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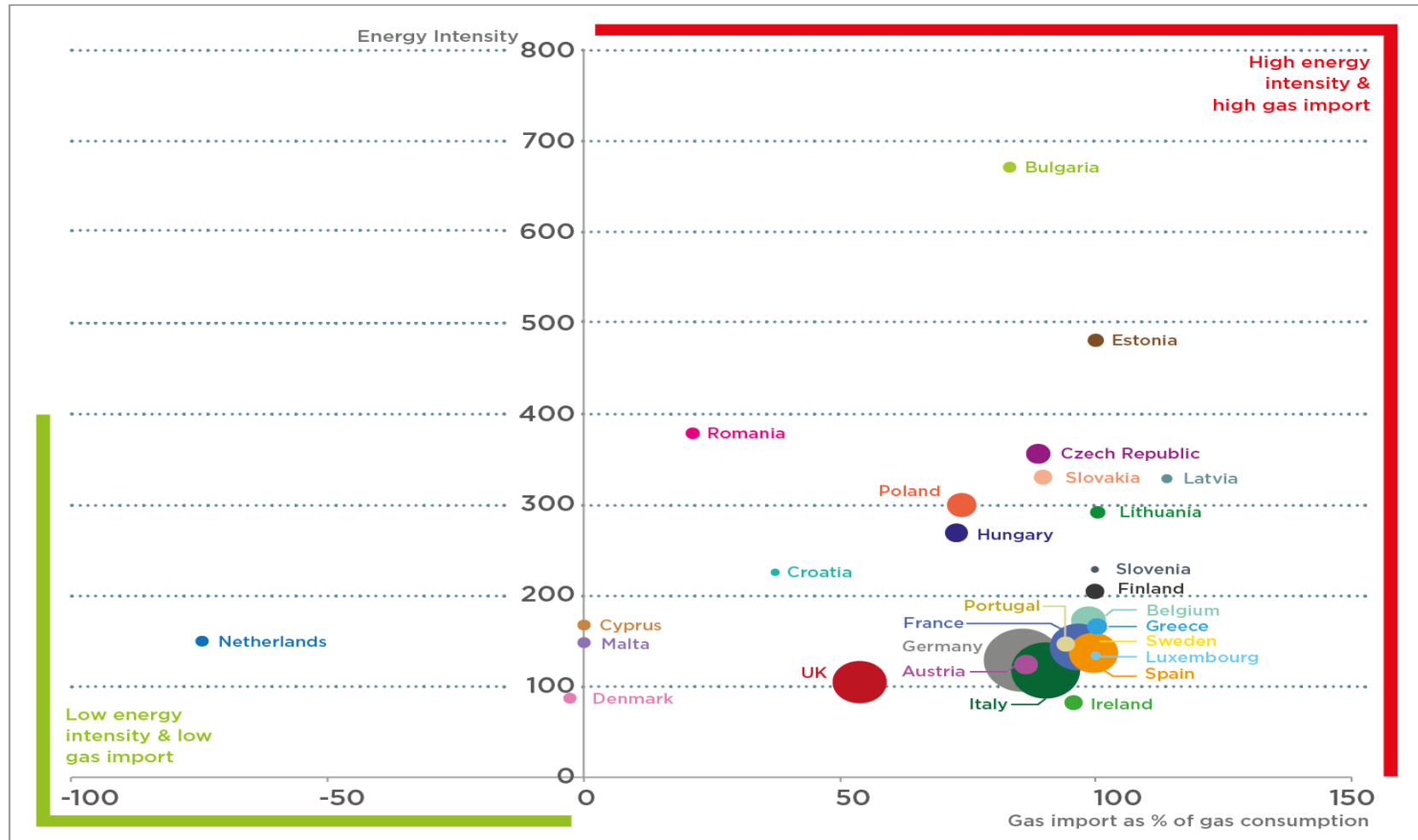
More than the sum of its parts: Building an effective framework for energy efficiency

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European exposure on gas security



