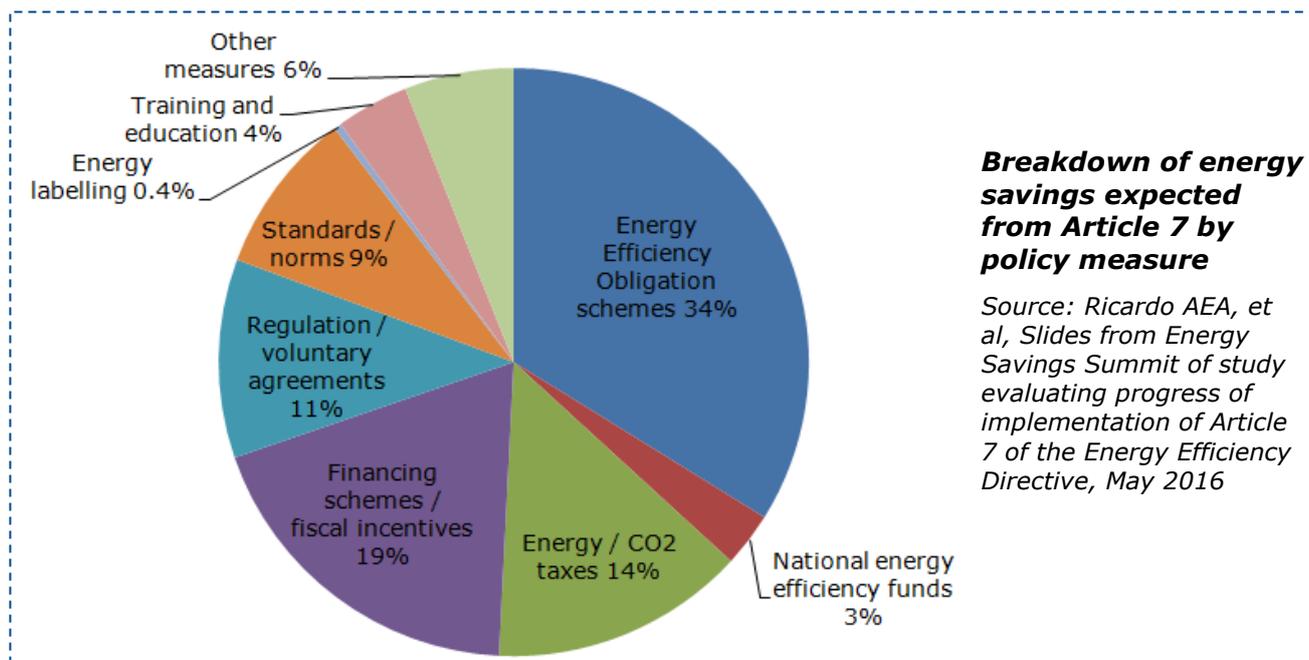


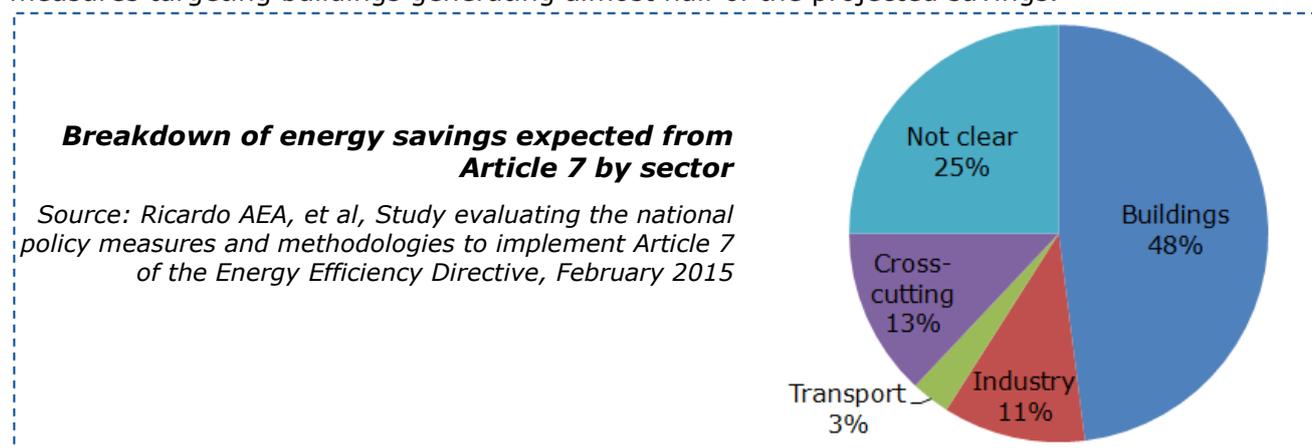
## Driving forward energy savings with Article 7 of the Energy Efficiency Directive

**Cost-effective energy savings** - The 2012 Energy Efficiency Directive (EED) (2012/27/EU) is the EU's flagship legislation setting the framework for EU and national energy efficiency policies and measures to achieve the 2020 energy efficiency target and prepare the ground for energy efficiency improvements beyond 2020. Article 7 is the cornerstone article of the Directive and commits Member States to put in place national energy efficiency measures to deliver at least 1.5% new and additional end-use energy savings every year from 2014 to 2020. This is an important step towards delivering the cost-effective potential for energy savings in Europe, i.e. delivering savings which make economic sense.

