Economic Development & Transport Committee

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Date: 11 January 2006
Time: 9.00 to 12.30
Venue: National Assembly for Wales, Cardiff Bay
Title: The EC Green Paper on Energy Efficiency or Doing More With Less Implications for policy in Wales Submission from the Energy Saving Trust 4th January 2006

1. The Energy Saving Trust

The Energy Saving Trust was established as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed worldwide concerns on sustainable development issues. We are the UK's leading organisation working through partnerships towards the sustainable and efficient use of energy by households, communities and the road transport sector, and one of the key delivery agents for the UK Government's climate change objectives. We operate a number of programmes in Wales including Energy Efficiency Advice Centres, transport programmes, support for domestic energy efficiency activities to all 22 local authorities in Wales and a pilot renewable energy advice (REAS) through the West Wales Eco Centre.

2. The European Green Paper on Energy Efficiency

The European Green Paper on Energy Efficiency 'Doing more with less' was published on 28th June '05. It aims to stimulate debate across Europe on how energy efficiency improvements which enhance competitiveness, energy security, and the environment can be achieved. The paper promotes a number of policies all of which are relevant to the UK, and as such also to Wales.

The Energy Saving Trust submitted a detailed response to the consultation on the Green Paper in September 2005. This includes our views on the extent to which specific policies should be taken forward at national (UK) vs. EU level. Our response is likely to be of interest to the Committee. We therefore attach a copy to this submission (see Annex 1). Our response is also available on our website at: -

http://portal.est.org.uk/uploads/documents/aboutest/EST%20response%20to%20EU%20EE%20Green%20Paper.pdf

In summary, EST believes that the current UK Government's climate change targets are achievable if the right policy framework is developed and implemented. In this respect the European Commission has a key role in creating the right framework that will allow the UK and other member states to meet climate change objectives. We are therefore keen that the Green paper is progressed rapidly leading to concrete action across the EU and internationally.

3. Wales and the European Green Paper on Energy Efficiency

The promotion of energy efficiency is the direct responsibility of the Welsh Assembly Government as are a number of other policies of relevance to energy efficiency including i) environment policy, ii) housing, iii) planning, iv) transport, v) local government, and vi) fuel poverty. However, other policies of relevance to the energy efficiency, notably the Building Regulations for Wales, are the responsibility of the UK Government.

In considering the proposed policies outlined in the Green Paper it is important to highlight that where issues are devolved there is substantial opportunity for the Welsh Assembly Government to provide tailor-made Wales-specific solutions, which have to date included, for example, the inclusion of domestic and non-domestic energy efficiency targets for Welsh local authorities under their policy agreement with the Welsh Assembly Government. It is worthwhile noting that where such polices are particularly innovative and successful they can provide a lead for the rest of the UK to follow. For the non-devolved policy areas the Welsh Assembly Government has a key role in influencing policy outcomes at UK Government level.

We outline briefly below a number of policy issues that should be considered in Wales for further action in light of the Green Paper. These policy proposals are not new and have been discussed in recent responses to relevant Welsh Assembly Government consultations. They focus solely on issues which are devolved, and do not consider policy areas where the Welsh Assembly Government has a role in influencing policy outcomes at a UK Government level. Please note that this is not intended to be a comprehensive listing, and if it would be useful, we would be pleased to provide a more detailed policy paper.

4. Specific Areas for Further Consideration

As pointed out in our response to the Green Paper we believe that politicians should be implementing major policies that result in real action in four key generic areas to help individuals reduce their personal environmental impact:

1. Support organisations that deliver change at a local level
2. Use the tax system to encourage people to take action
3. Help businesses to 'green' consumers
4. Outlaw climate damaging products

In this context, we believe that the following should be considered in further detail:

Section 1.1.4 - Fiscal policy.

Fiscal policy is a reserved issue. However, recent research by the Energy Saving Trust[1] demonstrates that council tax rebates offered as an incentive for householders to invest in energy efficiency measures would increase the uptake of cost effective measures such as cavity wall and/or insulation or those cost-effective measures identified in a home efficiency report. While our research report recommends the introduction of a national scheme funded by central Government (i.e. from HM Treasury), with local authorities allocated sufficient funds to cover the costs of the rebates, we would like to take this opportunity to highlight that in Wales such a scheme could be funded by the Welsh Assembly. There is therefore a major opportunity for the Welsh Assembly Government to help local authorities in Wales implement such a scheme.

Section 1.1.6 - Public authorities - setting an example, and Section 4.3 Public authorities – buying a percentage of energy efficiency vehicles for their fleets

We believe that all procurement, particularly new buildings and vehicles, by the Welsh Assembly Government and organisations that it funds should not only take environmental issues into consideration but should result in the purchase of the most efficient products. This should include the installation of renewables and chp where practical, adherence to the proposed Code for Sustainable Buildings, the purchase of top-rated energy efficient appliances and the procurement of low carbon vehicles. It is important that these issues are not just set out in procurement guidelines; but that they are taken seriously throughout the procurement process, ie are not optional extras in calls for tenders and post-tender negotiations, which seems to be what often happens at the moment.

