

IEA-DSM TASK XIV MARKET MECHANISMS FOR WHITE CERTIFICATES TRADING

MINUTES OF EXPERTS MEETING 9 NOVEMBER 2004, LONDON, UK

Participants:

France	Alexia Leseur	ADEME
Italy	Walter Grattieri,	CESI
Norway	Andreas K. Enge	ENOVA
Sweden	Monika Adsten	ELFORSK
	Luis Mundaca	IIIEE Lund University
	Therése Karlsson	STEM
United Kingdom	Martin Devine	DEFRA
Operating Agent	Antonio Capozza	CESI
Observer from Holland	Vlasis Oikonomou	Utrecht University (part of the meeting)

A. Introduction and Administrative Matters

1 Start of the meeting and welcome address

The Operating Agent, Antonio Capozza, welcomed all the Experts to the Expert meeting in London, UK. He also thanked DEFRA, the Organisation hosting this meeting, and Martine Devine in particular for the efforts devoted to organisation.

2 Presentation of Experts/Observers

A list of affiliation, address and communication data of the Task Experts is given in [Appendix 1 - List of experts](#). The Italian experts Mr Alaimo, Mr De Renzio and Mrs Pavan and the Swedish expert Mrs Neij regret not to be able to attend this meeting and will be kept informed of its outcome. The observer from Academia, Silvia Rezessy (Central European University) was prevented from attending the meeting due to visa troubles, which were solved too late to arrange travel. Alexia Leseur represents France as expert, being Stephanie Monjon unable to attend. Under request of the French expert, two more French contacts were suggested as “experts”: Mr Emmanuel Branche (Edf - Corporate Strategy Division) and Mr Paul Baudry (Edf - DER).

The presence at this meeting was suggested for Mr V. Oikonomou (University of Utrecht), who is involved in the EU SAVE Green&White project on behalf of Holland and attended the workshop held the previous day at DEFRA. All the participants agreed on the fact that, despite of the nature of the meeting restricted only to the participating Countries, this could be a good chance for him to get a deeper insight of the Task works (e.g. in view of a possible participation of Holland in the future) and for the Task experts, in relying on supplementary information and views on the progress of the above SAVE project. He was then unanimously accepted as observer during the morning part of the meeting.

3 Decisions about agenda

The Agenda of the meeting (see [Appendix 2 - Agenda](#)) was submitted to the Experts. It was accepted without modifications.

4 Purpose of the meeting

The purpose of the present meeting is summarised as it follows:

- Defining administrative matters
- New contacts and synergies
- Updated information on national policies on Energy Efficiency and White Certificates
- Comments on the workshop held at DEFRA the previous day
- Summary of decisions and next events

5 Decision of the Executive Committee

An extract of the quick minutes of the IEA-DSM Executive Committee meeting held in Atlanta (US) on 14th-15th October was handed over and presented (see [Appendix 3 - Atlanta Quick Minutes](#)). Remarks:

- The IEA-DSM Task XIV “Market mechanisms for White Certificates trading” was officially declared in force
- The Task Status Report for the period April 2004 – October 2004 was approved
- EC is very likely to join the Task
- Further participations are opened till the end of the year with unchanged total Task budget (90000 €). After that deadline, the matter will be re-discussed within the Executive Committee (see. par. 7).

6 Administrative

6.1 Remarks on roles of OA and experts

Some clarification were required about the roles of OA and experts in carrying on the task activities. Reference must be made to the task workplan, par. 8 and 9, partially reported herein:

1. **Operating Agent Responsibilities**

The Operating Agent will assume the following duties:

- *Organise five IEA-DSM Task experts meetings, relying on the local assistance of the hosting country expert*
- *Propose and discuss with IEA-DSM task experts the organisation of four national workshops*
- *Organise the results of each of these events (IEA-DSM experts meeting + national workshop) into a Critical Synthesis Report, collecting and critically reviewing all the contributions and discussions*
- *Write and issue the Final Synthesis Report*
- *Internal and external steps for circulating the results*

2. **Designated IEA-DSM Task Experts' responsibilities**

The responsibilities of each IEA-DSM Task expert are given below.

