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Energy Efficiency

CONSULTATION DOCUMENT

on the revision of the Energy Labelling Directive 92/75/EEC of 22 September 1992 on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances

Working Document

presented by the Directorate General for Energy and Transport

The European Commission is seeking views of interested parties on the revision of the energy Labelling Directive 92/75/EEC, which is part of the Commission Legislative and Work Programme 2008 (CLWP) and is the first priority action in the Energy Efficiency Action Plan COM (2006)545 final adopted in October 2006.

Consultation of stakeholder is open on the Commission energy efficiency web site:
http://ec.europa.eu/energy/demand/legislation/domestic_en.htm.

Comments can be sent to TREN-EnergyLabelling@ec.europa.eu until 22 February 2008.

The Commission will publish all comments on the above web site.

This document has been prepared by the Commission services and includes input from an external study, which is available on the above web site.

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NOTICE

The document is seeking stakeholder comments to support the preparation of an impact assessment on the possible revision of the Energy Labelling Directive 1992/75/EEC. It does not prejudge the final form of any decision to be taken by the Commission and nobody can claim any rights from its content.

EXECUTIVE SUMMARY

The Renewed EU Sustainable Development Strategy is an overarching strategy for all EU policies dealing in an integrated way with economic, environmental and social issues. Within this framework, the Commission promotes an industrial policy geared towards more sustainable production and consumption. A specific Action Plan is foreseen on 2008 in order to establishing concrete policy actions, including legal instruments such as Eco-design, Energy-Star, Energy Labelling and Eco-labelling¹.

The Energy Labelling Framework Directive 92/75/EEC, hereafter 'Energy Labelling Directive', has been in force for 15 years. Several studies show that it has pulled the market towards more efficient products by helping consumers to choose more energy efficient appliances. Building on its success, many stakeholders have requested further recourse to the energy labelling as one of the policy instruments to contribute even more to the Unions sustainability and competitiveness objectives.

Making better use of energy labelling could be achieved through:

- strengthening implementation of the current provisions of the framework Directive without amending the Directive,
- amending the Directive in order to broaden the scope and reinforce its provisions or
- implementing the provisions of the Directive within other existing legislative frameworks.

Any option chosen should also aim at contributing to better regulation and the simplification of the regulatory environment for European business and citizens. This requires that the objectives, scope and target groups of the legislation remain clear and that the label remains an 'easy to understand' label that will continue to influence consumer choice towards more energy efficient and/or environmentally friendly appliances.

This consultation paper sets out the context, objectives and options for reinforced energy and/or ecodesign labelling. It offers stakeholders the possibility to give their views on the options considered or to propose other options.

¹ - Eco-design: [Directive 2005/32/EC](#) of the European Parliament and of the Council of 6 July 2005 establishing a framework for the setting of ecodesign requirements for energy-using products and amending Council Directive 92/42/EEC and Directives 96/57/EC and 2000/55/EC of the European Parliament and of the Council.

- Energy-Star: [Regulation \(EC\) No. 2422/2001](#) of the European Parliament and of the Council of 6 November 2001 on a Community energy efficiency labelling programme for office equipment as amended.

- Energy Labelling: [Council Directive 92/75/EEC](#) of 22 September 1992 on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances.

- Eco-label: [Regulation \(EC\) No 1980/2000](#) of the European Parliament and of the Council of 17 July 2000 on a revised Community eco-label award scheme.

1. POLICY BACKGROUND

The Renewed EU Sustainable Development Strategy was adopted by the European Council in June 2006. It is an overarching strategy for all EU policies which sets out how we can meet the needs of present generations without compromising the ability of future generations to meet their needs. The Sustainable Development Strategy deals in an integrated way with economic, environmental and social issues based on seven key challenges. Four of these challenges are of particular interest for product policy:

- Climate change and clean energy
- Sustainable consumption and production
- Conservation and management of natural resources
- Public health

As to clean energy, the Action Plan for energy efficiency² outlines a framework of policies and measures intended to intensify the process of realising estimated savings potential of over 20% in the EU's annual primary energy consumption by 2020.