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But energy security is not just about gas



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- Over half of Europe's energy is now imported, including 90 per cent of oil, 66 per cent of gas, and 62 per cent of coal
- With implications for competitiveness, fuel poverty and energy security – 25.9% of solid fuels, 33.7% of crude oil and 32% gas come from Russia
- How Europe responds to this challenge has critical implications for its role in rapidly changing geopolitical, economic and technological landscape
- European Council called for energy efficiency to be first step towards solving current energy security crisis

Efficiency must be a core response to these challenges



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- A 30% primary energy target is proposed for 2030
- In today's economy this equal a target of just 12%
- And leaves >50% of Europe's cost effective energy saving potential untapped
- Yet there is skepticism in some quarters than even this EE potential can be realised – there are big gaps between highest and lowest achievers on efficiency
- Regulatory approaches have worked – CO2 cars, Ecodesign and labelling, buildings regulations
- More and smarter interventions are needed

We need something that goes wider than the Energy Efficiency Directive



- Council should give clear mandate to the new Commission to launch fresh review of remaining market, economic, financial and institutional barriers with task of then developing comprehensive new Energy Efficiency Framework to address them
- Framework should be built around a programme of structural reform to integrate and embed efficiency into the EU's economic policy and to achieve greater connection between the energy and resource efficiency agendas

But we need to get out of the energy efficiency silo to drive reform



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- Creating markets for energy efficiency is key – but so are the broader reforms that sit within discussions about:
 - Reform of the fiscal compact/€300bn EU stimulus – public finance investment priorities
 - Energy Union – creating a level playing field for demand and supply side investments
 - Capital Markets Union – ensuring private finance is available
 - 2030 governance - ETS reform, State Aid etc

Financial Reforms



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- **Make private finance available:** Capital Markets Union and Long-term Financing Directive - Develop capital adequacy rules for pension funds and insurance companies to fairly reflect the risks energy efficiency-related investments
- **Better understand and quantify risks:** Develop a common set of procedures and standards for underwriting for debt and equity EE investments including a ratings system and boilerplate documentation
- **More and better value public investment:** Mainstreaming of resource efficiency (including energy efficiency) into MFF



- **Create sufficient scope of public investment:** Relax Treaty on Stability, Coordination and Governance rule on debt and deficit restrictions to allow public spending on energy efficiency as a means of boosting growth
- **Embed long-term economic thinking:** As part of European Semester Process, stress test the resilience of EU economies under resource scarce scenarios to guide reform process
- **Facilitate best value investment:** Revise State Aid rules to create level playing field for energy efficiency investment



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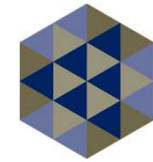
Institutional and governance reforms

- **Better insight into the challenges:** EU buildings observatory and cost data reporting
- **More clarity:** Standardise methodology for calculating energy savings across MS
- **A new cluster:** DG Resource Efficiency to mainstream resource smart thinking across the Commission
- **Operationalise thinking:** Incorporate scenario-based resource scarcity stress testing into Impact Assessments
- **Better delivery:** Arms Length National Energy Efficiency Agencies – with mandate, powers and finance to deliver