- *Comment on, and discuss with the Operating Agent, the content of four national workshops*
- *Organise and host one of four national workshops in their own countries*

- *Host one of five IEA-DSM experts meetings in their own Countries*
- *Attend all the organised national workshops and IEA-DSM experts meetings*
- *Discuss the results of the workshops with the OA and assist him in setting up the Critical Synthesis Report of each of the four events (IEA-DSM task experts meeting + national workshop)*
- *Comment on the draft Final Synthesis Report set up by the OA*

To complement these principles, the main duties for each expert is to prepare his open workshop effectively, through a proper choice of national stakeholders, capable of reporting meaningful aspects of their national energy efficiency policies related to White Certificates issuing and trading. Any expert is expected to report updated information to the Task experts meeting about:

- Policies of implementation of White Certificates schemes, in the case of adoption of this issue
- Possible establishment of national contacts and/or groups on this item (in this case, description of the performed/planned activities)

Countries that do not have at the moment national policies involving White Certificates, but who decided to attend the Task in view of being prepared to face evolutions and new requirements in the future (e.g. the imminent EU Directive on Energy Services and End Uses efficiency), are mainly required to comment and discuss the problems arising from the implementation of the White Certificates schemes in the Countries already adopting this policy.

6.2 Notice of Participation and National Participation Plan

A Notice of Participation (NP) is still missing from Sweden, even though their firm and substantial intention to participate to the Task was evidenced by the work performed by the Swedish experts and their presence at the meetings. National Participation Plans (NPP) were sent to IEA-DSM from Norway and UK; French and Swedish ones are under way. It should be remarked that NPP has a more official character than NP and its issuing overrides NP issuing for Sweden. See minutes of past experts meeting in Milan (7-8/6/04).

6.3 Invoices to participating Organisations

A preliminary invoice of 9000 € was sent by CESI to France, Norway, Sweden and UK.

A balance invoice will be issued to these Countries in January 2005, according to the definite number of participating Countries at the end of 2004. In the present case of five participating Countries, the amount will be 9000 €; if one Country joins, the amount will be 6000 €; if two Countries join, the amount will be 3857 €.

6.4 Task XIV website

A Task website was set up within the IEA-DSM website, enabling all the Experts for easy and fast communication and dissemination of the results of the Task through:

- Description of goals and workplan
- Links to websites of the participating Organisations
- Calendar of the events
- Contacts, identified as “experts” (the experts designated by each participating Country) and “guests” (any people who showed interest in the task activity and accepted to join a distribution list)
- Expert site, restricted to the Task experts, including an Expert Forum for exchange of draft documents, national remarks and other comments, and an Experts Library of reports, general information, presentations and other documents
- Guests site, open to experts and guests, for diffusion of non-restricted information, with a similar organisation to the Expert site.

An example of the website features was presented (see [Appendix 4 - task website](#)). This website was developed with no supplementary task budget through the continuous assistance of the IEA-DSM web administrator, whose contribution is greatly acknowledged.

Each Country is free to diffuse domestically the restricted documents, as well as to suggest OA further “guests” or “experts” contacts and to ask OA for upgrading *guests* to *experts* and vice-versa. To this purpose, Sweden organised a national reference group on White Certificates and asked for a disclosure of the documents relevant to the workshop held on 8/11/04 at DEFRA. The OA will arrange a proper solution (special password for the task website, FTP zone, etc), **provided that a list of the e-mail addresses of the components of the reference group is delivered to him. Monika Adsten took the commitment for this matter**

7 Further participations/observers in the Task

7.1 Foreword

A principle was stated during last IEA-DSM ExCo meeting in Atlanta: further participations to this Task are opened till the end of the year 2004 with unchanged total task budget (90000 €). It means that each supplementary participant will decrease the amount of cost-sharing of the task, owing to the greater number of contracting parties (see below table)

N. Participating Countries	Country Contribution (€)
4	22,500
5	18,000
6	15,000
7	12,857
8	11,250
Total Budget	90,000

present situation

After that deadline, this principle would not be applicable in a plain way and the matter will be re-discussed within the IEA-DSM Executive Committee.

