

Key Policy Recommendations

New Narratives to promote better energy policies and energy security

Explanation

Energy Efficiency Watch 4 (EEW4) is a Horizon 2020 project aimed at supporting policy makers in EU Member States in enhancing effective implementation of policy instruments for energy efficiency, thereby contributing to reach the target of the Energy Efficiency Directive. Based on multiple inputs from policy makers, business stakeholders and energy experts collected through dedicated workshops and an online survey, EEW4 is identifying and developing argumentative drivers in public discourses that facilitate the adoption and effective implementation of energy efficiency policies in the EU. Based on the ten case studies (D4.4) and the results of the EEW4 survey report (D 3.3), the consortium presents key policy recommendations, on what can be learned from those inputs and how essential findings should be considered in future policy making.



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EEW4 key policy recommendations

The **conclusions** to be drawn from EEW4, based on its various input formats and subsequent analysis, provide a good basis for **key recommendations for policy makers**. The design and implementation of energy efficiency policies, and on broader level the energy transition, can be accelerated if accompanied by supportive narratives.

Despite the existence of good practice policy instruments, implementation of energy efficiency is often weak. A key finding of EEW3 is that the levels of **policy ambition** strongly depend on the degree of political will, based on **underlying narratives** about the multiple benefits of energy efficiency. Where these are commonly accepted and shared on national or regional level by policy makers, key stakeholders and societal groups, energy efficiency has become an integral part of economic and social policy – instead of "just" a climate policy. If such narratives do not exist, energy efficiency is neglected or controversially debated, leading to **lack of ambition** or frequent **policy changes** ("ups-and-downs"). Effective and **strong narratives** are needed to further drive the energy transition on Europe's pathway to climate neutrality. Therefore, **EEW4** put the analysis and development of narratives for energy efficiency at the core of its activities.

Key conclusions from the expert survey

The results of the survey provide inputs for the above-described process on EU level and in each country. In order to be strong and widely adopted, new or strengthened narratives need to resonate with topics of general importance in society and have the support of key stakeholder groups. The survey data helps to focus on topics and actor groups of importance in a country context and identify possible gaps and weaknesses in the current debate.

- **Energy efficiency policies: ups and downs continue**

Overall, disappointing levels of improvement in energy efficiency across policy fields: Member States remain way too slow – new dynamics are lacking! Levels of ambition in policy development and their implementation are inconsistent within and across many Member States

- **The WHY is often missing: lack of strong narratives**

Policy ambition is maintained in a specific country or region despite political changes where a consensus has been reached on "WHY" it should be done (and not "We must because Brussels tells us so")

- **"It's the economy, stupid"!** (Quote Bill Clinton¹)

More attention needed for the positive economic impacts of energy efficiency on **jobs, industry and competitiveness**

- **Buy-in from important stakeholder groups**

Lack of ambition is often due to the **opposition of key stakeholder groups**

- **Need for better data on benefits beyond climate protection and cost savings**

EU data, indicators and quantification of **job and competitiveness impacts** of energy efficiency and the energy transition are needed to help shape the debate

¹ Quote from James Carville, advisor to Bill Clinton, who used it subsequently during his campaign

- **Are we talking about the right things? And to the right people?**
New messages and new stakeholder interactions are needed to **speed up acceptance and participation**
- **An opportunity not to be wasted!**
Unique opportunity to reposition energy efficiency as a key recovery and energy security strategy – but this requires much better **NARRATIVES!**

Key conclusions from the 10 narrative cases

The second pillar of EEW4 narrative analysis are 10 narrative cases, developed from discussions with various stakeholder communities (business representatives, members of European and national Parliaments). The ‘lessons to be learnt’ on future policy making can be grouped in four thematic groups:

a) **Participation and Transparency**

An engaged and well-informed public is more inclined to actively support ambitious policies.

Narrative case 1: Communication, Dialogue and Participation

- Policy implementation will work better if **dialogue and participation formats** for relevant stakeholders and target groups exist
- Dialogue and participation improves the level of information among target groups, helps to manage expectations, create potential buy-in, form alliances, and allows to use the (potentially supportive) momentum of civil society

Narrative case 2: Independent and transparent data base

- **Availability of transparent and meaningful data** is an established principle in the EU (evidence-based policy making) and provides an essential foundation for narratives (explain targets & functioning principles, measure effectiveness and positive impact of policy instruments)
- On Member State level, the quality of data generation, independent verification and according use in the political debate varies considerably
- Besides general standards, more focus is required on the collection of meaningful data on non-energy benefits (jobs, innovative momentum etc.)
- The option to generate specific data from existing and/or planned policies (e.g. on their impact and economic efficiency) is insufficiently used. It should become a standard component in new policies.

b) **Economic Aspects**

When highlighting the multiple benefits of energy efficiency and the energy transition, **economic arguments need to be in the focus**. Here, a wider and forward-looking perspective on what *economic* means (beyond just accounting for energy savings) is required.

