

## Eurochambres position on the recast of the Energy Efficiency Directive

European chambers of commerce and businesses are contributing to the energy transition and recognize the importance of energy efficiency and renewable energy provisions, which is even in their own self-interest. Many businesses will change their technology in order to reduce their GHG emissions, which may or may not be consistent with the principle of using less energy. Against this backdrop, and in light of overall rising energy demand, we should focus on the overarching goal of decarbonising our economy. As a result, we should give businesses sufficient flexibility in determining how to achieve the goal while keeping investment requirements and cost-benefit ratios in mind as well as providing the business sector with planning and investment security.

The European business community sees energy efficiency policy, along with the Renewable Energy Directive, as critical instruments for achieving the energy transition and having enough and affordable renewable and low-carbon energy available. This is especially true given rising future energy demand and the current challenging energy price situation.

**Energy consumption is inextricably linked to economic growth** and production output, which should be kept in mind when developing energy policy in order to avoid negatively impacting economic recovery and growth. In terms of goal setting, we prefer an EU-wide target over national targets in order to work together toward a common goal. However, we must take into account national circumstances, different starting points, and emissions reduction potential.

**Energy efficiency has significantly improved over the last 20 years** and businesses – particularly those where energy is a decisive input factor - have been working on efficiency improvements on a continuous basis, not least because they make economic sense in many cases. European businesses also serve as **technology providers** and developers in the field. Those efforts have resulted in a situation in which much potential has been harvested in many sectors, making further strict energy consumption reductions difficult as marginal costs rise significantly.

Two important factors complicate matters further. First, as we transition to a green economy, we will require **significantly more renewable energy** overall, particularly electricity. For example, the production of green hydrogen required to decarbonise industry or processes involving carbon capture and use, as well as increased demand for air conditioning and digitalisation, will result in higher energy demand. Second, on a corporate level, the transition to new **low-carbon technologies** will include **energy-intensive** ones, leading to higher energy consumption than previously. Another issue for businesses is that transitioning to new, low-carbon technologies **requires large investments**, which may be hampered by imposing overly stringent energy-saving obligations. Rising energy demand can be partly offset by efficiency measures, but setting a fixed target may be too short-sighted and may **not always coincide with overall decarbonisation efforts**.

Energy efficiency is already in the self-interest of energy-intensive companies, so we should focus on **promoting technical innovation**. For companies with a lower energy-intensity, a reasonable **cost-benefit ratio** is critical, as investments in energy efficiency always compete with other necessary investments (market expansion, new product development, etc.). We should avoid imposing measures on businesses that are not economically viable, as this reduces competitiveness. Seeing the marginal cost of energy efficiency measures increase while the marginal cost of renewable energy falls emphasizes the importance of smartly combining energy consumption reduction and renewable energy use. This could imply that generating clean energy through a renewable energy system is more cost-efficient than implementing energy saving measures.

Against this backdrop, Eurochambres wants to emphasize the **overarching goal of reducing our GHG emissions**. With this in mind, targets must be flexible and the energy efficiency first principle should be reconsidered. Instead of setting fixed reduction targets, a useful approach going forward could be the **reduction of energy intensity**, which refers to the amount of energy used per unit of economic output produced.

The energy efficiency first principle may also contradict the **need for grid flexibility**, which we will urgently require in greater quantities in the future to balance a renewable-based energy system – for which renewable and low-carbon gaseous fuels will also play a significant role. The future grid requires and is partly built on flexible demand structures from production and consumption side – e.g. demand response mgmt. - , which can limit process efficiency and result in installations being operated at non-optimal levels with lower efficiency factors and thus relatively higher energy demand. Flexibility and efficiency measures must be considered together and at a higher level, rather than focusing solely on single plant optimisation.

Because many businesses' and sectors' energy efficiency potentials have been fully realized, technical optimisation measures will no longer result in significant improvements. What we need to see and support is a **systematic change and technical innovation**, e.g. in the form of waste water use, change in the mobility sector via switching from road to rail, etc.).

Allowing member states to choose between **obligation systems or alternative strategic measures**, or a combination of both, is viewed positively. Alternative strategic measures can and should play an important role. In this regard, we generally welcome the step of making the **public sector a role model**, as it has enormous possibilities and multiplier effects (e.g. efficiency measures in the infrastructure sector), as well as the financial power to make consumers move towards energy-saving measures. However, when developing 'green' public procurement criteria, we must carefully consider SMEs ability to comply, as they already struggle to participate in public tenders.

