

UK COMMITMENT SHOWS EUROPE THE WAY

A new European draft directive lauds the ability of the UK's Energy Efficiency Commitment to get suppliers to integrate energy efficiency

It is not a question of needing to wrap myself in the Union Jack at every opportunity. But I can't help feeling at any rate a rather warm glow of patriotism when a concept which is pioneered in the UK is set to be copied everywhere else in Europe. Particularly when that concept is centred around delivering energy savings.

A decade ago, our electricity companies first began helping their customers install energy efficiency measures in their homes. Originally mandated by the industry regulator, the arrangement in due course spread to gas companies. And was eventually enshrined in law as part of the Utilities Act 2000.

The scheme is called the Energy Efficiency Commitment (EEC). And it is fundamentally a simple concept. It requires each company, holding a licence to provide gas or electricity for British homes, to install sufficient numbers of energy saving measures as to deliver an agreed amount of kilowatt hour savings each year. In the three initial years of the EEC (2002 to 2005), it is delivering a total of 62TWh (terrawatt hours) savings. Thus cutting residential sector fuel consumption by 1%.

There is no question that the scheme is a great success. Of the seven companies charged with operating it, several are confident that they will realise the required reductions ahead of time, and frequently at a lower cost to themselves than they had originally feared.

Environmentalists like the scheme because it follows the polluter pays principal. Governments like it because it delivers carbon savings at no cost to them. And the companies who hold the Commitment like it because it enables them to position themselves rather differently within the marketplace: no longer just purveyors of a basic commodity (kilowatt hours), but instead working with their customers to provide the services they want (light, heat) more efficiently than before.

Already talks are well under way to expand the Commitment. It is due to double in size, so that in the ensuing three years (2006 to 2008) it will deliver 120 TWh of savings. And beyond that, it should grow further. Last February's Energy White Paper talked about the EEC alone delivering a million tonnes of carbon saving by 2010. And then expanding it do

deliver a further 3 million tonnes by 2020. Plus expanding it to cover some businesses too.

Others beyond the English Channel have observed what has been happening in the UK. They have been impressed. So much so that when, just before Christmas, the European Commission issued its new draft directive, on "Energy End-Use Efficiency and Energy Services" (see news pages), it specifically singled out the UK programme as an exemplar to follow.

As the draft directive points out, one of the great virtues of our system is that whilst the EEC is a legal obligation, "it is up to suppliers to decide how they meet the cost of delivering their EEC target." It goes on to make the critical point that "the current design of the EEC is to try to get suppliers to integrate energy efficiency into their business."

That encapsulates the whole idea. It is now freely acknowledged that energy market liberalisation has led to date to an exclusive concentration upon price, rather than value-added services. That is a zero sum game.



'TURN THE PROVISION OF ENERGY SERVICE COMMITMENTS INTO A TRADABLE MARKET OBLIGATION BETWEEN THE PURVEYORS OF POLLUTION. AND WATCH THE MARKET ALTER'

Trying to differentiate an energy company within a marketplace purely on the basis of providing the cheapest deal, particularly with a near-invisible product, is a big, big problem. Particularly if what you are selling is held to be the main culprit for the world's biggest environmental problem, climate change.

How much better to be perceived as the customers' friend, as the company that helps get the most value out of the pollution it purveys. How much better too to become not just a national, but now with the rest of Europe taking it up, an international champion of delivering better services, but with less pollution.

With the draft directive trailing the development of a market in "white certificates" – effectively, vouchers covering the Commitment – there is no way that delivering energy efficiency services will be able to be portrayed as an "obligation" in future. Currently, it can still be portrayed that way: albeit as an obligation with great PR and social positioning spin-off. But an obligation nonetheless.

Turn the provision of energy service commitments into a genuinely tradable market obligation between the 'purveyors of pollution'. And watch how the whole market alters. That is the potential which the new EC directive offers. That is what we have started right here in Britain.

FURTHER INFORMATION

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