

EU Strategy for long-term emissions reduction: Recommendations

July 2018

Preparations are starting for designing an EU Strategy for long-term greenhouse gas emissions reduction in accordance with the Paris Agreement. This work of utmost importance should guide the EU's current and future climate and energy policies and accelerate the development of an Energy Union which is attractive for citizens and businesses. The Coalition for Energy Savings strives to unite and build bridges between private, public, national and local interests. We call on the Commission to properly seize the contribution of energy efficiency as the key enabler in all the pathways of reducing greenhouse gas emissions by:

1. Building on full enforcement of EU law and the additional potential of energy efficiency

☑ **The energy savings cost-effective potential should be tapped:** Only by tapping the full potential of energy efficiency across all sectors, can the transition to a decarbonised energy system and economy deliver maximum benefits to business and citizens. Energy efficiency will have to make a major contribution to additional emission reductions globally and in Europe, according to the International Energy Agency (IEA). A growing number of stakeholders recognise that without significant reductions in energy demand decarbonisation is not feasible. While the newly agreed 2030 target and the annual energy savings requirement until 2050 fall short of tapping the cost-effective potential of energy efficiency, their full enforcement must be the bottom line of any long-term scenario assessment.

☑ **Apply the energy efficiency first principle:** Applying the energy efficiency first principle when planning and designing the transition will be crucial to ensure that energy efficiency opportunities are considered first when making decisions about the energy system. The Commission should ensure that investment choices are made upon appropriate assumptions about the size of the energy market. This will notably help avoiding stranded assets.

2. Overcoming the current energy system modelling limitations

☑ **Address demand side issues with the current energy model:** Consultations held by DG Energy to assist in the review of assumptions for the energy system modelling have shown that the PRIMES model used by the Commission is inadequate to address energy efficiency and demand-side policies¹. Corrective actions should be taken rapidly.

¹ While several thousands of data points are available for supply-side technologies, only a few hundred parameters are presented for building renovation, and no parameter is made available to address the transport sector. Considering that heating, cooling and transport make up about two thirds of the EU's total energy demand, this is a serious limitation.

☑ **Start with the right baseline:** The Commission's model should take as a basis the implementation of existing targets and legal requirements, including the 2030 target and its improved governance mechanism, as well as the continuation until 2050 of Article 7 of the revised Energy Efficiency Directive. The Commission should fully value² the initiatives to save energy developed by national, regional and local authorities, and renewable energy communities³.

☑ **Present costs and benefits in a fair manner:** In previous impact assessments, the investment costs and financial savings of energy efficiency were not presented in a fair way⁴. The Commission should use a societal discount rate for energy efficiency which is commonly set around 4% in the EU or a 0% rate which would value future generations to present and compare the costs of today's investments with long-term benefits. The Commission should also take into account the multiple benefits of tapping the full potential of energy efficiency and present the costs of delayed actions, including climate risks.

3. Building support for the energy transition

☑ **Design an inclusive and transparent process:** The Commission should ensure buy-in for the scenarios modelled and assessed by setting an iterative and inclusive review process⁵. An inclusive dialogue shall be established to create common understanding between policy makers, industries and trade unions, NGOs, and local authorities.

The Coalition for Energy Savings strives to make energy efficiency and savings the first consideration of energy policies and the driving force towards a secure, sustainable and competitive European Union. Its membership unites businesses, professionals, local authorities, trade unions, cooperatives, consumer and civil society organisations in pursuit of this goal. Coalition members represent:

- more than 500 associations, 200 companies, 1,500 cooperatives
- 15 million supporters, more than 2 million employees and 1 million citizens as members of cooperatives
- 2,500 cities and towns in 30 countries in Europe

Transparency Register: 72911566925-69

Contact: Marion SANTINI, marion.santini@energycoalition.eu, +32.2.235.20.13

² In the past, the impact assessment mainly looked at the financial impacts of targets and did not take into account the positive role of public policy making in removing and reducing market barriers to energy efficiency.

³ Taking into account these substantial technological, socio-economic and policy changes available in a 2050 perspective will notably translate in more favourable interest rates in the modelling.

⁴ A discount rate of 10% across the board was applied to compare today's investments with future benefits and identify a least cost option. No mention was made of the costs of inaction.

⁵ On 16 May 2018, stakeholders were invited to examine the data used in the Commission's energy model, a good first step towards more transparency and inclusiveness. Stakeholders need to be systematically involved in order to ensure wider public engagement and increase the credibility of the outcome.