

## Energy efficiency needs to be commoditised



**by Hans Nilsson, IEA DSM**

Anyone can tell you that energy supply has to be balanced with energy demand on the margin to give the optimal least-cost solution for an energy system. Tonnes of expert documents over the years have shown it: “Look, here is where the demand curve crosses the supply curve! The problem is solved.”

When doubt has been expressed over how these insights can be applied in practice, since a kilowatt-hour is easily measurable but a “negawatt-hour” is not, the answer has been “energy services”. People do not want energy, they want services: power, light and heating. Let energy service companies do the job and deal with the balancing.

A related argument has been that customer awareness should be raised and proper instruments developed to this end. Labels on equipment and meters should signal consumption and costs.

The curse of energy efficiency, however, is that it is delivered in small packages and requires permanent attention from the user to enable optimal action. The task is superhuman (or even in-human).

Then there are the counter-arguments from the hardcore economists. They claim people are wasting in many other areas of their life. Why don't we require demand-side management for shoes or handbags? How many handbags do we actually need? Energy, they say, is just another commodity and should be treated as such.

But climate change is now evident for all, and the link to energy is obvious. Energy use is directly related to supply and therefore needs special attention. Less use means fewer emissions. More importantly, it would be easier for renewable fuels to meet a smaller demand.

Energy efficiency is still not well-defined. In fact, it does not exist! It is a characteristic and not a tangible good. Furthermore, it is a comparative characteristic. Product A uses less energy than product B – hence it delivers the service more efficiently.

But let us accept that energy is a commodity, even if a special one. What we then need to do is to commoditise its counterpart, energy efficiency, in a way that enables it to be handled on the market.

To this end we need energy services companies, performance contractors and labels, but we need more. The industry that provides the more efficient products needs to see itself as the energy efficiency industry. Not only identify itself with the product it sells but with the function (efficiency) the product provides: energy efficiency as a commodity.

Customers should be able to recognise the energy efficiency industry from its branding, from its commoditising of the “efficiency” function.

This industry is a future core business for the entire world with a brighter future than energy-intensive sectors. The more traditional industries suffer from rising energy prices, but the energy efficiency industry profits from it.

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