

The Energy Efficiency Package as an enabler to deliver the European Green Deal

30 January 2020

The EU and its Member States have committed to achieving a significant reduction of their overall energy demand by agreeing on 20% and 32.5% **energy efficiency targets** for 2020 and 2030 respectively. Those targets set by the Energy Efficiency Directive (EED¹) are minimum targets for which the Member States have to pledge indicative national contributions. In order to secure the achievement of these targets, the EU provides **binding measures**, including:

- the energy savings obligation (EED Article 7), requiring each Member State to put in place policies and measures to deliver a minimum amount of new and additional energy savings per year until 2050;
- Ecodesign, Energy Performance of Buildings Directive (EPBD) and CO₂ emission standards for vehicles to ensure that CO₂ emissions are reduced, and energy performance is significantly improved.

Although the current policy architecture (EU headline target, indicative national contributions and binding measures) has led to improvements, it is still not delivering enough. Energy consumption has been growing over the last years, and the European Commission does not expect the 2020 target to be achieved². Furthermore, the national 2030 energy efficiency national contributions put forward by Member States in their draft national energy and climate plans (NECPs) bring the EU only halfway to its 2030 energy savings target compared to the baseline³.

In this context, the **Coalition for Energy Savings** notes that the Commission intends to reinforce the existing policy framework. Not delivering the minimum energy efficiency target is not an option. On the contrary, the 2030 target will need to be revised to get on a path to net-zero emissions and to tap the cost-effective energy efficiency potential of at least 40%.

The Coalition for Energy Savings calls on the Commission to strongly support full implementation and enforcement of existing legislation and, in parallel, to put in place new measures to increase the ambition.

The Coalition proposes the following **Energy Efficiency Package** as an enabler to deliver the European Green Deal.

¹ Energy Efficiency Directive (2012/27/EU) and revised Energy Efficiency Directive (2018/2002)

² European Commission-Member States 2020 target taskforce meeting, 10 July 2019 – European Commission presentation

³ Energy Commissioner Kadri Simson at the Energy Council meeting on 4 December 2019 said that the gap to the energy efficiency target is 4.2%age points, thus reaching only 28.3% by 2030, which is just half way to the 32.5% target compared to baseline.

1. Strengthen compliance and enforcement of current legislation

According to the conservative estimates provided by the European Commission impact assessment from 2016, the EU's toolbox of binding measures and minimum standards is capable of securing the achievement of the 2030 energy efficiency target⁴. The national energy savings obligation (EED Article 7) alone is expected to secure half of the energy savings needed⁵. However, this will not materialise if Member States do not comply with the provisions.

So far, the Commission has mainly based its implementation activities for EED Article 7 on voluntary and collaborative approaches by issuing guidance on implementation and facilitating exchanges among Member State authorities. But this approach has not been effective. Already in 2016, several studies identified major "confidence issues" with the measures put forward by Member States to fulfil their savings obligation⁶. The latest national progress reports from 2019 show little to no corrective actions. On the contrary, an increasing number of Member States put forward old measures that fail to demonstrate how they contribute new savings to the achievement of the 2020 energy efficiency target⁷.

In this context, the European Commission must urgently step up its enforcement activities and ensure that the new and tighter requirements of eligibility, additionality and materiality added in the 2018 revision of the EED are leading to tangible results.

The problem of poor national savings contributions continues in the process of developing NECPs under the Governance Regulation. Member States have to put forward adequate measures to deliver not only the energy savings obligation under EED Article 7, but also their contribution to achieve the overall energy efficiency target for the period up to 2030. Currently available information shows that national contributions to the EU's 2030 target largely fall short of what is needed. This suggests a lack of political will in the Member States to fully comply with the EU energy efficiency legislation.

In this context, stakeholder engagement in the monitoring process can be an essential element. Stakeholders can help to monitor the implementation of the EED in the NECPs and thus ensure that energy efficiency policies deliver.