Section 1.2.4 - Public information campaigns.

It is vital that the Welsh Assembly Government raises the level of awareness on climate change issues and facilitates the provision of information that will make it easier and simpler for its citizens to take action to reduce their own CO2 emissions. This implementation of a specific Welsh climate change awareness campaign, similar to the three year Climate Change Communication Programme being funded by Defra would be a major step forward that demonstrates real leadership and commitment from the Welsh Assembly Government. A structured education programme linked to the Assembly's energy portal, schools across Wales and the general public would add valuable impetus to the urgent need to combat the effects of climate change.

Section 2.1- Promotion of distributed generation

In August 2005, the Energy Saving Trust in conjunction with Element Energy Limited, Cambridge University Faculty of Economics and E-Connect undertook a study analysing the potential of microgeneration technologies up to the period 2050. The report – Potential for Microgeneration, study

and analysis – was commissioned by the DTI to inform UK Government's forthcoming Low Carbon Building programme and the wider microgeneration strategy that is to be published in spring 2006. The study was published on 12th December 2005, and is likely to be of interest to the committee. It can be found at: http://www.dti.gov.uk/energy/consultations/pdfs/microgeneration-est-report.pdf

It is worthwhile noting that the data to undertake a Wales-specific analysis does exist and if funding was forthcoming, the analysis could readily be developed to be Wales-specific. We believe undertaking such analysis would be helpful and informative in assessing the true potential of microgeneration within Wales.

Section 4.4 - Infrastructure charging.

As per our response to the Green Paper we believe that all forms of infrastructure charging, road user charging or congestion charging must consider the environmental impact of the vehicle concerned. Since our response to the Green Paper we have published a report on road user charging which is likely to be of interest to the Assembly and can be found at: http://www.est.org.uk/uploads/documents/aboutest/CO120_Pricing_Roads_Final.pdf

5. Contact Details

For further information please contact: Bob Cherryman, Head of Energy Saving Trust Wales: bob.cherryman@est.org.uk, or on 01143 845

The Energy Saving Trust's response to the European Commission's Green Paper on Energy Efficiency

The European Commission Green Paper on Energy Efficiency or Doing More With Less

The Energy Saving Trust (EST) was established as part of the UK Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed worldwide concerns on sustainable development issues. We are the UK's leading organisation working through partnerships towards the sustainable and efficient use of energy by households, communities and the road transport sector and one of the key delivery agents for the UK Government's climate change objectives.

EST welcomes the European Commission's Green Paper on Energy Efficiency or Doing More With Less and is pleased to provide the following response to the specific questions regarding the options identified in the Green Paper below. Our response, which focuses on the areas of EST's activities and related issues, should not be taken as representing the views of the individual members of EST.

EST strongly supports the UK Government's target to reduce CO2 emissions by 20% by 2010 from its 1990 baseline and its longer-term ambition of a 60% reduction by 2050. However, it is clear that these challenging targets will not be achieved without the introduction of additional and innovative policy

measures. EST believes that the UK Government's targets are achievable if the right policy framework is developed and implemented. In this respect the European Commission (EC) has a key role in creating the right framework that will allow the UK and other Member States to meet climate change objectives. We therefore urge that the Green Paper is progressed rapidly leading to concrete action across the EU and internationally.

During 2005 climate change has been high on the agenda of the EU and G8 presidencies following the ratification of the Kyoto Protocol in February. There is currently a higher degree of public concern and debate around climate change that needs to be converted into a far greater appetite for action in the every day lives of EU citizens, at home and on the roads.

Within the UK over a quarter of CO2 emissions come from households. Another quarter comes from cars and public transport. Annex 4 of the Green Paper illustrates that over 70% of emissions comes from buildings and transport of which the majority will come from the household sector. The real climate change challenge and the biggest potential reductions in emissions are from our streets and homes. These changes must be driven by both the EU and national governments. Without the awareness, support and action of millions of EU citizens climate change goals will not be delivered. A 'low carbon economy' can only be built by a 'low carbon society'.

Many EU citizens are daunted and confused by climate change and don't understand the scale of their personal carbon impact, let alone believe changing behaviour individually will make a difference. Only by making solutions simpler, easier and cheaper, can this change. EST and other national energy efficiency agencies can show people how to make a difference, but the maximum impact will come only with the whole hearted commitment of the EU and national governments through their leadership, regulation, taxation and spending policies.

In our opinion, politicians should be implementing major policies that result in real action in four key generic areas to help individuals reduce their personal environmental impact:

Support organisations that deliver change at a local level

To deliver the required sea-change in understanding and behaviour on energy efficiency and a low carbon society, action must be rooted in local initiatives to change our behaviour in the home and on the roads. Our day to day use of energy is significantly influenced by locally based organisations. Retailers, installers and dealers should advise us to use the greenest products; local authorities have a key role to play in planning and local leadership; whilst neighbours and community based organisations are the key influencers of behaviour.

