

The Consumer Voice in Europe

HOW TO MAKE ENERGY EFFICIENCY IMPROVEMENTS WORK FOR CONSUMERS

BEUC preliminary views on the revision of the Energy Efficiency
Directive



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Why it matters to consumers

Consumers are willing to improve the comfort of their homes and to save energy, which is good for their wallets and for the planet. However, for consumers to implement energy efficiency measures and undertake retrofit works, further guidance and support are needed. The European Commission should help consumers with their retrofit project by setting consistent rules, ensuring that energy efficiency improvements become more available, affordable and hassle-free.

Summary

BEUC, The European Consumer Organisation, welcomes the revision of the Energy Efficiency Directive, with the goal of increasing the renovation rate and the number and depth of consumers' retrofit projects.

The revision should ensure that energy efficiency improvements become the obvious and easy choice for consumers, while keeping the transition affordable for all. This will be the case only if:

- 1) Consumers benefit from a clear set of rules and objectives, at the national and the local levels, to be guided in their decision-making process. This means setting binding energy efficiency targets for Member States and providing clear information to consumers via clear heating and cooling plans.
- 2) Consumers see an improvement in the consistency of the policies and taxes applied to energy efficiency, along with the reinforcement of the existing programmes linked to the Energy Efficiency Obligation Schemes (EEOS).
- 3) Consumers also benefit from more consistency in the defence of their rights in all energy sectors, including at the community level and in their neighbourhoods, namely for district heating networks.

1. How to guide and advise consumers in their investments in energy efficient retrofits via a clear set of rules and objectives

1.1. Set a higher binding energy efficiency target for Member States

According to current rules, the EU should achieve a target of at least 32.5% energy efficiency gains by 2030 and individual Member States need to contribute to this overall objective by reaching new energy savings of 0.8% each year between 2021 and 2030. The problem with these national targets is that they are only indicative for Member States. Hence, they do not provide sufficient impetus for national authorities to put in place effective energy efficiency programmes. This lack of binding targets often translates to energy efficiency improvements not being given sufficient attention/importance by national policy makers. It also means that measures are implemented unevenly across the EU, depending on the level of ambition of different countries. For consumers, it has very a concrete impact: people willing to undertake renovation works are often not supported well enough.

To ensure that the Directive is implemented with effective measures and truly enables consumers to undertake energy efficient retrofits, BEUC calls upon the Commission to make national energy efficiency objectives binding and calls for a 40% EU target by 2030. They should **be coupled with more stringent reporting and implementation deadlines**.

1.2. Require Member States to develop national heating and cooling decarbonisation plans

Structural insulation works in houses or multi-unit buildings (also known as 'energy retrofits' or 'deep renovations') are costly operations which require heavy capital investment and visibility. It is important, for example, to ensure that investments take place in the right technologies and avoid stranded assets. For instance, consumers want to be sure it is relevant to invest in a hybrid heat pump compatible with their current gas boiler in the 2020s and need to know whether the gas grid will be decommissioned at the beginning of the 2030s. If the gas grid is to be decommissioned, it is clear consumers should invest in energy efficiency measures and a heat pump.

To help with this, national and local authorities should develop **clear heating and cooling planning at national and local levels**. Such planning would include information on which gas grids are to be decommissioned and when, and which grid is to be reinforced (electricity, district heating) or created (district heating). Financial aspects would estimate the general costs and how they are split between the public and private sectors. By setting long-term visibility, these plans would provide more certainty to consumers and would certainly help unlock substantial consumer investment in energy efficiency and renewable heating and cooling technology.

2. Support more ambitious energy savings objectives and iron-out barriers to their implementation

2.1. Ensure consistency of taxation and regulatory measures with our energy efficiency objectives

Consumers need guidance on the choices they have to make. This means they must be able to rely on consistent information from taxes, which often are a key component of products and services' prices.