As to product policy, the general Commission line has been established in the Strategic report on the renewed Lisbon Strategy for growth and jobs and in its proposal for a Community Lisbon Programme 2008-2010³. In the Programme, the Commission proposes to promote an industrial policy geared towards more sustainable production and consumption, focusing on renewable energies and low-carbon and resource-efficient products, services and technologies.

It is planned that the Sustainable Industrial Policy (SIP) and Sustainable Consumption and Production (SCP) Communication and Action Plan be adopted in 2008. It will aim at establishing concrete policy actions which follow the recent recommendations of the High Level Group on Competitiveness, Energy and the Environment. Energy labelling is part of this wider EU product policy whose main elements are as follows:

1. Eco-design focusing on significant environmental impacts of products throughout the life-cycle based on the Integrated Product Policy (IPP)⁴. It is envisaged that the scope of the Eco-design Directive be broadened to non-energy using products addressing significant environmental parameters of products.
2. Performance benchmarks for the 'best' performing products. The benchmarks could include some 20% of each product market and would complement the mandatory minimum Eco-design requirements, and help to drive markets towards higher performance. Performance benchmarks could become minimum requirements over a certain period of time, which would create a dynamic and predictable scheme.
3. Extended product labelling taking into account the existing instruments such as the existing mandatory EU Energy Label and the voluntary Energy-Star or Eco-label. Products could be labelled according to their energy and/or environmental

² Communication from the Commission, Action Plan for Energy Efficiency: Realising the Potential, COM(2006)545 final, 19.10.2006

³ COM(2007)803 & 804 final

⁴ COM(2003)302 final

performance. Performance benchmarks could be used to set the level of the highest efficiency class "A" or the Eco-label eligibility criteria.

4. Incentives relating to public procurement and taxation (e.g, reduced VAT) rewarding better performing products and front-runners.

2. ENERGY LABELLING

The Energy Labelling Directive 92/75/EEC on household appliances has been in force for 15 years with the first implementing Directive on electric refrigerators, freezers and their combinations adopted in 1994. The Directive is based on Article 95 of the Treaty to ensure that labelling requirements do not hinder free circulation of goods in the internal market. The Directive promotes energy efficient household appliances through compulsory energy labelling at the point of sale. In total, there are eight implementing Directives covering all groups of appliances listed in the Framework Directive as sources of most significant energy use among domestic appliances, except water heaters and hot water storage appliances.

A number of recent studies⁵, including a background study for an impact assessment commissioned by the European Commission⁶, confirm that the Energy Labelling Directive has significantly contributed to market transformation towards more energy efficient appliances. It has been estimated that the labelling scheme on cold appliances, dish washers and washing machine would contribute to saving some 700 TWh in the period of 1996-2020.

The energy label is an integral part of industry's marketing of appliances. It is often used as a basis for introducing incentives, such as rebate schemes, by the Member States without interfering with the proper functioning of the internal market. Apart from the EU Member States, the A–G energy label on household appliances is also implemented in a number of third countries across the world⁷. Furthermore, the success of the label in transforming appliance markets has also encouraged many countries and industry around the world to adopt related schemes on other products⁸ not covered by the current scope of the Directive.

⁵ See for instance, GSK and Fraunhofer ISI, 2001, Energy Efficiency and Labelling, IEA, 2004; Evaluating the Implementation of the Energy Consumption Labelling Ordinance; Atkins ad ATN, 2006, Impact Assessment on the Future Action Plan for Energy Efficiency; Electricity Consumption and Efficiency Trends in the Enlarged European Union, JRC, 2007 (EUR22753 EN; The European Energy Label: An energy efficiency success story with an impact beyond EU borders, Lebot Benoit and Paul Waide, 2007.

