

# EUROFER position paper on the Energy Efficiency Directive

The European industry keeps facing high energy prices that affects its cost-competitiveness towards main competitors in third countries. The issue of high energy costs, in particular for energy-intensive industries exposed to global competition such as steel, must be addressed through a coherent EU energy and climate policy that ensures affordable energy prices, industrial competitiveness on the EU's internal market as well as on international markets, security of supply and reliable achievement of the EU climate and environmental objectives. The regulatory framework shall address and minimize the impact of regulatory costs related to decarbonisation and the promotion of energy efficiency on the competitiveness of energy intensive-industries and promote innovative low carbon solutions that can contribute to the energy and climate targets, taking exposure to international competition fully into account.

Due to the high share of energy costs in total production costs, energy efficiency is a key element for preserving the competitiveness of European steel companies. This is why they operate processes very close to the thermodynamical limits in terms of energy consumption. Deeper emissions reductions are only possible with the deployment and roll out of breakthrough technologies that require, among others, access to abundant and competitive low carbon energy sources, including hydrogen and electricity.

Furthermore, other pieces of legislation than the Energy Efficiency Directive, such as the Emissions Trading System (ETS) and the Industrial Emissions Directive (IED) as well as other national or regional measures already cover industrial installations in their scope, thus affecting energy consumption as well as emissions levels. Finally, steel companies are already subject to the obligation to perform energy audits under the EED.

Against this background, the revision of the Energy Efficiency Directive shall contribute to a consistent policy framework that on one side focuses on sectors with the highest potential such as buildings and on the other avoids setting rules that may cap industrial growth and result in double regulation. In particular, the following elements should be taken into account:

- **Avoiding a cap on economic growth and on decarbonisation technologies:** while energy efficiency is a sensible tool to contribute to decarbonising the EU economy, it should be balanced in a consistent regulatory framework that is based on an EU-wide holistic, transparent and reliable planning and fully takes into account already agreed targets on GHG emissions as well as international competitiveness.

The energy efficiency target is expressed as a linear and absolute reduction of the primary and/or final energy consumption. However, a reduction of energy consumption does not necessarily lead to increased energy efficiency. Even worse, such a definition would cap future growth potential and even cause the wrong incentive to produce less. Furthermore, the application of breakthrough technologies at industrial scale, which is indispensable for the achievement of the decarbonisation target, will increase the energy needs of energy intensive sectors. In the same context, the electrification of different sectors of society as well as the switch from fossil fuels to low carbon energy sources such as biomass will increase global energy consumption. In parallel, the increasing share of intermittent renewable energies in the energy mix may require more energy flexibility from large industrial energy consumers, with a likely impact on the energy efficiency of such industrial processes.

Therefore, the indicative nature of the target should be maintained, and the target should be expressed as actual energy efficiency indicator; thus, in relative terms only, taking into account the technical and economic potential rather than an absolute energy reduction. Moreover, Member States shall retain the possibility of expressing the efficiency target in relation to either primary or final energy consumption.

- **Avoiding double regulation:** industrial sectors such as steel are already subject to other pieces of legislation that aim at reducing energy consumption and emissions levels, such as the Emissions Trading System (ETS) or the Industrial Emissions Directive (IED) and other national or regional measures. Furthermore, steel companies are already subject to the obligation to perform energy audits under the EED. Therefore, taking into account the need to avoid competition distortions, such installations shall be exempted from any other obligation concerning energy audits and be entitled to take part to national energy saving schemes only on a voluntary basis, where such schemes are in place. The focus should be put on sectors with the highest untapped potential such as buildings.
- **Promoting cost efficient solutions:** once the climate and energy targets are set, the regulatory framework shall ensure these are achieved in the most cost-efficient way. This requires reliability and sufficient flexibility in the rules. In this context, the annual energy saving obligations schemes foreseen in article 7a does not take into account that the saving potential varies across sectors and technologies, Member States and over time. Therefore, any measures need to be based on an EU-wide holistic, transparent and reliable planning taking international competitiveness fully into account and alternative measures should be prioritized over any obligation schemes as means to achieve energy savings and according flexibility is necessary in order to ensure that measures are set when and where those are most cost efficient. Where obligation schemes are in place, industrial installations shall not be subject to direct or indirect costs of such measures. As a matter of fact, investments in energy efficiency are a key priority, from an industrial perspective, when they contribute to overall competitiveness and sustainability.