7.2 Other Countries

Some expressions of interest were given by several Countries, either directly to OA or during the ExCo meetings :

- Australia, who will make a decision by next ExCo in April. They have a national reference group trailing a White Certificates scheme within a more general framework for Emission Trading Scheme, specifically addressing Energy Efficiency; the Australian ExCo member is fostering a possible Task expert from this group.
- Belgium, through the Ministry of Economic Affairs
- Denmark, through his Ministry of Economics and Business Affair
- Germany, through Wuppertal Institute for Climate, Environment and Energy; Germany did not join IEA-DSM Implementing Agreement but the ExCo chair has given permission for them to observe

- Holland, through the Ministry of Economic Affairs and the Utrecht University (which the observer Vlasios Oinokomou belongs to), even if a process is in course for a possible withdrawal of Netherlands from the IEA-DSM Implementing Agreement.

All the above Countries are in a decisional phase on whether joining the Task XIV and no notice of participation has been given yet on their part.

7.3 Academia

A Memorandum of Understanding (MoU) between IEA-DSM and the Central European University (Budapest) was signed (see [Appendix 5 - MOU](#)) aimed at defining the rules for the participation to the Task as observer of Mrs Silvia Rezessy, who is involved in the White Certificates topic for her PhD dissertation. According to the MOU, Silvia Rezessy was accepted as a permanent observer for all the task duration and was entitled to attend meetings and to access restricted documentation with all the privileges of the other task experts. On her turn, her possible contributions and comments to the minutes of the meetings, to the Task Status Reports and to the Task deliverables (Critical Synthesis Reports and Final Reports) would be considered greatly valuable and useful.

7.4 EU

Information were given in the ExCo meeting of Atlanta of the EU decision to re-join the IEA-DSM Implementing Agreement and to participate to two of his Tasks, including Task XIV. To this purpose, EU is planning to pay a lump sum of about 30000 € to IEA-DSM. The rules outlined in par. 7.1 will be applied. A Notice of Participation is then expected from EU within the end of 2004, which points out their willing to attend the Task, their commitment for cost-sharing (at the moment, 15000 €) and their designated expert.

B. New contacts and synergies

About 40 new contacts were established and listed from the start-up of the Task: 13 contacts qualified as Task *experts* (entitled to attend the experts meeting and to access the restricted documents) and about 30 contacts as *guests* (to be kept informed of all the non-restricted initiatives of the Task), coming from Academia, institutional Bodies, industry, electric utilities. **Grattieri suggested to ensure that other project's contacts include in any case the project manager.**

8 Interactions with EC running or tendered projects

A EC SAVE project, called "White and Green", is running, based on scenario simulations of White Certificates diffusion through Europe by the use of MARKAL programme and a line of communication has been established with the Task group. Luis Mundaca, who also works in this project, communicated that the phase 4 (Conclusions and recommendations) was concluded and discussed in the Rome meeting of 12-14 October 2004. Comments and suggestions are now expected from all the stakeholders (Academia, utilities), in view of an open workshop to be held in Brussels in the I-II week of December 2004. After this workshop final preliminary results (adjusted with EC feedback) will be finalised and released in the end of January 2005, concluding the 5th and last phase of the project.

