



# ENERGY EFFICIENCY

Getting real: from EU law  
to action on the ground

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### The Coalition for Energy Savings

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.

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## Table of contents

### 5 RECOMMENDATIONS OVERVIEW

P 4

### KEY TERMS

P 6

### KEY DATES FOR ENERGY EFFICIENCY IMPLEMENTATION

P 7

**#1 RECOMMENDATION**  
Set a meaningful direction  
with national energy efficiency  
targets

P 8

### BENCHMARK FOR MEMBER STATES' TARGETS

P 10

**#2 RECOMMENDATION**  
Provide a clear plan  
for energy efficiency  
measures

P 12

**#3 RECOMMENDATION**  
Put in place good infrastructure  
planning for supporting the  
transition

P 14

**#4 RECOMMENDATION**  
Close the energy savings  
investment gap

P 16

**#5 RECOMMENDATION**  
Consult stakeholders about  
investments that matter

P 18

## 5 recommendations on the Clean Energy package

With the implementation of the **Clean Energy package**, EU Member States are moving into the next phase of energy efficiency policies, at a moment when citizens are increasingly aware of environmental challenges and keen on benefiting from policies which bring direct economic and social advantages.

The IPCC special report on 1.5°C global warming shows how urgently the EU must achieve carbon neutrality. **A bold energy efficiency policy** is the precondition for successful climate action. An ambitious policy gives businesses and investors a clear sense of direction and creates competitive innovation. It strengthens the European Union's economic and geopolitical influence. And not least, it helps bring about a just transition that will ensure this generation leaves a healthier and more equitable planet behind.

By the end of **2019**, Member States will have finalised their integrated national energy and climate plans (NECPs), which will for the first time provide a comprehensive picture of national targets and policies for climate and energy. Fast-tracking efficiency in these NECPs will lead to huge benefits for all Europeans.

EU energy efficiency policies must be turned into action on the ground: in Member States, in cities and in people's lives and businesses.

This report outlines **five essential steps** to help achieve this.

#1 

Set a meaningful direction with national energy efficiency targets

WHAT THE CLEAN ENERGY PACKAGE BRINGS

- At least 32.5% energy efficiency target for 2030
- Process to set national contributions
- Mechanism for collective achievement of EU target
- Annual end-use energy savings obligation until 2050

RECOMMENDATIONS TO MEMBER STATES

Member States should:

- Set national 2030 targets to maximise immediate benefits of fulfilling the Paris Agreement
- At minimum, start from EU legislation and commitments
- Base national targets on bottom-up assessment of energy saving potential
- Reflect different dimensions of energy and climate policies

## #2

### Provide a clear plan for energy efficiency measures

- Outline of national policies and measures
- Transparent analytical basis showing their impact
- Description of the interaction between different policies

## #3

### Put in place good infrastructure planning for supporting the transition

- Definition of energy efficiency first principle
- Application to each planning, policy and investment decision
- Energy savings test for infrastructure decisions
- Commission to ensure respect of the principle

## #4

### Close the energy savings investment gap

- Tools to improve financing conditions
- Member States to disclose the amount of financing needed

## #5

### Consult stakeholders about investments that matter

- More transparency in decision-making
- Public consultation in Member States
- Permanent multilevel climate and energy dialogues
- Accessibility of data
- Public reporting by European Commission

#### Member States should:

- Base policies and measures on strong and transparent analytical basis
- Adopt measures to improve the energy efficiency of the whole economy and the entire energy chain
- Demonstrate that policies and measures add up to achieve the national target
- Fulfil the annual energy savings requirement with measures leading to credible and additional savings
- Plan long-term renovation strategies well ahead

#### Member States should:

- Set up a dedicated process to apply an energy savings test for infrastructure decisions
- Report on the mainstreaming of energy efficiency first principle
- Get inspiration from other Member States

#### Member States should:

- Fast-track energy efficiency financing in NECPs
- Create synergies with EU funds programming
- Use the NECP as a national capital raising plan

#### Member States should:

- Build a participative process
- Provide access to all material early on
- Maximise transparency at all stages of the process

# Key terms

Here is an overview of some of the abbreviations and terms used in this document.

