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The Energy Efficiency Directive must boost economic growth, prioritize building renovation and not interfere with the EU ETS

Glass Alliance Europe, *the European Alliance of Glass Industries*, shares the European Commission's objective of ensuring that the 20% energy efficiency target by 2020 is met. Because glass industries manufacture products needed for Europe to achieve energy savings and a low-carbon society, such as highly insulating windows, photovoltaic glass or light weight reinforcement glass fibres for use in buildings, wind turbines and transport, this Directive can become a potential opportunity for Europe's glass industries to contribute to delivering a sustainable future. However, this will only materialize if European based manufacturers can remain competitive so that energy efficient glass products that Europe needs are manufactured in Europe.

The glass industries wish to highlight that by way of other regulatory instruments, and in particular the EU Emissions Trading Scheme and its absolute cap on CO_2 emissions, there is already certainty that ETS sectors will deliver the expected levels of energy savings by 2020, irrespective of any evolution of CO_2 prices. There is therefore no need to modify the ETS rules via the Energy Efficiency Directive. Glass Alliance Europe believes that all energy-using sectors should contribute their fair share to the 2020 energy efficiency objective. Therefore we call on decision makers to focus regulatory measures on non-ETS sectors, and in particular on the building sector, which offers the largest and still untapped energy saving potential.

Glass Alliance Europe therefore calls for a dual approach to the Energy Efficiency Directive:

1. **Ambitious measures to foster the deep renovation of buildings.**
2. **No modification to the Emissions Trading Scheme and in particular, no setting aside of allowances or higher linear reduction factor, by way of this directive.**

Key policy recommendations for the Directive

- ✓ **Buildings:** To confirm the objective of an 80% reduction in the energy consumption of the building sector by 2050 and to require national road maps for the deep renovation of the entire existing building stock with intermediate targets for 2020, 2030 and 2040. This needs to be supported by an annual average renovation target of 3% for buildings publicly owned or occupied and the creation of adequate financial mechanisms to leverage private investments.
- ✓ **EU ETS:** To ensure that the implementation of the Directive does not interfere with the functioning of the third trading period of the EU ETS.
- ✓ **Co-generation, CHP and energy audits:** To introduce flexibility on measures related to energy audits, co-generation and CHP in large combustion plants.

About Glass Alliance Europe

Glass Alliance Europe is the European Alliance of Glass Industries. It is composed of 19 national glass associations and of the main sectors of the glass industries: container glass, flat glass, special glass, domestic glass and continuous filament glass fibres. Over Europe, glass-makers employ around 150.000 people.

Glass industries invest in research, develop and manufacture glass products fit for a sustainable, resource-efficient and low-carbon society such as energy-efficient windows, fully recyclable bottles and jars, weight-lightening continuous glass fibres, glass for photovoltaic modules, etc. Glass industries continuously invest in upgrading manufacturing installations to minimize the carbon content of products and increase their recycling.

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Prioritize deep renovation of existing buildings: the way out of the crisis

Today, buildings account for over 40% of energy consumption in the EU and are the biggest CO_2 emitters in Europe. Considering the poor energy performance of existing buildings and the availability of technologies to improve it, the building sector constitutes a huge and still-untapped energy saving potential. Grasping this potential through the deep renovation of the entire existing building stock represents a unique opportunity to cut CO_2 emissions, create jobs, increase energy security, stimulate growth and reduce energy bills, while providing a stimulus to Europe's manufacturing base.

Although renovating buildings requires upfront investments, mechanisms can be put in place to spread costs over time and financial pay-back is often very quick. For instance, a recent study for KFW Bank on the German programme for building renovation[1] found that each euro invested in building renovation generates additional revenue of 4 to 5 euros for public authorities through increasing tax revenues and social security contributions while reducing expenditure on unemployment and social benefits. Given the labour intensity of construction and renovation works, investing in the deep renovation of existing buildings could create up to two million local jobs[2] that are accessible to people who suffer the highest rates of unemployment.

Glass Alliance Europe strongly supports the prioritization of deep renovation of existing buildings in the Energy Efficiency Directive. To serve as an effective stimulus for the economy, it is particularly important that:

- ⇒ the objective of an 80% reduction in the energy consumption of the building sector by 2050 is confirmed and translated into a binding absolute energy saving target level for 2020.
- ⇒ national road maps with intermediate targets for 2020, 2030 and 2040 are put in place to provide the long-term assurance needed for financial and industrial investors.
- ⇒ public authorities trigger the movement to pave the way for the private sector, and therefore that they are required to deeply renovate each year 3% of their building stock.
- ⇒ financial mechanisms are developed to direct private investments in building renovation.
- ⇒ mechanisms are put in place so that the mandatory energy savings of 1.5% per year applied to energy utilities are directed towards the deep renovation of buildings.

