The Coalition for ENERGY SAVINGS

BRIEFING

Assessment - General Approach on Energy Efficiency Directive

June 2017

The general approach agreed during the 26 June Energy Council could halve the annual energy saving requirement after 2020 compared to the Commission's proposal. It also postpones the decision on the binding nature of the 2030 target, failing to show a strong commitment to energy efficiency.

2030 target and 2050 perspective: Removing investors' certainty

• The text removes the **"binding"** character of the 30% target proposed by the Commission. This misses out on the potential to create certainty for investors and for the energy transition, as indicative targets have been so far ignored when planning for the energy system.

> Art 1 - 1. This Directive establishes a common framework of measures to promote energy efficiency within the Union in order to ensure that the Union's 2020 20 % headline targets and its 2030 30 % ~~**binding**~~ headline targets on energy efficiency are met and paves the way for further energy efficiency improvements beyond those dates. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets and contributions for 2020 and 2030.

• Under this new text, the EU will only need to achieve either its primary or final energy target, instead of both. Member States would have the choice to ignore one of the two targets. This **would not address the energy system in a comprehensive way**, e.g. by encouraging both supply and demand side efficiency.

> Art 3 - 4. Each Member State shall set indicative national energy efficiency contributions towards the Union's 2030 target referred to in Article 1 paragraph 1 in accordance with Articles [4] and [6] of Regulation (EU) XX/20XX [Governance of the Energy Union]. When setting those contributions, Member States shall take into account that the Union's 2030 energy consumption has to be no more than 1 321 Mtoe of primary energy and**/or** no more than 987 Mtoe of final energy. Member States shall notify those contributions to the Commission as part of their integrated national energy and climate plans in accordance with the procedure pursuant to Articles [3] and [7] to [11] of Regulation (EU) XX/20XX [Governance of the Energy Union].

• The text removes the **2050 perspective for Article 7**, which is not aligned with long-term climate and energy imperatives and destroys the long term visibility for investors.

> Art 7-1. [...] ~~**Member States shall continue to achieve new annual savings of 1.5% for ten year periods after 2030, unless reviews by the Commission by 2027 and every 10 years thereafter conclude that this is not necessary to achieve the Union's long term energy and climate targets for 2050.**~~
>
> Art 24 - 12. The Commission shall evaluate this Directive by 28 February 2024 at the latest, and every five years thereafter, and shall submit a report to the European Parliament and the Council. ***That report shall, in particular, examine whether to change the final date laid down in Article 7(1)(b) and whether to adapt the requirements and the alternative approach laid down in Article 5 after 2030.*** That report shall be accompanied, if appropriate, by proposals for further measures.

Article 7: Halving ambition

While the Commission's proposals had already proposed to maintain existing loopholes (which means that before 2020 only half of the 1.5% annual savings are secured), the general approach agreed during the 26 June Energy Council could further halve the annual energy saving requirement after 2020 (compared to the Commission proposal). In the year 2030, around 41 Mtoe savings will be lost. This means that in 2030[1]:

- ➔ Gas imports increase by 13%
- ➔ GDP is lowered by €70bn
- ➔ 400,000 jobs are lost
- ➔ Residential GHG emissions grow by 5.5%
- ➔ Health and pollution costs are €4.5 to 8.3bn higher
- ➔ Households see their energy bills increased by €110