<b>Clean Energy Package</b>	A package of legislative proposals put forward by the Commission in November 2016 to facilitate the clean energy transition, as well as the creation of the Energy Union. Covering 8 different legislative proposals.
<b>Energy efficiency</b>	The ratio of output of performance, service, goods or energy, to input of energy [Article 2.4 EED].
<b>EED – Energy Efficiency Directive*</b>	Established in 2012 as a set of binding measures to achieve the 20% energy efficiency target in 2020. Revised in 2018.
<b>Energy savings</b>	An amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy efficiency improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption [Article 2.5 EED].
<b>Energy Union</b>	An EU strategy aiming at making the energy in the EU more secure, affordable and sustainable. The five dimensions of the Energy Union are: energy security, internal energy market, energy efficiency, decarbonisation and research, innovation and competitiveness. These dimensions are closely related and mutually reinforcing.
<b>EPBD – Energy Performance of Buildings Directive, Directive (EU) 2018/844</b>	One of the EU's main legislative instruments for promoting the improvement of the energy performance of buildings, while also ensuring a stable environment for investments. Revised in 2018.
<b>GR – Governance Regulation*</b>	A legislative act aiming to ensure the Energy Union objectives are achieved. It integrates and streamlines the current energy and climate planning, Member States' reporting requirements and the Commission's monitoring obligations. Adopted in 2018.
<b>LTRS – long-term renovation strategies</b>	Supporting the renovation of the national stock of residential and non-residential buildings, both public and private, into a highly energy efficient and decarbonised building stock by 2050.
<b>NECP – national energy and climate plan</b>	A new framework for EU Member States to plan, in an integrated manner, their climate and energy objectives, targets, policies and measures. The first NECP covers the period from 2021 to 2030 [Article 3 GR].
<b>RED – Renewable Energy Directive*</b>	Established an overall policy for the production and promotion of energy from renewable sources in the EU. Revised in 2018.

\* NB: At the time of writing, these pieces of legislation or their revised version were not yet published in the Official Journal of the European Union.

# Key dates for energy efficiency implementation

Member States shall bring into force most of the relevant provisions to comply with the revised Energy Efficiency Directive (EED) by 18 months after its date of entry into force, i.e. not before 2020. Nevertheless, the Governance Regulation (GR) requires them to prepare National Energy and Climate Plans (NECPs), for which a first draft is already due by the end of 2018. The table below presents some of the important milestones until 01/01/2025.

<b>Deadline</b>	<b>31/12/2018</b>	<b>31/06/2019</b>	<b>31/12/2019</b>	<b>01/01/2020</b>	<b>10/03/2020</b>	<b>31/10/2021</b> (and every two years)
<b>Who</b>	Member States	Commission	Member States	Member States	Member States	Commission
<b>What</b>	Submit to the Commission a draft of the NECP	Deadline for country-specific recommendations to Member States	Notify to the Commission the final NECP*	Submit to the Commission their long-term strategy contributing to climate and energy objectives	Submit to the Commission their long-term renovation strategies	Assess progress at Union level and in each Member State
<b>Legal reference</b>	Article 9.1 GR	Article 9.2 GR	Article 3.1 GR	Article 15.1 GR	Article 2a EPBD	Article 29 GR
<b>2023</b>	<b>15/03/2023</b> (and every two years)	<b>30/06/2023</b>	<b>31/10/2023</b> (and every two years)	<b>31/12/2023</b>	<b>30/06/2024</b>	<b>01/01/2025</b>
Commission	Member States	Member States	Commission	Commission	Member States	Member States
Deadline to submit a legislative proposal to revise the EU energy efficiency and renewable energy targets upwards	Report to the Commission on implementation status of NECPs	Submit to the Commission a draft update of the NECP or justify why the plan does not require updating. Updated NECPs should reflect an increased ambition	Assess progress at Union level and in each Member State	Issue country-specific recommendations to Member States on draft NECP updates	Submit to the Commission an update of NECP, unless they provided reasons for the lack of update	Update their long-term strategy if necessary
Article 3.6 EED	Article 17 GR	Article 14.1 GR	Article 29 GR	Article 14.6 GR	Article 14.2 GR	Article 15.1 GR

\* Requirements on public consultations are found in Recommendation #5.

# #1 Set a meaningful direction with national energy efficiency targets



## What the Clean Energy Package brings

The EED was adopted in 2012 to ensure the achievement of a 2020 20% target on energy efficiency. In the 2018 revision, an EU **2030 headline target of at least 32.5%** is set [Article 1 EED]<sup>1</sup>. This target goes beyond the level originally proposed by the Commission but falls short of capturing the full cost-effective energy savings potential of 40%<sup>2</sup>. An upward revision clause is included with a view to increasing the target by 2023, notably to anticipate the fulfilment of the EU's obligations under the Paris Agreement [Article 3.6 EED].

