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THE EUROPEAN UNION**

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**REPORT**

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from : Coreper

to : Council

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Subject : **TTE (ENERGY) COUNCIL ON 23 NOVEMBER 2006**

**Energy Policy for Europe**

Sustainability of energy production and consumption: Promoting Energy Efficiency and Renewable Energy

*- Adoption of Council conclusions on the Action Plan on Energy Efficiency*

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**I. Introduction**

The Commission presented its Communication "Action Plan for Energy Efficiency: Realising the Potential"<sup>1</sup> on 20 October 2006. This Action Plan was drawn up after the extensive public consultation that took place following the publication of the Commission's 2005 Green Paper on Energy Efficiency<sup>2</sup>, and was presented in response to a request formulated by the March 2006 European Council.

In response, the Presidency has submitted draft Council conclusions on the Action Plan. These draft conclusions (see Annex) have been examined by Coreper, and are supported by all delegations except the Danish delegation, as reflected hereunder.

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<sup>1</sup> 14349/06

<sup>2</sup> 10368/05

## **II. Outline of pending issue**

Binding energy savings target (introductory paragraphs, p. 3 of this Note)

The Danish delegation requested that a reference be made to the need to adopt a binding energy savings target of 1.15% per year in final energy consumption, for the EU as a whole and for individual Member States. In line with their position during the recent negotiations on the Directive on energy end-use efficiency and energy services, this request is opposed by a large majority of delegations.

## **III. Conclusion**

Council is invited to resolve the only pending issue outlined in section II on the basis of the draft conclusions as set out in the Annex, and to adopt the conclusions.

Draft Council conclusions  
on the Commission's Action Plan on Energy Efficiency<sup>3</sup>

Council welcomes and supports the overall approach of the Commission's ambitious Action Plan for Energy Efficiency. Council agrees that energy efficiency and energy savings constitute a cornerstone of the Energy Policy for Europe. Energy efficiency and energy savings contribute concurrently to the three main Community energy policy objectives relating to security of energy supply, competitiveness and sustainable development including climate change.

Therefore, Council confirms its commitment to work together with the European Commission and the European Parliament, and with the Community's industry and citizens, in a joint attempt to realise the Community's 20% energy saving potential by 2020, which the Commission estimates to be technically and economically feasible. The realisation of these savings could by 2020 lead to annual savings of EUR 100 billion<sup>4</sup> and 390 Mtoe<sup>5</sup>, whilst reducing the EU's CO<sub>2</sub> emissions more than twice as much as required by the Kyoto Protocol by 2012.

Without prejudice to its position on individual actions proposed in the Action Plan, Council encourages the Commission to proceed rapidly with its implementation, in line with its ambitious timetable and taking due note of these Council Conclusions.

## **I. GENERAL CONSIDERATIONS**

### ***Baselines in Member States at national or regional level, energy efficiency actions under way***

Many Member States have already adopted National Energy Efficiency Action Plans, with a dedicated national authority or agency. Under the Directive on energy end-use efficiency all Member States will be required to do this. Effective coordination between these National Action Plans and action at Community level will be important. It should be noted however that the potential for further energy savings varies from one Member State to another, as do the resources made available and actions taken.

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<sup>3</sup> 14349/06 + ADD 1 + ADD 2 + ADD 3

<sup>4</sup> estimated on the basis of a price of USD 48 per barrel net of taxes

<sup>5</sup> Million tonnes oil equivalent

### ***Realising the full potential of existing EU legal instruments***

The optimal implementation and enforcement of existing legislation relating to energy efficiency<sup>6</sup> is essential and, with close cooperation between all players, will provide a substantial part of the energy savings which the Community is able to achieve in the short to medium term. Reporting requirements under different legislative instruments and reporting to Eurostat should be rationalised and streamlined, including by using the National Energy Efficiency Action Plans from the Directive on energy end-use efficiency for other reporting obligations.

