials, the use of hazardous chemical substances, and waste management (including recycling, reparability and re-use). It is still too rare to see implementing measures addressing aspects beyond energy efficiency, despite the legal possibility offered by the Ecodesign directive. For example, the durability of products is not considered to a sufficient extent in ecodesign implementing measures, despite the crucial importance of durability to build consumers and early adopters' trust in the system. Requirements on durability should be put on products in order to counteract the planned obsolescence of some consumer's goods. It was evidenced for

⁵ Directive 2009/125/EC establishing a framework for the setting of Ecodesign requirements for energy-related products

⁶ See ongoing JRC-IPTS study "Environmental prioritisation of products: Towards a workplace for Ecolabel and GPP"

instance that in 1925, manufacturers of incandescent light bulbs had agreed within a cartel arrangement to decrease the lifetime of light bulbs from a maximum of 2500 hours to 1000 hours⁷.

Making benchmarks mandatory

We believe that benchmarks should become the motor of an Ecodesign Directive that encourages a 'race to the top' of the best performing technologies. The current Ecodesign Directive requires the setting of benchmarks in each product specific implementing measure. However, we question the relevance of this provision as the function of these benchmarks is unclear: it is neither mandatory for manufacturers to reach the benchmark level after a given time period nor an obligation for the Commission to take account of the benchmarks when revising product-specific Ecodesign Regulations.

In our view, not only should benchmarks address all relevant environmental aspects⁸ but they should also be made mandatory for all products within a category after a given time period, i.e. they should become the new minimum requirements for these products after a certain period of time (e.g. five years). This approach would facilitate the process of setting mandatory requirements, as a target value would be available in benchmarks.

Using labelling intelligently and parsimoniously

Clear and mandatory labels are important tools to inform consumers. Such labels also play a key role in raising the stakes for industry by steering the market towards more sustainable products. ANEC and BEUC have however criticised for a long time the wrong assumption of policy makers that labelling and product information alone can help change consumption behaviours. First, the information provided through labels should be clear, comparable and credible. Moreover, labelling/product information is only effective if combined with other policy instruments, including education campaigns, product policy and market-based instruments, and when applied to particular product groups where proven relevant and effective.

The latest revision of the EU energy label does not live up to the principles of transparency and comprehensibility. In our view, the EU energy labelling scheme needed to be made more dynamic through a review of the thresholds of the various classes: for example, each time a set percentage (e.g. 20%) of appliances on the market reach the A grade, with "A" alone continuing to indicate the best⁹.

Unfortunately, political compromises led to the adoption of a revised Directive 2010/30/EU on EU Energy Labelling in May 2010 which will not continue to empower consumers to act more sustainably by choosing the most energy-efficient appliances. Although the revised directive sees use of the well-known Energy Label extended to products other than domestic appliances the previous message of 'Buy A' is soon to be lost as the new Directive allows for the new label to feature up to three additional classes - A+, A++ and A+++ - depending on the product group. Having changed the well-known scheme to one where the label will appear different depending on time and product category will simply confuse consumers, and undo the excellent work of

⁷ Source: ARTE documentary « Prêt à jeter » (<http://www.arte.tv/fr/3714422,CmC=3714270.html>)

⁸ Such as resource and material efficiency, energy and water consumption, noise, the use of hazardous chemicals, life-time extension and recycling/reuse

⁹ A survey, which ANEC and BEUC carried out in collaboration with partners in 2008, confirmed that the A-G rating was the easiest to understand and remember. Between 97% and 99% of respondents identified "A" as indicating the most energy-efficient household appliances. ANEC, BEUC, Consumer Focus (UK), the UK Energy Saving Trust and the UK Department for Environment, Food and Rural Affairs (DEFRA) asked Ipsos MORI to carry out empirical research concerning consumers' perception of the A-G Energy label. Summary available at: <http://www.anec.eu/attachments/ANEC-ENV-2008-G-040a.pdf>

the past fifteen years. While we welcome the Commission's announcement that it will "launch a study on consumer understanding of energy labels", we request that the survey takes place, along with the review of the Energy Label no later than one year after the entry into force of the label. Should the study show that consumers understand the new labelling scheme less than the previous closed A-G scale, we request an urgent return to the old system to ensure that the scheme continues to guide consumer choice effectively towards more energy efficient products. To allow consumers to choose energy efficient products with low overall energy consumption, labels should also indicate absolute energy use.

