EUROCHAMBRES

Position Paper

06 March 2017

EUROCHAMBRES initial position on the Clean Energy for All Europeans Package[1]

For EU businesses, it is crucial to have access to affordable and secure energy at all times. Against this background, EUROCHAMBRES welcomes the European Commission's push for a more market-driven and coherent European response to the challenges caused by the transition of the EU energy markets. Applying market principles will help to keep costs down and ensure that the energy transition does not lead to detrimental effects for competitiveness.

On a critical note, Chambers expected more ambition from the Commission on common rules for the expansion and the support of renewables in order to directed investments to those areas which have the most cost-effective RES potential. Furthermore, EUROCHAMBRES would have preferred to maintain the indicative 27% energy efficiency target for 2030. A 30% compulsory ceiling risks hampering economic growth. Thus, additional flanking support measures will be required, particularly targeted towards Small and Medium Enterprises. For the sake of security of supply and cost-effectiveness, it is important to continue working towards the completion of the internal electricity market. The significant differences in electricity retail prices across Europe and the persisting isolation of power markets in certain regions prove that this goal is far from being achieved.

1) Governance

In general, EUROCHAMBRES welcomes the Commission's proposal to introduce a reliable and transparent governance system that will cover all five dimensions of the Energy Union. However, Chambers oppose any supranational intervention in the national energy and climate plans for 2021-2030, as this would clearly undermine the planning certainty, which is of upmost importance to European businesses. The Commission should rather exercise a guiding role. In this context, it must swiftly communicate how it will determine and assess ambition gaps in the national plans, so that Member States can prepare them in an effective manner, offering a stable outlook to the 2030 EU RES target, from the outset. Moreover, the reporting obligations arising from the governance mechanism must not lead to new excessive red tape.

In the context of energy efficiency, it has to be considered that the potential for further energy savings differs significantly from country to country and between different sectors. In this context, also early actions need to be taken into account. The focus must be put on those countries with high cost-effective saving potentials. To achieve the overall EU target in the most cost-efficient way, Member States should be able to contribute to low-cost saving measures in other countries.

[1] This position paper provides a first assessment of the most important elements of the Clean Energy Package which was published on 30 November 2016. It will be followed by more detailed positions on the respective legislative proposals included in this package.

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2) Revision of the Energy Efficiency Directive

EUROCHAMBRES basically supports the ‘energy efficiency first principle’ of the European Commission. In this context, it has to be considered that cutting energy costs and using energy efficiently is indisputably in the best interests of business itself. Chambers, thus, call on the co-legislators to maintain the indicative 27% energy efficiency target for 2030, as adopted by the European Council in October 2014. A 30% compulsory ceiling provides no flexibility in times of production increases or certain weather conditions and could impede economic growth.

Moreover, the EU has to come up with a strategy to overcome the main structural weakness of its energy policy – the conflicting efficiency, RES and GHG emission reduction targets. In the 2020 framework, these interfering objectives led to multiple bureaucratic and financial burden for energy intensive industries and will persist in the next decade.[2] Thus, in the future, a prioritisation between targets will be necessary. Incentives to use energy more efficient and to increase the uptake of RES should mainly derive from EU policies on reducing emissions. Furthermore, the Directive should not include any obligation commitments for the period after 2030. Article 1(1) and 7(1)(2) provide provision that clearly exceed this timeframe.

In order to successfully implement Energy Efficiency Obligation Schemes, the bureaucratic burden has to be reduced, particularly for SMEs. In recent years, alternative measures to achieve the 1.5% annual savings (Art. 7b) proved to be more cost-efficient. EUROCHAMBRES, thus, welcomes the Commission’s intention to maintain the flexibility provided to Member States, as it allows for taking into account specific national situations and framework conditions.

3) Energy Performance of Buildings Directive

Chambers support the overall objective of this Directive (EPBD), which is to accelerate the cost-effective renovation of the existing building stock. However, some of the provisions included in the new proposal, particularly those amending Art. 2 and 8, risk to undermine the planning certainty and increase costs for the European economy.

In the context of Art. 2(3), EUROCHAMBRES welcomes the extension of the definition of ‘technical building systems’ to on-site electricity generation and on-site infrastructure for electro-mobility. However, it has to be ensured that any rights or obligations referring to this definition will be technology-neutral in order to reap the benefits of all alternative fuels. Thus, the reference to “electro-mobility” should be replaced by “on-site infrastructure for alternative fuels”. Furthermore, national roadmaps for decarbonising the building stock until 2050, with specific milestones for 2030 (Art. 2a(2)) seem redundant, as the EU has already targets in place, covering all sectors (divided by ETS and non-ETS). Separate targets for the building sector would undermine the Member States’ flexibility to decarbonise their national non-ETS sector. Also, it is impossible to estimate how the framework conditions will develop until 2030 or even 2050. A very positive new element, however, is Art. 2a(3) obliging Member States to use public funding to leverage additional private-sector investment.