The successful implementation of the recommendations in the Commission's Action Plan also requires a continued and strengthened focus on R&D on energy efficiency in the context of the Seventh Research and Development Framework Programme (2007-2013), in the context of the energy component of the Competitiveness and Innovation Framework Programme (CIP) as well as in the context of the overall CIP.

### ***Criteria for actions at EU level***

Any proposal for new legislation and adaptation of existing legislation must be subjected to a high quality impact assessment to assess, in a balanced way, the social, environmental and economic dimensions of sustainable development, taking into account the external dimension of sustainable development and the costs of inaction and in accordance with the principles of good governance and better regulation. Such a comprehensive impact assessment should provide a clear view of potential cost-effective energy savings, as well as an evaluation of the relation to overall EU policy goals, especially as concerns energy, competitiveness, sustainable development and economic and social goals. Furthermore, the subsidiarity principle should be respected, and voluntary agreements with industry should be considered where appropriate.

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<sup>6</sup> Directive 2006/32/EC on energy end-use efficiency and energy services, Directive 2005/32/EC on ecodesign requirements for energy-using products, Directive 2004/08/EC on promotion of cogeneration, Directive 2002/91/EC on the energy performance of buildings and Directive 92/75/EEC on Labelling.

Council encourages the Commission to cooperate closely with Member States and other stakeholders when drafting and implementing new measures as well as when monitoring and analysing the results achieved and examining the need for possible improvements. The final choice between different potential instruments should be based on a thorough comparison of their effectiveness, estimated cost for governments and market players, and the compatibility of the instrument with the existing legal and business frameworks. Thereafter, monitoring and reporting should be carried out in an effective manner, avoiding bureaucratic reporting requirements from the EU.

### ***Main obstacles and challenges***

More attention and effort should be devoted to the translation of R&D results into energy-efficient products and services on the market and to the demonstration of these products and services. Legislation which discourages the promotion of energy efficiency should be reviewed and amended as appropriate. The ongoing review of the Community Guidelines on State Aid for Environmental Protection should take better account of energy efficiency considerations and should be completed as soon as possible. Moreover, the awareness, motivation and behaviour of public authorities, consumers and industry with regard to increased energy efficiency should be further improved. Given the need to ensure adequate resources from all those involved in the development of the proposals of the Action Plan and their implementation, the Commission should seek to ensure that adequate resources are available in accordance with applicable budgetary rules and within its overall budget.

## **II. ACTIONS UNDER THE SIX PILLARS OF THE ACTION PLAN ON ENERGY EFFICIENCY**

### ***Dynamic energy performance requirements for energy-using products, buildings and energy services***

Council agrees that dynamic and regular updating of appliance and equipment labelling, minimum performance requirements and reduced stand-by energy use are a priority area, designed to stimulate market penetration of the most energy-efficient products and to eliminate the least energy-efficient ones. Council invites the Commission to take into account the experience from the ongoing implementation of the Buildings Directive before expanding its scope or including minimum performance requirements for new or renovated buildings.

### ***Improving energy transformation***

The considerable differences between Member States in terms of the efficiency of their energy generation, transmission and distribution networks dictate a differentiated yet focused approach, with specific targeted actions where necessary. Close cooperation is needed between all players to identify and remove barriers to improving energy efficiency in this area, including through innovation and technology.

During the next few decades, there will be a need to replace old electricity and heat production capacity with new. Therefore, Council underlines that it is important to ensure that the most energy-efficient technology available is used for the construction of new capacity, including the increased use of high-efficiency CHP, district heating and cooling and waste heat recovery, and whilst taking into account considerations relating to cost-effectiveness, security of supply and the environment.

### ***Moving on transport***

Transport in general - including public, professional and private transport - holds a huge potential for increased energy efficiency, and a correspondingly large spectrum of possible measures exists to achieve this potential through an integrated approach. Therefore, Council encourages the Commission and Member States to ensure continuous improvement in the energy efficiency of vehicles, in combination with policies on improved driver behaviour, infrastructural measures, urban transport and multimodal transport, also by using real-time traffic and travel systems in all modes of transport and, where appropriate and practical, measures to reduce the need for transport. In this context, potential synergies with the Community's relevant strategies and R&D programmes should be exploited.