Ensure the competitiveness of Europe's manufacturing base and do not interfere with the EU Emissions Trading Scheme

Requiring the industry to achieve absolute reduction of energy use is dangerous. Such a policy ignores the value of the manufacturing sector in generating greater added-value and growth by making the products needed in the EU. Increased production, which would be a sign of economic recovery, may indeed lead to an increase in energy use even though industry delivers the desired energy-efficiency gains. Also, in the glass industry, the production of more advanced products needed to achieve Europe's low-carbon objectives, such as highly insulating windows, photovoltaic glass or reinforcement glass fibres, will always require more production energy than conventional products. However, these products help save far more energy or CO_2 than the incremental energy and emissions required to produce them. It would be counterproductive if EU legislation penalized the manufacture of such

1 Jülich Research Centre for the KfW Bank - Wirkungen der Förderprogramme im Bereich ‚Energieeffizientes Bauen und Sanieren' der KfW auf öffentliche Haushalte – 2011. http://www.kfw.de

2 European Commission – Impact assessment for the proposal for an Energy Efficiency Directive – July 2011.

products. If Europe wishes its industry to profit from new markets, then an absolute energy saving target must not be imposed on manufacturing industries.

⇒ Glass Alliance Europe therefore calls on decision-makers not to impose any new binding target on manufacturing industries. They should instead be incentivized to reduce the energy use per output unit, thus increasing industry's competitiveness by reducing production costs while still enabling the economy to grow[3]. Should energy intensity be regarded as a useful indicator, it should first be properly researched before any regulatory measure is decided.

Even more importantly, Europe's industrial base needs stability. Legal uncertainty should not be added to today's difficult and unpredictable economic situation and to the already complex and wide-ranging legislative and administrative control of industrial emissions. For this reason, Glass Alliance Europe strongly believes that the Energy Efficiency Directive should not interfere with the EU ETS scheme. It would be premature and misleading to conclude that the EU ETS rules already need to be fixed whereas the third trading period has not yet started and CO_2 allowances have not yet been distributed to industry. The market-based nature of the mechanism, which is there to ensure that the cap on industrial emissions is reached in the most economically efficient way, should not be altered by artificial interventions meant to increase CO_2 prices. The fact that, in an economic downturn, the CO_2 price is low is precisely an indication that the market is functioning well. There is therefore no need to intervene.

Furthermore, it is felt that under its current format, the EU ETS already fails to provide enough protection against carbon leakage and, together with other factors, this already contributes to a redirection of investments from the EU to its neighbouring countries in most glass sectors. Any tightening of the challenging rules agreed for the third trading period of the ETS would only reduce the already insufficient protection against carbon leakage and further diminish the competitiveness of European-based manufacturing industries. It would ultimately lead to the import into the EU of products with higher CO_2 footprints or lower energy efficiency performance.

⇒ Glass Alliance Europe urges decision-makers to refrain from tightening the EU ETS and from lowering the current level of allowances or increasing the annual linear reduction factor.

Other items for consideration: CHP, co-generation and energy audits

Glass Alliance Europe is aware of the potential of Combined Heat and Power installations (CHP) and the importance of co-generation in Europe, given that some glass plants are equipped with such systems. However, there should not be a one-size-fits-all requirement whenever installations are built or refurbished. These systems may not always be appropriate depending on the environment and the requirement may act as a disincentive to further investments in industrial installations.

Energy audits are already carried out in the glass industries as a way to control consumption and identify energy efficiency potential. Such audits are required for the ISO certification of production sites and are also an element of the Industrial Emissions Directive, described in the BREF documents. Glass Alliance Europe believes that if the Energy Efficiency Directive were to make such audits mandatory, the Directive should at least allow for in-house experts to carry out these audits in order to make sure that they are based on real industry expertise and do not generate additional costs for industry.

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[3] For instance, the glass industries have managed to reduce the energy use per output unit of glass manufacturing by 77% over the last decades while production was on rise. In the Glass Alliance Europe's view, this example shows the accuracy of reasoning in terms of energy intensity rather than absolute savings when it comes to industry.