

Network of

**European Environment and Sustainable Development
Advisory Councils**



Dr. Angela Merkel
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Energy Efficiency as the key pillar for a competitive, secure and environmentally friendly European Energy Policy

Madame Chancellor,

We are writing to you as chairs of the Working Group Energy and Steering Committee of the European Network of Environment and Sustainable Development Advisory Councils (EEAC). We strongly welcome the EU Energy Efficiency Action Plan as the key pillar for the forthcoming debate on the future of EU energy policies. We hope that during the preparations for the forthcoming Spring Summit you will make energy efficiency a top priority for the EU energy policy agenda. The Energy Efficiency Action Plan merits the full political support of Heads of Government, especially as regards the 20% target and the many novel instruments to drive innovation as suggested by the European Commission. As energy efficiency is one of the most effective means to reduce greenhouse gases, we think that even more could be economically and technically achievable, provided full political support – including yours – can be mobilized.

It is meanwhile the broad consensus that energy efficiency offers multiple benefits for the European economy, the global environment and European consumers. We agree with the arguments put forward in the Action Plan. Fuel prices will most likely continue to be significantly higher and more erratic than during the 1990s as global energy demand continues to grow and to be supplied from politically volatile regions. Therefore energy saving is an important means to ensure energy security. Investment in reduced energy demand is an opportunity, to redirect some of the 1,2 Trillion Euro investment (as estimated by the European Commission) in power plant renewal by 2030 in a profitable and climate friendly way. Missing this opportunity implies that massive investment would then be fixed in the next generation of power plants and we would have lost the opportunity to invest in alternative strategies with better performance in terms of climate change. A policy approach pushing Europe to become the most eco-efficient world region would also place EU industry in a better position to meet future global demand for energy efficient products. Without such a policy Europe would be in danger of eroding its own competitive position. A case in point are some car producers, who risk losing market shares by failing to meet growing global demand for clean and efficient vehicles.

These economic arguments converge with the need to keep greenhouse gas concentrations at a level, which prevents temperature increases beyond the widely accepted 2 degree threshold. The accumulation of greenhouse gases in the atmosphere from human activities is already having damaging impacts on ecosystems and economic activity. Without major efforts to break current trends these damaging impacts are likely to become increasingly serious over the next decades. It is crucial that Europe puts itself in a position to become a credible post-2012 negotiator, which requires visible achievements at home. Energy efficiency can contribute at least half of the target to reduce greenhouse gases by 30% as suggested by Germany and other countries for 2020 at low cost. It is also a “no-regret” approach. A policy to reduce energy consumption should be made sufficiently strong in order to be consistent with the need to reduce greenhouse gas emissions.

Last but not least, what matters to consumers is the overall energy bill – not energy prices themselves. With lower energy consumption their energy bill can be considerably reduced despite higher prices. It follows that lower income groups must be helped to mobilise the capital needed to invest to lower their energy needs. Consumers for their part are not wedded to high levels of carbon emissions or high energy use per se. They want the services of that use e.g. in terms of comfortable temperatures in their homes. Surveys show that more and more people throughout Europe are increasingly concerned about climate change and its potential impacts for themselves and future generations. They want to see alternative products and services available that will enable them to play their part in shifting to a more sustainable future. They need information, incentives, capital and in some cases rules to enable them to play their part.

Also important is the external dimension: Europe has a global responsibility to make its technological know-how on energy efficiency available to developing countries.

The European Summit in March 2007 and other events of the German Presidency are to be about energy policy. This provides an excellent opportunity for Europe's leaders to give a strong and clear political impetus that can then be followed through in more detailed strategies, plans and programmes both at European and at national levels. Based on our examination of the issues and existing evidence we recommend that the political message from the Summit should include the following key points:

