



# **Ibec Submission to the Consultation on the Implementation of the Energy Efficiency Directive in Ireland**

**13 November**

Ibec, the group that represents Irish business, welcomes the opportunity to respond to the consultation on the implementation of the Energy Efficiency Directive in Ireland.

In order to ensure the cost burden of meeting targets is minimised and appropriately directed, Ibec favours the alternative measures option. Pursuing the lowest cost approach is in the interest of all energy customers. Energy efficiency objectives should not lead to increased energy costs: therefore it would be prudent for the Government to ensure that exchequer funding is available where appropriate. For example, it would be possible to set aside a portion of Ireland's carbon tax revenue to assist in meeting such obligations.

In order to minimise the cost-burden on industry, suppliers need greater flexibility in deciding how to achieve proposed targets in a cost-effective manner. The costs of measures must be balanced against the level of ambition, and the proposed instruments to achieve these goals. Savings from all eligible measures should be included in the calculations, with flexibility incorporated into the target calculation in order to minimise costs.

With this in mind, it would be useful to know are we on course to meet or exceed our target. Also, are we in danger of falling short of binding measures but on course to meet the non-binding target?

#### **0.1 Are there any international policy approaches that you think we could learn from to promote energy efficiency in Ireland?**

It would be worthwhile to identify what measures have worked for the most energy efficient countries in Europe (for example, Denmark and Germany). If there are differences in the approaches they have adopted, it would be interesting to investigate whether similar approaches would complement methodologies adopted in Ireland to date.

Just as it is of benefit to apply principles of success stories, it would be wise to adopt a similar approach with regard to projects that failed to meet expectations (i.e. Green Deal in the United Kingdom).

#### **0.2 Are there any other issues you consider relevant that are not covered in this paper?**

Policies to implement the Energy Efficiency Directive must recognise the interaction with other 2020 policy instruments.

### **Article 4 – Building renovation**

Article 4 foresees that Member States shall establish a long term strategy for mobilising investments in the renovation of residential and commercial buildings, both public and private, by 30 April 2014.

#### **4.1 How should the Department organise a response to this Article?**

The long term strategy must be cognisant of the payback period relating to the level on investment, in line with the overarching goal of designing a cost-optimal framework. The target for all types of buildings must be clear. The building roadmap should include indicative national targets (kwh/m2) to be achieved according to the type of building (residential buildings, commercial buildings and public buildings).

#### **4.2 What are the key elements or information to include in this strategy?**

Page 16 of the consultation document reports that SEAI have awarded a tender to assess the economic potential of the non-residential sector. Ibec will contact SEAI to better understand the levels of retrofit envisages, and the potential impact on suppliers. Early engagement is required.

#### **4.3 What organisations (retrofit/financial) can participate in formulating this strategy?**

Those who are required to fund the strategy (green bank/suppliers) should be consulted in the formulating the approach.

### **Article 5 –Exemplary role of public bodies**

This Article sets a 3% annual renovation target for public buildings owned and occupied by central government from 2014 onwards, referencing the application of the minimum energy performance requirements of Article 4 of the Energy Performance of Buildings Directive.

Page 18 of the document reference the outsourcing of the service requirement to specialist private sector companies. We would welcome an indication of the criteria applied to select these companies i.e. under a framework agreement, or will a register be established?

#### **In your opinion, what approach should be adopted for the successful implementation of this Article, and why?**

In implementing the EED, it would be helpful if the annual renovation targets also be extended to buildings owned and occupied by administrative departments a level below central government, i.e.: local authorities. While we recognise it is outside the scope of the Article, it would provide a coherent approach for public bodies. This would count as an alternative measure under Article 7 and should provide a means to achieve Ireland's targets in a cost-effective manner.

### **Article 6 – Purchasing by public bodies**

#### **6.1 How can we further incorporate energy efficiency principles into public procurement?**

Strategic procurement in practice is more sophisticated in some areas than others, with well-established practices in the environmental sphere, supplemented by a range of European legislation directed at contracting on energy efficiency, resource efficiency etc.

Contracting authorities have cited the problem of legal certainty in integrating environmental considerations in their procurement objectives: the possibility for

contracting authorities to introduce additional consideration into their purchasing objectives would increase the complexity of the decision.<sup>1</sup> A Commission impact assessment on proposed measures in the environmental area surveyed contracting authorities, whereby 68% admitted they did not verify whether promised environmental performance was measured. Therefore, how will this information be monitored and verified if the contracting authorities are already operating under constrained circumstances?

The lack of resources for monitoring is likely to result in contracting authorities using criteria whose compliance can be demonstrated through labels.

## **Article 7 – Energy efficiency obligations schemes**

The consultation document outlines the Minister's to adopt alternative measures and impose an annual 550GWh target on energy suppliers. These alternative measures would be instead of an obligation scheme.