The "EuroWhiteCert" project has been approved within EU INTELLIGENT ENERGY – EUROPE programme, aimed at harmonising the procedures to quantifying and issuing the White Certificates, in view of their EU cross-country trading (see Directive on Energy Services). The project is headed by Politecnico of Milan – Department of Energetics, and involves Germany, Sweden (Lund University), France (ADEME), UK (Energy for Sustainable Development), Holland (Ecofys), Academia (Central European University - Budapest). The negotiation has been completed and some internal rearrangements on minor issues are being performed. Many participants in this project also

belong to the Task XIV group; this common membership will ensure synergies (forecast particularly within the subtask 4 of the project - Demo implementation). **An open international workshop on White Certificates, organised by EC/JRC Ispra (ref. Dr. Paolo Bertoldi), will take place on February 2005 in connection to the EuroWhiteCert kick-off meeting.**

9 Interactions with CEN/CENELEC

An international standardisation programme has been set up within CEN/CENELEC, relevant to European wide standards on matter relevant energy management. Four of the already existing groups in this programme are connected to the Task activities:

- 10 – Green certificates (REC)
- 14 – Emission Trading (ET)
- 15 – Energy Efficiency
- 20 – White Certificates (WhC)

The programme involves a Task expert (Mr De Renzio) and a component of the Swedish reference group (Mr Inge Pierre - see par. 11). The relevant document can be found on the task website:

<http://dsm.iea.org/NewDSM/Prog/Library/frame.asp?RNDKey=ahvjavdflidahfla>

A meeting of the group was hosted by UNI (the Italian standard body) at Milan on 25/10/04, with representative people of Italian Electricity System Operators and the Task OA as observer. The Italian regulatory Authority pointed out that a European wide standard on these subjects could be too binding and hardly capable of harmonising so many different national mechanisms/procedures on evaluation of amounts of energy savings, of CO₂ emission and of generation through renewable sources. A definite opinion exists on possible conflicts between standards and procedures:

- the approach of a standard may be very far and hardly compatible with the approach of a procedure.
- standards and procedures are issued and administrated by different Bodies.
- standards cannot substitute procedures for energy savings.

The Electricity Market Operator evidenced a complementary aspect: the importance of EU-wide standards as a first step towards REC/ET/WhC mechanisms unification at EU level, in view of their transnational trading.

A signal of interest to the works of this group was finally given by EC/JRC/Ispra through Dr Paolo Bertoldi (see [Appendix 6 - EC position on standards](#)). All the above matter will be discussed at next CEN/CENELEC meeting in Paris on 1/12/04.

C. Updating of National EE and White Certificates policies

10 French EE and White Certificates policies

Alexia Leseur presented an updated state of implementation of White Certificates schemes in France. The information are given in [Appendix 7 - French EE policies](#), where the present state of the relevant law is considered with detail. She pointed out that some particulars of the legislation are still being discussed and some figures reported in the presentation are not to be considered as final ones. The following points brought about comments and discussion of the other experts:

- Assessment of additionality: the French scheme involves an assessment based on the kind of actors: a measure is considered additional if:
 - does not increase turnover (for obliged and non-obliged actors)
 and:
 - is related to innovative product (only for not-obliged actors)

It was remarked that these criteria show some stiffness in possibly excluding many potential measures (because they either generate turnover or/and they rely on existing technologies and

behaviour based measures) in spite of their effectiveness in substantially reaching the energy targets with no prejudice of the base principles (constraint on free-riders operation) addressing additionality

