



Council of the European Union
Informal meeting of Energy Ministers TTE of 18-19 May, 2017
To the attention of the Prime Minister, Mr Joseph Muscat
To the attention of the Minister of Energy, Mr Joe Mizzi

Brussels, 17 May 2017

Dear Prime Minister,
Dear Minister of Energy,

Representing European industries committed to sustainable and energy efficient solutions for heating and cooling for European consumers, our coalition of industry associations engaged in co-generation, energy efficiency services, and the supply of natural and renewable gas. is writing in view of the next Energy Council's informal meeting of May 18-19, during which the review of the Energy Efficiency Directive should feature on the agenda.

First of all, we welcome the Clean Energy Package as a step in the right direction and we agree that energy efficiency is one of the most cost-effective ways to support the transition towards a low-carbon economy and to create growth, employment and investment opportunities.

In this respect, we agree that the value of the Primary Energy Factor (PEF) currently set at 2.5 needs to be revised in order to take into account the increasing share of renewable energy sources in the electric mix and other changes to the generation and supply of electricity.

At the same time, we wish to draw your attention to the fact that the PEF must remain an objective tool reflecting the efficiency and the energy mix of the electricity system and not be used as an energy policy tool.

A PEF value of 2.0, as proposed by the European Commission, does by far not reflect the current electricity mix but the one contemplated for 2020. It implies that we assume to have already narrowed the gap between the current energy mix and the desired objective of a mix with a larger share of renewables – an assumption which reduces the incentive to take action to improve overall energy efficiency.

To reflect the existing electricity mix, the calculation for the PEF should be based on a robust methodology, using the latest data, i.e. those published by Eurostat in early 2017 for the year 2015, leading to a default value of 2.3 (COGEN analysis, as well as Marcogaz/GERG analysis, available upon request, support this). National PEFs should reflect geographical and seasonal variations. Given that the fuel mix is continually changing, this value should be updated every five years, thereby providing stability, clear and consistent signals to the market, while evolving over time.

Indeed, a PEF that is set too low could have perverse effects on the choice of heating solutions by artificially increasing the apparent efficiency of electrical solutions, and could discourage improvements in the energy efficiency of buildings, while increasing energy costs for consumers and the overall primary energy demand of the EU.



These perverse effects are described below, followed by the amendments we strongly recommend are made on the text of the Commission.

- **Artificial increase of the efficiency of electrical solutions**

The PEF is used in the Energy Efficiency Directive as well as in the Labelling and Eco-design legislation, where it enables the comparison of heating products using different fuels.

Lowering the PEF from 2.5 to 2.0 is equivalent to a 20% increase in the calculation of the energy efficiency value of electrical heating devices, which means that it will improve their label class and market competitiveness without any actual technical improvement. Further, such an artificial deflation of the PEF would grant an energy efficiency to the electricity system which is significantly higher than it actually is.

It would provide a market distortion, benefiting the worst performing electric heating devices, and result in keeping in the markets the most inefficient appliances, which are planned to be phased out as of September 2017, according to eco-design Regulation 813/2013.

It is imperative that all the efforts made so far in terms of labelling and eco-design of products are not undermined by a lower PEF.

Therefore, a lowering of the PEF would need to be accompanied by a comparable upward adjustment of the labelling and eco-design requirements of electrical solutions.

- **Lack of incentive to improve energy efficiency in buildings**

An artificially low PEF will discourage energy efficiency measures in buildings, especially insulation measures and improvement of the technical building system.

A unique PEF across Europe, even as a default value, should not be used in other Directives than the EED. It makes no sense for buildings, since the PEF should reflect the geographical location of buildings and take account of the seasonality of heating and cooling.

Indeed, as the perceived efficiency of electrical heating solutions would not correspond to the real efficiency of the electrical heating device, it would discourage consumers from improving the overall efficiency of a building, i.e. its insulation (to reduce energy needs) and the technical building system to increase the efficiency of energy use, although those last investments may show quick returns on investment.

Furthermore, during the winter period, when heating demand is high, badly insulated properties using electrical solutions would have a negative impact on the electricity production mix (the marginal generating plant being generally thermal) and on the electrical network (which is not dimensioned to face such seasonal variations).

This is in contradiction with the “energy efficiency first principle”.



- **Recommendations**

As demonstrated above, an inaccurate PEF will create a spill-over effect, which risks deceiving consumers, distorting competition and promoting inefficient heating products.

Therefore, we recommend:

- To use the PEF in the EED only, as an objective tool aiming to reflect the conversion of primary energy to final energy
- To base the calculation on a robust methodology, accounting for the existing fuel mix based on the latest data published by Eurostat in early 2017, and thereby set a PEF value of 2.3., instead of using a hypothetical future mix
- To update the PEF every five years
- To provide for further robust assessment to determine the appropriate PEF calculation and methodology for other policy contexts, including EPBD, eco-design and energy labelling, accounting for relevant geographical and seasonal factors

Consequently, we question the Commission's current proposal.

We count on the Council to use the opportunity of the 18-19 May informal meeting to give due consideration to the recommendations above and take action accordingly.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Hans Korteweg".

Hans Korteweg
Managing Director

COGEN Europe

A handwritten signature in black ink, appearing to read "Valérie Plainemaison".

Valérie Plainemaison
General Secretary

**European Federation
of Intelligent Energy
Efficiency Services
(EFIEES)**

A handwritten signature in black ink, appearing to read "Beate Raabe".

Beate Raabe
Secretary General

Eurogas