We ask for:

- An extension of the scope of the Ecodesign Directive.
- A true consideration of other environmental impacts and benchmarks under Ecodesign Implementing Measures.
- Speedy implementation of new Ecodesign standards for boilers, together with short-term reviews to ensure continued improvement of standards.
- A survey of consumer perceptions and understanding of the new layout of the Label to be carried out as soon as possible as a basis to the review process.
- The review of the Energy Label foreseen in 2014 to be conducted earlier, i.e. no later than 2013.
- The Commission to go back to a closed A-G scale in case the new layout is found not to be effective in steering the market towards more efficient products and the greening of consumption.

Enforcing existing directives

The Commission's Communication indicates that "[the Commission] will strengthen market surveillance to ensure that product requirements are properly implemented". However, it is not clear how the Commission intends to strengthen market surveillance because it is Member States' responsibility to enforce legislation. However, we recommend that the Commission pays more attention to monitoring Member States' efforts at enforcement to determine whether they are complying with their existing enforcement obligations. The preliminary findings from one recent EU-backed project (ATLETE) show that 16% of refrigerators and freezers tested by the project consortium did not match the energy efficiency class shown on their energy efficiency labels and the two related key parameters: energy consumption and storage volume. 53% of the tested appliances failed to achieve the indicated level of performance for at least one of the five performance parameters. We do believe European projects such as ATLETE can be good example of what can be done at EU level and therefore these projects should be extended.

More efforts need to be taken at national and EU level too to equip market surveillance authorities with more resources and to establish an EU-wide harmonised framework for market surveillance which will ensure better coordination and cooperation.

Regulatory measures vs. voluntary approach

Regulatory mechanisms must play a central role in product sustainability policy in order to achieve truly ambitious objectives. Although we acknowledge the need to balance regulatory and market-based instruments, the use of mere voluntary

instruments is an insufficient, non-dynamic and inefficient way of enhancing the environmental performance of products¹⁰. Such instruments often lack ambition and balanced stakeholder participation, independent scrutiny and robust monitoring and review. We therefore regret the strong emphasis put on industry self-regulation in the Ecodesign Directive and request its deletion in future revisions. In this context, we reiterate¹¹ our call for the Commission not to favour voluntary agreements (VAs) by industry against the setting of product specific targets and requirements via legislation. In this context, it is of utmost importance that the European Commission develops at least clear guidelines for the use of VAs in the Ecodesign implementation process.

We ask for:

- Better enforcement of existing directives and regulations aiming at improving energy efficiency.
- Developing ambitious regulatory measures to address energy efficiency instead of accepting Voluntary Agreements as a substitute to legislation.

V. Financing energy efficiency

It is striking to observe that, in the past, the upfront investment into the most efficient appliance on the market would sometimes not be paid back through lowered energy bills, even after ten years of use¹². Such, to some extent misleading, policies can be shown to be counterproductive when consumers realise that they have been misled on the mid-term financial aspects of their purchase decision. From a behavioural perspective, this could lead consumers to turn away from the more expensive – even if more energy efficient – products.

An energy-efficient economy should be built with producers, retailers and consumers alike. A range of financial measures is necessary to support the delivery of energy efficient measures to existing homes. National Governments can take action to place a greater value on energy efficiency in the property market through minimum standards and fiscal incentives which prove to be effective in stimulating the development of products, such as energy efficiency appliances and low-emission cars. Together with financial mechanisms that remove the upfront cost barrier to energy efficiency, and allow consumers to pay as they save, this should help to incentivize able-to-pay owner-occupiers and landlords to invest in energy efficiency.

The Commission's Energy Efficiency Plan states that *"many energy efficiency investments pay for themselves quickly, but are not realised due to market and regulatory barriers"*. Although important aspects, market and regulatory barriers do not single-handedly account for the difficulties in engaging into energy efficiency works. It should also be stated that certain measures might not pay off for consumers and

¹⁰ See ANEC/BEUC position "Voluntary environmental agreements", October 2006: <http://www.anec.org/attachments/ANEC-ENV-2006-G-048.pdf>

¹¹ See ANEC/BEUC position "Voluntary agreements can only deliver if subject to minimum requirements – The case of VAs in the Ecodesign implementation process", January 2010: <http://www.anec.org/attachments/ANEC-PT-2009-EuP-071final.pdf>

¹² See Que Choisir n°482, June 2010. Between 1 March and 28 March 2010, UFC representatives visited 1464 shops in France and collected price information for 3501 combined fridges-freezers and 3894 tumble dryers. On average, fridges rated A⁺⁺ cost 55% more than A-rated models at purchase. A-rated dryers cost 50% more than B-rated models and 130% more than C-rated models at purchase. What is critical is that after 10 years of use, taking into account initial purchase cost and energy savings, an A⁺⁺-rated fridge still costs 122 Euros more than an A-rated model, while an A-rated dryer still costs 242 Euros more than a C-rated model (at constant electricity price).

that consumers are thus faced by extraordinary investment costs. Financial measures should thus include social aspects.