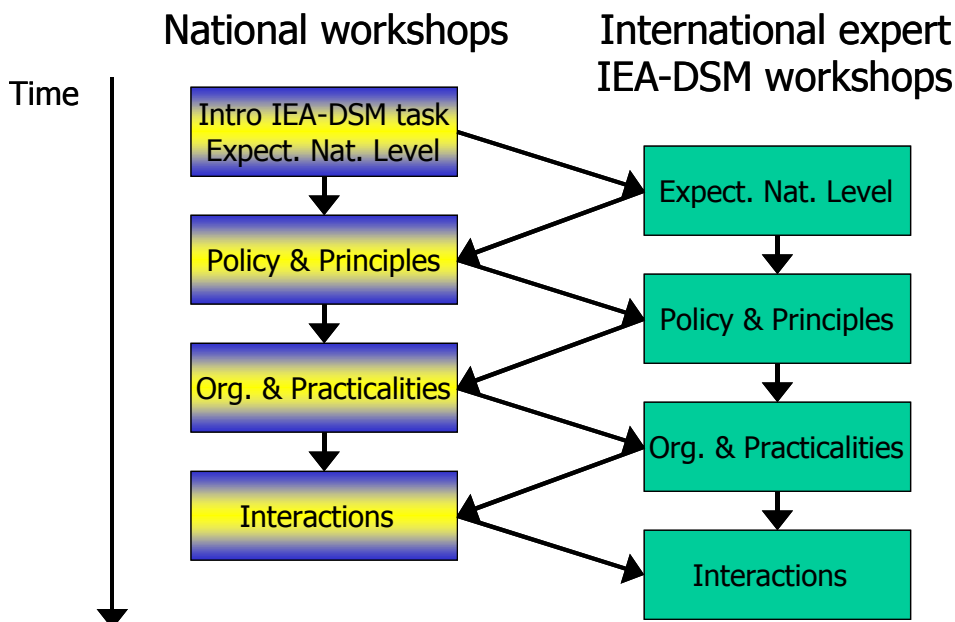
- Regardless of the additionality concern, there are some innovative technologies which can lead to energy saving greater than 15% of average consumption for existing products on market; since these technologies do not have large diffusion, market fostering for them is bound to be planned
- Value of the penalty for non-compliance. The penalty should be greater of the cost of the measures. The assumed value of 0.02€ per kWh is maybe too low (comparable with the cost of measures). So, there could be little incentive to generate certificates, even because such a penalty turns out as a fixed cost with zero cost uncertainty.
- Its not yet clear if the market will be open for trading all year, or just 3 months of the year. Is compliance with targets checked yearly?

These remarks may be considered for a contribution of French experts at the next workshop/expert meeting, also keeping into account the developments occurring in the meanwhile.

11 Swedish EE and White Certificates policies

Luis Mundaca presented an overview of the activities performed by a Swedish reference group established in the frame of a national project on White Certificates. The group is made up of about 25 people and involves some common memberships with the Task, belonging to STEM, University of Lund and Elforsk. Mr Pierre (Swedenergy), also present in CEN/CENELEC group (par. 9), is involved in the present group as well. Information on this group are given in [Appendix 8 - Sweden EE policies](#). Some remarks are listed below:

- There is a great interest in Sweden to gain a full understanding of potential WhC scheme to establish if this is a sound policy choice, but more thinking is needed over what exactly the policy goal ought to be – and how White Certificates will fit in with the mix of policy instruments.
- Reference group looks at general energy efficiency policy, with White Certificates issue covered as a particular feature of this broader context
- The Swedish group is carrying on a parallel process to IEA DSM Task work, with each Task workshop preceded by a reference group meeting on the same subject; see below figure:



- A 1st national workshop of the reference group covered national policies (e.g. EEC) and organised the relevant works in connection to task XIV.
- The group specifically addressed questions relevant the Italian scheme:
 - Q: Are the yearly goals set in energy terms or amount of certificates as such?
 - A: The yearly goals are set in primary energy terms (toe), but there is an equivalence between saved toe and issued number of White Certificates
 - Q: What happens in the end of the determined period for a specific measure – how to include "newly carried out" measures in the following system? If not, these measures will be worth less at the end of the period?
 - A: The Italian scheme gives a conventional persistence of 5 years for each measure, with a yearly value of the saved energy constant during this period; greater duration, as exception to this rule, may be decreed by the regulatory Authority
 - Q: does the Italian scheme forecast measures based on fuel switching?
 - A: The Italian scheme expresses energy savings in toe, that is in terms of primary energy savings. If a measure does not improve plant efficiency, fuel switching alone leads to no modifications of the involved consumes expressed in toe. In other words, a measure addressing fuel switching is eligible only if it involves some improvements of the plant efficiency.
- Other questions to UK:
 - Some energy companies have both energy sale/distribution and energy services. Should this be separated somehow? Which of these services are subject to the issuance of certificates?
 - What do the companies do to reach the customers and carry out EE measures? How companies chose their customers?
 - Which companies are satisfied with the system? Why?
 - Who is responsible if anything goes wrong, e.g. if insulation gives damp problems?

