

BRIEFING

Deploying the full energy savings potential of Article 7 of the Energy Efficiency Directive

Context - Article 7 is the cornerstone article of the Energy Efficiency Directive (EED). It requires Member States to put in place national energy efficiency measures to deliver new and additional end-use energy savings every year.

- It provides a regular **growth** perspective for energy efficiency market, as it is based on incremental annual savings.
- It allows for **flexibility** in the choice of instruments, therefore suiting national circumstances.
- It is already delivering **results**, securing the single largest contribution to achieve the 2020 energy efficiency target by driving energy savings of up to 60Mtoe per year.

Art 7 was conceived so that Member States secure new savings equivalent to **1.5%** of energy sales each year.

This is currently not achieved because Member States are allowed to use different options to reduce savings to only **0.75%** per year.

In particular, all Member States but Sweden are using the possibility to exclude **transport energy consumption** from their baseline when calculating the energy savings needed to fulfil their 1.5% objective.

Some of these Member States however account for savings stemming from the transport sector, even if transport is not included in the baseline.

The Commission proposes to extend Article 7 beyond 2020 but maintains the possibility for Member States to exclude energy consumption in the transport sector from their baseline when calculating annual savings requirements.

When this provision was included in the EED during the legislative process, Member States were arguing that the energy savings potential in the transport sector is very small. **In 2017, as legislators are examining in the Commission's proposals, is that argument valid?**

This briefing has been prepared by the **Coalition for Energy Savings**, and represents the views of a multi-stakeholder and cross-sectoral platform. More information about how to maximise the delivery of benefits from the Energy Efficiency Directive can be found in our [position paper](#). 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, 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

A transition towards high efficient transport is at the starting line



The last years have seen dramatic developments in the transport sector. Those changes are driven by new technologies and by concerns about quality of life and public health.

A new vision is about to emerge, which - similarly to what has been happening in the buildings sector, is likely to envisage a dramatic reduction of energy demand through efficiency improvements accompanied by an increased take up of less environmentally damaging forms of energy supplies. The efficiency limits of combustion engines are unlikely to be the end - they are rather the beginning of an evolution toward a high efficient mobility.

While further EU actions are expected later in 2017 to improve the energy and CO₂ performance of the EU's vehicle fleet after 2020, national government and municipalities have at their exclusive disposal a **wide range of measures** to incentivise citizens and business to choose for and invest in more efficient transport solutions. These include financial and pricing incentives as well as the provision of adequate infrastructure to allow switching transport modes or purchasing highly efficiency electric vehicles.

There is a citizen's demand for more transport energy efficiency, enabling much higher national energy savings in transport, while delivering many co-benefits such as cleaner air in cities.

An important energy savings potential is emerging in the transport sector

According to latest research by Ricardo Energy & Environment¹ only **9%** of savings 2014-2020 reported by Member States under the EED's Article 7 are delivered in the transport sector while around **30%** of energy is actually consumed in that sector.

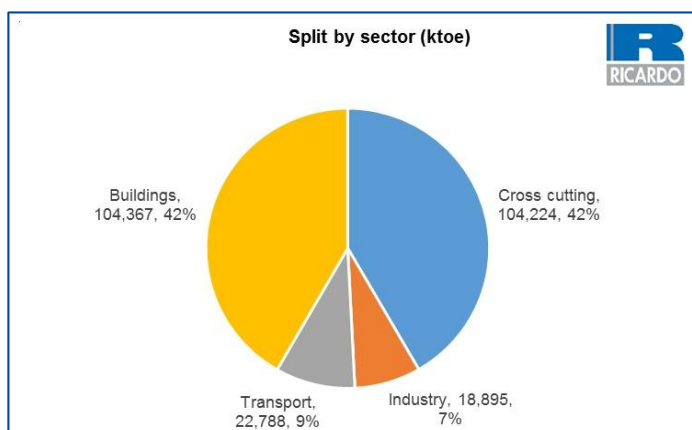


Figure 1 - Transport measures account for only 9% of Article 7 savings



The research also shows that for the next Article 7 period (2021-2030), transport savings **could be more than five times higher**, a level which is equivalent to the additional savings which would be required if the transport exemption would be removed for that period.