The GR regulates how Member States set and review their contribution towards the

EU's ambition, a process centred around NECPs. Member States shall set out in their NECPs their indicative **national energy efficiency contribution** to achieving the Union's energy efficiency target, as well as an indicative trajectory for that contribution<sup>3</sup> [Article 4 b) (1) GR, see also Article 3.5 EED].

An iterative process between the Member States and the Commission is put in place to ensure the **collective achievement of the EU target** – during the planning [Article 31 GR] and implementation [Article 32 GR] periods. The Commission will assess<sup>4</sup> Member States' draft NECPs and

may issue recommendations to a Member State if it deems the energy efficiency contribution is insufficient. The Commission will also assess<sup>5</sup> the final NECPs and if it concludes that the national contributions are insufficient, it shall propose measures and make use of relevant possibilities at the Union level. It will also monitor implementation and act if necessary.

While the national contribution is not binding on Member States, the EED also includes a binding requirement which sets a minimum amount of **annual end-use energy savings** to be delivered in ten-year periods, at least until 2050 [Article 7 EED].

## Recommendations to Member States

■ **Set national 2030 targets to maximise immediate benefits of fulfilling the Paris Agreement.** Member States will prepare their final NECPs [Article 3 GR] and long-term strategies [Article 15 GR] following a similar calendar. Fast-tracking energy efficiency and aligning shorter-term with longer-term objectives will send a coherent message to public and private investors, avoid stranded assets and ensure that the energy transition brings immediate economic, social and environmental benefits to citizens and businesses.

■ **At a minimum, start from EU legislation and commitments.** The national 2020 targets notified to the European Commission<sup>6</sup> and the achievement of the 2020 EU target should be part of the minimum basis upon which a Member State will set its reference scenario<sup>7</sup>. This minimum basis should also consider savings to be expected from new legal obligations, including the EED's annual energy savings requirement after 2020, the 2030 CO<sub>2</sub> targets for vehicles currently discussed by the Council and the European

Parliament, and further eco-design measures and energy labelling which are being prepared by the Commission. If a Member State has already set a 2030 target which is below this minimum level, it should revise it.

■ **Base national targets on bottom-up assessment of energy saving potential.** The target shall reflect the untapped cost-effective potential<sup>8</sup> across sectors, both in the demand and supply side. The discussion about the national target, the existing potential and new policies and measures should take place at the same time.

■ **Reflect different dimensions of energy and climate policies.** The proportion of fossil fuel, nuclear or renewable electricity generation as well as the evolution of the Member States' energy balance directly influences the conversion factor between final and primary energy. Member States shall fully take into consideration the impact of fuel switching and the accelerated deployment of renewable energy when setting their target<sup>9</sup>.

1 This percentage is a reduction compared to projections made in 2007 and allows a comparison to the 2020 target which was set in those terms. The target is also presented in comparison to 2005 consumption [Recital 6 EED] and in absolute terms [Article 3.5 EED].

2 According to research findings presented in the impact assessment for the EED revision proposal, the EU could cost-effectively save 40% of its energy consumption by 2030. Fraunhofer ISI, PWC and TU Wien (2014), data presented 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

3 In doing so, Member States shall take into account the Union's 2020 and 2030 maximum energy consumption targets, the measures provided for in the EED and other measures to promote energy efficiency within Member States and at the Union level [Article 6.1 GR]. The most significant measures are at the national level - the energy savings obligations [Article 7 EED] and at the EU level - the EPBD, the Ecodesign and CO<sub>2</sub> in cars measures, whose impact is additional to Article 7 EED. Member States may take into account national circumstances affecting the energy consumption and shall indicate these circumstances [Article 6.2 GR]. Member States are free to base this contribution on either primary or final energy consumption, primary or final energy savings, or energy intensity, but shall express it in absolute levels of both primary and final energy consumption and explain their underlying methodology and the conversion factors used [Article 4 b) (1) GR].

4 Article 31 GR creates an obligation for the Commission to evaluate in particular the relevant circumstances listed in Article 6.2 GR, information provided by Member States in their integrated NECPs, results from modelling exercises in relation to future trends in energy consumption and other complementary analysis as appropriate.

5 Article 13 GR sets that "The Commission shall assess, in particular, whether: a) the objectives, targets and contributions are sufficient for the collective achievement of the Energy Union objectives and, for the first ten-year period in particular, the targets of the Union's 2030 Climate and Energy Framework b) the plans comply with requirements of Articles 3 to 12 and Member States have taken due account of the Commission recommendations issued pursuant to Article 3".

6 2020 targets are available on the Commission [website](#).

