

Position Paper

EUROPIA Position on the proposed Directive on Energy Efficiency repealing Directives 2004/8/EC and 2006/32/EC – COM (2011)370 final, June 22, 2011

October 2011

EUROPIA welcomes the EU efforts to encourage energy efficiency in the EU, particularly in end use. The efficient use of energy is vital due to the increasing world energy demand, assessed to grow by 30-40% over the next 20 years. Better energy efficiency will help to conserve resources, to improve international competitiveness, and to reduce the EU's greenhouse gas emissions.

In particular, EUROPIA strongly believes that there is potential for improvement in energy use by end users and for sectors where energy costs are a small proportion of operating costs; unlike energy intensive industries such as refining, these may not respond to economic or market signals and may need facilitating measures to promote progress. The Energy Efficiency Directive should first focus measures on these sectors, many of which can potentially be done at negative or low cost.

EUROPIA has two general concerns with the current Directive proposal.

Firstly, fixing absolute targets for energy reduction is not the same as improving energy efficiency. Energy efficiency should be measured by an indicator such as energy/GDP. If the EU grows, the energy “cap” could be breached even with energy efficiency targets met; similarly if there is continued low growth, energy consumption could be reduced with no increase in efficiency.

Secondly, EUROPIA believes that the proposed measures are unnecessary and disproportionate regarding the refining industry. Efficiency improvements must always be cost effective; the EU ETS is already aimed at promoting efficiency measures and resulting emissions reductions at the lowest overall cost. Performance mandates on industries covered by ETS, such as refining, are unnecessary and create overlap with and undermine the market based incentives of ETS.

EUROPIA also has four specific concerns and recommendations on the draft Directive outlined below and supported in the attached paper:

1. **Articles 11 and 19:** EUROPIA strongly objects to the Commission's unexpected and arbitrary decision to specifically target oil refining, the only manufacturing sector targeted, by this Directive. Obligatory measures and standards for the refining sector included in this proposal are not only unnecessary but potentially damaging to EU refining and should be removed. EUROPIA believes that the draft proposal is mistaken in comparing the refining sector to the electricity generation sector. Industrial users such as refiners, which operate in an internationally competitive environment with significant global trade, must always look at cost effectiveness, including trying to minimise their energy costs. The specific mention of the

refining industry is discriminatory, against the principles of good administration and also infringes various other legal principles :

- it is a discriminatory treatment of only one energy intensive sector (refining);
- it contradicts refining treatment under other recent EU legislation such as ETS;
- it has been introduced without any consultation of the industry concerned;
- it was not addressed in the Impact Assessment, and
- it is inconsistent with the EU's own NACE categorisation of industry which is mandatory in the Union when economic activities are classified in statistics.

Recommendation:

- **Refining would be covered by general provisions addressed at all energy intensive industries, so the specific references to refining in Articles 11 and 19 and in Annex X should be removed altogether.**

2. **Article 7:** For the EU refining sector, energy on average represents more than 50% of operating costs, so refineries in general already have their own Energy Management Systems. Moreover since they are also subject to the EU ETS, they will closely monitor energy and emissions. EUROPIA does not agree therefore that generic independent audits would carry any additional benefit to EU refineries. Allowing industries such as refining to use in-house expertise to evaluate performance would be welcomed; demonstration by the refinery of the use of an existing Energy Management System should be sufficient to meet the requirements of the Directive.

Recommendation:

- **Amend Article 7 so that industrial sites, including refineries that can demonstrate the use of an existing Energy Management System are not subject to compulsory external audits.**

3. **Article 6:** Whilst recognising the requirement for energy efficiency improvements, EUROPIA believes that imposing an EU wide obligation on energy suppliers and/or retailers to achieve energy savings from their customers is not an acceptable solution for the following reasons:
- a. Member States have many more appropriate measures relevant to national and local circumstances which would be more practical and effective, such as taxation,

incentives, equipment standards, voluntary schemes. Energy suppliers cannot take the entire burden as proposed in Article 6.

- b. Energy used in transport should continue to be excluded from the scope of the Directive Article 6. Many existing measures cover and have proved effective for the end use efficiency of transport, including CO2 emission standards for cars, car efficiency labelling, local taxation incentives, CO2 standards for vans etc.
- c. Energy consumers already covered by the EU ETS have other drivers for improving energy efficiency, so supplies to these consumers should be excluded from the scope of the Directive Article 6.
- d. The proposal as drafted does not recognise that the heating oil and LPG supply businesses are very different from electricity and gas: oil and LPG deliveries are discrete and often one off, whereas gas and electricity are supplied on a continuous basis through a fixed supply grid. With such differential approaches to the supply of energy, Member States are best positioned to choose how Article 6 is implemented.

Informing customers on how to use energy products efficiently can make sense in certain situations, but for the above reasons should not be an obligation. As an example of a voluntary action, EUROPIA launched a pan-European “Save more than fuel” campaign in May 2008 in cooperation with the Commission to inform consumers on the most efficient use of our products.

Recommendations:

- **Article 6 correctly excludes energy used in transport: alternative energy saving measures outside the Energy Efficiency Directive are already in place for transport.**
- **Article 6 must exclude energy sales to EU ETS installations which, unlike many retail energy consumers, have other drivers for improving energy efficiency.**
- **While the exclusion of energy used in both transport and EU ETS installations should be subject to EU-wide Article 6 provisions, Member States are best placed and should be free to implement measures for retail consumers that will be practical and relevant to their own circumstances, as many of them have already done**

4. **Articles 10 & 17:** EUROPIA supports the promotion of CHP. Indeed, a large majority of EU refineries “co-generate” heat and electricity together and make efficient use of both energies in complex systems across the refinery; in fact over half EU refineries have or use high efficiency CHP. However, process industries use most of this heat internally and the opportunities for economic links between industrial CHP plants and possible users such as district heating will not apply equally around Europe nor for all installations. This is also because there are major differences in national circumstances and climatic conditions across the EU. **Promotion of**

new technologies such as CHP by market based mechanisms is more appropriate than mandatory rules adopted at the EU level, which could introduce unintended disincentives to apply CHP in industry. Some Member States schemes (e.g. Italy) have already taken a market based approach. The criteria for the economic benefits of projects or installations cannot be set EU wide by delegated act.

Recommendations:

- **Focus the measures on removing barriers to the promotion of economic cogeneration.**
- **Remove the obligation to link new industrial heat or electricity facilities to district heating and instead allow Member States to use appropriate market based incentives and also to reflect differences in national circumstances and climatic conditions.**
- **Ensure that the economic case recognises the need for companies to achieve economically sustainable rates of return on new projects and security of heat demand. The economic case will be a determining factor in project success, so cannot be left to mandatory rules adopted at the EU level.**

EUROPIA, the European Petroleum Industry Association, is the single voice the European Refining & Marketing Industry, the downstream sector of Europe's oil industry.

EUROPIA is a non-profit organisation and whose 17 members account for more than 80% of EU petroleum refining capacity and some 75% of EU motor fuel retail sales.

EUROPIA as a leading Industry Association aims at contributing pro-actively and constructively to the development of policies to safeguard the secure and sustainable manufacturing, supply and use of petroleum products by providing competent and expert advice to the EU Institutions, Member State Governments and the wider community.

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