

AEGPL Position Paper on the Proposal for a Directive amending Directive 2012/27/EU on energy efficiency

AEGPL, the European LPG association, welcomes the proposal amending the Directive 2012/27/EU on Energy Efficiency and is keen to contribute to the legislative review. AEGPL is fully supportive of the energy efficiency first principle, which is at the core of the Energy Union, and believes that reducing energy consumption is the most effective way to simultaneously tackle climate change and air pollution.

However, we believe that some aspects of the current proposal do not acknowledge the specificities of LPG, which we find problematic for our industry.

Obligation schemes and packaged energy products

LPG is a fuel commonly used in a wide range of sectors, especially in areas not covered by the natural gas grid. When used as a fuel for cooking or heating, it is either sold in cylinders, or delivered by LPG distributing companies, who refill the consumer's bulk tank.

While users relying on a bulk tank generally have a long-term contract with LPG suppliers, customers using cylinders are not contractually bound to the company they purchase LPG from. This is because LPG cylinders' users buy them from retail outlets and this transaction does not create any other obligation beyond the sale itself and the deposit scheme for returning the empty cylinder.

Article 7 of the Energy Efficiency Directive establishes Energy Efficiency Obligation Schemes (EEOs), requiring energy companies to stimulate their clients to adopt energy efficient technologies. The rationale is that energy companies are the actors that are best placed to do so, as they can leverage their relationship with their clients, in order to offer them solutions tailored to their needs, such as more efficient boilers or better insulation.

Article 7 also rightfully foresees that Member States can exclude energy sales in transport from this mechanism. The reason is that no long-term contractual relationship exists between transport fuel distributors and users, as consumers do not always refill their vehicle's tank at the same service station. Therefore, distributors cannot leverage a long-term relationship with their clients to incentivise them to adopt more efficient solutions.

Similarly, a long term relationship does not exist between users of LPG cylinders and distributors, as consumers often do not buy their cylinders at the same retail outlet. In addition, retail outlets are generally not owned/operated by LPG distributors, hence the latter do not necessarily have any direct contact with users of LPG cylinders.

AEGPL believes that, for this reason, LPG distributors are not in a position to incentivise customers to undertake energy efficiency improvement measures. We think that alternative measures, raising consumers' awareness of the energy consumed by the appliances they use, or subsidies for the purchase of more efficient ones would much more effectively target users of LPG cylinders.

Proposed amendment

**Proposal for a directive
Article 1 – point 3**

Directive (EU) No 27/2012
Article 7 – paragraph 1

Text proposed by the Commission

The sales of energy, by volume, used in transport may be partially or fully excluded from these calculations.

Amendment

The sales of energy, by volume, used in transport **or of pre-packaged energy products directly purchased by end consumers** may be partially or fully excluded from these calculations.

Justification

Packaged energy products include a variety of products ranging from LPG sold in steel/composite cylinders, to kerosene sold in plastic cans or wood pellets sold in bags. For an indicative list of types of packaging, see Annex I of Directive 94/62/EC on packaging and packaging waste. Those energies are generally purchased from retail shops which are not owned or operated by energy distributors. Hence, energy distributors cannot stimulate their clients' uptake of more efficient appliances or solutions, as there is no contractual relationship between them.

Small business and small energy sectors

The implementation of EEOs implies significant fixed costs, related to the setting up and the management of white certificates schemes. This evidently has a much higher economic impact on small businesses and small energy sectors than on larger utilities, while the energy savings they can achieve are limited, due to the small volumes of energy sold. This impact is evidently even higher for utilities selling energies whose price is regulated by law.

Some Member States rightly foresaw an exemption for small businesses and small energy sectors, acknowledging that the burden resulting from the energy efficiency obligation schemes was disproportionate for them. Other countries did not, possibly because they were not aware that the Directive allowed them to do so.

Currently, the possibility to exempt small businesses and small energy sector is only mentioned in recital 20 of the Energy Efficiency Directive. **We believe that including this provision in the body of the Directive would improve legal clarity on this matter.**

Proposed amendment

Proposal for a directive

Article 1 – point 4

Directive (EU) No 27/2012
Article 7a – paragraph 2

Text proposed by the Commission

2. Member States shall designate, on the basis of objective and nondiscriminatory criteria, obligated parties among energy distributors and/or retail energy sales companies operating in its territory and may include transport fuel distributors **or** transport fuel retailers operating in its territory. The amount of energy savings needed to fulfil the obligation shall be achieved by the obligated parties among final customers, designated by the Member State, independently of the calculation made pursuant to Article 7(1), or, if Member States so decide, through certified savings stemming from other parties as described in point (b) of paragraph 5.