7 In case a country argues that this is not realistic, it should adjust the 2020 target or notify the Commission.

8 Fraunhofer ISI, PWC and TU Wien (2014), mentioned above.

9 This is in line with the requirements to describe the interactions between different policy measures and dimensions of the NECPs [Article 8.2 c) GR] and to explain the underlying methodology and the conversion factors used [Article 4 b) (1) GR].

# Benchmark for Member States' targets

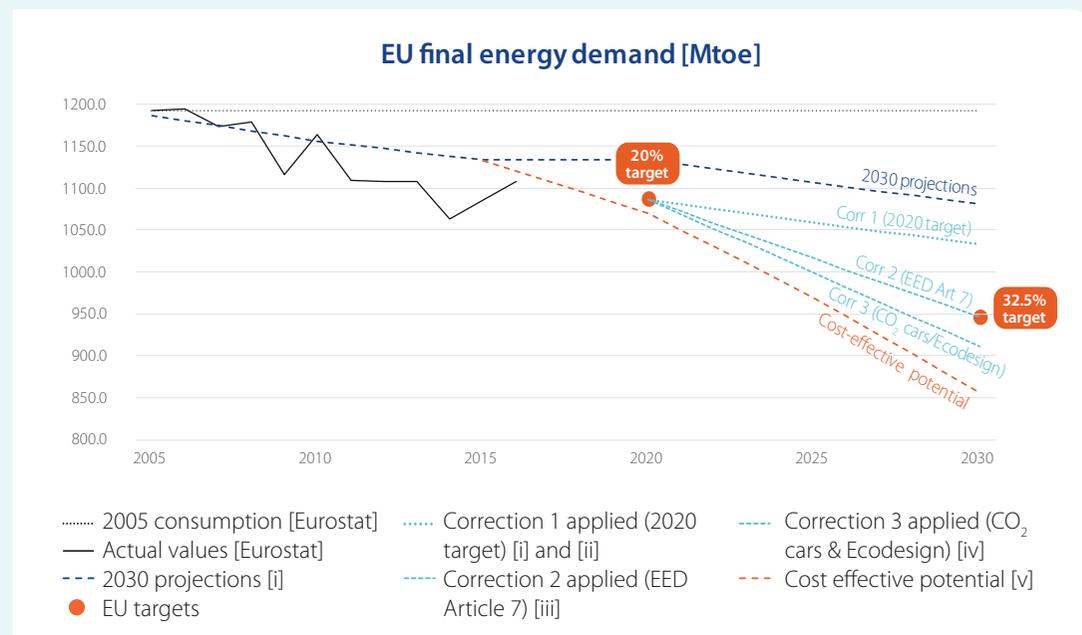
A benchmark exercise has been performed using the recommendations above to inform the discussion, both at EU and national level.

## Methodology

<b>Starting point</b>	The 2030 projections from the EU's reference scenario set by the PRIMES model used by the Commission (Ref 2016) <sup>[i]</sup> were used as a starting point.
<b>Minimum basis stemming from EU legislation and commitments</b>	<p>PRIMES however does not consider the EU 2020 target as being achieved (it is seen as a political commitment). Furthermore, as it was developed before the finalization of the clean energy package negotiations, it does not take into account new or future EU climate and energy policies that will affect energy consumption in 2030. Three corrections were therefore applied to consider:</p> <ol style="list-style-type: none"> <li>1) that 2020 targets<sup>[ii]</sup> will be achieved;</li> <li>2) the impact of Article 7 EED for the period 2021-2030<sup>[iii]</sup>; and</li> <li>3) the impact of the CO<sub>2</sub> emissions standard for cars &amp; Ecodesign estimated savings<sup>[iv]</sup>.</li> </ol>
<b>Bottom-up assessment of untapped energy saving potential</b>	The cost-effective potential evaluated by Fraunhofer ISI <sup>[v]</sup> is also presented to help explore the potential for further policies.

## Findings

At EU level, the graph below reveals that the 32.5% target will be over-achieved if political and legal requirements are respected, and shows that there is space for cost-effective additional policies in Member States.



The table on the next page presents the estimates of the minimum basis for each Member State, taking into account the corrections mentioned above. Correction 1 shows that for some Member States (those with a negative value), PRIMES had assumed that they would miss their 2020 targets. The cost-effective potential estimated by Fraunhofer ISI and GDP projections used in Ref 2016 are also presented to inform the discussion, but more parameters could be examined depending on the national context.