Narrative case 3: What makes a real business case?

- Policies must ensure that **real business cases - economically sustainable and expandable** - can evolve, which will also make the overall energy efficiency narrative more credible

- Policy makers need to create a level playing field for energy efficiency, e.g. in competition with conventional technologies through price signals, same as to renewable energies by leveraging the synergies between both
- Energy efficiency policies must create a favourable environment for specialized firms which are able to develop and amplify business cases leveraging the full potential of energy efficiency, and realize cost degression through upscaling
- These efforts must be accompanied by a convincing narrative that energy efficiency, despite its higher complexity compared to supply-side, is the new mainstream (reference to narrative case 5 ‘Good to be a front-runner’)

Narrative case 4: The image of technologies

- Target groups of energy efficiency policies are often fragmented and accordingly have diverse motivations to act
- Understanding well which groups are relevant for the success of a policy, which specific needs and preferences they have, and what will determine their economic behaviour and willingness to adopt new technologies is paramount.
- Based on this, a clear understanding of where (and which level of) financial support leads to the envisaged consumer behaviour, and where a broader set of **image factors** (convenience, modernity, general value of a property, etc.) will trigger the intended action.
- This needs to be incorporated when setting up new policies or evaluating the success of existing ones (reference to narrative case 2, in particular: data generation from projects), and to be accompanied by appealing narratives

c) Connotation of Change

Phases of economic and technological changes in industrial societies typically come along with **skepticism and fear** (whether to be on the winning or losing side of change), which can significantly delay or even obstruct political reforms. Therefore, for the success of the energy transition as part of the overall decarbonization of the economy, it is required (also in the light of the upcoming ‘Green Deal’) to **generate a positive connotation of change**, showcasing economic chances and making transparent the balance of expected gains and losses. The nexus between energy efficiency and economic resilience must be strengthened.

Narrative case 5: Good to be a front-runner

- It is a strong enabling narrative if **a country wants to be front-runner** on energy efficiency, which a.o. helps to maintain continuity when governments are changing
- It is therefore worthwhile to identify why, in which area and by which concrete measures a country wants to become a front-runner and build supportive narratives around this (clear and recognized economic benefits, technological leadership and according visibility and image, industry sustainability championship etc.)

Narrative case 6: Energy Efficiency as integral improvement of the production cycle

- Economic benefits of energy efficiency are primarily connotated with the payback period as a function of additional investment versus energy savings is in the focus, while a **more comprehensive definition of economic benefits** is structurally neglected
- The immanent potential of energy efficiency for optimizing production processes (e.g. resulting from energy audits) must be shown, which besides reducing energy consumption can add valuable entrepreneurial information about reducing the input of other production relevant resources and optimizing a company's financial performance
- Policies should strengthen the role of energy audits, making them a default source to generate valuable data to receive management attention and to becoming key performance indicators of the business, subsequently triggering the introduction and effective use of energy management systems
- New narratives must connote energy efficiency more strongly with entrepreneurial success, innovation and competitiveness, same as on macro level its contribution to economic resilience (e.g. against geopolitical risks)

Narrative case 7: Empowering Research and Innovation for Energy Efficiency

- The role of **technological research and innovation as an agent and promotor of change** in society needs to be fully understood by policy makers and used for creating supportive narratives
- This must be leveraged by comprehensive policy packages (e.g. energy AND research policies) beyond traditional policy areas

Narrative case 8: Education, training and upskilling

- In key instances, the energy transition is not yet supported by adequate deployment of qualification and training measures
- The need for **training and upskilling**, e.g. in the buildings sector and all areas where new technologies need to be professionally applied (and beforehand promoted to customers) must be **addressed in comprehensive policy packages**
- Policy makers must aim to form alliances with educational and training institutions, together with branch associations, to ensure successful rollout and use the momentum for building strong narratives (reference to narrative cases 3, 4, 5, 6), also to attract young people interested in climate protection to energy efficiency jobs. This is of special importance as the link to climate protection is often less evident than in renewable energy.

d) Societal Acceptance

Societal acceptance is a key vector for a political climate supportive of major transition processes such as the decarbonisation of the energy sector. Vulnerabilities of societal groups must be analysed and taken seriously, to create political buy-in from this part of the political spectrum. On the other hand, **expectations must be managed** on who is in need for compensation and for whom the benefits of transition will outweigh potential losses.