**Measures fitting national circumstances** - Article 7 allows for flexibility in the choice of instruments to suit national circumstances. Energy Efficiency Obligation schemes, which are market-based instruments implemented in several Member States, are encouraged amongst other possible "alternative measures" including energy efficiency funds, energy taxes, financing schemes, fiscal incentives, and training or education programmes.



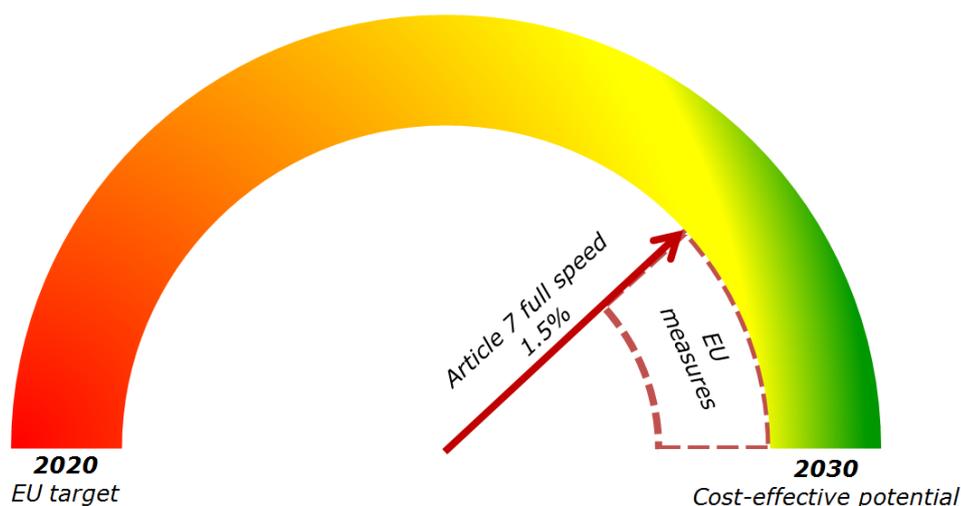
**Delivering changes on the ground** - The article delivers savings across all sectors, with measures targeting buildings generating almost half of the projected savings.



## Cultivating the savings

The measures put in place or planned in the context of Article 7 secure the single largest contribution to achieve the 2020 energy efficiency target, driving energy savings of up to 60Mtoe. This is the case even though Article 7 delivers less than half of the envisaged 1.5% annual savings due to general reductions, loopholes, lack of clarity and weak implementation. If extended and applied correctly, Article 7, together with a continuation of EU measures to improve the minimum performance of transport and products, would help put the EU on path to tapping the cost-effective potential for energy savings.

### Gapometer: How Article 7 will tap the cost-effective potential for energy savings



The upcoming review of the EED provides an opportunity to improve some of Article 7 elements which would help with implementation and ensure the delivery of real energy savings.

## Removing the sunset clause



Currently the requirement to deliver 1.5% savings per year ends in 2020. This deadline should be removed so that energy savings continue being delivered every year. This would also incentivise the implementation of measures delivering savings over longer timescales.

Ending the requirement in 2020 would waste the effort to date and result in stop-start policies which undermine investor and industry certainty and stunt the development of the energy efficiency market. It is important that the 2020 sunset is not replaced by a new end date, since this would simply delay the problem. Compliance periods and regular target reviews to 2050 would need to be set as part of planning, reporting and evaluation requirements to monitor progress and reflect changes, allowing for flexibility.

## Delivering at least 1.5% per year



Member States will have to secure new savings equivalent to at least 1.5% of final consumption each year in order to tap the cost-effective potential for energy savings and reap the associated benefits. This is currently not achieved because Member States use options to reduce the savings to be delivered to only 0.75%<sup>1</sup>. The conditions for these reductions are obscure, in particular granting a blank cheque by excluding energy sales to the transport and ETS sectors from calculating the annual savings requirement, while allowing energy efficiency measures in these sectors to be counted towards the target. This simply reduces the target without a recognisable intention. To align Article 7 with the objective of realising the cost-effective potential, this target reduction should be eliminated.

The target reductions allowing phasing-in of measures and counting early action should also be removed as they become obsolete after 2020 given that policies and measures will already be up and running.

In addition, there must be clarity about the underlying energy statistics. Currently Member States can use national data, rather than Eurostat data, to calculate their savings targets and to demonstrate compliance. This calls into question why data is officially collected in a standardised format via Eurostat in the first place. The option to choose diverging data sources puts policy coherence and reliability at stake, and might encourage exploitation and statistical tricks.