	Starting point	Minimum basis stemming from EU legislation and commitments				Bottom-up assessment of untapped energy savings potentials	Other parameters
	2030 projections (Mtoe) <sup>[i]</sup>	Corrections (Mtoe)			Result: 2030 minimum basis (Mtoe)	Cost-effective potentials (Mtoe) <sup>[iv]</sup>	GDP annual % change projections <sup>[i]</sup>
		1 - Distance between 2020 target <sup>[ii]</sup> and 2020 projections <sup>[i]</sup>	2 - Article 7 savings <sup>[iii]</sup>	3 - CO <sub>2</sub> cars & Ecodesign estimated savings <sup>[iv]</sup>			
Austria	27.08	-2.93	-2.25	-0.63	21.27	21.77	1.50
Belgium	35.82	-3.91	-2.91	-0.82	28.19	25.07	1.50
Bulgaria	9.65	-0.88	-0.77	-0.22	7.78	7.94	1.70
Croatia	6.12	0.70	-0.53	-0.15	6.13	8.49	1.30
Cyprus	1.79	0.03	-0.14	-0.04	1.64	1.64	1.90
Czech Republic	24.92	-0.04	-1.99	-0.56	22.33	20.64	1.80
Denmark	14.40	0.06	-1.16	-0.33	12.99	9.85	1.90
Estonia	3.05	-0.29	-0.23	-0.06	2.47	2.58	1.60
Finland	22.61	2.31	-2.02	-0.57	22.33	20.18	1.30
France	147.43	-25.06	-11.77	-3.32	107.27	113.11	1.40
Germany	197.37	-18.25	-17.32	-4.88	156.92	141.02	0.90
Greece	15.63	1.29	-1.34	-0.38	15.22	15.2	0.80
Hungary	16.01	-1.73	-1.43	-0.40	12.44	13.09	2.20
Ireland	11.67	-0.06	-0.93	-0.26	10.42	10.33	1.60
Italy	115.86	1.52	-9.27	-2.62	105.48	92.71	1.20
Latvia	4.22	0.26	-0.31	-0.09	4.09	3.38	1.70
Lithuania	4.62	-0.72	-0.41	-0.12	3.38	3.68	0.70
Luxembourg	4.75	-0.27	-0.32	-0.09	4.06	2.67	2.80
Malta	0.57	-0.04	-0.05	-0.01	0.47	0.34	1.90
Netherlands	45.95	1.84	-3.96	-1.12	42.72	35.98	1.00
Poland	72.94	-0.06	-5.33	-1.50	66.04	51.29	2.40
Portugal	16.27	0.57	-1.29	-0.36	15.18	14.87	1.50
Romania	24.72	5.70	-1.78	-0.50	28.14	23.89	1.80
Slovakia	11.71	-2.68	-0.83	-0.24	7.96	9.18	2.70
Slovenia	4.83	0.05	-0.39	-0.11	4.38	4.20	1.60
Spain	83.13	-6.11	-6.60	-1.86	68.56	73.94	1.80
Sweden	31.54	-1.67	-2.61	-0.74	26.52	24.69	2.10
UK	126.70	-5.92	-10.70	-3.02	107.07	105.94	1.30
EU28	1081.37	-47.80	-88.63	-25.00	919.94	857.65	1.40

#### Data sources

[i] European Commission (2016), "EU Reference Scenario 2016. Energy, transport GHG emissions. Trends to 2020"

[ii] Commission webpage on 2020 notified targets

[iii] 0.8% x 10 years = 8% of final energy consumption. For final energy consumption, 2016 Eurostat data was used, but the actual savings in the period 2021-2030 will be estimated on the basis of the average consumption of the years 2016-2018

[iv] Own conservative estimates and calculations, based on the 35% CO<sub>2</sub> emissions standard for cars proposed by the Council and the European Commission's impact assessment on Ecodesign

[v] Fraunhofer ISI (2013), "Analysis of a European Reference Target System for 2030"

## #2 Provide a clear plan for energy efficiency measures



### What the Clean Energy Package brings

Member States shall outline **policies and measures underpinning the energy efficiency contribution** and assess their expected impact. In the NECP template - the use of which is binding - Member States are required to describe all the energy efficiency measures of the EU efficiency acquis, not just the elements which were recently revised in the legislation<sup>10</sup>. Nevertheless, three elements which were the object of legal revisions require extra attention:

a) Article 7 EED sets an annual energy savings requirement of 0.8% for the period 2021-2030 and Member States shall elaborate on how they are planning to

comply with the obligation<sup>11</sup> [See Annex V 5 EED, Article 3.2 h) and Annex III GR];

b) Article 2a EPBD requires Member States to submit Long-Term Renovation Strategies (LTRS) to achieve a highly energy efficient and decarbonised building stock by 2050<sup>12</sup>; and

c) The Renewable Energy Directive acknowledges the potential for renewable energy communities to advance energy efficiency in households and address energy poverty [Recital 67 RED] and requires Member States to develop an enabling framework for these communities [Article 22.4 RED]. Member States

must report in their NECPs on policies and measures which support energy communities, and, where applicable, their role in achieving energy efficiency policy objectives [Annex I, Part I, Section A, 3.2 GR].