Use the tax system to encourage people to take action

Taxing environmental pollution is right in principle. 'The polluter pays' is fairer as well as economically efficient. Well designed consumer taxes work, for example; different rates in fuel duty have been a key

tool in moving away from dirtier transport fuels such as leaded petrol. A tax introduced for a specific environmental purpose provides a clear statement of intent from politicians. Carefully designed product taxes targeted on discouraging use of products that waste energy and money are required.

The key priority is to encourage home owners to invest in greening their homes through incentives in property and product taxes for example in the UK through stamp duty and council tax rebates for fuel efficient homes. Other fiscal initiatives EST recommends include:

- Reduced levels of VAT for environmentally friendly products.
- Support programmes for the most environmentally friendly products under favourable State Aid laws.
- Tax the gas guzzlers – big increases in Vehicle tax systems for high emitting cars, which would easily fund further reductions for highly efficient vehicles.
- Surcharge inefficient products such as tungsten light-bulbs.
- Ensure any tax on the planning consents process rewards green developers.

Help businesses to 'green' consumer markets

The EU and national governments cannot change the economy on their own. A consistent message from trusted corporate brands is needed too and increasingly businesses are recognising the advantages of developing green markets.

There are a number of key business sectors which significantly affect consumer energy use. Politicians need to encourage green businesses in these sectors – with financial assistance, training for new skills and a regulatory framework that promotes low carbon innovation.

The next few years are key for some technologies; these include the 'power station in your home' which is now entering the market. With small scale renewable technologies and advanced energy efficiency, this can set the path towards zero carbon buildings. Support is required through focused programmes to encourage low carbon buildings.

In transport, further support is needed for marketing 'cars of the future' using hybrid and fuel cell technologies, as well as supporting a much wider range of companies to promote environmentally friendly travel modes – walking cycling and public transport.

Outlaw climate damaging products

A key finding of research underpinning the UK's Energy White Paper showed that people expect governments to regulate against products that damage the environment. Selling toys that damage our children's' health is illegal, and so should be selling products that damages the climate they will live in. The worst energy wasting boilers and fridges have already been banned without consumer complaint – no-one minds, everyone benefits.

Energy wasting products damage our pockets as well as our climate. Responsible businesses want a clear and long term framework for planning investment. In buildings, consumer products and cars, the EU and national governments need to set this long term framework.

The key priority for the EU is to implement new minimum energy standards to outlaw energy wasting cars and appliances and to ensure that energy losses from electronic equipment left on ‘stand by’ are reduced to the lowest levels possible.

EU and national leaders need to lead the way on climate change, which is the biggest single long term threat to the planet. Leading means being consistent – climate change is the responsibility of the whole of the EU political infrastructure not just those Commissioners responsible for energy and environment.

Leading means setting an example – the EU, European Parliament, national, regional and local government should all use the lowest carbon vehicles, rent the lowest carbon buildings and buy the lowest carbon appliances. Most of all, leading means being prepared to take tough decisions and sticking to this agenda, even when vested interests oppose it. The EU needs to develop strong energy efficiency legislation and ensure that it is rapidly and effectively transposed in national legislation accordingly.

1. How could the Community and the Commission in particular, better stimulate European investment in energy efficiency technologies? How could funds spent supporting research in this area be better targeted?. (Section 1.1)

EST agrees with the EC’s proposed approach to concentrate on a limited number of key priorities and welcomes the inclusion of renewables, smart energy networks and energy efficient within the main programme. In the case of renewables this should include small scale or "mass market" solutions that focus on the household and SME sectors.

In the case of energy efficiency, we believe that there should be a strong focus on providing low carbon building solutions including lightweighting, and improved design. Research is also required to mitigate increasing emissions from consumer electronics.

The Commission has a key role in ensuring the dissemination of best practice and technology transfer between Member States. We believe there is also an increased need to facilitate the commercialisation of environmentally friendly products.

2. The emission trading mechanism is a key tool in developing a market-based response to meeting the goals of Kyoto and climate change. Could this policy be better harnessed to promote energy efficiency? If so, how? (Section 1.1)

EST supports the use of market based mechanisms, which should allow the adoption of the most cost effective emission reduction solutions. In the case of the EU Emissions Trading Scheme (EUETS), we

believe that greater consistency in the development of the National Allocation Plans (NAPs) by Member States (MS) is required e.g. in the interpretation of "combustion installation". As a minimum Phase II targets must be consistent with delivering MSs Kyoto objectives. A priority of the Commission must be to ensure that rigorous monitoring and reporting is carried out to ensure compliance either through the surrender of required allowances or through the enforcement of penalties.

Tighter and more consistent target setting would be helpful in promoting energy efficiency. A clear signal is therefore required from the EC that post-Kyoto targets will be implemented and further emission reductions required from those sectors subject to the EUETS. There is also further scope to extend the EUETS beyond the current sectors.