BEUC calls for more consistency between our taxation policies and our renewed climate ambition. This means that subsidies of fossil fuels (coal, heating oil, gas) and of related appliances (such as gas boilers) should be phased out as they give an undue market advantage to carbon-intensive technologies over cleaner alternatives.

To be consistent, BEUC calls for consumers willing to invest in clean technologies (such as heat pumps) to benefit from public support, targeting especially middle- and lower-income consumers. For instance, a significant share of revenues stemming from carbon pricing measures (ETD or extended ETS to buildings) should be earmarked to support consumers in their energy efficiency investments.

2.2. Push energy suppliers to invest in energy savings for consumers by strengthening Energy Efficiency Obligation Schemes (EEOS)

EEOS are energy saving obligations imposed on energy suppliers (designated as 'obligated parties' in the Directive). Through this scheme, energy suppliers have the obligation to deliver energy savings at the customer end of the energy system (i.e., homeowners who can benefit from the replacement of their gas boiler at a lower price). EEOS have had a positive impact in ensuring the roll-out of energy saving programmes with observable energy efficiency savings for consumers. However, they focused on short-term, 'low-hanging fruit' solutions rather than more substantial ones like the energy efficiency of the buildings' envelope¹.

To make the most out of these EEOS, their scope should be expanded to a wider list of obligated parties. Moreover, no energy supplier should be excluded from the EEOS. Also, currently existing possible exemptions, such as the one on transport, should be limited/removed.

¹ See the analysis linked to the time perspective of the obligation period, page 7 of the final report of the Study evaluating progress in the implementation of the article 7 of the EED https://ec.europa.eu/energy/sites/default/files/documents/final_report_evaluation_on_implementation_art_7_eed.pdf

2.2.1 Address loopholes linked to transport and renewables

Consumers use energy for heating and cooling their homes, but also to fulfil their mobility needs, for instance to fuel or recharge their cars. **The energy savings obligation does not apply yet to transport suppliers. This exemption should be removed²**, to provide consumers with a consistent and holistic approach to their energy consumptions.

The same goes for the inclusion of **on-site renewable production, which should not be accounted as energy savings**. Consumers need to have clear rules that explain the difference between renewable energy sources and energy efficiency measures, and this flexibility should be excluded. Consumers need both efficiency and renewables but confusion does not help consumers to understand how they should act.

2.2.2 Not only energy suppliers but also banks should be obliged by EEOS

The success of the EEOS-related programmes is diverse and most deliver shallow energy savings as energy suppliers aim for the “low-hanging-fruit” solutions. One key hurdle standing in the way of energy efficiency improvements/deep renovation is the problem of affordability. Energy savings often require very significant investments which most consumers cannot afford. It is therefore essential that policymakers fully integrate the need for financial support into new energy efficiency legislation.

The new Energy Efficiency directive could help in this regard by: 1) broadening the scope of obligated parties to banks, on top of energy suppliers and; 2) adding new financial instruments to EEOS-related programmes.

Firstly, including the banks in the list of obligated parties would maximise the mobilisation of the private sector for higher energy efficiency. Both energy supply and financial services would be obliged to aim at providing energy efficiency solutions to consumers.

The objective would be to nudge banks into helping consumers in their deep retrofit and electrification projects. For the banks, changing the range of services they provide represents a cost. The EEOS could aim at rewarding *first movers* e.g., the first bank to provide reliable and low-cost green mortgages and loans for deep retrofit and electrification.

Secondly, EEOS- related programmes provided by energy suppliers should combine subsidies with other types of financial instruments. For now, via subsidies, EEOS only have a partial cover of the efficiency measures that must be taken simultaneously to reach a minimum comfort and performance level. Combining these subsidies with low-costs financial instruments for consumers could help implement all the necessary measures and reach the minimum performance that allows comfort improvement. For instance, this could include on-bill schemes, which are micro loans granted to consumers to undertake their renovation work or the purchasing of a more energy-efficient boiler. The repayment of the loan is then folded into monthly bills (i.e., water, energy, telecom, etc.). The capital can be provided either by the utility or by a third-party. Integrating these new financial instruments would be a way to increase the available funding for improvement works. It could also increase the efficiency and perceived comfort resulting from these works, by covering both insulation and heating/cooling systems simultaneously, which ensures consumption actually drops.

