

EGEC Reaction to the Non-Publication of the Energy Union Efficiency Package

12 October 2016

It was expected that European Commission would launch its proposal for the 'review of the energy efficiency directive and the energy performance of buildings directive' this week, as a first step to implementing the EU Heating and Cooling (H&C) Strategy and the Energy Union principles.

Now postponed to December 2016, the European geothermal sector is confident that this additional time will be used for improving and clarify the current EU energy efficiency legislation.

We strongly believe that the conclusions of the H&C Strategy should firstly be implemented through the following measures:

- A strategy and consistent provisions for the phase-out of fossil fuels. In the post-2020 framework, **technologies incompatible with decarbonisation should no longer be promoted and subsidised**, including condensing oil & gas boilers supported through energy efficiency obligation schemes.
- **In order to avoid lock-in effects in the building sector**, deep renovation including the replacement of heating systems should be rewarded more than a quick-fix approach limited to insulation only. In parallel, **nearly zero energy buildings** should be defined on the basis of **CO₂ emission performance, and minimum shares of renewables should steadily increase, incorporating efficient district heating and cooling.**
- For the **review of the EU primary energy factor**, the new value must be based on a scientifically sound methodology in order to reflect the real progress in the average generation efficiency of the electricity sector. This is in order not to mislead consumers and distort competition in the heat sector.
- A **definition of 'storage'** is crucial and must take into account that **thermal storage**, including underground thermal storage, has the largest installed capacity.

As acknowledged by the EU H&C strategy, the **role of electricity in heating** will slightly increase. But the heat sector must firstly be decarbonised through combined efforts to reduce demand and develop RES H&C sources, including geothermal energy. **It is not physically, economically, and technically efficient to rely on a single carrier.**

The upcoming review of the EU energy and climate framework represents the opportunity to apply the Energy Union principles to the heat markets as well.

1. **Energy security, solidarity and trust**

Energy security is a concern at all levels, EU, national, regional, and local. Regional and local solutions should be explored and developed. Europe's energy security crisis is essentially a heat crisis. Without fuel switch in this sector, including through renewables-based cogeneration and efficient district heating, the EU will be locked in to using imported fossil fuels and related infrastructure for decades.

2. **A competitive and complete internal energy market**

To complement the market design initiative for the power sector, the Energy Union should now develop a market design initiative for heat markets. Markets for heating and cooling are even less

open and competitive than the electricity market. Although representing 50% of the energy sector, few initiatives have been taken to make them in line with the principle of the Energy Union.

3. **Energy efficiency contributing to moderation of demand**

Energy efficiency and renewable energy go hand in hand and should be addressed at the same time. The revision of existing legislation should increase ambition, whilst avoiding loopholes which create a lock-in to technologies incompatible with the international climate commitments.

4. **Decarbonising the economy**

Bearing in mind the EU decarbonisation objective, simultaneous efforts, based on a cost-optimal approach, should be made in reducing energy demand and providing renewable or recovered heat. There is no time left to postpone the much-needed action on renewable and recovered sources.

5. **Research, Innovation and Competitiveness**

The European Commission has affirmed its objective of making the EU the world number one in renewable energy. The EU, together with Member States, is therefore encouraged to continue their commendable support for the development of the next generation of RES technologies, in order to retain its main competitive strengths and status as a world leader in the manufacturing, design, and deployment of RES technologies, including for H&C.

EGEC is committed to actively supporting a transition towards an energy system which is fair to all EU citizens and consumers, provides a level-playing field for all actors across the EU, and aims at the goals of efficiency, competitiveness, security of supply and sustainability.