3. In the context of the Lisbon strategy aiming to revitalise the European economy, what link should be made between economic competitiveness and a greater emphasis on energy efficiency? In this context, would it be useful to require each Member State to set annual energy efficiency plans, and subsequently to benchmark the plans at community level to ensure a continued spread of best practice? Could such an approach be used internationally? If so, how? (Section 1.1.3)

Energy efficiency provides many benefits in addition to reducing carbon emissions. These include reduced primary energy demand and hence improved security of supply, reduced energy costs and will help alleviate fuel poverty. Given the widespread benefits of energy efficiency we believe that MSs should be mandated to set annual energy efficiency plans and report against them on a sectoral basis. However, we believe that the Commission is best placed to lead subsequent benchmarking and facilitation of best practice.

It is imperative that this includes leading non-EU countries. For instance, in the case of product standards, the EU lags behind other countries and should raise its standard accordingly. At all times the EU should be seeking to apply best practice standards for energy end use products and needs to raise its game accordingly. We believe that the Eco Design of Energy Using Products Directive will be helpful in driving forward improved standards for specific priority products but only if robustly progressed in a timely manner.

4. Fiscal policy is an important way to encourage changes in behaviour and the use of new products that use less energy. Should such measures play a greater role in European energy efficiency policy? If so, which sort of measures would be best suited to achieve this goal? How could they be implemented in a manner that does not result in an overall increase in the tax burden? How to really make the polluter pay? (Section 1.1.4)

A combination of approaches is required to deliver improvements in energy efficiency. These include product standards, regulation, improving information and awareness, accreditation and fiscal incentives. In the case of fiscal incentives, EST believes that these are best applied by MSs at the national level.

However, in this respect the EU 6th VAT Directive is a major barrier to reducing the rate of VAT on energy efficiency products. In order to improve the uptake of energy efficient measures it is imperative to reform the Directive to enable a reduction in VAT to a reduced rate of 5% for targeted energy saving appliances and on DIY energy saving materials, bought by householders to install, which are currently excluded from the list of goods and services to which MSs are allowed to apply reduced VAT rates (of no less than 5%) in Annex H. Removing this barrier, which requires unanimous agreement of MSs, will demonstrate real leadership and a clear commitment to energy efficiency by MSs. To do nothing sends the counter message that energy efficiency is not considered sufficiently important. We do not believe that full harmonisation of tax regimes across MSs is either necessary or realistic.

In relation to vehicle taxation it is absolutely imperative that low carbon vehicles should be encouraged through the relevant tax regime and that gas-guzzlers are heavily penalised to reflect the environmental consequences of consumer choice when purchasing and operating a vehicle.

Similarly it is important to reform State Aid rules to provide appropriate support to the most environmentally friendly products.

5. Would it be possible to develop state aid rules that are more favourable to the environment, in particular by encouraging eco-innovation and productivity improvements? What form could these rules take? (Section 1.1.5)

We see no reason why State Aid rules should not be amended to recognise the considerable benefits of the most environmentally friendly products and believe that it is right and proper to do so. The revised Guidelines due in 2007 must reflect this accordingly.

6. Public authorities are often looked to for an example. Should legislation place specific obligations on public authorities, for example to apply in public buildings the measures that have been recommended at Community or national level. Could or should public authorities take account of energy efficiency in public procurement? Would this help build viable markets for certain products and new technologies? How could this be implemented in practice in a way that would promote the development of new technologies and provide incentives to industry to research new energy efficient products and processes? How could this be done in a manner that would save money for Public authorities? As regards vehicles, please see question 20. (Section 1.1.6)

Yes, legislation should place specific obligations on public authorities. A high level approach can be developed at the Community level, e.g. through the Energy Performance in Buildings Directive, but specific detailed legislation can only be developed at the MS state level due to the different make-up at the local and regional level within MSs.

Clear public sector targets would allow the public sector to lead by example and to "invest to save". All MS national, regional and local procurement including new buildings and vehicles should not only take

environmental issues into consideration but should result in the purchase of the most efficient products. This should include the installation of renewables and chp where practical, adherence to go beyond relevant MS building standards, the purchase of top-rated energy efficient appliances and the procurement of low carbon vehicles. It is important that these issues are not just set out in procurement targets but that they are taken seriously throughout the procurement process, i.e. are not optional extras in calls for tenders and post-tender negotiations, which seems to be what often happens within the UK at the moment.

The draft European Directive on Energy Services proposed binding energy savings targets. We believe that in order to ensure delivery a binding obligation must be included. We would prefer to see these set at the levels proposed by the European Parliament. MS Governments should be encouraged to demonstrate real commitment by voluntarily adopting this target prior to EU legislation. The European Commission and Parliament should do likewise.