² Companies for which this is too burdensome from an administrative point of view or for whom this is impossible may opt for purchasing white certificates from other suppliers where these are tradable or contribute to Energy Efficiency National Fund under Art. 20 instead.

2.3. Improve the tools that assist consumers in their retrofit project: more integration of financial and technical aspects is needed

In the current EED, a number of tools exist to facilitate consumers' access to energy efficiency improvements. For instance, Energy performance contracting (EPC)³ which is a mechanism for organising the financing of energy efficiency. The EPC involves an Energy Service Company (ESCO) which provides various services, such as financing and guaranteed energy savings. The remuneration of the ESCO depends on the achievement of the guaranteed savings. The ESCO stays involved in the measurement and verification process for the energy savings in the repayment period. ESCO and energy performance contracting are mostly found in the public sector and to a lesser extent in the industrial and commercial building sectors.

Energy audits allow consumers to have a detailed roadmap of what they should implement as efficiency measures to improve the overall energy performance. Audits come with an acute evaluation of the costs of the works themselves and of the related savings.

Both these tools should be made much more functional/efficient for consumers in the residential sector.

Consumers in multi-unit buildings could further benefit from Energy Performance Contracting (EPC) solutions if governance issues were tackled. Addressing multi-unit buildings complexities **with "ready-to-roll" support from one-stop-shops** can iron-out governance barriers and facilitate the access of multi-unit buildings to EPC and their no-up-front costs financing solutions.

The best time for consumers to undertake an energy retrofit is at the time of purchase. However, refinancing, when consumers can renegotiate their mortgage interest rate, is also key. **Energy audits should be folded into the scope of services provided to consumers at the time of refinancing, so that financial and energy assessments are intertwined.** Further investment in energy efficiency can prove beneficial for the household's resulting financial situation and for the overall financial resilience of the bank.

3. How to improve the defence of consumer rights in District Heating

District heating networks can bring energy efficiency improvements, in particular when supplied by waste heat. It is therefore one of the key solutions supported by the Energy Efficiency Directive.

Yet, the current Energy Efficiency Directive foresees very limited rights and protections for consumers of district heating. The sector lags far behind the electricity sector and lacks even basic consumer rights.

The lack of proper consumer rights in district heating therefore means consumers are not protected enough, which reduces the attractiveness as well as the performance of district heating. There is indeed little incentive for a supplier to increase energy and cost efficiency as there is no competition with other suppliers.

³ Definition given by the European Commission, source Hilke and Ryan 2012: https://ec.europa.eu/energy/content/energy-performance-contracting_en

Hence, BEUC calls for the inclusion of comprehensive consumer rights & protections in district heating within the EED:

1. **Tariffs, contracts and bills which are transparent, understandable and easy to compare** (mirroring of Article 10, 18 and Annex I of the Electricity Directive).
2. **Introduce a right to terminate a contract and reduce the contracted heat load after the energy refurbishment of a building**
3. **Protection for vulnerable consumers and against energy poverty** (mirroring of Article 28 and 29 of the Electricity Directive)
4. **Effective redress mechanisms and single point of contact** (mirroring of Article 25 and 26 of the Electricity Directive)
5. **Benchmarking mechanisms for energy efficiency and use of renewable energy will increase the competitiveness of district heating suppliers**
6. **Independent oversight by national regulatory authorities** (mirroring Article 57, 58 and 59 of the Electricity Directive).

For a more detailed explanation, please refer to BEUC's position paper on consumer rights in district heating.⁴

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⁴ https://www.beuc.eu/publications/beuc-x-2021-044_consumer_rights_district_heating.pdf



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