Member States shall also **set out the analytical basis for showing the impact of the planned policies and measures**. They shall compare two scenarios: one with existing policies and measures and one with planned policies and measures [Article 8 and Annex I, Part I, Section B GR].

A new element is the requirement to **describe the interactions** between policies and measures within and across all

the dimensions of the NECPs, particularly "to establish a robust understanding of the impact of energy efficiency / energy savings policies on the sizing of the energy system and to reduce the risk of stranded investment in energy supply" [Article 8.2 c) and Annex I, Part I, Section B, 5.1. GR]. To the extent it would be feasible, health, environmental, employment, education, skills and social impacts including just transition aspects of the planned policies and measures can also be assessed and presented [Article 8.2 b) and Annex I, Part I, Section B, 5.2 GR].

## Recommendations to Member States

■ **Base policies and measures on a strong and transparent analytical basis.** Member States should provide the underlying methodologies, assumptions and data which are necessary to assess the impacts of policies and measures and ensure full transparency. They need to provide a clear overview of their current energy trends<sup>13</sup> and indicate the elements that they have taken into account when establishing the baseline upon which savings from planned policies and measures will be calculated<sup>14</sup>. All the relevant parameters of the calculations such as conversion factors and applied discount rates should be accessible and publicly available.

■ **Adopt measures to improve the energy efficiency of the whole economy and the entire energy chain.** Member States should tap into the energy saving potential from all sectors, aiming at overcoming the barriers associated with energy efficiency through sector-specific dedicated policies and measures. Member States should show in their NECPs how they will support energy communities in encouraging energy efficiency.

■ **Demonstrate that policies and measures add up to achieve the national target.** Member States should clearly quantify the impact of each individual policy and measure in terms of energy savings to ensure that they add up to the national target, without double counting. For each

policy and measure, a comprehensive and well-developed implementation plan shall be established<sup>15</sup>. Member States should show which policies and measures already exist and will continue to deliver until 2030 and beyond, and which of them are new.

■ **Fulfil the annual energy savings requirement with measures leading to credible and additional savings.** Article 7 EED is one of the crucial delivery tools for energy efficiency measures at the national level. Savings under this Article should be a result of increased activity levels regarding the implementation of energy efficiency measures and should be additional to what would happen anyway – for example as a result of existing measures or autonomous efficiency improvements. Otherwise, the real savings delivered would be lower than what is claimed, which would put the achievement of the energy efficiency target at risk<sup>16</sup>. The impact of these measures should be easy to monitor and verify in a reliable way.

■ **Plan long-term renovation strategies well ahead.** LTRS should be developed in parallel to the NECP drafting, so as to ensure the two planning documents are perfectly aligned, well integrated and mutually reinforcing. As the final NECP must be submitted three months earlier than the LTRS<sup>17</sup>, Member States must start drafting the latter well in advance to ensure full consistency.

10 All the measures that are part of the EU and national policy framework and were previously reported in the National Energy Efficiency Action Plans (NEEAPs) need to be covered, including measures to promote the exemplary role of public buildings, energy-efficient public procurement, energy audits and energy management systems.

11 This covers the amount of energy savings, savings per measure, alignment with accounting methodology, etc.

12 Member States have already developed LTRS back in 2014 and updated them again in 2017 under Article 4 of the 2012 EED. The provision was strengthened and moved under the EPBD.

13 This shall include an explanation of how different social, economic, technological and climatic factors can influence the national energy consumption. See also P. Bertoldi and C. Cahill (2013), "The role of NEEAPs, measurement methods and national targets to achieve the EU 2020 energy saving goal".

14 The baseline should cover autonomous efficiency (consumer related improvements) and the impact of existing EU and national legislation.

15 Such plans shall include a clear implementation timeframe, targeted sectors and groups, geographical scope, budget and financial resources and identify implementing authorities. See M. Economidou et al., Irena (2016), "Assessment of the first National Energy Efficiency Action Plans under the Energy Efficiency Directive - Synthesis Report".