Local and regional authorities have a key role in the delivery of sustainable energy policy as energy users, local regulators and leaders in their local communities. They are particularly important in the UK due to the strong community relationships and level of trust that they have. It is vital that both regional bodies and local authorities need to show real leadership on environment issues. This is best addressed through the development and implementation of specific sustainable strategies that tackle efficient energy use in public and housing sector buildings, work travel plans, support for renewables, clean transport fuels and low carbon vehicles. In essence, regional bodies and local authorities should become flagships for sustainability including regeneration initiatives. Local planning consents should demonstrate a commitment to improving building standards and to encourage developers to go beyond building regulations.

National, regional and local government also have an important role in delivering staff awareness training, encouraging car share schemes, cycling and the use of public transport etc, and facilitating the greater use of video conference and home working.

This approach would help develop supply chains and commercialise new environmentally-friendly products whilst increasing consumer awareness and market confidence. Investment in energy efficient products would provide longer term financial savings. For example, as well as reduced energy consumption, energy efficiency can help improve well-being when targeted at the fuel poor thereby reducing social costs.

7. Energy efficiency funds have in the past been used effectively. How can the experience be repeated and improved? Which measures can be adopted usefully at:

- International level
- EU level

- National level

- Regional and local level? (Section 1.1.7. See also question 22)

EST believes that energy efficiency funds have a role to play at all levels. However, we do not believe harmonisation at the EU level would be helpful given the wide variances between MSs primary fuel sources, climatic and demographic conditions etc. A flexible approach will be far more effective than a "one size fits all" approach.

8. Energy efficiency in buildings is an area where important savings can be made. Which practical measures could be taken at EU, national, regional or local level to ensure that the existing Community Buildings Directive is a success in practice? Should the Community go further than the existing Directive, for example extending it to smaller premises? If so, how could the appropriate balance be achieved between the need to generate energy efficiency gains and the objective of limiting new administrative burdens to the minimum possible? (Section 1.2.1)

Please see our response to Question 6. We believe that the existing directive could be extended to smaller community buildings. We also believe that the Energy Performance in Buildings Directive could be strengthened with respect to community buildings e.g. making requirements of Article 5 mandatory in relation to alternative systems. It is also important to ensure a wide definition of "community" or "public sector" buildings.

9. Giving incentives to improve the energy efficiency of rented accommodation is a difficult task because the owner of the building does not normally pay the energy bill and thus has no economic interest in investing in energy efficiency improvements such as insulation or double glazing. How could this challenge be best addressed? (Section 1.2.1)

The UK has already started to move in this direction and has committed to provide additional powers to local authorities to act where landlords prevent their vulnerable tenants from receiving assistance under Warm Front.

Recognition of the major differences between the social and private landlord sectors is required to develop effective policies. The social sector can be addressed through implementing policy measures requiring social landlords to meet minimum energy efficient standards that would require insulation products.

We believe that the Private Landlord sector would require either very high grants or high penalties and is therefore best addressed through regulation and effective enforcement.

10. How can the impact of legislation on the performance of energy-consuming

products for household use be reinforced? What are the best ways to encourage the production and consumption of these products? Could, for instance, present rules on labelling be improved? How could the EU kick-start research into and the subsequent production of the next generation of energy efficient products? What other measures could be taken at

- International level
- EU level
- National level
- Regional and local level?(Section 1.2.2)

A key finding of research underpinning the UK Energy White Paper showed that people expect Government to regulate against products that damage the environment. Selling toys that damage our children's' health is illegal, and so should be selling products that damages the climate they will live in. The worst energy wasting boilers and fridges have already been banned without consumer complaint – no-one minds, everyone benefits.

Energy wasting products damage our pockets as well as our climate. Responsible businesses want a clear and long term framework for planning investment. In buildings, consumer products and cars, the EU and national governments need to set this long term framework.

The key priority for the EU is to implement new minimum energy standards to outlaw energy wasting cars and appliances and to ensure that energy losses from electronic equipment left on 'stand by' are reduced to the lowest levels possible.

Sufficient headroom is required to be created for the labelling of consumer products that are predominantly manufactured to meet top tier standards. It is important to continuously improve standards and to allow sufficient product differentiation. We see this as a key EU activity. The development of high standards and subsequent labelling of consumer electronics is urgently required. Benchmarking against international best practice is required to ensure this approach is as effective as possible. Tightening of the standards for each labelling band and subsequent product compliance is also required to raise energy efficiency levels. The interaction between European and national labels is important as strong European schemes can act as a spring board for national schemes for example EST's Energy Saving Recommended logo.

In order to ensure consistency and consumer clarity, it is important to implement information and awareness schemes at the national level. Regional and local variations are undesirable.

The creation of regional and local advice and information centres by MSs is vital to ensure effective

dissemination. We believe that these should take a one-stop shop approach providing energy efficiency, small scale distributed generation and transport advisory services to householders. Such services could also be extended to SMEs. We believe that the EU should be encouraging and incentivising the creation of such networks accordingly. EST is currently trialling such an approach at the household level in the UK, following our experiences of operating 52 local energy efficiency advisory centres and would be pleased to discuss this approach in more detail with the Commission.