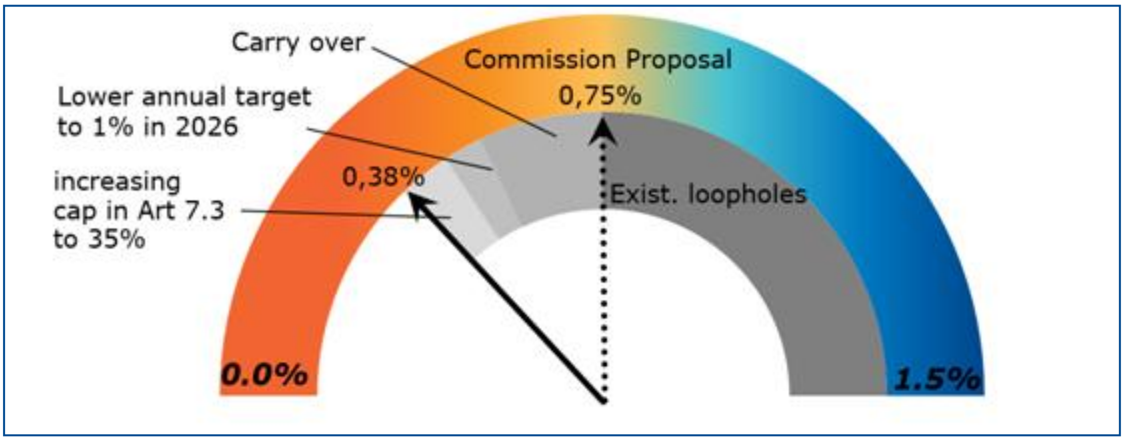

Figure 1 – Art 7 reduced by 49% compared to Commission's proposals, to 0.38% annual savings

In more details:

• The text allows **carryover of excess savings** from the first period to the second period, which creates a risk of stop-and-go policies. According to the national progress reports, most Member States declare overachieving the minimum savings in 2014-2020.

> ***New:*** Art 7 - 4a. Member States that exceed the cumulative energy savings amount required from 1 January 2014 to 31 December 2020 may count any excess savings towards the cumulative energy savings amount required for the period to 31 December 2030.

• The text also proposes **retroactive changes** about the eligibility of savings in the first period of Article 7, opening the door for counting savings which are not additional. The impact of this change is unknown, but could lead to increase the amount of savings to be carried over without additional activities in Member States.

> Annex V - 2b [...] ***Savings resulting from the implementation of national minimum requirements established for new buildings prior to the transposition of Directive 2010/31/EU can be claimed under paragraph 1(a) of Article 7(1)(a), provided the materiality criterion referred to in part 3(h) is ensured.***

[1] Compared to the Commission's proposal. These impacts are presented in the Commission's impact assessment.

• The text lowers the Article 7 **to 1% annual savings from 2026**, unless EU legislators decide otherwise.

> Art 7 - 1. Member States shall achieve cumulative end-use energy savings at least equivalent to:
> (a) new savings each year from 1 January 2014 to 31 December 2020 of 1.5 % of annual energy sales to final customers by volume, averaged over the most recent three-year period prior to 1 January 2013;
> (b) new savings each year
> ***-*** from 1 January 2021 to 31 December ***~~2030~~*** ***2025*** of 1.5 % of annual energy sales to final customers by volume, averaged over the most recent three-year period prior to 1 January 2019***;***
> ***- from 1 January 2026 to 31 December 2030 of 1.0 % of annual energy sales to final customers by volume, averaged over the most recent three-year period prior to 1 January 2019***.
>
> **New:** Art 7 - 8. By 30 June 2024, the Commission shall assess progress achieved towards the headline targets set out in Article 3(4) and whether in the light of this assessment the value laid down in the second indent of paragraph 1(b) should be increased up to 1.5% for the period from 2026-2030. If appropriate, the Commission shall submit a legislative proposal to this end.

• The text creates a derogation for **small insular Member States** to achieve less annual savings.

> Art 7-1 – [...] ***New:*** By derogation, small insular Member States shall achieve new savings each year from 1 January 2021 to 31 December 2030 equivalent to 0.8% of annual energy sales to final customers by volume, averaged over the most recent three-year period prior to 1 January 2019.

• The possibilities to count **"renewable energy generated in or on buildings for own use" as energy savings** – up to 30%, and to account **savings from first period individual actions to fulfil second period requirements** are added to the statistical tricks included in Article 7-2[2]. This increases the range of loopholes Member States can use to reduce the 1.5% savings, which now can be used up to **35%** of the calculated target (instead of 25% in the Commission proposals).