Furthermore, Council encourages the Commission to consider, in addition to its list of proposed measures, other measures with comparable effects on energy efficiency (such as, for example, mandatory fuel consumption meters for cars, aerodynamic improvements, Galileo-linked voluntary speed limiters *et cetera*). Council looks forward to receiving the forthcoming Commission Communication on a revised long term strategy to reduce CO<sub>2</sub> emissions from cars, since Council considers a further reduction of emissions to be of key importance.

### ***Financing energy efficiency, economic incentives and energy pricing***

New, innovative approaches, including public-private partnerships, are needed in order to lower the barriers to energy-efficient investments. All energy-efficiency investments which are clearly cost-efficient in the short, medium or long term should be further encouraged and facilitated.

Financial institutions, business, including SMEs, and the public sector need guidance and advice, in both the investment and implementation phases of energy-efficiency projects. Structural and Cohesion Funds are essential financing sources for energy efficiency investments.

### ***Changing energy behaviour***

Tailored measures and actions should be undertaken at national or local level to motivate energy users to reduce their energy consumption, in particular by "activating" the energy consumer with feedback on use - for example by smart metering - and with information on how to reduce consumption. EU projects and networks could provide input for these measures and actions. In parallel, the exchange of best practice and experience between authorities, companies and other players in society should be stimulated and optimised; best practice should furthermore be disseminated to public authorities, consumers and industry. The public sector should fulfil an exemplary role, and local and regional energy agencies have a key contribution to make. The role which education, training, ESCO's, energy managers and energy audits can play should be facilitated and promoted.

### ***International partnerships***

At the global level, minimum energy efficiency performance requirements for energy using products and products affecting energy use, product standards, agreements on measurement methods, labelling schemes, procurement guidelines for energy-using equipment and energy audit programmes should be developed and implemented. Whenever possible, this should be done in line with the Community's work on dynamic energy performance requirements for energy-using products, buildings and energy services. In order to achieve this, the European Union should cooperate proactively with key stakeholders such as the IEA, G8 (Gleneagles Dialogue), WTO, UN bodies and relevant third countries, with the aim of concluding an International Framework Agreement on Energy Efficiency. In this context Council takes note of the Commission's contribution, in the form of its recent Communication on the Global Energy Efficiency and Renewable Energy Fund <sup>7</sup>.

With regard to the Lisbon agenda, Council notes that there is considerable potential synergy between the EU's aim of promoting energy-efficiency globally and the increased opportunities for competitive EU companies on the global market for energy-efficient products and services.

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<sup>7</sup> 13809/06 + ADD 1 + ADD 2

### III. PRIORITIES

Among the many good proposals listed in the Commission's Action Plan, Council would highlight the following five actions as being of key importance for the Commission and Member States during the six-year application period of the Action Plan:

- Exploit the huge energy-efficiency potential in transport, using an integrated approach and a variety of measures including voluntary agreements and legislation if necessary, *inter alia* by making rapid and continuous cost-effective improvements in vehicle fuel efficiency in cooperation with the automobile and fuel industries.
- Dynamically and regularly improve and expand the scope of minimum efficiency requirements for energy-using equipment, including standby-loss reduction. In this context, the Eco-Design Directive should be fully utilised and international co-operation on energy performance requirements should be strengthened.
- Improve the energy-efficient and energy saving behaviour of all energy consumers, including by demonstrating the benefits of available energy efficient technology and behaviour and for example by revising, enlarging the scope of, and regularly upgrading the Framework Directive 92/75/EC on labelling and the resulting implementing Directives.
- Use instruments at European, national and regional level, such as the Seventh Research and Development Framework Programme, in order to maximise the contribution which R&D, innovation and technology can make to energy efficiency.
- Continue the implementation of the Buildings Directive, and on the basis of experience gained from its application, utilise and develop the framework provided by the Directive to realise the potential for further energy savings from buildings.