Market incentives and price signals should be supported but in ways that have regard to the interests of low income and vulnerable consumers. For example, it should be recognised that most low income consumers cannot afford to pay the up-front installation costs of refurbishment.

As stated above, we would recommend a clear distinction between new and existing buildings. New buildings must be built to a high standard(s) and it would be inappropriate to use limited national or European financial support given the knowledge and skills that exist.

Energy affordability

According to Eurostat¹³, 116 million European citizens were at a risk of poverty or social exclusion in 2008. Therefore, specific energy tariff measures should contribute to avoid these people falling into such condition¹⁴.

The problem is likely to increase in the future with rising energy prices. The consequences of fuel poverty include poor health and quality of life, social exclusion, debts to energy companies and/or the forgoing of other essential needs, disconnection from energy supply, wasted energy and unnecessary carbon emissions and rapid deterioration of housing due to damp and condensation. Some consumers will be left vulnerable to rising energy prices because they are not able to take on long-term financial commitments. Sometimes this will be due to the nature of the repayment of loans: it may be too high and/or inflexible. Sometimes this will be due to a consumer's averseness to debt, particularly if they risk disconnection from their energy supply for non-payment of the energy efficiency service charge. Moreover, sometimes the consumer will not be given the opportunity to take up measures due to their credit history, or perhaps due to the type of improvements their house needs.

Due to the social and economic benefits of improving the energy efficiency of the coldest homes, and the harm that poor quality housing does to residents, we think that the European Commission should make these measures accessible to all and support the Member States in creating and investing in extensive energy efficiency improvement programmes to tackle fuel poverty. Programmes should have targets that aim to improve homes to the highest energy efficiency standards that can reasonably and practicably be achieved in a relatively cost-effective way for consumers. That will mean a range of financing, including grant support for vulnerable households. We therefore welcome the expansion of e.g. the Cohesion Policy to cover this objective. A tool box of measures including such grants will be vital to achieve the EU's energy efficiency target. Moreover, Member States should invest in extensive energy efficiency improvement programmes to tackle fuel poverty. To conclude, the regulation of energy markets must encourage energy companies and others to invest in energy efficiency, small scale renewable generation and tackling fuel poverty.

It is essential that policy focuses on the most long term and cost-effective solution to reducing fuel bills and tackling fuel poverty, namely radical improvement to the energy efficiency standards of housing, particularly that occupied by low income and vulnerable households. Most Member States have now introduced rigorous building standards for new homes. This means that fuel poverty, while still possible due to low income or medical need, is much less likely to occur in such properties. Policy

¹³ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-13122010-AP/EN/3-13122010-AP-EN.PDF

¹⁴ According to Eurobarometer on energy published in April 2011, 68% of Europeans agreed with the introduction of these measures.

therefore needs to focus on the retrofitting of existing homes and address all housing tenures.

We ask for:

- The definition of a reporting framework that enables comparison of energy efficiency programmes for vulnerable consumers across Member States, so that lessons can be learnt.
- Ensure energy efficiency measures are accessible to vulnerable consumers and low income households.

VI. Smart technologies

Empowering consumers with new technologies

Smart technologies have high energy efficiency potential but also represent significant risks if not carefully assessed prior to their deployment. Information on energy consumption improved by the deployment of smart technologies is an important aspect in order to raise awareness among consumers on energy efficiency related issues. Therefore, consumers should have access to real-time information on energy usage, as well as historical data on their energy consumption, free-of-charge at any time. The information provided will however not automatically empower the consumer, if he is not in a position to interpret the data and adapt his behaviour towards more energy efficiency.

ANEC and BEUC call on Member States to develop strategies¹⁵ (including energy efficiency and bill savings programmes) that guarantee consumer benefits and ensure the implementation of smart grids and smart meters is based on cost-efficiency. For consumers, costs and benefits have to be balanced, as there is still a long way to go until there is an intelligent network for electricity, heat, cooling and gas that contributes to a *“well-functioning, interoperable market for energy efficiency services”*. Therefore, it is essential for all Member States to prepare national communication/social marketing campaigns to help promote behaviour change and establish mechanisms ensuring accountability and that the consumer costs and benefits are transparent. At the same time, a distributional analysis of the impact of smart metering should be prepared including modelling on different social groups. The European Commission should put in place an appropriate mechanism for Member States to report on the progress of their strategy.

