

## BRIEFING

# ASSESSMENT – European Parliament Report on the Energy Efficiency Directive

January 2018

*On the 17 January 2018, the European Parliament adopted its report on the revision of the Energy Efficiency Directive (EED). This briefing provides an assessment of the outcome of the vote.*

## 2030 target: One step further towards tapping cost-effective potential

**Article 1–1** - This Directive establishes a common framework of measures to promote energy efficiency within the Union, **implementing the 'energy efficiency first' principle throughout the full energy chain, including energy generation, transmission, distribution and end-use**, in order to ensure that the Union's 2020 20 % headline targets and its 2030 ~~30~~ **minimum 35 %** binding headline targets on energy efficiency are met and paves the way for further energy efficiency improvements beyond ~~those dates~~. **2030, in line with the Union's long-term energy and climate goals for 2050 and the Paris Agreement**. 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;

**Article 3–4** - Each Member State shall set indicative national energy efficiency ~~contributions-targets~~ towards the Union's 2030 target referred to in Article 1 paragraph 1 **and** in accordance with Articles [4] and [6] of Regulation (EU) XX/20XX [Governance of the Energy Union]. [...]

- The Parliament's report sets a **minimum 35%** energy efficiency target for 2030. According to research presented in the Commission's impact assessment<sup>1</sup>, the EU could cost-effectively save 40% of its energy consumption by 2030. A large profitable energy savings reservoir would remain untapped with a 35% target. Nevertheless, it would considerably improve the Commission's proposal for a 30% target: for every 1% extra energy savings by 2030, EU gas imports fall by 4%, greenhouse gas emissions decrease by 0.7% and employment increases by 336,000 jobs.
- The text confirms the need for the **binding** character of the target proposed by the Commission, creating certainty for investors and for the energy transition. The Parliament however does not set up national binding targets - which would be needed to maximise certainty. The Parliament's report on the Governance of the Energy Union regulation sets linear trajectories for energy efficiency targets, an important step to improve accountability.

## Article 7: Maintaining progress and accelerating delivery post 2020

### Article 7 - Energy savings obligation

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 of **at least** 1.5 % of annual energy sales to final customers by volume averaged over the most recent three-year period prior to 1 January 2019.

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.

***Savings in each period shall build cumulatively upon the amount of savings to be achieved in the previous period(s). Where earlier policy measures, programmes, and/or individual actions are no***

<sup>1</sup> Fraunhofer ISI, PWC and TU Wien, 2014. Data used in European Commission, 2016, Impact assessment accompanying the Proposal for a Directive of the European Parliament and of the Council amending Directive 2012/27/EU on Energy Efficiency, p.17.

*longer delivering savings, the loss of those savings shall be accounted for when calculating the overall amount of savings to be achieved at the end of each period, and the loss replaced by new savings.*

~~For the purposes of Savings required for the period referred to in point (b), shall be cumulative and additional to the savings required for the period referred to in point (a). To that end,~~ and without prejudice to paragraphs 2 and 3, Member States may count ~~only those~~ energy savings that stem from new policy measures introduced after 31 December 2020 or ~~earlier~~ policy measures ~~introduced during the period from 1 January 2014 to 31 December 2020,~~ provided it can be demonstrated that those measures result in *new* individual actions that are undertaken after 31 December 2020 and deliver savings. *Member States may also count savings from the individual actions that are undertaken during the period from 1 January 2014 to 31 December 2020 provided that they continue to deliver verifiable energy savings after 2020.*

- The report confirms the **2050 perspective for Article 7**, in line with long-term climate and energy imperatives, providing visibility for investors.
- In order to trigger a **regular uptake of energy efficiency measures**, it clarifies that the progress achieved before 2020 is to be maintained after 2020. Indeed, if delivered annual savings from an intervention implemented in the first period decline in the following periods (because an equipment or system reaches its end of life or presents reduced performance), the missing savings have to be replaced – and cannot be considered as new and additional. This ensures that annual savings build up over time. The Parliament’s text also allows for the appropriate treatment of savings from interventions with longer lifetimes such as building envelope renovations or mobility infrastructure, acknowledging the efforts of the Member States that have chosen to invest in such measures and actions already before 2020.

#### Article 7 - Energy savings obligation

[...] ~~The~~ *For the purposes of the period referred to in point (a) only, the* sales of energy, by volume, used in transport may be partially or fully excluded from these calculations. *Sales of energy used in transport shall be fully included in the calculations for the period referred to in point (b) and beyond.*

Member States shall decide how the calculated quantity of new savings is to be phased over each period referred to in points (a) and (b) as long as the required total cumulative savings have been achieved by the end of each period.