11. A major challenge is to ensure that the vehicle industry produces ever more energy efficient vehicles. How can this best be done? What measures should be taken to continue to improve energy efficiency in vehicles and at which level? To what extent should such measures be voluntary in nature and to what extent mandatory? (Section 1.2.3)

This is a critical area that must be urgently addressed by the EU as a priority, particularly given the continuing large rises in carbon emissions from the transport sector. Despite some progress in improving CO2 emissions/km from private vehicles, more clearly can and must be done. We believe that the existing Voluntary Agreements (VAs) need to be tightened and become mandatory requirements.

The future of the VAs beyond 2008 is currently uncertain, and an extension of the VAs beyond 2008 is being negotiated. The EC has acknowledged that the VAs are unlikely to deliver the EU's 2010 target of an average CO2 of 120g/km by 2010. It is important to ensure that current targets are not relaxed and that the automotive industry honours its commitment.

EST believes that there is considerable scope for the VAs to be extended, and for tougher targets to be adopted. There is scope for significant progress beyond the current 140 g/km target, and it is important to set post-2008 targets now to influence future technology. The year 2015 would be a sensible date for the next target, with an intermediate target at 2012. EST believes that the EU should remain committed to the 120 gCO2/km target, even if this is set for 2012, rather than agree to a less ambitious target.

Incorporating a trading-based approach would allow manufacturers greater flexibility in meeting targets at lower cost overall and should be considered accordingly. We believe that vehicle manufacturers are best placed to determine the most cost effective and efficient measures without unnecessary intervention. A mandatory system combined with a market based approach should optimise solutions without the need for pre-selecting technical measures.

Currently there is no such agreement for vans, which is unacceptable. We therefore advocate that a similar approach to that outlined above should also be applied to vans.

It would also be helpful if peripheral energy usage, most notably air conditioning, is also included in targets.

12. Public information campaigns on energy efficiency have shown success in certain

Member States. What more could and should be done in this area at:

- International level,
- EU level,
- National level, or
- Regional and local level? (Section 1.2.4)

Currently there is a higher degree of public concern and debate around climate change that needs to be converted into a far greater appetite for action in the every day lives of EU citizens, at home and on the roads.

Within the UK over a quarter of CO2 emissions come from households. Another quarter come from cars and public transport. Annex 4 of the Green Paper illustrates that over 70% of emissions comes from buildings and transport of which the majority will come from the household sector. The real climate change challenge and the biggest potential reductions in emissions are from our streets and homes. These changes must be driven by both the EU and national governments. Without the awareness, support and action of millions of EU citizens climate change goals will not be delivered. In our view a 'low carbon economy' can only be built by a 'low carbon society'.

Many EU citizens are daunted and confused by climate change and don't understand the scale of their personal carbon impact, let alone believe changing behaviour individually will make a difference. Only by making solutions simpler, easier and cheaper, can this change. EST and other national energy efficiency agencies can show people how to make a difference, but the maximum impact will come only with the whole hearted commitment of the EU and national governments through its leadership, regulation, taxation and spending policies.

EST believes that EU should be providing greater support to organisations that deliver change at a local level. The required sea-change in understanding and behaviour on energy efficiency and a low carbon society, action must be rooted in local initiatives to change our behaviour in the home and on the roads. EU citizens day to day use of energy is significantly influenced by locally based organisations. Retailers, installers and dealers should advise us to use the greenest products; local authorities have a key role to play in planning and local leadership; whilst neighbours and community based organisations are the key influencers of behaviour. We therefore believe that it is paramount for the focus of information activities to be at the local level.

However, it is vital that the local level approach should be supported by a wider high-level campaign at the national level to demonstrate government commitment and deliver key high level messages which can then be translated into real action at the local level through more focused activities.

In addition to supporting action at the local level, we believe the role at the Community level is one of facilitating best practice across MSs. This should also include learning from international experiences.

13. What can be done to improve the efficiency of electricity transmission and distribution? How to implement such initiatives in practice? What can be done to improve the efficiency of fuel use in electricity production? How to further promote distributed generation and co-generation? (Sections 2.1-2.3)

Regulatory incentives, placed on network operators, are required to reduce network losses to best practice levels. Increased levels of distributed generation will also reduce overall losses and should be encouraged accordingly. Strong enforcement of network operators' obligations to connect distributed generation is required. Network operators should be incentivised to make it as simple, easy and cheap as possible for distributed generation to be connected, particularly at the household level.

We would strongly suggest that all newbuild public sector buildings should be obligated to install a minimum level of distributed generation and that a similar obligation be applied to existing buildings. This would demonstrate real leadership and help establish markets for such low carbon technologies.

14. Encouraging electricity and gas providers to offer an energy service (i.e. agreeing to heat a house to an agreed temperature and to provide lighting services) rather than simply providing energy is a good way to promote energy efficiency. Under such arrangements the energy provider has an economic interest that the property is energy efficient and that necessary investments are made. Otherwise, electricity and gas companies have an economic interest that such investments are not made, because they sell more energy. How could such practices be promoted? Is a voluntary code or agreement necessary or adequate?