Narrative case 9: Communicate on role of price signals and social compensation

- Empirical insights show that monetary compensation under CO₂-tax regimes are often wrongfully perceived as insufficient, mainly due to the complexity of influencing factors on energy prices
- If instruments are planned that – such as a CO₂-tax – structurally increase price levels, they need to be **flanked** from the earliest stage **by a thorough communication campaign**
- Especially compensation for vulnerable societal groups must be well communicated: what is the *related* price increase and the level of support provided, based on illustrative and transparent economic data (reference to narrative case 2)

Narrative case 10: Just transition

- In the general political debate, the term ‘just transition’ **may easily be misinterpreted** in a way that (too) large parts of society claim to be on the losing side of the transition, leading to a fatal ‘race for the highest compensation’ (e.g. societal pressure may lead to subsidies for energy intensive consumptive expenses)
- Expected **positive welfare effects** of the transition are **structurally underrepresented in the public debate** (reference to narrative case 6)
- Assumed vulnerabilities of societal spheres must undergo a thorough analysis before compensation mechanisms are established.
- Investments in transitory measures must have a clear preference over (especially energy intensive) consumptive patterns
- A missing part in the public debate is the ‘**un-just non-transition**’, i.e. the losses of welfare and broader economic consequences of political inaction or inertia
- Communication strategies must therefore **create a better balance** of the currently predominant **fear of losses** and the **economic gains** a society and its parts can expect, managing the expectations on a comprehensive and future oriented ‘just’ transition

A remark of the EEW4 project team on recent developments in the context of the war in Ukraine

At the beginning of EEW4, the contribution of energy efficiency to energy security was a topic which we expected to play a role in our discussions with stakeholders, therefore we had included it into our catalogue of standard questions. To our surprise, both in the survey and the various stakeholder input formats, the argument was regarded as negligible and did not make it to the top 5 topics of the survey. In the stakeholder discussions, the resilience of well-functioning markets seemed to outweigh the specific benefits to energy security.

In the light of the Ukraine war, we acknowledge that today stakeholders would probably give it a higher ranking and weigh the argument differently in the discussions. This unforeseen development does not mean that EEW4 results were already outdated, but on the contrary **allows for several insightful additional conclusions:**

- The energy crisis related to the Ukraine war shows that **energy efficiency has a high potential for energy security**, which has not been taken serious in the past

- Cause for this is a structural predominance of the supply side in the perception of what constitutes energy security, and a deep-rooted belief in economically rational behaviour as the guiding principle for international energy relations
- In this light, the role of energy efficiency tends to be downplayed to a merely optional add-on
- This over-rating of the supply side in public perception may serve as one explanation why the high dependence on single suppliers has not been addressed earlier, and easy-to-implement diversification measures like increased energy efficiency have been neglected
- The current situation exemplifies the role of energy efficiency for enhancing energy security. The more energy efficient Europe is the less energy it needs, this translates in a reduction of the demand and reliance on gas imports. **Reducing energy demand is synonymous with reducing energy dependency**
- In the now ongoing development of a strategic planning, the EU must live up to its “energy efficiency first” principle and must aspire to **more ambitious policies and according narratives**
- **The EU must show its system advantage by its ability to transition to efficient, secure and sustainable energy systems.**

Overarching Key Policy Recommendations:

On aggregated level, the conclusions from the EEW4 survey and narrative cases lead to the following overarching recommendations for policy makers, also in view of the ‘Green Deal’:

- ⇒ **Think and act beyond fragmented traditional policy areas**, considering that:
 - connotation of change in the public debate decides about success or failure of the energy transition. To develop the right communicative framing, a cross-sectoral approach must be developed
 - comprehensive policy packages across sectors and policy areas must be set up, combining for instance energy, education, research & innovation, etc. The Green Deal has the ambition to achieve this, however, this does not seem to have arrived in the realities in many Member States.
 - concerted action between energy policy and key players such as educational institutions, branch associations etc. must be fostered by policy making
- ⇒ **Strategic planning of policy implementation is required from the very start** - being the basis for coordination of policies - and considering
 - supportive narratives as part of the above framing, to flank all new and ongoing policy measures
 - participation and dialogue offers to relevant target groups and stakeholders to increase their understanding and potential buy-in
- ⇒ The **economic relevance of energy efficiency must be better highlighted** in policy making and its communication, by
 - overcoming the predominance of the supply side, and thus consistently strengthening the synergies with energy efficiency
 - fostering the evolvement of new business models and creating favourable market conditions

- strengthening the role of audits to incorporate their results in the financial key performance indicators of companies
- analysing the different target groups' patterns of economic behaviour and tailoring policy instruments accordingly
- establishing a much wider and comprehensive definition of the economic dimension of energy efficiency, being a strong pillar of diversification and increasing geo-political resilience