EU Regional Policy Dialogue
Policies for Energy Provider Delivered Energy Efficiency

Brussels
18th January 2012

Key Issues for Gas Providers

Dr. Pauline Lawson

Chair
Supply & Markets Development Committee

eurogas
THE EUROPEAN UNION OF THE NATURAL GAS INDUSTRY

Goal: to remove barriers to take up of cost effective energy efficiency measures within a competitive energy market, to contribute to climate policy objectives

Flexibility

- Member States targets
- Energy Efficiency Schemes
- Economic Solutions

Eurogas supports initiatives aimed at further development of cost effective energy efficiency measures

Energy Efficiency Objective

Energy Efficiency

- Using less to achieve the same objective
- Save energy without loss of utility or economic growth

Energy Saving

- Reducing consumption by choosing not to do some energy consuming tasks

20% increase in energy efficiency by 2020, not a cap on consumption

Retailers (need for) relationship with customers means that they are well placed (and motivated) to offer energy efficiency advice and services

Companies are developing and offering a wide range of solutions and services

Why?

- Essential to commercial strategy
- Makes it more interesting for customers
- Allows differentiation of offers
- Move away from 'grudge purchase' to meeting customer's diverse needs

Creating demand for energy efficiency services is key

DSO/Supplier Energy Efficiency Obligation Schemes and Alternative Measures should be on an equal footing

Cost effective route to achieve targets

- Subsidiarity
- All energy efficiency measures are valid

Maximum flexibility should be allowed in the way that energy efficiency gains are achieved

Gas Smart Metering

Improvements from smart metering widely recognised

General deployment of gas smart meters cannot be assumed

Even where the economic assessment for gas smart meter roll-out is positive, there is no prescribed EU timescale

EED proposals should recognise particularities of gas, and avoid cutting across existing initiatives and the Third Package

Co-generation is broadly supported by Eurogas

Mandate of CHP could have adverse effects

- Restricting upgrade of existing plant
- Restricting site of efficient power plant (grid connection, security of supply)
- Increasing cost with no benefit if there is no conveniently located demand for the heat matching the pattern of generation

The final investment decision for any particular co-generation scheme should rest with the investor and depend on a number of parameters such as location and demand for heat

EU Energy Efficiency Policy Framework

should

- Require Member States to identify the potential for energy efficiency measures, and set delivery goals and actions according to national circumstances
- Create incentives for business and individual consumers to invest in energy efficiency
- Remove barriers to action

and avoid

- Overly prescriptive regulation that is likely to
  - Add costs to customers
  - Introduce inequitable cross-subsidies
  - Potentially reduce customers interest
  - Undermine development of an energy services market and the internal energy market

Annex

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ANNEX

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Goal: to remove barriers to take up of cost effective energy efficiency measures within a competitive energy market, to contribute to climate policy objectives

- Member States targets to be established should take account of differing energy mixes and utilisation in Member States, together with past achievements in energy efficiency
- There should be maximum flexibility in the design of energy efficiency schemes, which should be developed with due regard for the competitive market and make use of incentives
- Alternative measures to achieve energy efficiency gains should be on an equal footing with an energy efficiency obligation scheme
- EED should respect the provisions of the third package in relation to smart metering and economic assessment of smart meter deployment
- Co-generation is broadly supported by Eurogas but the final investment decision for any specific co-generation scheme should rest with the investor and depend on a number of parameters such as location and demand for heat

Energy Efficiency Objective

Energy Efficiency

- Using less to achieve the same objective (efficient heating systems, insulation, efficient processes)
- Save energy without loss of utility or economic growth

Energy Saving

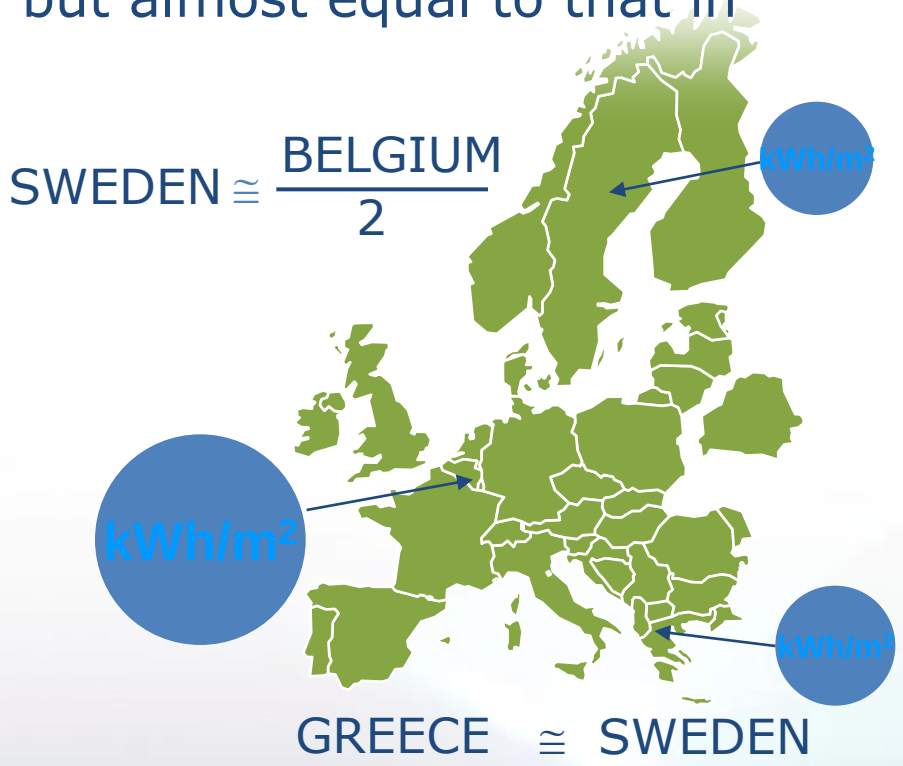
- Reducing consumption by choosing not to do some energy consuming tasks
  - May be positive (not heating water when away on holiday)
  - Could be negative (being cold, closing a business)
  - Difficult to compare year on year (cold weather year - warm weather year, recession – boom)