We believe that it is important to incentivise energy supply companies to offer energy services to all its customers. However, this can only be done in the context of the regulatory framework within which such companies operate. The onus is therefore on regulators to establish an appropriate market framework that would stimulate the delivery and uptake of such services. In this context it is also important to establish a consumer pull for such services through effective awareness and information campaigns. It is important to recognise that currently the majority of customers do not value such services and that alternative approaches are required.

One such approach is to place an obligation on each supplier to deliver a specified amount of carbon reduction or energy saving improvement. This approach has delivered real savings in the UK under its current form, namely the "Energy Efficient Commitment (EEC)". However, we believe that there is considerable scope to improve this methodology to deliver even greater savings. UK experience demonstrates that a mandatory approach is required. We would be willing to provide further information on EEC if that would be helpful.

15. In a number of Member States, white (energy efficiency) certificates have been or are being introduced. Should these be introduced at Community level? Is this necessary given the carbon trading mechanism? If they should be introduced, how could this be done with the least possible bureaucracy? How could they be linked with carbon trading mechanism? (Section 2.4)

In principle EST supports the development of white certificate trading and welcomes the introduction of such schemes in other MSs. Such an approach clearly has the potential to deliver major carbon savings if well designed and implemented in a rigorous manner.

We believe that it is important for all sectors to make an equitable contribution to reducing climate change emissions. Therefore, further mechanisms to reduce carbon emissions in those sectors outside of the EUETS are clearly required. Establishing an EU-wide white certificate trading scheme will prove far more difficult than the EUETS given the wide coverage that would be required and the considerable number of potential market actors. There would also be a considerable risk of leakage as it would be difficult to agree standardised assessment methodologies for each individual project type applicable across MSs.

EST strongly supports the development of legislation that would require MSs to place energy saving or carbon reduction targets on energy suppliers. However, in the case of white certificates trading, especially when given its nascent state, we would advocate that the Commission should be facilitating the sharing of best practice in this activity across MSs rather than seeking to introduce an EU-wide scheme at this stage. This would then allow the creation of the most efficient approach at a later date that would maximise future carbon savings.

Given that the EUETS is still in its first year of operation with NAPs generally very weak and that the concept of white certificate trading is still being developed, at this stage we would caution against bringing the two approaches together.

16. Encouraging industry to take advantage of new technologies and equipment that generate cost-effective energy efficiencies represents one of the major challenges in this area. In addition to the carbon trading mechanism, what more could and should be done? How effective have been the steps taken so far through voluntary commitments, non-binding measures adopted by industry, or information campaigns? (Section 3)

EST believes that industry is best placed to determine which technologies offer the greatest energy and carbon saving potential and should be incentivised to do so. Such incentives can include research and development funding, fiscal incentives for low carbon products and regulatory requirements. Currently EST believes that there is a major gap at the pre-commercialisation stage where support is required to help mainstream products. This includes the development of supply chains, awareness and information raising including installer training and product accreditation to provide consumer confidence. This is particularly noticeable in the household sector which is obviously outside of the EUETS.

In general we do not believe that EUETS Phase 1 NAP allocations are sufficiently challenging to stimulate significant levels of further investment by industry. This needs to be addressed in Phase 2 allocations.

17. A new balance between modes of transport – a major theme of the strategy set out in the White Paper that the Commission adopted in 2001 on a European transport policy for 2010 – is still a top priority. What more could be done to increase the market share of rail, maritime and inland waterway transport? (Section 4.2)

The true environmental costs of private transport needs to be reflected through pricing mechanisms designed to encourage the use of public transport. Information and awareness campaigns are required so that consumers can understand the relative environmental impact of transport modes.

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18. In order to improve energy efficiency it is necessary to complete certain infrastructure projects from the trans-European transport network. How should the investments needed for infrastructure projects be developed, using what sources of financing? (Section 4.2)

No comment.

19. Among the measures that could be adopted in the transport sector, which have the greatest potential? Should priority be given to technological innovations (tyres, engines…), particularly through standards defined jointly with the industry, or to regulatory measures such as a limit on fuel consumption of cars? (Section 4.3-4.5)

The one single measure which has the greatest potential is to tighten the voluntary agreements, extend them to vans and make them mandatory. We would advocate that the transport sector is best placed to identify the technical solutions with the greatest potential. In this respect, EST believes that the key roles for manufacturers are to reduce tailpipe emissions from production models and to develop, produce and market low carbon vehicles.

As suggested by the Commission, it would clearly be helpful to provide drivers with on-board information on tyre pressures to facilitate optimum set-up to improve fuel consumption.

The key role for other stakeholders is one of raising consumer awareness in several areas through a clear long term framework, including:

- Raising awareness of the environmental issues associated with road transport.