16 Latest data suggests an increase in energy demand alongside a decline of annual energy savings across the EU, putting the achievement of the EU target and national obligations at risk. Annual energy savings from energy efficiency improvements have been falling from 11 Mtoe in 2014 to 5 Mtoe in 2016 according to a decomposition analysis provided by the EU project ODYSSEE-MURE. This finding needs to be put into perspective with the annual energy savings of around 8 Mtoe, which required to meet national energy saving obligations under Article 7 EED.

17 While the next LTRS must be submitted to the Commission by 10 March 2020 [EPBD], Member States must provide several of its crucial elements in the draft and final NECPs [Article 4 (b) (3) and Annex I Part 1 Section A 2.2 ii GR].

## #3 Put in place good infrastructure planning for supporting the transition



### What the Clean Energy Package brings

The Clean Energy package turned “**energy efficiency first**” into a mandatory principle to be implemented by national governments. First branded as one of the three political goals pursued by the Clean Energy Package<sup>18</sup>, the principle grew in importance over the course of the negotiations. The final text of the GR includes a definition of energy efficiency first, while the RED and the EED both refer to the principle in their operative part<sup>19</sup>. This confirms its application beyond the scope of the GR and the NECPs. Article 2.18 GR defines energy efficiency first as “taking utmost account, in energy planning, policy

and investment decisions, of alternative cost-efficient energy efficiency measures to make energy demand and energy supply more efficient, in particular by means of cost-effective end-use savings, demand response initiatives and more efficient conversion, transmission and distribution of energy, whilst still achieving the objectives of those decisions”.

When drafting an NECP, applying the energy efficiency first principle as required by Article 3.3 b) GR means that **each planning, policy and investment decision** takes utmost account of any

energy efficiency option. It would mean in practice that Member States must assess whether an energy efficiency programme could lead to the same result as increasing energy supply.

Member States shall apply the principle, in particular when developing their energy security and the internal energy market dimensions [Annex I Part 1 Section A 3]. They shall notably link projections concerning security of supply, infrastructure and market integration to robust energy efficiency scenarios [Article 8.2 c)]. This mandates national administrations to apply

an **energy savings test** before taking decisions on infrastructure – to check if the infrastructure would be useful under robust energy efficiency scenarios.

Finally, the Commission is empowered to check the **correct application of the principle** while analysing the NECPs – see Article 9.2 d) GR for draft NECPs and Article 13 b) GR for final NECPs. It is entitled to issue country-specific recommendations looking specifically at the respect of the principle. If a Member State decides not to follow the recommendation, it must justify it [Article 9.3 GR].

## Recommendations to Member States

■ **Set up a dedicated process to apply an energy savings test for infrastructure decisions.** Member States are only one or two investment cycles away from a net-zero greenhouse gas emission Europe. Each decision taken today must be judged for its contribution to and compatibility with a decarbonised continent, otherwise policymakers will direct investments into infrastructure that might become stranded or delay investments in energy efficiency, making the transition more expensive. Member States shall set up an appropriate mechanism to deal with the issue in a transparent manner.

■ **Report on the mainstreaming of the energy efficiency first principle.** Member States should report in the draft and final NECPs the steps taken to embed the principle in their administrative practice and in the choices underpinning the NECPs.

■ **Get inspiration from other Member States.** Member States shall look for best practices. On the basis of the draft NECP analysis, we call on the Commission to communicate in the State of the Energy Union the overall state of play of the application of energy efficiency first. The report should include the identification and sharing of best practices emerging from the draft NECPs, and should help facilitate a dialogue between Member States.

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18 European Commission (2016), "Clean Energy for All Europeans – unlocking Europe's growth potential"

19 Article 1.1 EED, Article 15.1 RED

## #4 Close the energy savings investment gap



### What the Clean Energy Package brings

Energy efficiency faces a large investment gap: a shortfall of €120bn<sup>20</sup> from the €180bn which would be needed annually, up to 2040<sup>21</sup>. A tripling of current investment levels is needed. The Clean Energy Package has been designed to foster private investments in clean energy and technologies. In November 2016, the Commission released a communication on “Accelerating clean energy in buildings”<sup>22</sup> outlining the extensive work done **to improve financing conditions**<sup>23</sup>. Together with EUROSTAT, the Commission reviewed the guidelines for the accounting treatment of energy performance contracts. This was performed to facilitate their classification as “off balance sheet” by local and regional

public authorities. The Commission also created regional forums to discuss investment opportunities, such as the Sustainable Energy Investment Forums, and strengthened technical assistance to foster the development of projects. It has also undertaken some work with financiers in order to change the risk profile of energy efficiency projects.

