

# Energy savings, a bright idea...



## Paying for Europe's cheapest energy source

The cheapest, cleanest and safest energy is that which a country doesn't use. But like any worthwhile venture, energy savings require up-front financing and a supportive legislative framework. Here are ten bright ideas to deliver the energy savings we need.



### 1) Energy Service Companies and third party financing

Third party financing is a potent idea that is gaining a lot of ground. How does it work? An energy service company or local authority measures a house's energy use; it then signs a deal to reduce - at its own expense - monthly energy bills by installing better insulation, or by fitting smarter heating systems. The household gains from a higher standard of living, and the investor uses some of the money saved on the homeowner's bills to cover its costs and pay profits over a medium-term contract period. A win-win situation.

### 2) Monthly energy bills based on real consumption

Most energy bills are based on estimated energy consumption, not on what people really consume. At the end of the year, the energy supplier reads the meter and compares it to the estimation. Often this means hefty extra costs, because we just don't know how much energy we're using. Monthly meter reading is a straightforward, zero cost answer. Every month customers read their meter and send the data to their energy company. They then get a bill based on their real energy use, often with comparisons to previous months to allow easy price tracking. Simple. When tried out on a large scale - for instance by British Gas in the UK - monthly meter reading has cut energy use and bills by over 11%.

### 3) Telling energy companies to switch to efficiency

Governments (or the EU) can compel energy suppliers to meet savings targets by boosting efficiency in businesses, households or transport networks. This can be at the customer's expense: the supplier offers energy services (more

efficient machinery for businesses, loft insulation for housing), which customers pay for with the money they save from reducing their energy use. It can also be free for the consumer: the supplier pays for the work in a bid to attract more clients. Admittedly, counting on energy companies to help cut consumption can be risky, as their goal has always been to increase sales. But in the car industry, companies make more money from servicing than selling vehicles. Energy companies must also make this switch.

### 4) Electricity tariffs that help instead of hurting

When properly set, energy prices can encourage savings without penalising poorer households. Slovenia has developed a system of two stage electricity pricing: the first 'batch' of electricity is capped at €0.09 per kWh, the second at €0.14 per kWh. This encourages households and businesses to keep within the cheaper threshold, thus saving money (in most countries tariffs work the other way round, which induces people to consume more). A clever bonus of the Slovenian model is the use of tariff revenues to finance grants and low interest loans to help customers renovate their houses and lower their consumption.

### 5) Spending Central and Eastern Europe's structural funds on energy efficiency

Just 1.2% of the EU's structural funds - which mostly go to Central and Eastern Europe - are spent on energy saving measures. Increasing funds would bring impressive benefits. Fuel poverty - when a disproportionately large share of monthly salaries is required to pay energy bills - is a common problem. Reducing household energy use is the simplest fix. More upfront money to renovate public buildings would save billions in governments' energy bills. And investing in efficiency is the best way to reduce dependence on politically risky energy imports. The message is clear: give more to energy efficiency in the next 2014-2020 budget.

## 6) Using (limited) public funds to attract private capital

Certainty attracts capital and lowers interest rates. In the wake of the 2008 economic crisis, the EU put together a €3.98 billion recovery package with redirected funds from the Common Agriculture Policy. Most of this money has already been spent, essentially on gas and electricity interconnections. But over €100 million remains. In partnership with the European Investment Bank, the EU is in the process of 'multiplying' (or leveraging) this money by using it as a guarantee to attract additional public and private funds, which will then be spent on building renovation. The anticipated result: close to €1 billion in low interest loans. A good beginning but the EU needs to be leveraging many more billions.

## 7) Tougher "ecodesign" standards = cheaper-to-run products

Left to itself, the market doesn't take energy efficiency seriously enough. That's why since 2005 the European Union has set energy use standards for products. This means that companies must cover the costs of developing more efficient appliances like fridges or washing machines. Their pay off: cheaper-to-run products which are more attractive to consumers. Although ecodesign works rather well, efficiency standards must be increased, and more sectors covered. Recycling is also crucial: new energy efficient products must replace, rather than add to, existing ones (or old energy guzzling TVs risk getting moved to children's bedrooms).

## 8) One-stop-shops to hook up money and projects

Financing is crucial, but so is linking up the money with projects and finding the best businesses to do the work. Governmental or regional energy efficiency funds can act as central pools, for instance by regrouping the money raised from leveraging or from EU grants, and ensuring that it is spent on high quality

projects. Because energy efficiency tends to be very diffused, well managed funds can help aggregate projects by, for instance, combining a hundred different house renovations into a single project. This attracts investors and uses economies of scale to cut costs.