- Promoting the benefits of low carbon vehicles and developing information services that allow the consumers to easily identify low carbon vehicles and compare emission levels between models.
- The demonstration of new low carbon fuels and technologies.
- Provision of information and advisory services to domestic, business and public sector users e.g. to use their vehicles more efficiently, development of workplace travel plans and through fleet management advice. In the case of householders, we would advocate that this is brought together under a one-stop shop approach including household energy efficiency and small scale distributed generation as advocated above. We believe this is best undertaken through the provision of consistent and clear information and advisory services combined with fiscal instruments to influence decision-making.

Regional and local authorities also have additional key roles:

- Demonstrating leadership by example, including exceeding Government internal transport targets.
- Developing integrated transport infrastructure.
- Implementation of innovative frameworks encouraging low carbon vehicles, cycling, walking and public transport.

However, EST believes further measures are required to increase the take-up of low carbon fuels, e.g. increasing the requirements of a biofuels obligation over time, and the incentivisation of low carbon vehicles through a combination of fiscal and regulatory approaches on a technology neutral basis. Suggested measures include:

- Additional stimulation, assistance and subsequent sharing of best practice in the development of innovative road user charging schemes.
- Encouragement for the development of Low Emission Zones that exclude highly polluting vehicles, including the development of defined standards.
- Support for the development of low carbon fleets, most notably buses, but also other commercial fleets. For example the facilitation of:

    Quality Partnerships between local authorities (LAs) and bus fleet operators where bus infrastructure improvements are provided in return for efficiency and/or environmental improvements in the bus fleet.Clear Zones in urban areas where LAs work with bus operators, business and residents to reduce traffic and emissions. Quality Contracts, where LAs are able to grant exclusive route-operating rights based on providing best value, whereby only the cleanest buses can be employed.

- A more radical approach would be the introduction of a "feebate" mechanism where a system of subsidies for the purchase of low emission vehicles would be funded matched by charges on high

emitting vehicles. This approach is likely to be effective, as financial instruments applied to upfront costs generally have a greater impact on consumer behaviour than taxes based on operating costs, for example fuel duty.

- Further refinement of fuel duty rates to incentivise more environmentally friendly fuels. This would require an increase in real costs of all but the most efficient and low polluting vehicles.
- The introduction of a sustainable biofuels obligation, on a similar basis to the UK Renewables Obligation, to stimulate production and the development of the supply chain.
- Commitment to the introduction of green travel plans for public sector operations including the setting of mandatory transport targets.
- Introduction of mandatory emission standards for licensed taxis, as currently being implemented in London.

20. Should public authorities (state, administrations, regional and local authorities) be obliged in their public procurement to buy a percentage of energy efficient vehicles for their fleets? If so, how could this be organised in a manner that is technology neutral (i. e. it does not result in distorting the market towards one particular technology). (Section 4.3)

Yes, public authorities should be obliged in their public procurement to buy a percentage of energy efficient vehicles for their fleets. This could be achieved by requiring all new vehicles to meet either a specific minimum standard or to require an average overall fleet standard. The latter would provide more flexibility and might allow a greater choice of technologies. The obligation should be set at a challenging but achievable level. Minimum standards should of course be tightened over time.

21. Infrastructure charging, notably paying to use roads, has started to be introduced in Europe. A first proposal was made in 2003 to strengthen the charging of professional road transport. Local congestion charges have now been introduced in some cities. What should be the next steps in infrastructure charging? How far should "external costs" such as pollution, congestion and accidents be directly charged to those causing them in this manner? (Section 4.4)

All forms of infrastructure charging, road user charging or congestion charging must consider the environmental impact of the vehicle concerned. Low carbon vehicles should be eligible for reduced charges whilst more polluting vehicles should pay more. It should be possible to encourage best practice and knowledge sharing between Member States.

22. In certain Member Sates, local or regional energy efficiency project financing schemes, managed by energy efficiency companies, have proven very successful. Should this be extended. If so, how? (Section 5.1)

The development of such schemes should be encouraged, by facilitating the sharing of best practice allowing replication of successful projects. However, specific schemes are best left to be developed at

the local and regional level. EU funding for dissemination and replication of best practice within Mss and across the Community would be helpful.

23. Should energy efficiency issues be more integrated in the Union's relationships with third countries, especially its neighbours? If so, how? How can energy efficiency become a key part of the integration of regional markets? Is it necessary to encourage the international financial institutions to pay more attention to demand management issues in their technical and financial assistance to third countries? If so, what could be the most effective mechanisms or investments? (Section 6)

Yes, it is important to mainstream energy efficiency issues with the Union's relationships with third countries. The nature of the relationship will be dependent on the specific level of development of each third country or country block.

24. How could advances in energy efficiency technology and processes in Europe be put to effective use in developing countries? (Section 6.3)

In our opinion, the EU should be taking action to facilitate technology transfer and support the development of supply chains that would allow the take-up of energy efficient and low carbon technologies.

25. Should the Union negotiate tariff or non tariff advantages within the WTO for energy efficient products and encourage other members of WTO to do the same? (Section 6)

Yes. This would be helpful in encouraging the uptake of energy efficient products.