- *In General:* Confirmation of the 20% relative energy saving target as suggested in the Energy Efficiency Action Plan. We see this as a reasonably achievable benchmark, which in itself would lead to a reduction of overall energy consumption. Even higher savings could be reached if there is full support for national and EU implementation of the existing EU instruments, and if new instruments can be mobilised.
- *On efficiency within the power sector:* Improved energy conversion efficiency using ETS as the driver for new efficient technologies. Therefore, a strong commitment for a stringent cap beyond 2012 in line with the 30% reduction target and a more market oriented and hence efficient allocation method, such as auctioning, should become a priority for the forthcoming review of the Emissions Trading Directive. The European Commission merits full support for its rigorous approach to correct over-allocation and market distortions in some national allocation plans.
- *On efficiency in the building sector:* Revision of the Buildings Directive with a view to include smaller buildings and introducing performance levels equivalent to a “passive house” standard for new buildings. Furthermore, large scale investment programmes to redesign the existing building stock are needed. Last but not least an urgent call is necessary to those member states who failed to implement the existing Directive in time.
- *On fuel efficiency for cars:* An effective and legally binding policy to follow-up the voluntary agreement with ACEA on CO₂-reduction for cars. The car industry is very unlikely to meet the agreed targets and needs regulatory help in order to offset market trends towards larger and more fuel consuming cars. Legal follow-up instruments needed to deliver the 120g emission standard by 2010 (as agreed in 1995!) and significantly lower emissions by 2020. Flexible instruments, such as trading, will be needed to meet such target levels given the diversity of the EU car industry.
- *On electrical and electronic products:*
 - Adoption of the work plan of the Commission on implementing measures within the Energy Using Product Directive including a commitment for dynamic and progressive improvements for each class of products aiming to deliver today's top performance levels as the minimum standard within a reasonably short period. As a first step stand-by energy usage should be reduced to a maximum of 1 Watt.
 - A more dynamic approach for energy labelling of products and services to ensure that pricing structures support a progressive shift of consumer demand towards more efficient products and services.

- *On overall incentives:*
 - Implementation of the Energy Services Directive by mid 2007 and draft ambitious national efficiency action plans able to deliver at the very least the reductions foreseen by that Directive. Within this process a market for energy contracting and other demand side measures should be institutionalized and strengthened.
 - Much more stringent requirements for energy efficiency in public procurement and buildings of goods and services at all levels throughout Europe should be incorporated.
 - Active consideration of “further steps to shift taxation from labour to resource and energy consumption and/or pollution, to contribute to the EU goals of increasing employment and reducing negative environmental impacts in a cost-effective way”, as suggested by the renewed EU Sustainable Development Strategy (§23).
 - Full integration of energy efficiency policies in other relevant policy strategies and programmes such as the follow up to the EU Sustainable Development Strategy and the forthcoming Action Plan for Sustainable Consumption and Production.

We hope that the European Council will be able to take these points into account at the March Summit. In the field of energy efficiency policy there is a strong convergence between the Lisbon growth agenda, the European sustainability agenda and the global security agenda which all effectively depend on urgent action to establish a more stable, secure and sustainable energy policy for the future. Now is the time for decisive leadership and action.

We stand ready to discuss these issues with those engaged in the preparations if that would be helpful.

In the course of 2007 we will elaborate more detailed suggestions on specific actions and programmes that need to be advanced at EU level to achieve the accelerated action programme we are recommending. In particular we will discuss at our annual conference in Portugal in October 2007, where we intend to invite high level representatives from the forthcoming Portuguese Presidency, Commission, innovative business and science. We very much hope that this will help to make a useful contribution to this key area of energy policy.

Yours sincerely,



Frans Evers
RMNO, The Netherlands
Chair of the EEAC Steering Committee



Dr. Christian Hey
SRU, Germany
Chair of the Energy Working Group

cc:

President Barroso, European Commission

German Ministers for Environment, Nature Conservation and Nuclear Safety (Sigmar Gabriel), Transport, Building and Urban Affairs (Wolfgang Tiefensee), Economics and Technology (Michael Glos), Finance (Peer Steinbrück) and Foreign Affairs (Frank-Walter Steinmeier)

President of the European Parliament (Josep Borrell Fontelles),
Chair of the Environment Committee (Karl-Heinz Florenz) and Chair of the ITRE (Giles Chichester)

President of the European Economic and Social Committee (Dimitris Dimitriadis)