## Defining eligible and non-eligible measures



It is important that the aim of the Article, to achieve end use energy savings by dedicated energy efficiency measures that lower the sales of final energy/energy supplied to final consumers, is maintained. While the Directive makes it clear that therefore only measures with the primary aim of improving end-use energy efficiency and savings are eligible<sup>2</sup>, this is not fully respected in the current implementation.

Taxes, charges or tariffs that mainly serve other purposes, such as creating general state revenues or maintaining infrastructure, miss the aim of the Article and must be considered as non-eligible.

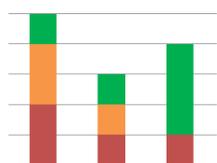
Renewable energy measures are a key issue as they are not primarily designed to deliver energy end use savings. It is important that measures to increase the share of renewable energy are complimentary and additional, and strongly supported in other EU legislation, rather than diluting the impact of Article 7. The principle of putting energy efficiency first is vital here to ensure that the measures achieve energy savings first and foremost, guiding the way towards an efficient, secure and sustainable energy system.

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<sup>1</sup> DG Parliamentary Research Services (EPRS), 2016, The Member States' plans and achievements towards the implementation of Article 7 of the Energy Efficiency Directive.

<sup>2</sup> European Commission guidance (SWD(2013) 451) states that: "This wording excludes policy measures that are primarily intended to support policy objectives other than energy efficiency or energy services [...]. Examples [...] would be construction of new roads to ease traffic congestion, various energy grid networks charges, or feed-in tariffs."

## Clarifying between Article 7 and other EU and national measures



The savings being driven by Article 7 must be a result of national action beyond and additional to EU minimum requirements<sup>3</sup>. This means simply applying Ecodesign requirements - CO<sub>2</sub> transport targets, minimum taxation and EU-ETS, for example - cannot be counted as measures delivering the Article 7 target. The Directive is clear on this point but stronger enforcement will be needed. The main area here that needs further clarification in the

Directive is related to buildings, as it is not clear how Member States' national building standards are actually going beyond the EU's minimum requirements set by the EPBD.

## Ensuring real savings



It is important that the measures put in place to achieve the target result in real energy savings. This means that the measures must have the intended consequence of reducing energy consumption and result in savings that would not have happened anyway, avoiding free riders and double counting. This is particularly relevant for financial incentives, such as loans or grant schemes, as

some of those taking up these financial incentives would have paid for the measure regardless of the value of the incentive.

Even if tax measures are intended to directly drive energy efficiency improvements, they are difficult to monitor and verify in terms of actually delivered savings. Member States should use short-term elasticities to account for the fact that tax measures have a short term influence on consumer and investment behaviour, and new steps should be introduced to deliver continuous improvements. It is particularly important to ensure that the price elasticities are clearly justified and defined by Member States and supported by evidence of how price increases from energy taxes lead to actual savings. Harmonised approaches on how to calculate the effect of taxes on reducing energy consumption and how to monitor and verify their impact are required.

Establishing monitoring and verification systems can be complicated and lengthy, but it is always worthwhile since they demonstrate the effectiveness of measures. Despite diversity in experience and quality of monitoring and verification systems in Member States, most now state that they have a functioning system in place<sup>4</sup>. Better guidance from the European Commission and greater knowledge-sharing between Member States would speed up the implementation of measures and delivery of actual energy savings because less time would be needed to set up the monitoring and verification systems before policies can begin.

<sup>3</sup> European Commission guidance (SWD(2013) 451) states that "only savings that go beyond the minimum requirements originating from EU legislation can count" and "Standards and norms that are 'mandatory and applicable in Member States under Union law' do not count"

<sup>4</sup> Findings from the [multEE](#) Horizon 2020 project that aims to improve the consistency and quality of energy efficiency policy planning and implementation through innovative monitoring and verification scheme.

## Recommendations to drive forward energy savings with Article 7 of the Energy Efficiency Directive

### To strengthen the objective of Article:

- **Remove the 2020 sunset clause to**
  - Boost investor and industry certainty;
  - Foster long-term high quality measures; and
  - Unleash energy efficiency markets.
- **Remove obscure and obsolete target reductions to**
  - Prevent the target from being reduced; and
  - Deliver at least 1.5% savings per year.

### To improve the delivery of real savings and enforcement:

- **Ensure that only Eurostat data is used as the reference to**
  - Improve compliance; and
  - Secure coherence and reliability of energy statistics.
- **Clarify that eligible measures must have the primary objective or stated intention of increasing end use energy efficiency to**
  - Foster dedicated and effective policies;
  - Avoid diluting the objective of energy savings; and
  - Uphold the principle of energy efficiency first.
- **Put in place proper reporting, monitoring and verification systems to**
  - Avoid exaggerated savings; and
  - Tackle free-riders and double counting.
- **Clarify and enforce the additionality of national actions to**
  - Remove uncertainty; and
  - Add value to EU minimum requirements.