Aim should continue to be a 20% increase in energy efficiency by 2020, not a a cap on consumption

Member State Targets

Housing in Sweden consumes almost half compared to that in Belgium, but almost equal to that in Greece[1]

	Climatic Condition (Heating in Degree Days)	Average conversion efficiency for heating	
		Existing buildings	New buildings
SWEDEN	cold	90%	95%
BELGIUM	moderate	85%	90%
GREECE	hot	65%	85%



A common target for all Member States is impractical and inefficient and would penalise those Member States who have already invested in energy efficiency measures

[1] Study on energy savings potentials in EU Member States, candidate countries and EEA countries for the European Commission DG ENER Mar 2009
http://ec.europa.eu/energy/efficiency/studies/doc/2009_03_15_esd_efficiency_potentials_final_report.pdf

Retailers (need for) relationship with customers means that they are well placed (and motivated) to offer energy efficiency advice and services

- Companies are developing and offering services e.g.
  - Online stores for insulation, thermostats, energy efficiency gadgets
  - Interactive tools to help customers to regulate their consumption
  - Products which give rewards for year on year savings
  - Energy audit and tailored energy efficiency solutions (for households and businesses)
  - Learning modules and energy experience days for school children
  - microCHP, heat pumps (gas and electricity)

- Why
  - Essential to commercial strategy
  - Makes it more interesting for customers
  - Allows differentiation of offers
  - Move away from 'grudge purchase' to meeting customer's diverse needs

Creating demand for energy efficiency services is key – provide incentives to consumers (the decision maker) to improve their energy efficiency (low cost finance, fiscal incentives e.g. tax rebates)

Energy Efficiency Obligation Schemes and Alternative Measures

- The principle of subsidiarity should be respected when considering the route taken to achieve targets
- DSO/supplier energy efficiency obligation scheme and alternative measures to achieve the required energy efficiency should be on an equal footing
- All energy efficiency measures are valid
- Restricting accreditation of measures will lead to restriction in achieved efficiency gains, and make measurement and verification unfeasible
- Schemes should be developed with due regard for the competitive market and cost efficiency
  - The cost of promoting energy efficiency will be ultimately reflected in prices charged to end consumers

Maximum flexibility should be allowed in the way that energy efficiency gains are achieved

Gas Smart Metering

- Improvements from smart metering widely recognised (e.g. improved feedback of consumption, ability for customer to manage usage, avoidance of estimated bills)

- EED proposals should recognise particularities of gas, and avoid cutting across existing initiatives and the Third Package
  - Gas in the household sector is primarily used for heating
  - The capability of most gas consumers to change their gas consumption patterns is limited
  - The scope to encourage shifts in gas consumption patterns through peak/off-peak and time of use tariffs is limited
  - Comparison / benchmark for high gas use is subjective and is dependent on many variables e.g. weather, housing type and condition, circumstances of the occupant (e.g. elderly person at home all day)

General deployment of gas smart meters cannot be assumed.

Member States are responsible for economic assessments and, even where the case for gas smart meters is positive, there is no prescribed EU timescale for roll out.

Co-generation is broadly supported by Eurogas

- Mandating the use of CHP would have unforeseen consequences and runs counter to the principle of competitive generation markets
- Large generation plant cannot always be located where there is a convenient use for the heat produced, and changing patterns of generation may mean that the plant would not be used at times when heat is required
- Policy should not restrict upgrade of existing plant (to be more efficient), site of efficient power plant (grid connection / security of supply) or increase the cost by mandating heat where it cannot be used

The final investment decision for any particular co-generation scheme should rest with the investor and depend on a number of parameters such as location and demand for heat

EU Energy Efficiency Policy Framework

should

- Require Member States to
  - Identify the potential for energy efficiency measures and set delivery goals accordingly
  - Identify appropriate actions according to their own circumstances
- Create incentives for business and individual consumers to invest in energy efficiency
- Remove barriers to action

and avoid

- Overly prescriptive regulation, which is likely to
  - Add costs to customers
  - Introduce inequitable cross-subsidies
  - Potentially reduce customers interest
  - Undermine development of an energy services market and runs counter to a functioning internal energy market

Eurogas supports initiatives aimed at further development of cost effective energy efficiency measures as a key part in responding to the challenge of climate change, and in the transition to a resource efficient economy and a sustainable energy mix