> Art 7-2. [...]
>
> (e) ***count energy savings that stem from policy measures provided it can be demonstrated that those measures result in individual actions undertaken after 1 January 2018 and before 31 December 2020 which deliver savings after 31 December 2020.***
>
> ***(f)*** exclude from the calculation of the energy savings requirement referred to in paragraph 1***,*** ***30% of*** the verifiable amount of energy generated on or in buildings for own use as a result of policy measures promoting new installation of renewable energy technologies.
>
> Art 7-3. All the options chosen under paragraph 2 taken together must amount to no more than ***~~25~~*** ***35*** % of the amount of energy savings referred to in paragraph 1. [...]

[2] e.g. the possibility for Member States to reduce the savings to be delivered by an amount equivalent to a part or all of the energy sold to ETS industries (Art 7-2.b) and to count savings resulting from actions already implemented before the EED adoption (Art 7-2.d).

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• The text also weakens the requirement for Member States to demonstrate that the savings achieved in Article 7 are **additional** to what would have happened without the Member State's intervention, and are **caused by this intervention**.

> Annex V - 2. (a) the savings must be shown to be additional to those that would have occurred in any event without the activity of the obligated, participating or entrusted parties and/or implementing authorities. To determine what savings can be claimed as additional Member States shall ~~***establish a baseline that describes***~~ ***take into account*** how energy ~~***consumption***~~ ***use and demand*** would evolve in the absence of the policy measure in question. ~~***The baseline shall reflect at least the following factors: energy consumption trends, changes in consumer behaviour, technological progress and changes caused by other measures implemented at national and EU level***~~;
>
> Annex V - 2. (b) savings resulting from the implementation of mandatory Union legislation are considered as savings that would have occurred in any event ~~***without the activity of the obligated, participating or entrusted parties and/or implementing authorities***~~, and thus may not be claimed under paragraph 1 of Article 7~~, ***except for***~~***. By way of exception,*** savings related to the renovation of existing buildings ***can be claimed under paragraph 1of Article 7,*** provided the materiality criterion referred to in part 3(h) is ensured. [...]
>
> Annex V - 3. (h) the activities of the participating party, entrusted party or implementing public authority are shown to ~~***have caused***~~ ***be material to*** the achievement of the claimed savings.

• The text also weakens the obligation to **document savings** and some of the assumptions made.

> Art 7a - 4. Member States shall put in place measurement, control and verification systems under which ~~***documented audits are carried out on***~~ ***at least*** a statistically significant proportion and representative sample of the energy efficiency improvement measures put in place by the obligated parties ***is verified***. This measurement, control and verification shall be conducted independently of the obligated parties.
>
> Art 7b - 3. For all measures other than those relating to taxation measures, Member States shall put in place measurement, control and verification systems under which ~~***documented audits are carried out on***~~ ***at least*** a statistically significant proportion and representative sample of the energy efficiency improvement measures put in place by the participating or entrusted parties ***is verified***. This measurement, control and verification shall be conducted independently of the participating ~~***and***~~ ***or*** entrusted parties.';
>
> Annex V - 2. (h) the calculation of energy savings shall take into account the lifetime of measures. [...] ~~***Member States shall describe in detail in their Integrated National Energy and Climate plans under the Energy Union Governance the other methods they have used and which provisions have been made to ensure they meet this binding calculation requirement.***~~

The Coalition for Energy Savings (AISBL) strives to make energy efficiency and savings the first consideration of energy policies and the driving force towards a secure, sustainable and competitive European Union. Its membership unites businesses, professionals, local authorities, cooperatives, trade unions, consumer and civil society organisations in pursuit of this goal. Coalition members represent:
• more than 500 associations and 200 companies
• 15 million supporters and more than 2 million employees
• 2,500 cities and towns in 30 countries in Europe

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More information: Position paper on The Clean Energy for All Europeans package

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