

## POSITION PAPER

15 September 2020

### Energy Efficiency Directive (EED): Fair and flexible legislation needed

The liquid fuel heating sector calls for a clear framework encouraging savings for all energy users

The following parameters should be taken into account in the evaluation and review of EED:

- Flexibility should be maintained to achieve energy savings: obligations are not always the best way forward.
- The best response to energy poverty is not an increased administrative burden on energy providers but the encouragement of the most cost-effective energy saving measures.
- A marginal calculation of the Primary Energy Factor (PEF) represents the only reasonable approach to a fair contribution of all energy sources.

The reduction of our energy demand has long appeared as the easiest way to reduce emissions of greenhouse gases. An increased share of energy sources with lower carbon content will certainly play a part in the fight against climate change. Eurofuel, the European association representing the interests of the liquid fuel heating sector, support both efficiency and an increased share of low-carbon energy sources.

Increasing energy efficiency and limiting the demand for fossil energy is a **shared responsibility** for public authorities, energy providers and energy users, whether private or professional. Non-grid energy providers such as the oil heating sector are fully aware of this duty and have already for a long time contributed to a more responsible use of oil. They have encouraged the modernisation of heating systems with more performing, condensing boilers, and informed their customers about the various options at their disposal to increase the energy performance of their heating systems and buildings, therefore reducing their energy bills. Our sector run from 2006 to 2012 field tests to verify the compatibility of low-carbon liquid fuels with boilers and has been conducting new tests as from 2019 with an increased share of these low-carbon liquid fuels.

Evidence shows a constant reduction of the use of heating oil per heating appliance, which demonstrates the industry's concrete delivery of energy efficiency<sup>1</sup>. This type of measures has contributed to the obligations introduced by Member States when implementing Article 7 of the EED. Our industry has been a strong advocate of a **flexible approach** to energy efficiency obligations, due to the nature of our activities: in the oil heating sector where distributors are

<sup>1</sup> IWO, the German member of Eurofuel, has shown that the use of oil in oil heating systems has been halved within 20 years, while the number of oil heating equipment remained stable. This is due to a large extent to a substantial increase in energy efficiency of oil heating equipment.

<http://www.eurofuel.eu/case/item/98-halving-heating-oil-consumption-through-higher-efficiency>

numerous and mainly composed of small and medium-sized enterprises (SMEs), a rigid obligation to reduce sales every year would not prove feasible and defensible from an economic point of view. The flexibility for distributors to opt instead for the provision of energy services aimed at achieving overall energy savings should therefore be maintained, in the meaning of paragraph 5(b) in the proposed Article 7a and of Article 7b.

### **Heating and energy poverty**

Eurofuel has already for a long time stressed the need to minimise the costs for citizens and our societies of a transition towards a more efficient use of energy. This is why in the field of heating, we call for a progressive deployment of affordable high-performance systems at a large scale instead of promoting the installation of the most expensive appliances accessible only to a limited number of consumers, such as heat pumps. We believe this to be the best approach to **eradicate energy poverty**, an endeavour well recognised by our sector. We have made an important contribution to this objective by providing low-price energy and low-investment solutions to increase the performance of heating systems and reduce users' energy bills.

While energy providers can play an important role in addressing energy poverty, the obligations imposed on them must be proportionate to their size. The experience gathered by our local members has identified many practical obstacles and an increased administrative burden particularly for smaller providers, who have found it difficult to undertake certain responsibilities traditionally performed by public authorities. An example is the identification of those households concerned with energy poverty, which places energy providers in a delicate situation vis-à-vis their customers and is met with some reluctance from their side. Furthermore, despite intensive support from the energy sector<sup>2</sup>, the remaining investment costs – however small – remain a major obstacle for low-income owners to perform energy upgrades.

As a matter of principle, Eurofuel believes that the energy industry cannot substitute public authorities in carrying out actions which form part of a wider, social policy endeavour. The industry shall and is willing to contribute to eradicating energy poverty, but it cannot replace public authorities in the fight against social inequalities. Any mandatory obligations put on energy providers, such as the one established proposed in paragraph 5(a) of Article 7a and paragraph 2 of Article 7b, should therefore be clarified and create as **little administrative burden as possible** for their activities.

### **New demands on products and decarbonization go along with increasing energy consumption**

The requirements for products and processes in the field of environmental regulation, and the implication of more ambitious climate protection goals and the corresponding measures in the industrial sector often go hand in hand with higher energy consumption. This includes the substitution of fossil raw materials by hydrogen-based products. However, common hydrogen electrolysis processes are accompanied by an increase in overall energy consumption. However, these technologies are indispensable for achieving national or international climate protection goals.

As soon as the production of power-to-liquid-fuels takes place in regions of the world where there is a high solar/wind supply, which could not be used in any other way, the efficiency of the production process no longer plays a central role because it is then in any case greenhouse gas neutral.

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<sup>2</sup> Industry support measures can for instance reach up to a € 800 grant for the installation of a modern boiler.

### **Flexibilisation versus efficiency**

An absolute energy efficiency target conflicts with other targets at European and national level, such as making the electricity market more flexible to integrate renewable energies. In many cases, continuous system operation is an essential part of the energy and economic optimization strategy. In the course of the discussion on sector coupling and flexibilization of energy demand, this must be taken into account. As a rule, the flexibilization of a plant usually leads to a reduction of the energy demand due to the comparatively lower capacity utilization in connection with this leads to a reduction in energy efficiency and thus to higher energy costs per production unit. As these plants face increasing international competition from highly efficient and well utilized plants, there must be economic incentives to make the plants more flexible without endangering competition. In addition, there is a further conflict of objectives between resource and energy efficiency, since the energy required for the (sensible) processing of complex raw and recycling materials is usually significantly higher.

Eurofuel thanks European institutions for taking these comments into account when agreeing on the new set of measures which should make the EU a global leader in energy efficiency in the coming decades, without endangering the affordability and citizen acceptance of the energy transition.

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### **About Eurofuel**

Eurofuel is the European Heating Oil Association, which represents the national organisations that promote the use of liquid fuels for domestic heating in 10 European countries, including over 10,000 companies. Heating oil is nowadays an important and very efficient source of energy to provide comfortable temperatures in homes of millions of Europeans. It is a perfect back-up to accompany the deployment of renewable energy sources. Increasingly, multi-energy hybrid heating systems are being developed. Thanks to unique storage capacities, heating oil ensures a constant and reliable energy supply whenever the combined renewable systems cannot deliver. In difficult economic times, highly efficient modern oil heating systems combined with renewable systems represent a cost-effective and realistic option for households to reduce their energy consumption at a lower cost and contribute to save our environment.

Find out more at [www.eurofuel.eu](http://www.eurofuel.eu) and follow us on Twitter (@EUROFUELenergy).