There are already public finance opportunities available at the European level through structural funds (€17bn invested in energy efficiency over the period 2014-2020) and through the European Fund for Strategic Investment (to leverage private financing). The next phase

of these EU tools is under discussion. Public investment alone will not be enough. The GR therefore includes several provisions aimed at providing a more transparent and investor-friendly framework. Member States must **disclose the amount of financing** required to reach the 2030 climate and energy targets and a description of the potential sources of investment [Article 7 GR]. Annex I Section B 5.3 GR also requires Member States to provide an analysis of additional public finance support or resources to fill identified gaps. These provisions will help to put the financing challenges and opportunities front and centre when policies are adopted.

## Recommendations to Member States

■ **Fast-track energy efficiency financing in NECPs.** The NECPs will give a preview of Member States' vision and level of ambition. Member States should describe the amount of financing required to reach the 2030 climate and energy targets. A description of the potential sources of investment is also needed to enable the Commission to facilitate and fast-track the use of EU funds for these projects, or find appropriate means to facilitate financing.

■ **Create synergies with EU funds programming.** In 2019, national governments will negotiate with the European Commission the Partnership Agreements that set the priorities for the European funds in Member States. Synergies must be created between this process and the NECP to help address the investment

gap<sup>24</sup>. The NECP will provide a comprehensive view of the investment needs and can help better target European funding, in particular in light of the application of the energy efficiency first principle.

■ **Use the NECP as a national capital raising plan.** There seems to be no shortage of money ready to be invested, nor of investment gaps to be filled. Member States, supported by the Commission, should engage closely with public and private financiers, banks and pension funds in particular, to increase the visibility of energy efficiency projects, and should promote the use of innovative financing schemes to leverage public and private investments. They should build their NECP as a national capital raising plan.

20 International Energy Agency (2017), "Energy Efficiency 2017 – Market Report Series"

21 International Energy Agency (2014), "World Energy Outlook 2014"

22 European Commission (2016), "Accelerating clean energy in buildings"

23 For an overview, see Commission website

24 See also Ecologic (2018), "Creating strong connections between the EU budget and National Energy and Climate Plans"

## #5 Consult stakeholders about investments that matter



### What the Clean Energy Package brings

The Clean Energy Package has reinforced the overall **transparency of the decision-making framework**. It provides stakeholders with new tools that must be used to guarantee correct planning - including for energy efficiency policies. Because of the streamlining exercise that led to its creation, most of the relevant provisions currently sit within the GR.

Member States must organise a **public consultation** on the NECPs [Article 10 GR]. It must be done “well before” the final version for the first NECP (whereas it must be done on the draft NECPs for the subsequent 10-year programming periods). The draft and the final NECPs will include national targets, policies and

measures as well as financing assumptions of the respective Member State for the next decade. It is an important moment to hold governments accountable and to collect information for future market developments.

Member States must also create permanent **multilevel climate and energy dialogues** [Article 11 GR]. These dialogues are to take place between governments and administration officials on the one hand, and on the other, stakeholders, which can include businesses, investors, cities and NGOs.

As well as venues, the text also requires a series of other **data to be made**

**public**: assumptions, parameters and methodologies used in final scenarios and projections [Article 8.3 GR]. The draft NECPs must be made public by Member States [Article 3.4 GR], while the final one will be published by the Commission, using an e-platform [Article 28.3 GR].

Every year, the European Commission must issue a **State of the Energy Union report** to the Member States and the European Parliament - describing progress across the five dimensions of the Energy Union. In this context, country-specific recommendations must also be made public [Article 34.1 and Article 35.2 b) GR].

## Recommendations to Member States

■ **Build a participative process.** The public consultation provisions of the GR should be seen by Member States as an opportunity. Governments are indeed reliant on third parties to deliver on targets, and those third parties are incentivised by policies and public funding. Governments should therefore consult broadly on the NECPs, through existing dialogue structures, but also via new ones, particularly the multilevel climate and energy dialogue. A consultation should not be a one-shot exercise, but rather a participative process that regularly involves the relevant parties. The multilevel climate and energy dialogue was designed as an ongoing forum and should therefore also look at Member States' national energy and climate progress reports and the Commission's recommendations.

■ **Provide access to all material early on.** The public should have full and easy access to all relevant documents and background material and be presented with different drafts and scenarios rather than just with the final project.

■ **Maximise transparency at all stages of the process.** Member States shall make sure that all documents are available. The Commission should set up a publicly-available and user-friendly portal that centralises all draft and final NECPs as soon as possible. The NECPs should be translated at least into English in order to allow for transparency and comparability. It should be clear which Member States have submitted their NECPs and which are late. Country-specific recommendations should also be provided, as well as the best practices identified for the State of the Energy Union.



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