REGULATORY SCRUTINY BOARD OPINION


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{SWD(2019) 345 final}
{SWD(2019) 346 final}
EUROPEAN COMMISSION  
Regulatory Scrutiny Board  

Brussels,  
Ares(2018)

Opinion  

Title: Impact Assessment / Ecodesign: External Power Supplies  
(version of 25 June 2018)*

Overall 2nd opinion: POSITIVE

(A) Context  
The EU has put in place an Energy Union Framework Strategy. One objective is to make energy use more efficient. This can take place by pushing industry to improve energy efficiency of products and to remove poor performers from the market. The result is less energy used, lower energy bills for consumers and manufacturers that are more competitive. Setting rules at EU level supports single market objectives.

This report considers ways to improve on existing requirements for External Power Supplies (EPS). EPSs power numerous electric and electronic devices, including mobile phones, laptops, electric shavers, etc. Some 500 million units are sold every year in the EU, usually bundled together with devices they power. While individual energy consumption is small, EPSs are so many and widespread that total consumption and energy saving potential are large. The energy-labelling framework does not apply to EPSs because selling prices depend on the devices that the EPSs accompany.

The initiative would take the form of implementing legislation.

(B) Main considerations  
The Board acknowledges that most of the comments in its earlier negative opinion have been taken into account in the revised report.

The Board gives a positive opinion, with a recommendation to further improve the report with a more robust justification for the choice of preferred option.

(C) Further considerations and recommendations for improvement  
(1) While the comparison of options analysis is essentially unchanged from the previous version, various aspects are better explained. Some remaining questions still need to be addressed more convincingly. The Board recommends to either strengthen the justification of the choice of the preferred option or to make the conclusions more open-ended with more reflection on the evidence for and against.

(2) The most ambitious option is clearly the option that contributes best to meeting the

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.
objectives. However, it is rejected for being contrary to article 15 in the directive as it may negatively affect consumers of certain product categories. The report shows in particular that in six out of ten product categories, there may be negative impacts on consumers. The report should explain the reasons behind the steep increase in purchase prices for consumers under this option. Does it reflect higher adjustment costs for companies which have to go beyond US standards and which are passed through to consumers?

(3) The options of aligning with US standards or exceeding them slightly seem to perform similarly, though more ambition is preferable in terms of consumer, environmental and business impacts. It is not clear how the report can conclude that the alignment option is better for consumers as the analysis clearly shows that the slightly more ambitious option results in higher total consumer savings. The relative advantage of aligning with US standards should be elaborated. This could be done by accounting better for the extra costs of going beyond US standards implied by higher marginal costs (less exploitation of economies of scale) and higher testing costs. The report should explain how the model accounts for the extra costs and the need for sensitivity analysis if these costs are normally included in the purchase price.

(4) The attached quantification tables of the various costs and benefits associated with the preferred option of this initiative need proper caveats reflecting the assumptions and limitations of the simple model used and the level of uncertainty around the resulting estimates.

(D) RSB scrutiny process
The lead DG shall ensure that that the recommendations of the Board are taken into account in the report prior to launching the interservice consultation.

The attached quantification tables may need to be further adjusted to reflect any changes in the choice or the design of the preferred option in the final version of the report.

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<tbody>
<tr>
<td>Reference number</td>
<td>2015/ENER/054</td>
</tr>
<tr>
<td>Date of RSB meeting</td>
<td>13/06/2018</td>
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ANNEX: Quantification tables extracted from the draft impact assessment report submitted to the Board on 25 June 2018.

(N.B. The following tables present information on the costs and benefits of the initiative in question. These tables have been extracted from the draft impact assessment report submitted to the Regulatory Scrutiny Board on which the Board has given the opinion presented above. It is possible, therefore, that the content of the tables presented below are different from those in the final version of the impact assessment report published by the Commission as the draft report may have been revised in line with the Board’s recommendations.)

SUMMARY OF COSTS AND BENEFITS

Overview of benefits total for the preferred option – PO2 Global alignment. All benefits that are quantifiable are direct benefits.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced energy consumption</td>
<td>4.26 TWh per year in 2030.</td>
<td>The energy consumption of EPSs sold in the EU will be reduced, therefore the overall energy consumption in the EU will decrease accordingly.</td>
</tr>
<tr>
<td>Reduced environmental impact (less GHG emissions)</td>
<td>1.45 Mt CO2-eq per year in 2030</td>
<td>The reduced energy consumption will result in reduced GHG emissions.</td>
</tr>
<tr>
<td>Less life cycle cost for consumers of products with EPSs</td>
<td>0.11 € - 11.4 € savings per unit over their entire life cycle. Overall end-user expenditure savings of 787 million € in 2030.</td>
<td>The consumer will experience lower electricity consumption due to the reduced EPS energy losses and will thereby pay reduced electricity bills.</td>
</tr>
<tr>
<td>Level playing field for manufacturers, and avoided additional energy costs for consumers that use multiple-voltage output EPSs</td>
<td>Consumer avoided electricity costs of ca. 9 – 13 € per unit of multiple-voltage output EPS over its lifetime, which is equivalent to ca. 104 million € savings for the EU projected sales of 11 million units in 2030. This is included in the end-user expenditure saving above.</td>
<td>By including multiple voltage output EPS in the scope, a level playing field will be ensured because an EPS will no longer be exempted when it delivers power simultaneously to e.g. a notebook and a mobile phone.</td>
</tr>
<tr>
<td>Increased turnover in industry</td>
<td>73 million € in 2030. It is estimated that 14% will be in the EU, i.e. 10 million €.</td>
<td>Manufacturer, wholesalers will have this benefit due to the increase product prices of more efficient EPS.</td>
</tr>
<tr>
<td>Increased employment</td>
<td>255 more jobs in 2030. It is estimated that 14% will be in the EU, i.e. 35 additional jobs.</td>
<td>Jobs will be created to handle the additional work of adapting the EPSs to the requirements and of testing etc.</td>
</tr>
<tr>
<td><strong>Indirect benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better understanding and enhanced data available regarding EPS efficiency at 10 % loads</td>
<td>N/A</td>
<td>The knowledge will allow: (i) informed consumers to include this additional load level in the selection criteria at purchase, (ii) manufacturers to compete on a voluntary basis in marketing more efficient products, and (iii) regulators to set at a later stage, where appropriate, minimum efficiency requirements on this parameter.</td>
</tr>
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</table>