Moreover, when applying new technologies, special attention should be paid to low income households and vulnerable consumers. It should be analysed how these consumer groups will be affected by the smart meter roll out and if they will enjoy the benefits provided by smart meters, as it is not certain how and if smart meters will be able to deliver energy saving potential to all consumer groups. Also, as some consumers are not flexible enough in shifting their energy consumption from peak to off-peak tariff and therefore would enjoy only very limited part of benefits, a full-roll out of smart meters should not be an obligation. Furthermore, as market

¹⁵ Both the European Parliament in its 15 December Resolution on the Energy Efficiency Action Plan and the 2010 European Citizens Energy Forum have stressed the need for national strategies to deliver the benefits of smart metering to consumers.

transformation is slow, it will still take a long time until smart appliances will be used effectively by a wide range of consumers and lead to enhanced energy efficiency.

Consumer protection and rights

We welcome the statement that *“consumer rights still need to be properly implemented”*, which among others cross refers to other Commission’s objectives regarding consumer empowerment and consumer information. Nevertheless, we do believe that a systematic monitoring of consumer protections is needed. Moreover, stronger protections must be in place for vulnerable consumers, e.g.: remote switching and disconnection, time of use tariffs and the potential misuse of load limiting by suppliers as a debt management tool. At the same time, potential issues with long term and roll over contracts should be addressed. If energy providers choose to differentiate on high quality displays or energy efficiency packages, this is one possible consequence for which consumer safeguards would be needed.

Information for consumers

In order to enable consumers to become active players in the energy market, the information plays an essential role. As also set out in the Third Energy Package, energy consumption information should be provided to consumers free of charge, in comparable formats and appropriate level of detail. Furthermore, it should be also assured that smart meters enable consumers to receive accurate, real-time, understandable and usable information on their energy consumption. However, the meter alone will not deliver the desired behavioural change and sensible requirements are required with respect to in-home displays.

Complaint handling and redress

We believe that a general improvement of complaint handling procedures and redress mechanisms is needed. Moreover, with the deployment of smart technologies, it is important to recognise that complaint handling and redress systems will need to be reviewed to see how far they remain fit for purpose in a ‘smart’ world. We recommend that Member States review their regulatory frameworks to ensure that the customer experience of energy services market is simple and effective. Consumer complaint handling and redress mechanisms will also need to be reviewed in light of increased bundling of products, energy supply and wider services to ensure that customers have the confidence to engage in emerging energy services market.

Cost-benefit analysis prior to smart meter roll out

We believe that it should be up to the consumer to choose whether to install the meter and what tariffs to sign up to (i.e. no mandatory tariffs). Moreover, we believe that national regulators and Member States should ensure that costs are justified, transparent and fair. Considering the benefits the smart meters will bring for the energy providers and network operators, we believe the financing of roll out should be undertaken mainly at their expenses. The reference to the 80% roll out relates in fact to *“80% of final electricity consumers where the business case is positive”*. The potential benefits of smart meters will be different from consumer group to consumer group depending for instance on the number of people living in a household, the number of household appliances being used and the level of engagement of the consumer, smart meters might not bring any advantages for some groups. Obligatory installation of smart meters should be considered only for households exceeding certain consumption thresholds. This means that a full roll-out of smart meters might not be necessary. Therefore, there should be a careful cost-benefit analysis prior to the roll-out.

Privacy, security & data protection

Consumer privacy is a key aspect in the change towards smart energy systems. Data access and ownership and the permission to gather data need to be very carefully considered. At the same time, consumers should be well-informed about who deals with their data. It has to be remembered that it is the consumer who owns his data, no-one else, and therefore he is entitled to appropriate rights and protections.

It is equally important to make the principle of privacy-by-design mandatory, including principles of data minimization and data deletion when using privacy-enhancing technologies. As it is currently almost impossible to ensure the full anonymisation of personal data and it is often possible to 're-identify' or 'de-anonymise' individuals hidden in anonymised data with astonishing ease, only aggregated data should be used to the maximum possible extent. Considering significant privacy threats, we ask for privacy impact assessment to be conducted prior to the smart meter roll out.

Moreover, technical standards and systems should be developed with a focus on upgradeability to safeguard end-to-end security ensuring the overall intelligent metering system is future-proof and ready to cope with future challenges.

Health

The technology chosen must be safe and limit risks to health, including from effects such as electromagnetic sensitivity. There is a large volume of information available online, most of which is unlikely to reassure consumers (for example emotive claims of harmful effects on health).¹⁶ As this is a complex scientific issue, it is very difficult for the majority of consumers to separate fact from fiction when researching online considering also the lack of information. Health risks should not be underestimated and therefore the Commission should be able to demonstrate that the issue has been assessed and assurances can be provided.