2. Subject to paragraph 3, each Member State may:

(a) carry out the calculation required by point (a) of paragraph 1 using values of 1 % in 2014 and 2015; 1.25 % in 2016 and 2017; and 1.5 % in 2018, 2019 and 2020;

(b) exclude from the calculation all or part of the sales, by volume, of energy used in industrial activities listed in Annex I to Directive 2003/87/EC;

(c) allow energy savings achieved in the energy transformation, distribution and transmission sectors, including efficient district heating and cooling infrastructure, as a result of implementing the requirements set out in Article 14(4), point (b) of Article 14(5) and Article 15(1) to (6) and (9), to be counted towards the amount of energy savings required under **point (a) and (b) of** paragraph 1; **and**

(d) count energy savings resulting from individual actions newly implemented since 31 December 2008 that continue to have an impact in 2020 and ~~beyond and~~ which can be measured and verified, towards the amount of energy savings referred to in **point (a) of** paragraph 1; ~~and.~~

~~(e) exclude from the calculation of the energy savings requirement referred to in paragraph 1 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.~~

3. All the options chosen under paragraph 2 taken together must amount to no more than 25 % of the amount of energy savings referred to in paragraph 1. Member States shall apply and calculate the effect of the options chosen for the periods referred to in points (a) and (b) of paragraph 1 separately:

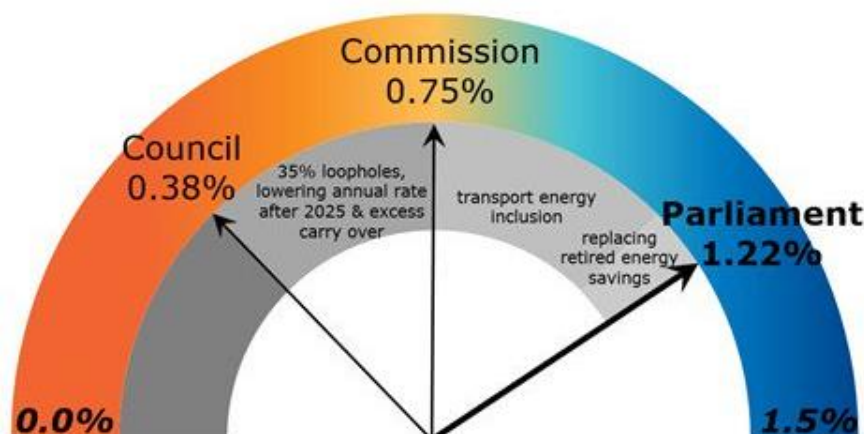
(a) for the calculation of the amount of energy savings required for the period referred to in point (a) of paragraph 1 Member States may make use of points (a), (b), (c), and (d) of paragraph 2;

(b) for the calculation of the amount of energy savings required for the period referred to in point (b) of paragraph 1 Member States may make use of points (b), (c), (d) and (e) of paragraph 2, provided individual actions in the meaning of point (d) continue to have a verifiable and measurable impact after 31 December 2020.

- The report closes the gap towards the delivery of the annual energy savings requirement in Article 7. In the Commission’s proposal, Member States were allowed to use different options to reduce their annual savings under Article 7 of the EED from 1.5% to 0.75% per year. One of these options, which

has been used by 27 Member States so far, is the possibility to exclude transport energy consumption from the baseline when calculating the energy savings needed to fulfil their 1.5% objective. The Parliament's report requires transport energy consumption to be fully included in the baseline calculation after 2020, which **increases ambition by 50%** and is instrumental in creating market opportunities and jobs in the flourishing energy efficiency business sector.

- The Parliament however maintains the options for Member States to deliver less than the 1.5% objective (up to 25% of the calculated end-use savings), which was used in practice to lower the delivery of energy efficiency improvements with the help of **'statistical tricks'**, namely 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 (Article 7-2-b) and to count savings resulting from actions already implemented before the EED adoption (Article 7-2-d). According to the text adopted by the European Parliament, renewable energy produced and used on site may not be counted under the 25% cap.



**Figure 1 – Art 7 improved to 1.22% effective annual savings compared to Commission's 0.75% proposals and Council 0.38% annual savings**

**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 how energy consumption would evolve in the absence of the policy measure **and the resulting new individual action** 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-Union** level;

**Annex V – 2 – h** - the calculation of energy savings shall take into account the lifetime of measures. **This may and the rate at which the savings decline over time.** [...]

- The report strengthens 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 to take into account the effect of measures over time. The report on the Governance regulation also improves the notification and reporting requirements on Article 7.

The Coalition for Energy Savings 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, trade unions, cooperatives, consumer and civil society organisations in pursuit of this goal. Coalition members represent:

- more than 500 associations, 200 companies, 1,240 cooperatives
- 15 million supporters, more than 2 million employees and 650,000 members of cooperatives
- 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](#)