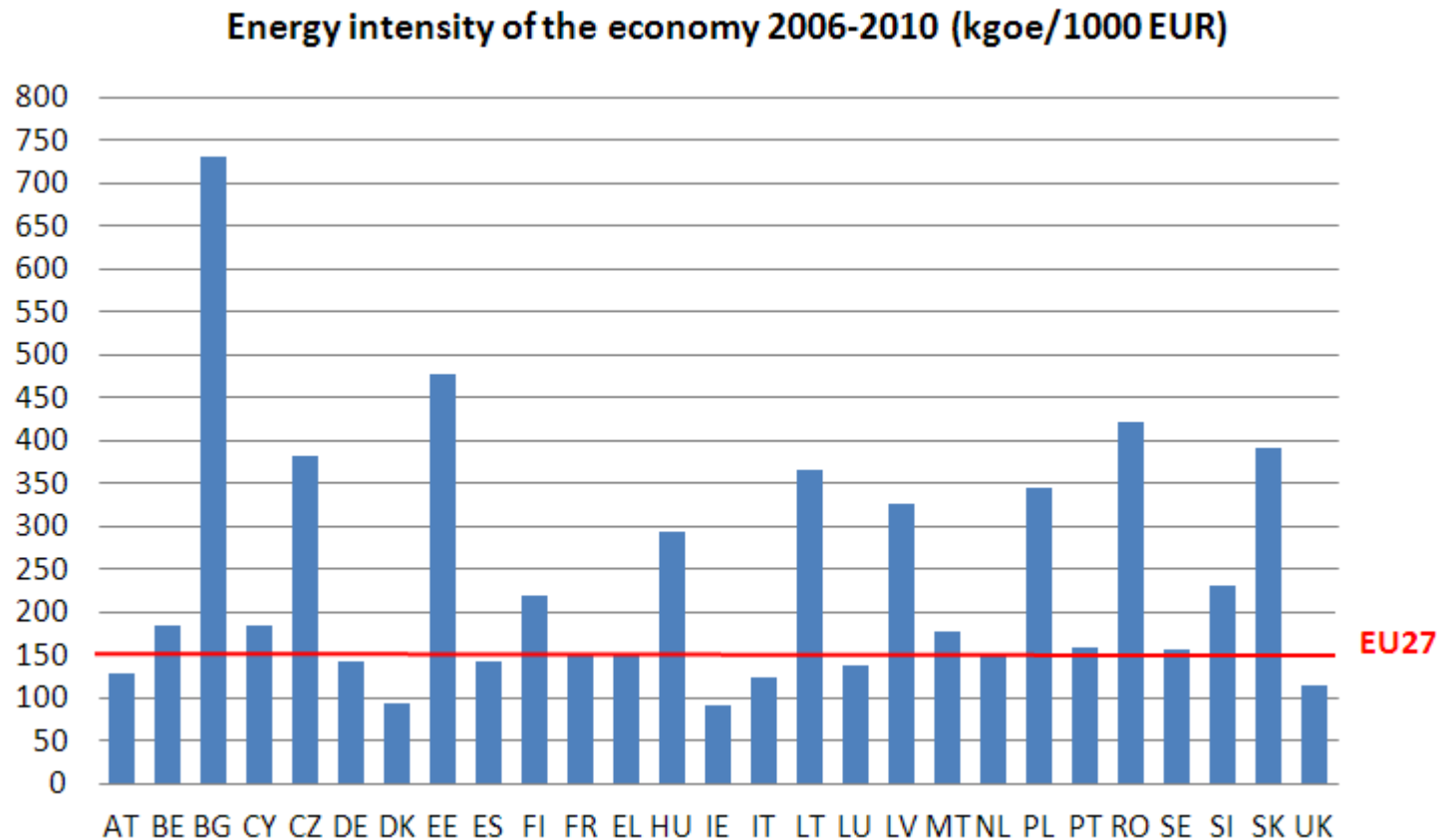


- **Create equal opportunities for demand side power sector investment:** Rebalance markets as part of the third IEM package
- **Create a single market for energy efficiency building goods and services:** Harmonise standards and break down cartel behaviour among suppliers
- **More supply side efficiency:** Revise ETS and IED Directives to require to use of BAT
- **Good work on products and labelling – more to do:** Continue with widening Ecodesign and Ecolabeling reforms

It is entirely possible to improve the EU's overall performance



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Europe in the world



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- Isn't it too much effort?
- EU can't compete on being the biggest or the cheapest. But we can compete on being the smartest.
- In a more crowded, more unstable and more resource scarce world. Progress on efficiency over the coming decades will be one of the biggest indicators of the forward success of the European project.
- We may never have a better chance than now to start the reform process. But we need to start the reform process now if we are unlock the power of the markets to deliver in 2020.