From Theory to Practice: The Development of the 'Competitive Efficiency Tender' in Germany



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A new instrument for energy efficiency policy in Germany – a potential basis for more?

Prognos (Friedrich Seefeldt), DENEFF (Martin Bornholdt), IFEU (Dr. Martin Pehnt)



12/2014: Germany's recent NAPE defines more than 30 policy measures, which go far beyond 1,5% annual savings.

NAPE: German National Action Plan for Energy Efficiency (Dec. 2014)

- focus lies on information, financial incentives & (less on) regulation
- most prominent candidate is <u>the competitive efficiency tender</u>. How comes?



abelle 1: Zentrale Maßnahmen des NAPE			
f aßnahme	Prognostizierte Einsparung bis 2020		
	PEV in PJ	THG in Mt CO₂ -Ăqv.	
ofortmaßnahmen des NAPE			
Qualitätssicherung und Optimierung der bestehenden nergieberatung	4,0	0,2	
teuerliche Förderung von nergetischen Sanierungen	40,0	2,1	
Veiterentwicklung des CO2-Gebäudesanierungsprogramms	12,5	0,7	
inführung eines vettbewerblichen Ausschreibungsmo- ells	26-51,5	1,5-3,1	
örderung Contracting einschl. Ausfallbürgschaft Contracting)	5,5-10	0,3-0,5	
Veiterentwicklung der fW-Energieeffizienzprogramme	29,5	2,0	
nitiative Energieeffizienznetzwerke	74,5	5,0	
op-Runner-Strategie – ational und auf EU-Ebene	85,0	5,1	
nergieauditpflicht für Nicht-KMU	50,5	3,4	
lationales Effizienzlabel ür Heizungsaltanlagen	10,0	0,7	
Veitere Sofortmaßnahmen des NAPE	rund 10	rund 0,5	
umme Sofortmaßnahmen	350-380	21,5-23,3	

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Germany's recent NAPE defines more than 30 policy measures, which go far beyond 1,5% annual savings.

NAPE: German National Action Plan for Energy Efficiency (Dec. 2014)

- the plan is embedded in a more ambitious policy package. (National Action Plan *for Climate Protection*).
- Iongterm target is to achieve -80% GHG Reduction (2050 vs. 1990)
- shortterm target is to achieve -40% GHG Reduction (2020)
- Iongterm target is to achieve -50% Primary Energy (2050 vs. 2008)
- shortterm target is to achieve -20% Primary Energy (2050 vs. 2008)





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....back to the beginnings: classic business case of energy supply!

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consumer / building owner

meter / interface to grid based energy

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Energy Efficiency Obligation (EEO)



Energy Efficiency Fund (EEF)



Energy Efficiency Fund (EEF) & Efficiency Tender (EET)



FNFFF

Competitive Energy Efficiency Tender (CET).



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- competion of ideas.
- competition of costs.
- the right (!) market actors.
- ♥ complex administration
- risk of energy savings (no obligation, but voluntary participation)

? design of tenders?
? small measures?
? how many energy will be saved?



Quelle: ifeu 2015

CET mechanism (1)

All calls will be evaluated according to the cost incentive per unit [ct/kWh DENEFF energy saved. As there is a fixed budget, there will be a "last project" receiving che funding. (ex: with a fixed budet of 1 M€ the before last project will get full funding at the before last proj



Quelle: eigene Berechnungen, Prognos 2014

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Summary: we are not there, yet!

- good news: after 10 years of continued discussion Germany has found a solution for Art. 7 EED: a competetive efficiency tender (CET)!
- + CET is a competition about ideas and cost efficiency.
- + CET is a competition among the best market actors! (not only energy companies, no obligation, only motivation counts)
- + CET has no risk for the state budget, there will be a defined budget each year.
- + CET is fair: all tax payers have to pay for the budget!
- CET is avoiding another price increase for energy consumers, (which could have led to another motivation for energy efficiency)
- CET has a **price risk** about the cost of measures (which can be handled).
- but: CET does have a risk about the quantitiy of saved energy!

There are a **few questions** remaining:

- ? Is a minimum payback (3a) and a maximum incentive (30% of all costs) enough to ensure **additionality**?
- **?** participation: no one knows, how CET will be received by the market actors.
- ? CET calls need some preparation & transaction: bad for smaller measures?
- ? CET needs some marketing & communication: who should do that?

DENEFF deutsche unternehmensinitiative

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- 01 a few basics about ,Energy Efficiency Schemes (EES)'
- 02 50 reasons against ,Energy Efficiency Obligations (EEO)'
- 03 ...along comes DENEFF
- 04 Best Practice Switzerland
- 05 what needs to be discussed.



Zusätzliche Kriterien bei proKilowatt: Payback



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Energy Efficiency Scheme (EES): basic elements

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Energy Companies (≥75 GWh/a Energy Saleso or ≥10 Employees and ≥2 Mio. € Sales / Balance Sheet)

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Energy Retailers (direct sales to end consumers)	Energy Transport Transport; w/o Elt/Gas)	Energy Distribution (Elt, Gas)		
	Total number (Trade Register)	Energy Companies ≥ 10 Employees	Total number (Tax Statistics)	Energy Companies ≥ 2 Mio. €
35.11 Electricity Production	24.605	431	27.654	1.298
35.13 Electricity Distribution	1.010	332	736	396
35.22 Gas Transport / Distriibut	ion 189	79	175	131
35.23 Gas Traders	137	74	59	48
35.30 Heat Supply (District heating)	933	124	968	182
46.71 Mineral Oil Traders			1.640	797
47.30 Retail: Fuels for Transpo	ort 9.877	951	10.017	1.184
Total Number	ca. 38.000	ca. 2'000	ca. 40.000	ca. 3'500

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we provide orientation.

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