EEFIG Working Group on Further improvements of energy efficiency in industry

Main results, conclusions and recommendations

1 March 2022

Objective of the Working Group

Objective and members of the WG

The objectives of the WG was to:

- **Identify and assess the main obstacles and drivers** for improving energy efficiency industry (based on the already extensive literature on barriers to industrial efficiency and the real-world experience of WG members);
- **Identify best practices**, their key features and possible obstacles they have to face, assessing the potential to replicate them under which circumstances; and
- **Formulate both general and specific recommendations** on what tools and policy instruments are likely to be most effective for increasing energy efficiency investments in industry.

The members of the WG were various stakeholders concerned about improving energy efficiency in industry:

- The financial community
- Industry representatives
- Technology and service suppliers
- Academics
- Policy analysts.

There were 40 regular participants at the 6 WG meetings during 2020-2021, showing the strong interest in the topic.

Summary of results and conclusions

Energy-intensive industries

- Energy intensive industries (EII) are increasingly looking at “deep decarbonization”
- They make major changes in their production and their carbon footprint, primarily through a combination of improved energy efficiency, renewable energy, electrification, new products, circular business models, and any other means to decarbonise.
- Industries are willing to go that way but seek partnerships with the EC and national governments on stable long-term policy frameworks, markets for new low carbon products, access infrastructure for renewable energy (electricity, hydrogen and biogas), grants supporting technology innovation, and a levelled playing field for products with international.

Small and Medium-sized Enterprises

- SMEs generally understand that there is a need to improve their competitiveness through energy efficiency improvements, but they face many factors that lead to inertia.
- But SMEs do not have enough capacity and capital to work with energy efficiency improvements and are thus in need of a more supportive approach from intermediaries such as external experts.
- And they lack capacity to build a business case on possible energy efficiency measure that they can take to financial institutions and funding sources.
- Concerns about financing have been exacerbated in the current Covid-19 crisis, with SMEs reluctant to take on any more debt. The uncertainty of future energy trends, also proven by the recent rises in natural gas and petroleum, have motivated SMEs to reduce their energy consumption to avoid profit losses.

Financial Institutions

- Industry needs a steady flow of financing to meet its long-term energy and climate obligations, financial institutions (both private and public) are central to the energy and climate strategy.
- FIs provide an important signal to industry when they actively participate in climate and clean energy financing initiatives.
- With the EU sustainable finance strategy and the implementation of the action plan on financing sustainable growth, Financial Institutions will increasingly look to the EU Taxonomy in their engagement with corporate clients.
- In contrast to renewable energy financing, industrial energy efficiency does not allow for large scale asset backed financing but tend to be embedded in corporate balance sheet-based lending programs and therefore a corporate risk rather than a project risk.

Summary of recommendations

Recommendations for industry

Industry should implement Energy Management Systems (EMS), audits and identified projects, engage with governments on stable long-term frameworks for ambitious climate commitments, and use available EU funding vehicles for low-carbon technology development and roll-out:

- Monitor and manage their energy consumption using Energy Management Systems (such as ISO 50001 standards), conduct energy audits, and implement recommendations of such audits.
- Engage with EC and Member States authorities on stable framework conditions, markets for new low carbon and bio-based products, support for measures to improve their energy performance, and access to infrastructure that can enable electrification through sector organisations.
- Use the EU ETS and EU funding opportunities with grants supporting technology innovation (Horizon Europe, Innovation Fund, etc.) as a strategic tool for the carbon-neutral energy transition.

Recommendations for member states

Member States should engage with industry on the long-term framework for decarbonization, provide targeted support, and embed EE 1st in public procurement decisions:

- Develop partnerships with business and sector associations on decarbonization, such as voluntary agreements, to ensure they work towards meeting the long-term climate and energy objectives.
- Develop support programmes to facilitate the uptake of cost-effective measures identified in mandatory audits and energy-intensive industrial SMEs.
- Support development of markets for green products including through green public procurement.

Recommendations for EU institutions

EU institutions should continue to embed EE 1st principles into climate and energy policies, support R&D in innovative technologies for EII, support dedicated business models for SMEs, and support development of industry sector roadmaps for climate neutrality:

- Continue to ensure that the ‘Energy Efficiency First’ principle is integrated into relevant climate and energy policies as an element in the broader decarbonization policy framework.
- Keep contributing to R&D investment in energy efficiency technologies in industry sectors where solutions for deep decarbonization are not yet commercially available
- Keep contributing to develop innovative business models facilitating the market uptake of energy efficiency measures and renewables within SMEs in the industry and services sectors.
- Support the development of sector specific industrial roadmaps for climate neutrality at European level as well as to encourage their adoption and implementation at local level by mobilizing relevant stakeholders.

Recommendations for Financial Institutions

Financial institutions should embed EE 1st principles in lending policies, integrate EE in risk assessment and product development, and use available de-risking tools to support EE financing market development:

- Give priority to energy efficiency investments - in industry as well as buildings - in support of the strategy for sustainable finance and the Energy Efficiency First principle.
- Systematically evaluate the benefits of EE projects in their risk assessments of industrial clients and provide their clients dedicated energy efficiency finance lines.
- Use EEFIG tools like the underwriting's toolkit and DEEP database and participate in de-risking projects to show commitment to improved energy efficiency and to show that EE investments can be sound financial investments.

Thank you!