The Coalition for ENERGY SAVINGS

BRIEFING

Negotiations on the Energy Efficiency Directive: What is at stake?

January 2018

In February, inter-institutional negotiations on the revision of the Energy Efficiency Directive (EED) will start, led by Parliament's Rapporteur Miroslav Poche (CZ, S&D) and the Bulgarian Presidency of the Council of the EU. The Parliament's report on the EED was adopted by a wide cross-party majority on 17 January 2018. The Council's General Approach was struck by the Maltese Presidency in June 2017. Six countries objected and two abstained, while seven countries expressed their support for more ambition. This briefing provides stakeholder recommendations and summarises the main issues where Member States and Parliament will seek an agreement.

1. Summary of stakeholder recommendations

Legislators have the opportunity to accelerate the delivery of energy efficiency policies and give life to an Energy Union which works for citizens and provides opportunities for businesses with:

A binding 2030 target taking into account the cost-effective potential.

- **Cost-effective potential:** According to research findings presented in the impact assessment for the EED revision proposal[1], the EU could cost-effectively save 40% of its energy consumption by 2030. 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.
- **Binding target:** The target should be binding, and set in primary and final energy, as indicative targets are ignored when planning for the energy system, therefore running the risk of driving investments into costly and redundant infrastructure.

A solid annual energy savings obligation. Article 7 is instrumental to boost energy efficiency markets and ensure that consumers directly benefit from the Clean Energy package. This requires:

- **A 2050 perspective** in line the Commission's proposal;
- **Progress maintained over time,** by ensuring that periods are cumulative and that the savings achieved during one period (e.g. 2014-2020) are maintained over the next period(s) (e.g. 2021-2030) as proposed by the Parliament.
- **1.5% annual savings**, thanks to:
  - **Full inclusion of transport in Article 7 baseline**: Member States have the possibility to exclude transport energy consumption from their baseline when calculating the energy savings needed to fulfil their 1.5% objective. When the loophole was introduced in 2012, Member States claimed that they could not influence the energy consumed in the transport sector. An important energy savings potential remains in this sector and in the economy, and this should be taken into account when defining the 1.5% objective under Article 7, as proposed by the Parliament.
  - **Minimising the use of 'statistical tricks'**, i.e. the possibility to reduce the savings to be delivered by an amount equivalent to a part or all of the energy sold to ETS industries and to count savings resulting from actions already implemented before the EED adoption. In addition, the Council's proposals to slow down activities after 2020 on the basis of pre-2020 action should be rejected.
  - **1.5%** objective should be maintained and not reduced to 1% from 2026 onwards as proposed by Council.
  - **No retroactive changes to eligibility** of measures as proposed by the UK and supported in the Council, as this is not a good legislative practice.
  - **Sound additionality and materiality** criteria as clarified by the Commission and refined by the Parliament to ensure that Article 7 drives new savings and creates new markets.

[1] Fraunhofer ISI, PWC and TU Wien, 2014. Data used in European Commission, 2016, Impact assessment, p.17.

2. What did the three institutions say?

European Commission | European Parliament | Council of the European Union

2030 target

• **30%** (compared to business-as-usual projections).	• Raises to **minimum 35 %** by 2030 (cross-party agreement).	• Accepts **30%** target proposed by Commission.
• Target set in **primary and final energy,** addressing energy system in comprehensive way by encouraging supply and demand side efficiency.	• Supports Commission proposal for a target set in **primary and final energy**.	• Target set in **primary or final energy.** Member States would have the choice to ignore one of the two targets.
• **Binding EU target, national indicative contributions.** The binding target creates certainty for investors and for the energy transition.	• **Binding EU target, national targets**. Confirms EU binding target. Member States set their own national targets to achieve this EU target. The report on the Governance of the Energy Union improves accountability with "binding linear trajectories".	• **Absence of an agreement** between Member States on whether the EU target should be binding or not. Member States want to set their own "indicative contributions".