Amendment

2. Member States shall designate, on the basis of objective and nondiscriminatory criteria, obligated parties among energy distributors and/or retail energy sales companies operating in its territory and may include transport fuel distributors, transport fuel retailers **or exclude fuel distributors active in small energy sectors** operating in its territory. The amount of energy savings needed to fulfil the obligation shall be achieved by the obligated parties among final customers, designated by the Member State, independently of the calculation made pursuant to Article 7(1), or, if Member States so decide, through certified savings stemming from other parties as described in point (b) of paragraph 5.

Justification

As high fixed costs arise from the implementation of energy efficiency obligation schemes, it is appropriate to exempt small energy sectors and small business from them. Small energy sectors are defined as energy sector whose share in the energy mix is not higher than 3%.

Alternative measures

Member states have developed a variety of alternative measures to fulfil article 7, which have proven to be very effective in stimulating consumers to reduce their energy savings. For example, measures adopted across the EU promoted more sustainable behaviours or informed consumers that appliances much more efficient than the one they were using were on the market.

For this reason, we welcome that the new proposal better highlights the possibility for Member States to adopt alternative measures. We believe that an indicative list of alternative measures should be included in the new text, in order to give Member States guidance on the implementation of this article. Such list is featured in the current Directive, but was removed from the new proposal, as the Commission witnessed that the wide variety of measures adopted by Member States made the list possibly too long.

Although it is certainly true that Member States have developed several effective measures, we believe that, considering that alternative measures are now more visible in the text, **the list would still be useful for those countries that have not implemented them yet. This would also guide Member States in including a focus on energy poverty in designing alternative measures, which is not required by the Directive currently in force.**

Proposed amendment

Proposal for a directive

Article 1 – point 4

Directive (EU) No 27/2012

Article 7b – paragraph 1a (new)

Text proposed by the Commission

1. Where Member States decide to fulfil their obligations to achieve the savings required under Article 7(1) by way of alternative policy measures they shall ensure that the energy savings required under Article 7(1) are achieved among final customers.

Amendment

1. Where Member States decide to fulfil their obligations to achieve the savings required under Article 7(1) by way of alternative policy measures they shall ensure that the energy savings required under Article 7(1) are achieved among final customers.

1a. The policy measures referred to in the first subparagraph may include, but are not restricted to, the following policy measures or combinations thereof:

(a) financing schemes and instruments or fiscal incentives that lead to the application of energy-efficient technology or techniques and have the effect of reducing end-use energy consumption, with privileged access to energy-poor consumers;

(b) regulations or voluntary agreements that lead to the application of energy-efficient technology or techniques and have the effect of reducing end-use energy consumption;

(c) standards and norms that aim at improving the energy efficiency of products and services, including buildings and vehicles, except where these are mandatory and applicable in Member States under Union law;

(d) energy labelling schemes, with the exception of those that are mandatory and applicable in the Member States under Union law;

(e) training and education, including energy advisory programmes, that lead to the application of energy-efficient technology or techniques and have the effect of reducing end-use energy consumption.

New Primary Energy Factor

With the new proposal, the European Commission also aims at introducing a new Primary Energy Factor (PEF). The PEF is a factor used to compare amounts of primary energy (such as LPG, or natural gas, or oil) and electricity. If a PEF were not used, the inefficiencies in electricity generation or the losses in electricity transmission would not be accounted for. Therefore, it is evident than, in order to keep track of the progress in improving the energy efficiency of the EU economy, a PEF needs to be used.

The PEF currently in force is 2.5, the new one is 2.0. The decrease in the value reflects the decarbonisation of the power generation sector. The Commission calculated the new value based on projection of how carbon intensive the sector will be in the next five years. As the PEF is meant to be revised regularly and since using projections implies a degree of statistical error, we believe that, in order to have a better estimate, the PEF should be based on actual data. The impact assessment document accompanying the proposal suggests that, if the latest actual data available were used, the correct value of the PEF would be 2.2.

In addition, although it currently will only be applied to the Energy Efficiency Directive, we would like to stress that the effects of the new PEF on other pieces of legislation (in particular the Ecodesign Directive and the Energy Labelling Regulation) will be very significant. These should therefore be carefully evaluated and taken into account by the European Commission when developing future policy proposals.

We hope you will give our proposals due consideration in the political debate on the Energy Efficiency Directive. We will be happy to discuss this further with you, should you have any questions.

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About AEGPL (The European LPG Association)

AEGPL is the sole representative of the LPG industry at European level, representing national LPG Associations as well as distributors and equipment manufacturers from across Europe. Our mission is to engage with EU decision-makers and the wider policy community in order to optimise the contribution that LPG - as a clean and immediately available energy source - can make to meeting Europe's energy and environmental challenges.