



EUROPEAN COMMISSION

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Dear President,

*The Commission would like to thank the Austrian Bundesrat for its opinion on the proposal for a new Energy Efficiency Directive {COM(2011) 370 final} and on the Energy Efficiency plan Communication {COM(2011) 109 final} and apologises for the extremely long delay in replying.*

*The Commission shares the opinion of the Bundesrat that increasing energy efficiency is important to help the EU achieve its strategic 2020 targets for CO2 emission reduction and an increased share of renewable energy in a cost effective way. The EU indeed needs to take stronger efforts to save energy to reduce its dependence on imports of fossil fuels from outside the EU and reduce the negative impacts of growing energy prices.*

*Getting on track to achieve the 20% target is estimated to increase EU GDP by €34 bn in 2020 and increase net employment by 400 000 jobs. The biggest obstacle to linking the benefits and the costs are the insufficiently developed markets for energy services and energy efficiency improvements. To this end, market based mechanisms such as energy efficiency obligation schemes are proposed, and the establishment of Energy Service Companies (which commit to make the investment and implement the measures in exchange for income from the financial savings on the energy used) is supported.*

*The Commission agrees with the Bundesrat that it is important to continue the activities initiated under existing EU legislation addressing energy efficiency, including Directive 2006/32/EC on energy end-use efficiency and energy services and Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand. However, experience with the implementation of both Directives has shown that they have not provided sufficient clarity for Member States on the required obligations. The proposal for a new Energy Efficiency Directive builds on this experience and aims to introduce clearer obligations for Member States. It will cover all sectors, from energy supply to end-use, to ensure that the EU reaches its 2020 target. The Commission does not see cause for concern in relation to overlaps with the existing Directives 2006/32/EC and Directive 2004/8/EC. The new Directive will repeal both while retaining and, where necessary, clarifying the key obligations laid out in the earlier Directives.*

*The impact assessment for the Energy Efficiency Directive shows that even if the current target of the existing Energy Services Directive is fully achieved, the EU will reach only half of its 2020 target for primary energy savings. It is important, however, not to become bogged down in a debate on targets. Energy savings are not achieved by targets alone. This is why*

Herrn Gregor HAMMERL  
Präsident des Bundesrates  
Dr.-Karl-Renner-Ring 3  
A – 1017 WIEN

*the Commission opted to propose stringent and ambitious binding measures, rather than binding targets, in the proposal for a Directive. The Commission believes that if the measures proposed in this proposal, the regulations on Eco-design and Energy Labelling, the Energy Performance of Buildings Directive (Directive 2010/31/EC), and the measures being taken at Member State level are well implemented, then the proposed 2014 assessment will show that the EU is on track for its 2020 target, without the need for binding targets at national level.*

*Regarding the question from the Bundesrat concerning the setting of the EU 2020 target, this has been defined as 20% primary energy savings (i.e. gross inland consumption – non energy uses) in 2020 as compared to the projections for 2020 made in 2007. This definition of the energy efficiency target is already well established. The target implies a reduction of 368 Mtoe of EU primary energy consumption in 2020. However, this target should not be understood as setting an absolute cap on consumption at national level regardless of the economic changes in the Member States. In fact, the Commission proposes analysing progress in Member States taking into account a number of other energy efficiency indicators (notably changes in energy intensities).*

*As regards the concern of the Bundesrat that the new Energy Efficiency Directive may be pushing for the roll-out of smart meters regardless of their cost-effectiveness, the Commission would like to explain that the proposal is fully in line with the Directives on the internal market for electricity and gas. As regards electricity, Directive 2009/72/EC requires that 80% of the consumers be equipped with intelligent metering systems by 2020, subject to a positive cost-benefit assessment. As regards natural gas, no deadline is explicitly included in the EU legislation. However, the Energy Efficiency Directive proposal does not oblige Member States to roll out smart meters as such by any date. It only specifies conditions to enhance consumer rights to have easy access to the information about their own consumption when Member States do decide to carry out such a roll-out.*

*The Commission proposed that the obligation for frequent billing based on actual consumption should be introduced before 1 January 2015. However, this does not automatically require the installation of electronic meters with remote reading. In the short term, frequent billing can be introduced already on the basis of self-reading by consumers using existing traditional individual meters. In several Member States such systems based on self-reading have been introduced by certain energy suppliers. This system is often used for the billing of individual hot water consumption and has recently been used in some cases also for natural gas and electricity.*

*It should be underlined that the introduction of frequent billing based on actual consumption is crucial. Without this, the introduction of smart metering - while continuing with billing based on forecasts - would have limited and/or temporary impact on the behaviour of consumers. Ideally, billing based on actual consumption should be provided monthly. With longer intervals the signal to the consumer is significantly reduced. It is not possible for most consumers to establish any link between their individual energy bill and their earlier behaviour leading to a particular level of energy consumption during the billing period.*

*As regards the concerns of the Bundesrat in relation to the requirement for energy saving obligation schemes at the level of 1.5% of the volume of energy sales in the previous year, the experience of the Member States and other countries (e.g. USA) which already introduced such systems shows that they have proved to be effective tools. They trigger investments in*

*energy efficiency measures within the customer basis of energy suppliers and also trigger a change in utilities' rationale, which today concentrates on selling energy and should slowly but surely start considering energy efficiency services as a new business opportunity. However, the Commission acknowledges that the policy mix in place may in some countries point towards the use of other policy instruments. Therefore, the Commission has proposed a flexible approach, providing for Member States to choose other mechanisms, provided that these deliver an equivalent amount of savings among final customers on a verifiable and secure basis.*

*The Commission takes note of the concern of the Bundesrat that the implementation period of 12 months after the entry into force of the new Directive might not be sufficient for a federal country like Austria. In this context the Commission would however wish to mention that the achievement of the EU 2020 energy efficiency target will undoubtedly require smooth and rather quick introduction of additional effective measures on energy efficiency in all Member States.*

*Concerning the request of the Bundesrat to examine the compliance of the proposed Directive with the subsidiarity principle, I would like to assure you that in preparation of this proposal, the Commission carried out an impact assessment, in which it analysed subsidiarity in terms of value added and the necessity for intervention by the EU in this field. The conclusion of this analysis is that the measures proposed in this proposal, including in Article 10, do not contravene the principle of subsidiarity. This assessment is publicly available<sup>1</sup>.*

*I hope that these clarifications address the questions and concerns raised in your opinion, and I look forward to continuing our political dialogue.*

*Yours faithfully,*

*Maroš Šefčovič  
Vice-President*

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<sup>1</sup> SEC(2011)779