## 9) Wire charges

Just like motorway tolls, electricity, gas and oil suppliers must pay to access distribution networks. The revenues, known as wire or pipeline charges, can be used to support energy efficiency investments. This is already happening in Belgium, Denmark, Greece, Italy, Portugal, and the Slovak Republic and must be replicated elsewhere.

## 10) Sharing the financing – and the profits

When Denmark launched the idea of feed-in-tariffs (guaranteed long-term prices) for wind power, development quickly ran into public opposition. Unsupportive of new wind farms that changed the landscape, people blocked projects and delayed planning permission. In response, the government offered guaranteed 'buy ins': communities within a 2.5km radius were given the chance to co-invest in wind farm development. Because feed-in-tariffs paid better rates of return than banks and were safer than the stock markets, public response was extremely enthusiastic. Today, wind power provides close to 30% of Denmark's electricity and people can invest in projects all over the country. The same model is now being developed for energy savings. Town halls, schools and other public buildings can all get a makeover with private capital - and the money saved on the energy bills goes to repay the local investors and give them a profit. Brilliant!

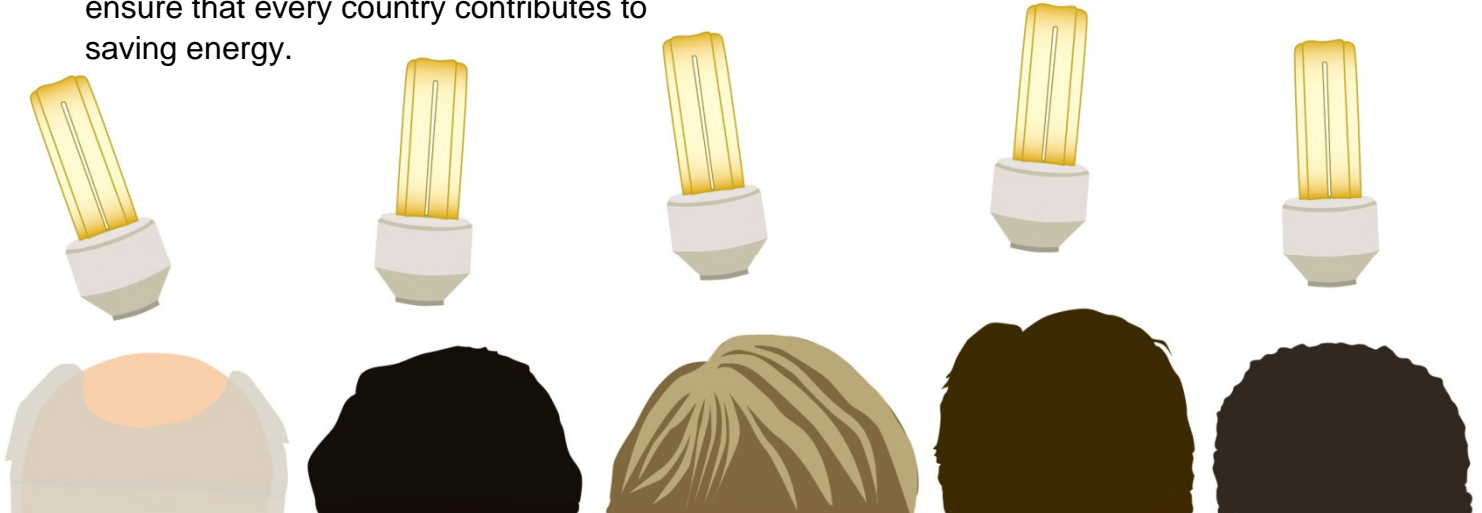
## Energy savings, a bright idea...

Today, energy savings is a purely voluntary policy that European countries have largely ignored.

Friends of the Earth groups around Europe are calling for binding EU energy saving targets, and strong and social policies at the local and national level to ensure that every country contributes to saving energy.

An EU-wide binding target for energy savings would:

- ✓ cut our greenhouse gas emissions
- ✓ create millions of new green jobs
- ✓ decrease our dependency on energy imports
- ✓ generate financial savings of over **€1000 per household every year**
- ✓ reduce our reliance on nuclear and fossil fuels



For more information on the campaign and the benefits of energy saving, visit:

[www.foeeurope.org/energy](http://www.foeeurope.org/energy)

**Friends of the Earth Europe** campaigns for sustainable and just societies and for the protection of the environment, unites 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.



**Friends of  
the Earth  
Europe**

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