Overview of compliance and administrative costs (all costs are direct costs) compared to baseline are shown in the table below. Where no figures are mentioned, no extra cost is considered to apply.
## II. Overview of costs – Preferred option

<table>
<thead>
<tr>
<th>Service</th>
<th>Citizens/Consumers</th>
<th>Businesses</th>
<th>Administrations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>One-off</td>
<td>Recurrent</td>
<td>One-off</td>
</tr>
<tr>
<td>Scope extension to multiple voltage output EPS</td>
<td>Direct costs</td>
<td>20 mil. €¹</td>
<td>20 mil. €²</td>
</tr>
<tr>
<td>Provide information on the efficiency at 10% loading</td>
<td>Direct costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide information on websites and user manuals</td>
<td>Direct costs</td>
<td>Negligible</td>
<td></td>
</tr>
<tr>
<td>Energy efficiency requirement</td>
<td>Direct costs</td>
<td>74 mil. €</td>
<td>40 mil. € for efficiency improvement</td>
</tr>
</tbody>
</table>

¹ For 6 million units sold in 2030 in the preferred option PO2 (instead of 11 million units in BAU, due to proposed scope extension that closes the current loophole for multiple voltage output EPS).

² The costs incurred by the businesses are considered to be passed in their entirety to consumers.
Title: Impact Assessment / Ecodesign: External Power Supplies

(Version of 16 May 2018)*

Overall opinion: NEGATIVE

(A) Context

The EU has put in place an Energy Union Framework Strategy. One objective is to make energy use more efficient. This can take place by pushing industry to improve energy efficiency of products and to remove poor performers from the market. The result is less energy used, lower energy bills for consumers and manufacturers that are more competitive. Setting rules at EU level supports single market objectives.

This report considers ways to improve on existing requirements for External Power Supplies (EPS). EPSs power numerous electric and electronic devices, including mobile phones, laptops, electric shavers, etc. Some 500 million units are sold every year in the EU, usually bundled together with devices they charge. While individual energy consumption is small, EPSs are so many and widespread that the aggregate consumption and energy saving potential are large. The energy-labelling framework does not apply to EPSs because selling prices depend on the devices that the EPSs accompany.

The initiative would take the form of implementing legislation.

(B) Main considerations

The Board finds that the report is rich on information and that the modelling work provides consistent and quantified scenarios for the analysis.

However, the Board gives a negative opinion, because the report contains important shortcomings that need to be addressed particularly with respect to the following key aspects:

(1) The choice of the preferred option is not sufficiently justified.

(2) The report does not integrate circular economy aspects comprehensively and in a way which is consistent across ecodesign products. It does not impact assess them either.

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

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(C) **Further considerations and adjustment requirements**

(1) The analysis and arguments presented in favour of the preferred option (option 2: global alignment) are not convincing. The modelling work does not seem to support the choice made. The preferred option implies less savings in energy and costs than do more ambitious alternative options. To support the choice of the preferred option, the report argues that alternative options would result in excessive price increases for consumers. The price issue is however uncertain given that EPS typically are sold bundled with other products. Also, the evidence presented does not support the argument that price increases would be excessive for other options. For instance, the difference between price increases across options 2 (global alignment) and 3 (ambitious EU measure) are minor. In terms of life cycle costs, the alternative options are cheaper. Furthermore, the most ambitious option 4 (very ambitious EU measures) has a better fit with the objectives than option 2. The report also puts forward the argument that the preferred option is more robust vis-à-vis changes in assumptions than other options. But the sensitivity analysis presented in annex does not confirm it. Hence, the modelling work does not support the preferred option. The report should present a revised and more convincing analysis.

(2) The report does not deal with circular economy considerations, such as recycling and reuse of EPS. It is not consistent with the treatment of other ecodesign products. It introduces the issue in the problem section, but does not address the magnitude of the problem. The intervention logic does not cover material efficiency, but it pops up in the monitoring and evaluation framework. The report should follow a more systematic and consistent approach for the treatment of circular economy issues for EPS.

(3) The quantitative scenarios and impacts are based on scenarios generated from a simple model. The results should, however, take proper account of the limitations and caveats of the modelling. For instance, the model seems to assume that price increases induced by more ambitious energy efficiency requirements have no impact on demand. For that reason, turnover is increasing proportionally to prices and since employment is a simple function of turnover, it increases proportionally to the energy efficiency requirement. The model is therefore likely to overestimate impacts on employment. The report should properly address the limitations of the modelling and interpret results with proper caveats.

(4) The report should better explain how evaluation support the problems identified, the approach to international standards, the market failures which are the basis for intervention and how options are defined and selected.

(5) This report should be streamlined as far as possible with the impact assessments accompanying the other proposals in this package of proposals for implementing legislation regarding ecodesign and energy labelling.

*Some more technical comments have been transmitted directly to the author DG.*
(D) RSB scrutiny process

The lead DG shall ensure that the report is revised in accordance with the above-mentioned requirements and resubmitted to the Board for its final opinion.

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