Wirth regard to Article 8, Chambers clearly oppose the proposed obligation to equip one of every ten parking spaces with a recharging point (Article 8(2)). Businesses must not be held responsible for establishing the EU’s e-mobility infrastructure. The required investments for setting up and running the charging station will cause massive financial and administrative burden for businesses. The expansion of the infrastructure should rather be oriented towards the actual need. Otherwise, a large number of charging stations will remain unused. Moreover, the new provisions in Art. 8(5) requiring an assessment of the energy performance of the entire altered system before and after the modernisation of technical building systems, will significantly increase bureaucratic burden without leading to clear benefits.

4) Renewable Energy Directive

In general, EUROCHAMBRES supports the EU’s 27% target for the expansion of renewable energy. The governance mechanism set out in Art. 3 should, however, ensure to steer investments to those regions that have significant cost-effective potentials for RES-expansion.

[2] Examples for overlapping policies are stricter fuel standards, which led to a more energy- and carbon intensive refining process. Furthermore, the increased use of alternative (organic) fuels in industrial processes reduces emissions but impairs energy efficiency, due to the high water content.

Chambers also welcome the general principles that Member States may apply when designing cost-effective support schemes to facilitate a market-oriented and Europeanised approach (Art. 4). However, this and the partial opening of support schemes to cross-border participation (Art. 5) only mark a first step towards a European support system. Greater ambition will be required to resolve the patchwork of national support mechanisms which led to false incentives (such as costly support for RES deployment in regions with low potential). In order to optimise cost-efficiency, national support schemes as well as the marketing of renewables have to be harmonised so that investments can be made where they have the greatest economic effects. In this context, a simplification of the administrative rules for the cooperation mechanisms (Art. 8-13) would be crucial to persuade more Member States to work together. In general, all national and EU support schemes should aim at further integration of RES in the market by a planned phase out of subsidies for mature technologies, in order to limit market distortions, without creating adverse deployment effects. Tender systems for RES-installations should become mandatory, excluding only small scale installations. These tenders should be technology-neutral in order to enhance competition between different renewable technologies and to make use of the best locations.

Another positive aspect of the directive are the proposed principles for self-consumers and for remunerating them for the electricity they feed into the grid (Art. 21). The financial and administrative burden that are in place for self-consumers in some Member States have to be removed as soon as possible, which will ultimately lead to more flexibility in the energy market. In order to strengthen decentralised RES production, collective self-consumption mechanisms should be facilitated by regulation and DSOs, allowing businesses to supply unused RES to neighbours according to their consumption.

The target penetration of renewables in the heating and cooling sector by at least 1 percentage point per year, as set out in articles 23, risks to narrow down the margins of manoeuvre that businesses have to realise efficiency gains in a cost effective way. Furthermore, the availability of renewable alternatives for high temperature process heat are still very limited. Therefore, article 23 should be deleted from the proposal.

5) Energy Market Design

Regulation on the internal market for electricity

Chambers welcome the Commission's push for applying more market principles, which is reflected in all proposals concerning the EU's energy market design and particularly mentioned in Art. 3 of the regulation. Applying market principles will keep costs down and ensure that the energy transition remains accepted by the public. Also, the provisions on cross-border capacity mechanisms (Art. 21) provide a first step in the right direction. Basically, however, the creation of capacity mechanisms should be avoided and used as a last resort only if no alternative options are available to guarantee security of supply. By no means must potential capacity mechanisms fragment the internal market or further increase electricity prices. Especially national mechanisms are costly and lead to competitive advantages for domestic power stations by creating additional sources of income. Against this background, the Commission must provide stricter guidelines for Member States to assess the need for capacity markets against potential alternatives.

Regulation on risk preparedness in the electricity sector

Well-functioning markets are the best way to provide for energy supply problems. Thus, EUROCHAMBRES welcomes the Commission's proposal that measures taken to prevent or mitigate electricity crisis situations shall comply with market rules (Art. 15). On a negative note, the proposal focuses mainly on the identification and management of crisis situations but less so on preventive measures. This makes it likely that the different levels of preparedness in the Member States will persist. Thus, it would be crucial to develop more common tools to prevent crises. ACER's enhanced role as regulatory supervising body should be viewed critically (Chapter II). Supervisory functions should be performed by an independent authority, following the target of a fully integrated cross-border market - a precondition that does not seem to be met in this case.

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 93% of which are SMEs – through members in 43 countries and a European network of 1700 regional and local Chambers.

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