⁴ SWD(2016) 405 final, page 108: In order to achieve a 30% target, the impact assessment lists the following measures at EU level: EED Article 7 extension, revised EPBD, ambitious implementation of the Ecodesign work plan, ETS and non-ETS target changes to secure 40%GHG reduction, RES target of 27%, further strengthening of CO2 targets for cars and vans, and continued improvement of financial instruments.

(https://ec.europa.eu/energy/sites/ener/files/documents/technical_memo_energyefficiency.pdf)

⁵ Coalition for Energy Savings: Article 7 Energy Efficiency Directive: new period, new savings, March 2019

(http://www.energycoalition.eu/sites/default/files/20190222_TheCoalitionForEnergySavings_EED_Article_7_New_period_new_savings.pdf)

⁶ Ricardo 2016 for DG ENER

(https://ec.europa.eu/energy/sites/ener/files/documents/final_report_evaluation_on_implementation_art_7_eed.pdf)

& EP DG EPRS (Fawcett and Rosenow), March 2016

(http://eng.janrosenow.com/uploads/4/7/1/2/4712328/s_2014_2019_plmrep_committees_itre_dv_2016_03-16_study_plans_achievements_en-1_1.pdf)

⁷ Stefan Scheuer/RAP: Closing the Loopholes, October 2019 (<https://www.stefanscheuer.eu/wp-content/uploads/2019/10/201914-EED-Article-7-and-energy-taxes-RAP-STS-study.pdf>)

The Coalition for Energy Savings calls for the following actions:

1. Based on the assessment of the final NECPs, the Commission proposes **new measures needed to achieve as a minimum the collective EU 2030 energy efficiency target**. Gaps on both ambition and implementation need to be addressed, also in view of the revision of the relevant energy efficiency legislation in 2021.
2. The Commission reports in detail to the European Parliament and Council about measures to **achieve full compliance with existing EU binding measures**, with a focus on the energy savings obligation under EED Article 7.
3. In view of a strong implementation of EED Article 7, the Commission develops **robust reporting requirements** in order to increase transparency and avoid overestimation of savings. It performs thorough compliance checks and ensures that the claimed savings are delivered and that they truly contribute to meeting the energy efficiency target.
4. The Commission strengthens the role of stakeholders. It sets up **a high-level group** with Member States and stakeholder representatives to support the implementation of the Governance Regulation, EED and other relevant legislative pieces.

2. New legislation and revision of current legislation

Targets provide guidance and are the high-level commitment and expression of political will to act. Energy efficiency targets and the corresponding sets of measures and policies – including both national and EU-level instruments such as the ecodesign and energy labelling framework, CO₂ emission standards for vehicles and the EPBD – are essential to ensure that the transition to a climate neutral energy system is beneficial today for people, businesses and Europe's security.

The energy efficiency target is the only one of the EU's target trio (greenhouse gas emissions, renewable energy sources and energy efficiency) which is not binding. This undermines the accountability of national governments. It is the only target which is expected to be missed by a large margin.

The Coalition for Energy Savings calls for the following actions:

5. The Climate Law to be proposed in February 2020 makes full use of the Energy Efficiency First principle and continues with the **established climate and energy target architecture**.
6. The Commission ensures that the **accountability of national governments** to contribute to the EU's overall target is significantly strengthened. In 2020, in the context of the assessment of the final NECPs, the Commission develops a benchmark for each country to assess the adequacy of national contributions and proposes effective incentives and enforcement schemes.
7. In 2021, the Commission revises the EED to **increase the EU's 2030 energy efficiency target and to make national contributions binding**. It shall consider the cost-effective potential of at least 40%, ensure an upward revision of national contributions based on the proposed benchmark methodology, as well as strengthen the energy savings obligations and other EED requirements.
8. In order to **deliver the untapped potential of ecodesign requirements and energy labelling**, the Commission strengthens market surveillance (including better coordination between Members States) and ensures that requirements are up to date and rolled out in a timely manner.

