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# AGFW-Contribution

**EU Energy Efficiency Directive (EED) – evaluation and review**

**Public consultation**

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AGFW, the German association on district heating and cooling (DHC) and combined heat and power (CHP), welcomes the possibility to voice its opinion on the revision of the European Energy Efficiency Directive (EED). Meeting our common climate ambitions demands significantly greater efficiency in primary energy utilization. In this regard, AGFW is convinced that the EED revision poses a unique opportunity to develop a common legislative framework to implement the concept of “Energy Efficiency First”- as a fundamental principle across the European Energy legislation and lay the groundwork for a most efficient use of energy resources. In light of these considerations, AGFW aims to highlight several key issues, which should guide the upcoming revision process.

A successful implementation of “Energy Efficiency First” requires a clear and well-focused definition of efficient energy utilization that should prioritize its contribution to the goal of climate neutrality for the energy system as the core objective of energy efficiency. It must thus be understood that for the sake of developing a comprehensive approach to energy efficiency, the reduction of primary energy consumption should be the decisive benchmark for the efficient use and allocation of resource capacities not opposing but incentivizing further energy savings at end-user level.

Following this general approach, AGFW recommends to emphasize two key factors in the revision process:

- **A clear commitment to the “Energy Efficiency First” principle as a main driver of decarbonisation by focusing on the saving of primary energy through a greater deployment of efficient CHP and use of waste heat (of industry, services and waste incineration)**
- **Positioning energy efficiency as the key underlining conception of the energy transition through an efficient utilization of renewable energy and an ambitious advancement of sector integration**
- **A consistent determination of targets to ensure the overall coherence of ambitions within the European energy framework.**

**A clear commitment to the "Energy Efficiency First"-principle** as a cornerstone of the energy transition will demand a greater emphasis on the reduction of primary energy. With primary energy, particularly within the heating sector, being still considerably fossil based, more efficient utilization will directly translate into significant emission reductions. Here, highly efficient CHP Plants, with primary efficiencies of around 90%, and the further use of waste heat within district heating systems, able to cover at least 25% of DHC demand, will be incremental to improve the efficiency of resource consumption. Especially regarding heating and cooling a greater emphasis on scaling up the deployment of primary energy efficient technologies will drastically reduce the demand for fossil fueled heat supply. Following this approach, the Commission should therefore strengthen and develop the existing framework alongside this general trajectory.

While Art. 14 EED provides great potential to deliver substantial progress in this respect, further adjustments especially to ensure its stringent application are required. AGFW welcomes, that Member States ought to carry out and notify to the Commission a comprehensive assessment for high-efficient CHP potential and efficient DHC application. However, with the current wording of said provisions being too lax, it remains challenging to assess whether Member States introduce appropriate measures to develop these technologies. To improve upon the enforceability of art. 14 (2) and (4) EED, AGFW suggests the introduction of an obligation for Member States to notify their measures to commit to Art. 14 to the Commission. The necessary measures would have to include financial measures, as investments in DHC infrastructure are highly capital intensive. Regarding the conditions for better utilization of waste heat, Part I 2b of Annex VIII should be amended to also include the services sector (eg. data centers).

**Positioning energy efficiency as the key underlining conception of the energy transition** reflects the fact that especially in the medium term the efficient use and deployment of renewable energy will be crucial for meeting our common decarbonisation and transition targets. With the availability of renewable electricity and in particular hydrogen remaining limited for the foreseeable future, the efficiency of their usage will directly determine the pace of the energy transition.

As for hydrogen, only high-efficient CHP, as opposed to individual heat boilers or electric power plants, can guarantee its most efficient utilization producing both renewable heat as well as providing indispensable electric generation capacity especially during peak hours. Regarding the most efficient use of renewable electricity, an ambitious advancement of sector integration is crucial. Here, the EED already provides provisions, which could be further developed in order to foster integration. The system of electricity network tariffs and levies needs to be adjusted so that the use of electricity for sector integration is competitive.

The clear “definition of end user excluding electrolysers” already discussed at EU level by the Commission (COM(2020) 299 final) regarding hydrogen electrolysis in order to prevent their classification as end users to exempt them from end-use fees and taxes on electricity, should generally apply to all power-to-X applications, in particular power-to-heat. This would be necessary to promote technological neutrality towards maintaining an appropriate level playing field and would also send a strong signal to national environmental taxes and charges, although they cannot be directly regulated at the EU level.

Alternatively, art. 15 and Annex XI should enable the introduction of locally and timely differentiated network tariffs, which would be applicable to operators of power-to-X installations when they deploy renewable electricity. This ensures an optimal operation of networks and reduces the need for redispatch measures while simultaneously allowing the utilization of renewable electricity to a maximum extent. In this regard, power-to heat can play a pivotal role in decarbonising the carbon intensive heating market through the useful deployment of excess electricity.

**Lastly, AGFW stresses the importance of strengthening the Directives consistency with the European energy framework at large.** This would not only facilitate the implementation of efficiency targets, but also the notion of sector integration. For example, efficiency targets within EED should be coordinated with RED targets and ETS trajectories to maintain a consistent approach. Furthermore, it should be considered to move the present Art. 5 of EED relating to public buildings into the Energy Performance of Buildings Directive (EPBD).

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