Article 7

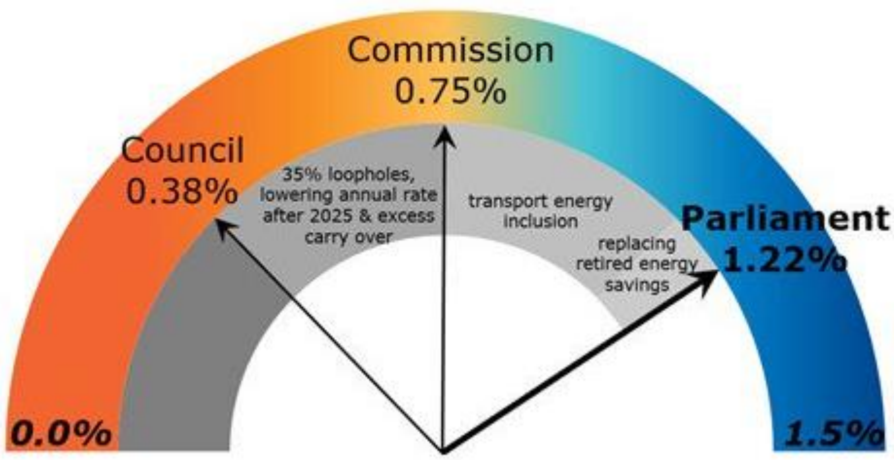

Figure 1 – Article 7 annual savings under the Council general approach, Commission proposal and Parliament report

European Commission	European Parliament	Council of the European Union
2050 perspective		
• The Commission provided a **2050 perspective** for Article 7, with a view to provide visibility for investors.	• The Parliament's report confirms the Commission's proposal for a **2050 perspective for Article 7**.	• The text **eliminates the 2050 perspective** for Article 7, against long-term climate and energy imperatives.
Maintaining progress		
• The Commission text requires energy savings to be **cumulative** but is not clear on the savings being cumulative between the different periods of Article 7. As such, it does not provide for the appropriate treatment of the interventions with long-term lifetime.	• The Parliament's text requires **maintaining the effect of pre-2020 measures after 2020** with cumulative periods. If savings from an intervention in the first period decline in the following periods, those missing savings have to be replaced – and cannot count as new and additional. This helps acknowledge the value of interventions with a long-term lifetime taken before 2020.	• The Council calls for new loopholes ('statistical tricks') to slow down activities after 2020 on the basis of pre-2020 action but does not make proposals to acknowledge the efforts of Member States who have implemented **interventions with longer lifetime** (such as buildings envelope renovations or mobility infrastructure).
Reaching 1.5% objective		
• The Commission proposes to maintain after 2020 the possibility to **exclude transport** energy consumption from the baseline when calculating the 1.5% objective.	• After 2020, Parliament requires **transport energy consumption to be fully included** in the baseline, closing a major loophole.	• The Council wants to maintain the possibility to **exclude transport** energy consumption from Member States' baseline after 2020.
• The Commission proposes to maintain the option for Member States to deliver less than the 1.5% objective (by using **'statistical tricks'**[2] - up to **25%** of the calculated savings).	• The Parliament accepts the use of the **'statistical tricks'** as proposed by the Commission (up to **25%** of the calculated savings).	• The Council wants to increase the use of **statistical tricks from 25% to 35%** (of the calculated savings). It also wants to add under the 35% cap the possibility to count **savings from first period** actions to fulfil second period requirements.
• According to the Commission proposal, renewable energy produced and used on site may be counted under the 25% cap.	• According to the European Parliament, renewable energy produced and used on site may not be counted under the 25% cap.	• According to the Council, up to 30% of the renewable energy produced and used on site may be counted under the 35% cap.

[2] 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).

European Commission	European Parliament	Council of the European Union
		• Member States also propose to **carryover excess savings** from the first period to the second period, with the risk to encourage stop-and-go policies.
• Annual end-use **objective stable until 2050.**	• Annual end-use **objective stable until 2050.**	• The text lowers Article 7 to **1%** annual savings from 2026 onwards, unless EU legislators decide otherwise.
• **No country-specific derogation**	• **No country-specific derogation**	• Council creates derogation for **Malta and Cyprus** to achieve less annual savings (0.8% instead of 1.5%).
• Commission **clarifies eligibility** of measures.	• Parliament **confirms eligibility** of measures as proposed by the Commission.	• Following a request from the UK, the Council proposes **retroactive changes** about the eligibility of savings in the first period of Article 7 (related to new buildings codes, Annex V-2b), opening the door for counting savings which are not additional.
• The Commission proposal maintains and improves rules on **additionality and materiality.**	• The Parliament clarifies 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 text **weakens** the requirement 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. It also weakens the requirements to document savings and some of the assumptions made.

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 can be found in our Position paper on The Clean Energy for All Europeans package.

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