National energy and CO₂ taxes are an instrument that can complement energy efficiency support schemes and regulatory actions. It can make investments in energy efficiency improvements more attractive and steer energy use behaviour in the right direction, as long as energy users are enabled to act. However, pricing signals alone are not an appropriate tool to overcome market barriers, mainly because the price elasticity of energy is very low and most barriers are non-economic barriers. Specific support schemes and regulatory measures remain key in order to create demand for energy efficiency investments and to develop the energy services market.

The Energy Taxation Directive (ETD) is out of step with EU energy and climate ambition. The Commission therefore intends to revise the ETD. Several Member States are using the current weakness of the ETD, namely the low level of minimum taxes, in an accounting practice that undermines the goals of the EED. For the purpose of achieving their energy saving obligation under EED Article 7, they are reporting energy taxes even though their effectiveness and eligibility to save energy is not demonstrated. They simply calculate the difference between the minimum EU tax level and the national tax and credit this difference as “additional” savings.⁸

The Coalition for Energy Savings calls for the following action:

9. The revision of the Energy Taxation Directive in 2021 should ensure that taxation effectively contribute to delivering energy efficiency. Therefore, **the Commission assesses the actual impact of energy and CO₂ taxation on energy demand** and develops guidance for Members States on how to demonstrate effectiveness of taxation measures reported under EED Article 7.

Buildings used by households and the service sector are responsible for 42%⁹ of the EU’s energy demand, mainly for heating, hot water and cooling. By 2050, all buildings must be highly energy efficient and decarbonised¹⁰. This implies that the vast majority of existing buildings must undergo deep or staged-deep energy renovation (improving both the envelope and replacing old and inefficient heating and cooling appliances) and improve their energy management. In order to achieve this goal, energy renovation rates have to be accelerated to reach 3% per year, whilst simultaneously increasing the depth of each renovation.

It is widely recognised that undertaking energy renovation of buildings brings multiple benefits, such as lower energy bills, improved comfort and health for occupants and increased real estate value. Nevertheless, the acceleration of energy renovations and energy efficiency management is hampered by multiple factors, such as split incentives due to ownership structures, lack of awareness and knowledge, and a shortage of skilled workers. Consequently, demand for energy renovation projects is too low.

In order to create demand in the housing sector, citizens must become the central actor in any public policy effort to ramp up renovations. This requires specific measures to meet the needs of citizens and communities.

For the rental market (residential, tertiary and public sector), a large sector hard to get to, one of the most effective ways to improve energy performance is to put in

⁸ Stefan Scheuer/RAP: Closing the Loopholes, October 2019

⁹ Final energy use of households and service sector (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy_statistics_-_an_overview#Final_energy_consumption)

¹⁰ A requirement of the revised EPBD contained in Article 2a, meaning that in addition to dramatically cutting the energy demand of the building stock, it is supplied by renewable energy sources.

place minimum standards¹¹. Such standards must be accompanied by a comprehensive package of financial and technical support and tailored advice to ensure it is a fair deal for tenants, landlords and public investors.

The Coalition for Energy Savings calls for the following actions:

10. The Climate Law to be proposed in February 2020 includes a **long-term vision for the buildings sector**, applying the Energy Efficiency First principle and re-affirming the objective of a highly energy efficient and decarbonised building stock by 2050 – both when it comes to the building envelope and to technical building systems.

11. In the framework of the renovation wave, stakeholder engagement is ensured, notably through open **collaborative platforms**, which discuss and work on proposed EU financial and technical support schemes to create demand for citizen-led energy renovations.

12. The Commission proposes a new EU policy to support the specific case of **energy renovation of rented property by putting in place minimum standards** accompanied by a comprehensive package of financial and technical support.

Transport accounts for 31% of the EU's energy demand, and it continues to increase every year. The potential for stepping up energy savings in transport is significant (up to five times the current levels) if, in addition to the policy measures at EU level such as the CO₂ emissions standards for vehicles, best practices across countries and municipalities would be mainstreamed¹².