These remarks may be examined in a contribution of UK experts at the next workshop/expert meeting
- Better guidance and advice were expected from the European Commission in order to develop common ground for future harmonisation
- Finally, and going back to the WhC schemes in Italy, the UK and France, it is important for the working group as a whole to have a in-depth understanding about why and how this policy instrument was finally selected, and also why the specific design was chosen.

The experts of each of these Countries took the commitment to give background on development of these national policies during next workshop/experts meeting

12 Comments on the previous day workshop

Some need of clarification arose from the Task experts on the subjects considered the previous day 8/11/04 during the open workshop organised on the White Certificate issue by DEFRA:

- **Additionality: This is considered a key concern:**
 - Swedish *pragmatic* position: if the main goal of all these energy policies is to attain energy efficiency targets and a given measure is effective to this purpose, why insisting so much about its additionality?
 - UK and Italian *social* position: the eligible measures are generally encouraged by governmental incentives on acknowledged costs; a public funding should reward incremental savings and not savings which would have been attained anyway, otherwise risk is of supporting free-riders
 - What are the UK criteria for additionality? Is the level of investments connected to a measure a good criterion for it?

- **Questions for UK**

- Why is achievement in the priority group lower than that in the non-priority group?
- How might White Certificates works relate to energy performance of Buildings Directive? General feeling exists on the fact that these directives and standards are very far from procedures for energy savings assessment
- What are the conversion factors for UK fuels into carbon (figures in UK consultation document)?
- Why did UK pick C not CO₂ for these figures?
- What is the process to integrate participants of UK Emission Trading Scheme into EU ETS?
- How does UK EEC account for the life span of measures? Are there criteria on whether cumulating the acknowledged savings at the beginning of a project or splitting them over its life span? When splitting, how to account for overlapping of projects with different life spans?

These remarks may be examined in a contribution of UK experts at the next workshop/expert meeting

D. Next Events and Summary of Decisions

13 Next workshops and experts meetings

13.1 Second workshop/Third meeting

France offered to host this Task event, which will take place in Paris in April 14th-15th 2005.

13.1.1 Open workshop

The first day April 14th 2005 will be devoted to a workshop open to all the local stakeholders and interested people; it will consider in particular:

- the scheme being established in France for Energy Efficiency targets and White Certificates trading
- update of national energy efficiency policies and White Certificates implementation in other Countries (either participating to the Task or not)

In compliance with Swedish reference group's requests, French, Italian and UK Task experts will emphasise background on development of their national policies relevant to White Certificates, to allow for a in-depth understanding about why and how this policy instrument was finally selected, and also why the specific design was chosen

To assure a meaningful audience, the presence should be planned of:

- Ministry of Industry
- ADEME
- Obligated agents (EdF and maybe others)
- Academia
- Ecole de Mines (Jerome Adnot)
- Local ESCOs
- EC (DG TREN, JRC, among the others: Randall Bowie, Paolo Bertoldi)
- Managers of EU Projects on White Certificates (Ugo Farinelli for White&Green, Lorenzo Pagliano for EuroWhiteCert)
- All the Task XIV experts (see contact list in Task XIV website)
- Members of IEA-DSM Executive Committee and Operating Agents; in particular, the OA of Task XV David Crossley (Energy Future Australia Pty Ltd.) will take profit of his presence in France in that period to attend the workshop and to present the New Wales scheme on Emission Trading Scheme, which involves the White Certificates issues as a sub-scheme

The French Task Expert will be in charge of the organisation of the workshop, assisted by the Operating Agent.