⁶ Impact assessment study on possible extension, tightening or simplification of the framework directive 92/75 EEC on energy labelling of household appliances" by Europe Economics and Fraunhofer-ISI with BSR Sustainability and FfE (Date: 19 October 2007).

⁷ Switzerland, Norway, Iceland, Lichtenstein, Turkey, Russia, Algeria, Argentina, China, Brazil, South Africa, Israel, Iran, Mexico etc.

⁸ For example, on building components, such as windows in the UK and in Finland.

The main reasons for the success can be summarised as follows⁹. The label:

- is **mandatory** in the EU market for all appliances covered by an implementing measure;
- indicates to the **consumer**, in a simple, easy-to-understand way, how energy efficient a product may be in use. It draws attention to the running costs in addition to the purchasing price of the appliance. The label also clearly shows how inefficient a model may be relative to its peers: this encourages appliance designers and manufacturers to produce efficient equipment;
- allows **manufacturers and retailers** to compete on product efficiency based on multiple efficiency classes. It also supports the manufacturers and retailers in selling and marketing their high-performing products. Many manufacturers and retailers today display the energy efficiency classifications in their commercial brochures, on the Internet and in other commercial communication;
- opens the way for **product development** and market transformation. For instance, the 'A' category can initially be 'empty' of products, if it is known that it will be technically possible to attain the 'empty' class in the near future. For example, when introduced there were no 'A' class even if no product on the market does so at the introduction of the measure, as was the case on the label for clothes dryers. In practice the thresholds could only be met by using a heat pump to double the drying efficiency. Since the introduction of the clothes dryers labelling Directive, heat pump dryers have been introduced and receive the top "A" grade;
- facilitates the organization of national/regional/local **government action** on rebate schemes without distorting the internal market, e.g. consumers purchasing an "A" product will receive a rebate from the local utility. It can also, be used to help in organizing energy efficiency certificates (white certificates). By providing a number of thresholds, energy labelling with legally set-out efficiency classes allows the above benefits to be obtained in a flexible and dynamic manner, depending on the market situation of each Member State. Subsidy schemes can be designed so that they reflect the current state of development of the national market, and can be changed dynamically, when the desired level of market transformation has been reached. As a consequence, manufacturers have more certainty as to what they must achieve over time, while avoiding a multitude of different national schemes with inconsistent efficiency criteria.

Most of the existing labels have already achieved their original objective, as most of the models sold belong to the "A" class. It has therefore become important to upgrade the efficiency classification to capture the potential offered by technological development. In addition, various stakeholders and actors (consumer associations, industry, Member States, European Parliament) have raised questions about the potential for further improvement in the field of energy labelling.

As indicated above several studies, confirm that, there is potential for further energy efficiency gains, in particular for other, not yet regulated, household appliances (notably boilers and water heaters) and for non-household energy-using appliances (e.g. motors).

⁹ For example, Paul Waide (IEA) and Benoit Lebot (UNDP-GEF), 2005.

There may also be significant potential for energy efficiency gains for energy-related products, such as windows (higher thermal insulation), tyres (less rolling resistance) or services such as charter holidays which involve heavy energy consumption (long distant flights, cooled hotel rooms, heated swimming pools etc.).

Thus, there is a need to consider how best to build on the success of the current labelling scheme, and possibly to extend it to other non-household energy using or non energy-using products. This is also the first priority of the Action Plan for Energy Efficiency that was adopted by the Commission in October 2006.

3. PROBLEM DEFINITION: (HOW) SHOULD ENERGY LABELLING BE CONTINUED?

The European Union continues to waste at least 20% of its energy due to inefficiency with a direct cost amounting to more than 100 billion euros annually by 2020¹⁰. The largest potential for cost-effective savings lies in the residential and commercial sectors, where the full potential is estimated to be around 27% and 30% of energy consumption, respectively. However, because of continuous technological improvements in product efficiency, there will always be some unrealised technical potential.

The domestic sector appliances for which existing energy labelling Implementing Directives have been adopted account for over 300 TWh of annual energy electricity consumption, while residential electricity consumption as a whole was some 800 TWh in the EU25 on 2005.