The European Commission has announced with the European Green Deal that it will adopt a new strategy for sustainable and smart mobility by March 2020. In order to ensure a clear pathway from 2025 onwards towards zero-emission mobility, it proposes to revise the legislation on CO₂ emission standards for cars and vans. Furthermore, it promises support for the deployment of 1 million public recharging and refuelling stations needed by 2025 for the 13 million zero-and low-emission vehicles expected on European roads.

Realising the energy savings potentials in transport will play an important role to achieve the EU's energy efficiency target. It requires applying the Energy Efficiency First principle across transport policies. This means taking account of energy efficiency considerations over the whole value chain of fuel and power supplies.

The Coalition for Energy Savings calls for the following actions:

13. The EU strategy for sustainable and smart mobility to be adopted in March 2020 will apply the Energy Efficiency First principle by consistently **assessing the impacts on final and primary energy efficiency and savings**.

14. When revising the current CO₂ emission legislation for cars and vans towards a zero-emission mobility, the Commission ensures that it will **deliver final and primary energy savings** and thus support the EU's and national energy efficiency targets.

¹¹ This means that buildings below a certain level of performance would not be considered suitable for rental any longer. Those standards have to be gradually phased in or linked to trigger points (e.g. start of a new rental term).

¹² Ricardo Energy & Environment: Study on national policies reported in the transport sector under Article 7 of the EED and energy savings potential for the period 2021-2030. March 2017 (<http://energycoalition.eu/sites/default/files/20170425%20Ricardo%20Energy%20%26%20Environment%20Study%20-%20National%20policies%20Transport%20Article%207%20EED.pdf>)

Industry accounts for 25% of EU's energy demand. While energy intensive industries have been reducing their energy consumption as part of their policies to optimise overall productivity, the savings potential in other sectors and in particular in small and medium enterprises still remains significant. It can be tapped largely through applying efficient cross-cutting technologies, such as efficient steam and hot water generation as well as the optimisation of electric drives, coupled with other energy savings measures along the whole value chain. They can be delivered through the use of Energy Performance Contracts (EPC) that encompass such technologies and propose a sustained, guaranteed performance management approach coupled to a financial offer.

The EU disposes of appropriate tools to increase the energy efficiency of the industry sector. These are namely the energy auditing requirements for large enterprises of EED Article 8 and the Best Available Techniques (BAT) reference documents, so called BREFs, under the Industrial Emissions Directive (IED). A horizontal BREF on energy efficiency exists but is out of date. Further to that, large saving potentials exist outside the scope of the IED, namely with large energy users like data centres.

The growing energy demand of the ICT sector is an increasing concern for several Member States. Potential measures to reduce demand of data centres are available. They include higher operating temperatures, efficient cooling technologies and the re-use of rejected heat. Nevertheless, their deployment is hampered by a lack of common standards at the EU level.

The Coalition for Energy Savings calls for the following actions:

15. In 2020, the Commission initiates an **update of the horizontal BREF for energy efficiency**.

16. The Commission develops a dedicated **energy efficiency standard for data centres** at EU level.

17. In the context of the NECP assessment, the Commission promotes a **better use of EED Article 8** in order to encourage small and medium enterprises to take up energy efficiency measures.

18. The Commission aims at **extending the scope of non-financial reporting requirement** for companies to include reports on implemented energy efficiency measures (Non-financial reporting Directive).

Sector integration, in a narrow definition as the linking of the electricity and gas sectors both in terms of their markets and infrastructures, is seen as contribution to increase the flexibility of the energy grids and thus to facilitate the energy transition¹³.

In order to ensure a sustainable sector integration development, it is essential to apply the Energy Efficiency First principle. This means that energy efficiency considerations over the entire supply chain and in conversion technologies need to be considered in all the EU's infrastructure planning. Reducing energy demand before extending capacities is key to avoid the creation of an oversized energy system and to keep energy prices affordable to citizens and businesses.

¹³ A broader understanding of sector integration addresses the interlinkages between different sectors, namely gas, electricity and heat. This includes the possibilities to recover excess heat that can be used in district heating and cooling systems.