We ask for:

- Member States to prepare national strategies for the smart meter roll-out;
- Member States to review consumer protections ensuring that customer interests are safeguarded.
- Shorter switching period – the three week switching period becomes irrelevant with smart meter technology and will be possible within 24 hours.
- Privacy Impact Assessment prior smart meter roll out.
- Standards need to be developed for household appliances that can be remotely controlled to help manage the load on energy networks and ensure customers are protected.
- European Commission to review and offer assurances to consumers regarding the alleged health impacts of smart meters.

VII. Training intermediaries to assist European consumers in saving energy

Very often, a 'middleman' stands between consumers and energy efficiency. The word 'middleman' refers here to a service provider such as the professional installer of an air conditioning system, the consultant in charge of performing the energy audit

¹⁶ For instance claims of increased health risk for toddlers, and comparisons of the electromagnetic fields of smart meters (in the home) with existing fears regarding telephone masts

of a house or the retailer advising his customers on which appliance to buy. Although the Commission's Communication acknowledges the role of the middleman in the building sector, we believe that issues of training in energy efficiency go beyond the building sector and concern most sectors of the economy.

One reason for consumers to turn to the middleman stems from the fact that implementing energy efficient solutions on the demand side often requires technical proficiency. Usually, individual consumers lack this technical proficiency and turn to the services of a middleman.

In many cases, appropriate training in energy efficiency is the missing link towards compliance with the law. French consumer organisation, UFC Que Choisir, surveyed more than 3100 shops and found out that a significant number of retailers were not aware of their national legal obligation to take used light bulbs back from consumers¹⁷, while certain retailers even provided misguided advice on the disposal of used light bulbs. In this case, appropriate training would not only have helped protect the environment, but would also have avoided any potential legal consequences for retailers.

Depending on the sector concerned, energy efficiency is not necessarily at the core of the professional qualifications of the middleman. Attention must thus be given and efforts be deployed to provide professionals across the economy with a training in energy efficiency.

Even for these professionals whose core qualifications centre on energy efficiency, serious shortcomings have been witnessed by consumer organizations on the ground. For example, several companies carrying out energy audits of the building stock in France and Portugal provided misleading advice to consumers¹⁸. In Portugal, our member's survey on the advice provided by air conditioning installers evidenced very weak practices, as in 40% of the cases the recommended air conditioning capacity was wrong for the scenario room while in almost 30% of the cases installers still recommended a conventional model (non-inverter)¹⁹. In the United Kingdom, there is some evidence of poor quality advice for relatively simple measures, such as cavity wall insulation. Arguably, where this has arisen, it is a quality assurance and enforcement issue complicated by an unmotivated and low-paid workforce. The issue is all the more important as national law sometimes puts an obligation on consumers to resort to the services of a middleman, such as the energy audit of homes for sale in France.

However, not all energy efficiency building solutions are technically demanding. Targeted information campaigns and training effort could educate end-consumers directly, thus avoiding the need for a middleman in the first place.

Where it is envisaged that consumers should receive professional advice on energy efficiency, it is important to ensure such advice is "independent and free".

¹⁷ See Que Choisir n°482, June 2010

¹⁸ See Que Choisir n°490, February 2011. Since January 2011, it is mandatory for French landlords to commission and publicize an energy performance analysis of their house/flat before putting the latter on the market for sale. The results of the energy performance not only impact the price of the real estate considered, but is also taken into account for the calculation of French governmental subsidies allocated to real estate buyers. However, UFC Que Choisir (our French member) has proved that the energy performance analysis scheme was largely flawed in France, with different companies repeatedly awarding a same house very different energy performance rating. As all companies carrying out energy performance analysis on the French building stock are legally required to use the same calculation formula, Que Choisir has isolated weak training as the main explanation for this faulty energy performance analysis. See Proteste n°324, May 2011 15 home owners requested energy performance certificates for their home (apartments in multi-family buildings). In 6 instances, the evaluation of the energy performance of the apartment was erroneous. In 11 instances, the recommended options for improvement of the energy performance were not adequate (e.g. some experts recommended replacing already efficient heating systems).

¹⁹ See Proteste n° 302, May 2009

We ask for:

- A truly cross-sectoral training development effort, reaching out to professionals within and outside the building industry.
- Targeted information campaigns and training effort towards end-consumers, considering that not all efficiency works require strong expertise.

END