The central aim of energy labelling is to encourage manufacturers to develop and market the most efficient products, by ensuring that the benefits of such products are recognized by the customer. Over time this will transform these efficient products from 'niche markets' to market leaders.

Although several studies demonstrate the positive impact of the Energy Labelling Directive, stakeholders have requested improvements to energy labelling. These requests can be summarised as follows.

- (1) Extend energy labelling to additional household appliances displayed in shops/outlets, such as televisions and other consumer electronics and to installed products such as water heaters and boilers.
- (2) Extend energy labelling to non-household energy-using products, such as electric motors.
- (3) Extend energy labelling to non energy-using products, such as windows, tyres or services.
- (4) Reinforce dynamic labelling with periodic reviews.
- (5) Provide additional product information as part of the label, such as CO₂ emissions or annual running costs.
- (6) Develop or reinforce provisions on internet sales.

¹⁰ Communication from the Commission, Action Plan for Energy Efficiency: Realising the Potential, COM(2006)545 final, 19.10.2006

- (7) Request tighter tolerances in the measurement standards.
- (8) Better enforcement of the labelling requirements in respect of both manufacturer declarations and retailers display of correct information.
- (9) Legal protection of the label against unauthorized use.
- (10) Implementation through Regulations or Decisions rather than Directives in order to ensure equal implementation across the internal market.

In addition, the question is also how energy labelling best can contribute to the EU SIP/SCP, together with other existing instruments such as the Eco-design Directive, Energy-Star and Eco-labelling. In that context, it should also be explored whether the energy label, which currently focuses on energy consumption in use, should evolve into an "Eco-design" label showing the overall environmental performance of the product (including its significant environmental aspects throughout its life-cycle).

4. OBJECTIVE

The objective of this consultation is **to identify the best ways of reinforcing the impact of energy labelling in order to help the Union to reach its 20% energy saving target by 2020**, while promoting sustainable production and consumption, and a competitive sustainable industrial policy.

The revision of the Energy Labelling Directive was announced (priority action 1) in the Energy Efficiency Action Plan¹¹ adopted by the Commission in October 2006 and is part of the simplification rolling programme on Better Regulation¹² as defined in the Lisbon programme (2005)¹³.

5. POLICY OPTIONS CONSIDERED

The main policy options to implement requests to strengthen energy labelling can be described as follows:

- (1) Concentrate on the implementation of the current provisions of the Energy Labelling Directive by upgrading the existing labels, introducing new ones for other household appliances not yet covered, but without amending the framework Directive;
- (2) Amend the Energy Labelling Directive by broadening its scope and reinforcing selected provisions;

¹¹ COM(2006)545 final.

¹² COM(2006)690 and 691 final.

¹³ COM(2005)474 final.

- (3) Repeal the Directive and implement its provisions by amending other existing legislation such as the Eco-design Directive and/or within voluntary action or other suitable means.

The below table summarises the considerations on policy options.

Table on policy options:

	Action to be taken	Policy options considered
1	Extending labelling to additional <u>household</u> appliances displayed in shops/outlets, such as televisions, water heaters, boilers...	Can be done without amending the Energy Labelling Directive.
2	Extending labelling to <u>non-household energy-using</u> appliances, such as electric motors	Requires an amendment of the Energy Labelling Directive to address manufacturers, or the amendment of the Eco-design Directive to address retailers. Important to coordinate with Eco-label. New information delivery methods may be needed for 'business to business' products.
3	Extending labelling to <u>non-energy using</u> products, such as windows, tyres or services	Requires an amendment of the Energy Labelling Directive or the Eco-Design Directive. Only <u>energy related</u> products (e.g. for energy conservation) are considered within the context of the Labelling Directive.
4	<u>Reinforce dynamic labelling</u> with periodic reviews and rescaling of the ratings, including a possible redesign of the label and upgrading of the existing Directives.	Upgrading of existing energy labels is possible under the current Energy Labelling Directive and review dates can be included in the implementing Directives based on potential for improvements and technological progress.
5a	Provision of additional <u>product information</u> on the energy label, such as CO ₂ emissions or annual running costs.	Use of other resources than energy (e.g. water) is possible under the current Energy Labelling Directive. Adding other information such as running cost or CO ₂ emissions would require an amendment of either the Energy Labelling or the Eco-design Directive.
5b	<u>Replace the energy label</u> by an "eco-design" label combining several significant environmental parameters	Would require an amendment of the Energy Labelling Directive or of the 2005/32/EC Eco-design Directive.
6a	Reinforce provision of labels on <u>internet sales</u>	Reinforcing the provision of information through other means than the label or the fiche would require amending the Energy Labelling Directive or the Eco-design Directive.
6b	Reinforce provision of labels in the context of other type of sales and advertising: www-pages, newspaper and TV adds...	Would require amending the Energy Labelling Directive or the Eco-design Directive.

6c	Provision of information on energy consumption (apart from labelling) in media and advertising: www-pages, newspaper, magazines and TV adds...	Would require amending the Energy Labelling or the Eco-design Directive.
7	Tighter <u>tolerances</u> in the measurement standards	Difficult to include in sectoral legislation but could also be part of the Commission mandate to the European Standardisation organisations. Thus, no amendment of the existing legislation would be necessary.
8	Better <u>enforcement</u> of the labelling requirements in respect of both manufacturers meeting the set standards and retailers displaying correct information	The proposed regulation on market surveillance ¹⁴ could help to improve enforcement by introducing new provisions applying to all Community harmonising 'product' legislation, including the Energy Labelling and Eco-design Directives. Thus, no amendment of the existing legislation would be necessary.
9	Legal protection of the label	Could be useful to specify under which conditions the label could be used by Member States or third parties outside of the EU legislation.
10	Implementation through <u>Regulation</u> rather than Directive	Would help to avoid transposition cost and delays. Would ensure harmonised approach across the internal market (simplification of EU legislation).

The above summary considerations address the main ways to reinforced energy labelling with amended Energy Labelling or Eco-design provisions. Part of the reinforced implementation could be achieved through the implementation of current provisions but the majority of the improvement actions can only be reached through the amendment of the existing legislation. For some of the improvement actions (7 and 8) it would seem more efficient to seek for alternative routes.

Complementarities, consistencies and synergies between the existing instruments Energy Labelling, Energy-Star, Eco-labelling and Eco-design requirements are achieved by coordination and implementation of the "better regulation" principles, and in particular through stakeholder's consultation and good coordination of the Commission services.

However, as detailed above, some policy options, in particularly as regards to the scope of action, would require amending some of the existing instruments.

¹⁴ COM(2007)37 final.

6. QUESTIONS

- (1) How do you suggest the Commission could best ensure coherent product policy?
- (2) Do you agree to the general principle of reinforcing the use of energy labelling in order to more vigorously contribute to the Union's objectives on climate mitigation, competitiveness and sustainable product policy?
- (3) For energy using products, would you favour the use of an energy label focusing on the energy consumption at use or of an 'eco-design label', (near to the Eco-label showing the 'best') giving the global environmental performance of the product throughout its life-cycle?
- (4) Are you in favour of adding CO₂ on the energy label? How could reliable information be assured in the light of different energy mixes in the 27 Member States?
- (5) Are you in favour of adding annual running costs on the energy label? How could reliable information be assured in the light of different energy prices in the 27 Member States?
- (6) Would you like to add other products to the scope of the labelling Directive than those covered at present (household appliances only)? If yes, which products would you suggest (non-household or non energy-using products, 'energy-relevant' product, services such as holiday packages or other)?
- (7) In view of dynamic labelling, which approach would you suggest for the transition from an existing labelling scheme to a new labelling classification in order to cause minimum distortions?
- (8) Do you want to propose an alternative route beyond the considerations in this document?