The Coalition for Energy Savings calls for the following actions:

19. As part of its smart sector integration and gas decarbonisation proposals, the Commission **assesses the energy efficiency of different conversion and supply chain technologies**, which can enable comparisons and benchmarking with the aim of achieving a highly efficient and renewable energy system.

20. By the end of 2020, the Commission proposes a revised text of the **Trans-European Network for Energy (TEN-E) Regulation** to fully integrate and implement the Energy Efficiency First principle into every future infrastructure planning decision.

3. Enabling tools

In addition to a strong implementation of current energy efficiency legislation and an increase of ambition through new legislation, there is a series of enabling tools that make it easier for each citizen to contribute to the collective goal of curbing our energy consumption and accelerating the energy transition, especially in the buildings sector. Those enablers are:

- Appropriate funding mechanisms,
- Transparent information,
- Strengthening the dialogue among actors at different levels and across sectors, and finally
- The further development of a skilled workforce for the implementation of energy efficiency measures.

Funding mechanisms are important in order to facilitate the closing of the investment gap. Several funding schemes already exist and can be mobilised to finance energy efficiency projects: Sustainable Europe Investment Plan, European Investment Bank loans, European Regional Development Fund and Cohesion Fund, and other financial instruments of the EU budget. Others are yet to be fully put in place, such as the Just Transition Fund and the idea to recycle EU-ETS revenues for energy efficiency measures.

An effective tool to overcome market barriers is Energy Performance Contracting (EPC), but it is not yet systematically used and should be strongly promoted by the European Commission and Member States.

Information on energy efficiency policies and progress in achieving targets is important, yet not easily available. The Commission has a role to play in the context of the assessment of the NECPs and in the review of the Long-Term Renovation Strategies that Member States must submit before 10th March 2020. In order to establish a sense of urgency with the proposed renovation wave, an assessment of the gap towards the goal of a highly energy efficient and decarbonised building stock by 2050 is of paramount importance.

Dialogue is identified as a crucial element for delivering the European Green Deal. The Commission considers citizens are a driving force of the energy transition. This is why it sets out the creation of a European Climate Pact by March 2020 to strengthen engagement with the public. A Building Renovation Partnership between EU regions, local communities, civil society, industry, ESCOs and academia under the European Climate Pact should be created.

Skills are crucial for developing and realising high quality energy renovation projects. The availability of a well-trained workforce needs to be guaranteed. This requires attracting more technicians to engage in our collective challenge and to reskill and upskill themselves as needed for a successful energy transition.

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, cooperatives and civil society organisations in pursuit of this goal.

Coalition members represent:

- more than 500 associations, 200 companies, 1,500 cooperatives
- 15 million supporters and 1 million citizens as members of cooperatives
- 2,500 cities and towns in 30 countries in Europe

Members of the Coalition:

APPLiA - Home Appliance Europe | **BPIE** - Buildings Performance Institute Europe (advisory member) | **CAN** - Climate Action Network – Europe | **CEE Bankwatch Network** | **ClientEarth** | **Climate Alliance** | **E.V.V.E.** - European Association for the Consumption-based Billing of Energy Costs | **E3G** | **eceee** - European Council for an Energy Efficient Economy | **ECOS** - European Environmental Citizens Organisation for Standardisation | **EEB** - European Environmental Bureau | **EFIEES** - European Federation of Intelligent Energy Efficiency Services | **ehi** - Association of the European Heating Industry | **Energy Cities** | **EPEE** - European Partnership for Energy and the Environment | **eurima** - European Insulation Manufacturers Association | **EuroACE** - The European Alliance of Companies for Energy Efficiency in Buildings | **European Alliance to Save Energy** | **European Climate Foundation** | **European Copper Institute** - Copper Alliance | **Friends of the Earth Europe** | **Housing Europe** | **PU Europe** - European Association of Polyurethane Insulation Manufacturers | **RAP** - The Regulatory Assistance Project (advisory member) | **REScoop.eu** | **T&E** - Transport & Environment | **WWF European Policy Office**