¹ Ricardo Energy and Environment, 2017, [Study on national policies reported in the transport sector under Article 7 of the Energy Efficiency Directive and energy savings potential for the period 2021-2030](#), Report for the Coalition for Energy Savings

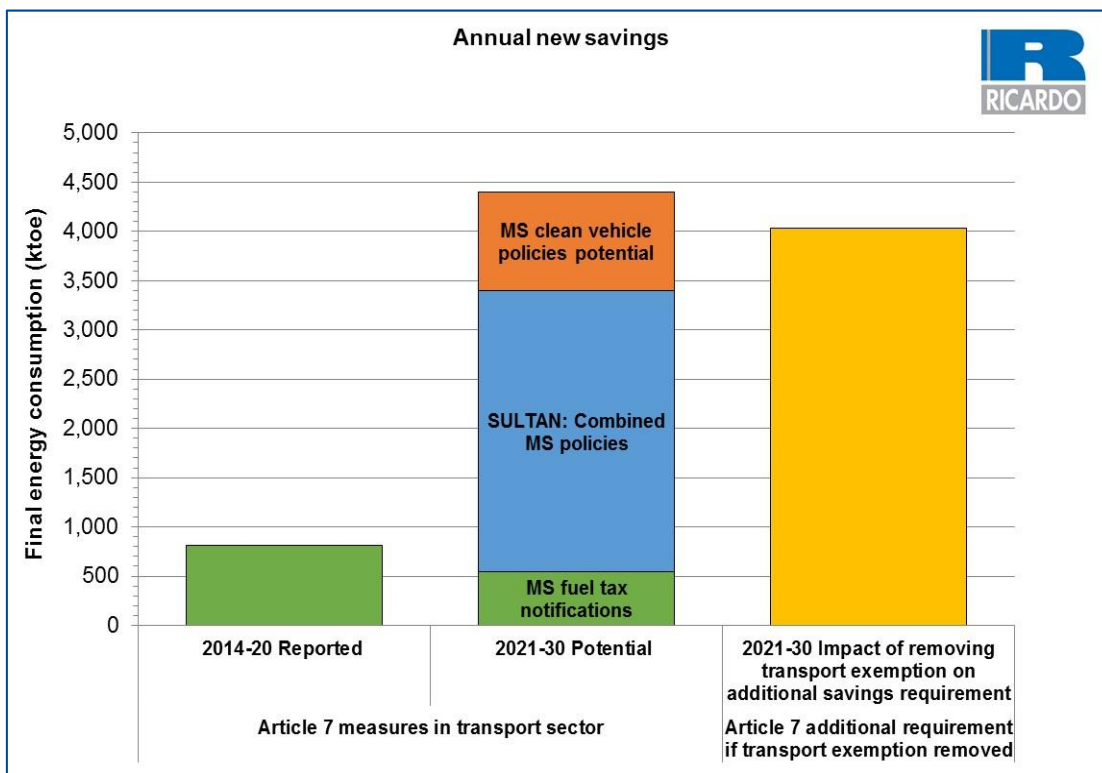


Figure 2 – In the next Art 7 period, transport savings could be more than 5 times higher, a level equivalent to additional savings required if the transport exemption is removed

The study has looked into a number of **selected potential policy options** Member States could take to achieve more energy savings in the context of Article 7 in the transport sector. They include:

- Improvements to public transport, cycling and walking which leads to an increase of their shares by 8% in urban areas and 3% in non-urban areas;
- 6% shift of heavy truck tonne-kilometres (tkm) to inland shipping and rail by 2030;
- Improved speed enforcement and reduction of average motorway speeds;
- Training for fuel efficient driving - decreasing energy consumption by around 3% in 2030;
- Reform of company car tax to eliminate subsidies that encourage increased activity, vehicle numbers, and larger/less efficient vehicles;
- Increase in fuel taxation - leading to energy savings of 4-5% for road vehicles; and
- Complementary policies to improve the uptake of plug-in electric vehicles or other types of low emission vehicles, which can increase the new fleet performance by nearly 20%, as shown by the Netherland's CO₂-dependent vehicle registration tax on new vehicles, which provides strong incentives for battery electric and plug-in hybrid vehicles, along with further electric vehicle support policies.

Research from Ricardo Energy & Environment shows that Member States already have at their disposal the policy toolkit to increase transport energy savings in the context of Art 7 by a factor 5. The savings stemming from these measures would be of similar size as the additional savings required to remove the transport exemption.

Making Article 7 ready for the post 2020 reality

Together with the potentials in the other sectors (buildings and industry), the emerging transport savings potential makes removing all Article 7 loopholes feasible and desirable.

An EED improved in this way will make a great step towards securing the full EU's energy savings potential and maximising tangible outcomes for

people and business including jobs, lower energy bills, and importantly improved air quality.

It is feasible and desirable to remove all exemptions and statistical tricks to achieve a full 1.5% annual savings which will maximise benefits for people and businesses.