### **7.1 Do you agree with the approach set out for implementation of this Article? If not, please outline which changes you would make, while ensuring that the 1.5% target will be met.**

Ibec welcomes the Minister's acknowledgement that the energy saving target equating to 1,462GWh would impose too great a challenge and cost burden on the energy supply industry and ultimately the consumer. Alternative measures are to be supported and maximised in meeting our 2020 targets. Financing mechanisms can count as alternative measures and should be encouraged.

However, Ibec is concerned that the imposition of targets on energy suppliers will increase the cost of energy for all customers. As a fundamental principle we believe that Ireland must meet its target under this Directive in the most efficient manner possible. We understand that demand for energy efficiency measures is weak, which suggests that the costs of achieving targets will be high, particularly in the residential sector. On this basis we question the residential and fuel poor sub-targets and we advocate that the costs of this policy measure be recovered through general taxation and EU ETS revenues rather than through energy bills. Alternative measures should be adopted to the greatest extent possible in order to keep these costs to a minimum. Clearly, energy costs are a key factor in Ireland's competitiveness and Ibec is very concerned at any potential price increases.

At this stage, we would welcome some information on how those currently not participating in the voluntary schemes will be asked to share the burden, and what safe guards will be put in place to ensure there is no "free riding".

The operation of the voluntary agreements currently in place has shown up a number of problems in relation to certain sectors. This has caused a competitive distortion and disadvantage for some of the companies that are signed up. Ibec would welcome suggestions on how to remedy unease about "free riding" and to ensure the burden is shared on a proportionate, equal and transparent basis.

The alternative measures listed on page 29 raise a number of questions.

- **Point 3** – Why have three year cycles been proposed?

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<sup>1</sup> COM (2011) 896 final, page 64

- **Point 4** – What measures will be taken to ensure engagement is broader than those currently participating in the voluntary agreement?
- **Point 5** - Savings among the energy poor will be reduced due to rebound effects. There are also commercial risks related to the debt burden – it must also be asked how these commercial risks will impact on costs. If social policies are to be addressed as is suggested under point 5, a modified approach would be more fitting. Under Northern Ireland’s NISEP model suppliers can meaningfully engage with customers and help finance measures using exchequer funds.
- **Point 6** – How will the burden be apportioned among “relevant electricity, gas, solid fuel and oil suppliers”? Market share?

The consultation proposes that 30% of the obligation is delivered from the residential sector. The cost of securing savings from residential sector is a multiple of that from commerce/industry. With this in mind, we recommend that the proposed sectoral obligation be deferred until there is a clear strategy on how to achieve least cost energy savings.

## **Article 8 – Energy audits and energy management systems**

Auditing by itself will not lead to achieving energy savings so introducing legislation compelling organisations to undergo energy audits may be misplaced.

### **8.1 What (existing) schemes can be utilised?**

Is there a list of accredited schemes available?

### **8.2 and 8.3 What gaps exist in the existing ‘auditing framework’? Should we have a central registration body? With a wide range of skills requirements and starting qualifications, is it prudent to try to centralise registration and management of energy auditors?**

If a central registration body was to be appointed, would it be a new authority or would an existing body be nominated? If registration is to be centralised, there must be transparency in the registration of such bodies.

### **8.5 How would existing schemes be accounted for?**

It is of utmost importance that mandatory audits for large companies do not hamper investments already made in the context of national voluntary and long term agreements. Article 8.5 guarantees that companies implementing energy audits in the context of voluntary agreements, under specific conditions, are considered as compliant.

## **Articles 9 to 11 – Metering, Billing, Cost of access to metering and billing information**

### **9.1 How do we ensure that provisions of Articles 9-11 are met in a manner that maximises consumer protection, while also ensuring energy efficiency is considered?**

The design of the energy framework to support the presentation of energy information must be based on a rigorous cost benefit analysis.

Smart metering has the potential to achieve energy savings. Savings must outweigh the project costs. The chosen programme must not increase prices.

### **9.2 How should heat costs be allocated in multi-apartment buildings?**

The best practice approach of countries with district heating should be analysed.

## **Article 14 – Promotion of efficiency in heating and cooling**

There are a number of measures that should be revisited in devising a strategy to meeting the EED requirements with regard to HECHP. Article 14 obliges Member States to conduct a comprehensive assessment incorporating a cost benefit analysis of the national potential for the application of HECHP and efficiency district and cooling. Firstly, the proposed methodology to implement the 2007 target of 800MW must be compared with potential policy actions focused on meeting the EED requirements. Also, the effectiveness of the now discontinued CHP deployment programme should be examined.

## **Article 20 – Other measures to promote energy efficiency, Energy Efficiency National Fund, Financing and Technical Support**

### **17.5 Have you any proposals on how to attract and facilitate appropriate financing mechanisms to increase energy efficiency investment and stimulate multiple streams of financing in other sectors?**

Green financing instruments have not yielded the desired outcome in some other Member States. Grants are required to bring payback periods within an attractive timeframe.

As previously stated, aspects of the NISEP scheme in Northern Ireland could assist in a meaningful way. The Better Energy Workplaces grants delivered payback in a timely fashion - without grants many of these savings will be foregone with associated loss of competitiveness.

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