The workshop will last the whole day. It was reminded that the Critical Report summing up the contributions to the workshop and the relevant discussions will be written by the Operating Agent with the assistance of the Task Experts and will be the second of the task deliverable.

13.1.2 Experts meeting

A meeting restricted to the Task Experts will be held the day after April 15th 2005. During this meeting, the Experts will have the chance of synthesising and commenting the workshop results and will prepare the next event.

13.2 Third workshop/Fourth meeting

Sweden offered to host this event. Venue will be at Lund University on June 16th-17th 2005. The University can be easily reached from Copenhagen via bridge connection. Chance will be for the Swedish reference group to attend the open workshop and to deal directly with the Task Experts. Details will be defined later.

13.3 Fourth workshop/Fifth meeting

Norway confirmed to be able to host the last event of the Task, on October-November 2005.

14 Dissemination of Task results

According to the workplan of the Task, OA took the commitment to attend at least a specialist conference to communicate and disseminate the results attained by the group during the Task development. Presence of the OA is planned at an International workshop organised by EC/JRC/Ispra (see par. 8), due in February 2005:

The Experts are invited to propose other suitable events to OA, as well as to perform themselves dissemination actions on the Task, using the material available on the Task website, and give OA notice of that.

15 Summary of decisions

The following decisions must be kept into account for the short term:

- **OA:**
 - Write down the Critical Synthesis Report containing presentations, remark and comments relevant to the London workshop held at DEFRA on Nov. 8th. Draft is planned within 1 month
 - Make available a copy of the London workshop presentations to the Swedish reference group, according to a mailing list set up by the Swedish expert
 - Involve, directly or through IEA-DSM ExCo, other Countries (Belgium, Holland, Denmark, Australia) in the Task.
 - Attend the International Workshop on White Certificates organised in February 2005 by EC/JRC
 - Assist French expert to organise Paris workshop
- **All Countries:**
 - revise and comment the draft Critical Synthesis Report on London workshop, once it is prepared by OA
 - Prepare presentations for Paris meetings relevant to developments in their national policies involving White Certificates. French, Italian and UK Task experts will emphasise background on development of their national policies relevant to White Certificates, to

allow for a in-depth understanding about why and how this policy instrument was finally selected, and also why the specific design was chosen

- **UK:** give written answers to still unfulfilled Swedish (par. 11) and general (par. 12) remarks. Beyond an implementation of this minutes, presentations at next workshop or next experts meeting in France will be suitable chances for it
- **Sweden:** send OA a list of e-mail addresses of the components of the Swedish reference group in view of delivery to them of London workshop presentations
- **France:**
 - agree with OA the details to prepare next workshop and next meeting in Paris
 - give written answers to still unfulfilled general (par.10) remarks. Beyond an implementation of this minutes, presentations at next workshop or next experts meeting in France will be suitable chances for it

The OA Antonio Capozza thanked DEFRA for the availability to host the workshop and the experts meeting, as well as Martin Devine for the efforts devoted to the organisation. OA also thanked all the Experts for their participation and for the valuable contributions they gave for the successful outcome of the events. The Experts meeting was then adjourned.

Appendixes

Appendix 1 – List of experts and ExCo members

Appendix 2 – Agenda of the meeting

Appendix 3 – Atlanta quick minutes

Appendix 4 - Example of task website

Appendix 5 – Memorandum of Understanding

Appendix 6 – Position of EC/JRC towards EU standards on energy management

Appendix 7 - THE DRAFT OF FRENCH ENERGY LAW AND WHITE CERTIFICATES SYSTEM

Appendix 8 - Swedish project on “White Certificates”: Reporting on the First National Workshop Expectations at the National level