Concerning the **new approach to energy audits**, we generally support this step because it is a more objective and appropriate parameter. Companies with low energy consumption levels are thus exempt from this obligation, which would have generated very limited results in any case. However, the threshold should be set with care, taking into account how many companies in which sectors would be affected and thoroughly analysing the impact. Furthermore, we would like to see businesses have the option of conducting an energy audit or implementing an energy management system in order to

reduce administrative burden.

To **assist newly obliged SMEs** in meeting the requirements of an energy audit, they should be **financially and technically supported**, not only for the auditing process itself, but especially for the implementation of the recommended actions as a result of such an audit. High administrative burdens, a lack of knowledge or resources, partially unattractive rates of return on such investments, and a shortage of qualified people are all barriers to energy efficiency investments. Overcoming those barriers and achieving a higher implementation rate of audit recommendations will be the more difficult part, but it will also be the one that leads to real change and energy savings.

We **oppose making the implementation of the audit recommendations a condition for receiving EU ETS free allowances**. The EU ETS benchmark already reflects the best-performing companies within a sector and is tightened on a regular basis to reflect technological advances. Taking away a quarter of free allowances would deprive companies of necessary investment power for decarbonisation, on top of the recovery pressures that have accumulated since the crisis. Such a measure would also disproportionately harm companies and industries that have already undertaken numerous initiatives and are now only left with very cost-intensive measures. Rather than imposing such costly measures, the decision and timing should be left to the companies.

Energy efficiency measures should be bankable in order to avoid discouraging investments near the end of an obligation period. We oppose the exclusion of energy savings related to fossil fuel combustion, such as the replacement of an old to a highly efficient gas heating system, because every reduction in GHG emission should be counted, and investments may be withheld as a result.

Waste heat from industrial processes should be counted as energy efficiency measure in any case, and any technical or economic barriers to its use should be avoided.

We do not support the immediate tightening of the criteria for high-efficient cogeneration installations, as the limit value of 270g CO<sub>2</sub>/kWh would cause many former high-efficient installations to fall outside of that definition. Instead, as a first step, this new criterion could only apply to new installations, becoming applicable to existing installations only after 2030.

## Chambers' flagship initiatives in the field of energy efficiency

- **German chamber (DIHK):** The DIHK works with German SMEs to help them maximize their energy efficiency potential. As part of an initiative for SMEs on energy transition and climate protection, local and regional chambers train so-called energy scouts. These individuals learn how to identify potential savings within their organisations and how to implement them through concrete projects. Young Energy Europe has now replicated this successful model in other EU countries.
- **Malta Business Bureau (MBB):** The MBB Energy Ecosystem is the first comprehensive network of energy stakeholders and businesses of its type in Malta. It pushes for direct energy efficiency action by businesses through promoting technical support for energy projects; the promotion of financial instruments for energy efficiency that address market gaps; the dissemination of local best practices; and by conducting studies to advance knowledge on key issues affecting industry and promote policy learning.
- **Austrian chamber (WKO):** The WKO is a comprehensive and all-encompassing training program for experts (or future experts) in all aspects of energy management within a business/organisation. Participants learn about energy efficiency, renewable energy, heating and cooling systems, lightning, and other relevant topics, as well as how to implement and calculate projects. It takes into account both economic and environmental factors.
- **Spanish chamber:** The Spanish chamber has recently launched a new Sustainability Program, which provides SMEs with assistance to improve their sustainability through actions related to various topics, including energy efficiency. Chambers experts conduct a thorough analysis to identify potential improvements. This diagnosis includes, among other things, calculating the company's carbon footprint in tons of CO<sub>2</sub> in order to facilitate reduction commitments, as well as a study of the company's energy efficiency and a plan related to it.
- **CCI France:** French Chambers advise SMEs on how to engage in the green transition and build up their capacity to manage energy efficiency. The network developed self-diagnostic tools and on-site Energy visits to draw action plans and support SMEs to implement energy efficiency measures. These services are embedded within an Energy service package proposed by all French CCIs. The expertise of the network is recognised in the green transition pillar of the National Recovery Plan, under which Chambers are required to conduct diagnoses and to raise awareness of a certain number of companies by December 2022. Moreover, numerous French CCIs have been active partners in European projects dedicated to energy efficiency, such as STEEP and IMPAWATT project.
- **Project STEEEP:** The STEEEP project provided tailored training and guidance on effective energy management tools and practices targeted at specific national or regional needs to 600 cross-sector SMEs in order to reduce their energy consumption by 10-15%. As- trusted intermediaries, Eurochambres and 36 regional and local chambers of commerce and industry from ten different European countries were involved.

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