

European Commission proposal to revise the Energy Efficiency Directive

EURELECTRIC proposals for amendments

June 2017

EURELECTRIC is the voice of the electricity industry in Europe.

We speak for more than 3,500 companies in power generation, distribution, and supply.

We Stand For:

Carbon-neutral electricity by 2050

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

Competitive electricity for our customers

We support well-functioning, distortion-free **energy and carbon markets** as the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

Continent-wide electricity through a coherent European approach

Europe's energy and climate challenges can only be solved by **European – or even global – policies**, not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment** to ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

EURELECTRIC. Electricity for Europe.

Dépôt légal: D/2017/12.105/29

Article 1

Text proposed by Commission

Amendment proposal by EURELECTRIC

Amendment 1

Article 1

1. This Directive establishes a common framework of measures to promote energy efficiency within the Union in order to ensure that the Union's 2020 20 % headline targets and its 2030 30 % **binding** headline targets on energy efficiency are met and paves the way for further energy efficiency improvements beyond those dates. 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.

1. This Directive establishes a common framework of measures to promote energy efficiency within the Union in order to ensure that the Union's 2020 20 % headline targets and its 2030 30 % **indicative** headline targets on energy efficiency are met and paves the way for further energy efficiency improvements beyond those dates. 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.

Justification

EURELECTRIC maintains its view that an indicative 2030 energy efficiency target at the EU level remains the best choice. This echoes the Commission's evaluation that the current indicative EU level target for 2020, together with the mix of binding EU measures and national action, including indicative targets set by Member States, has proved to be effective in driving strong progress by the Member States. Furthermore, on the basis of the Commission's Impact Assessment which accompanied this proposal, EURELECTRIC is not convinced of the economic and the environmental advantages of an increased energy efficiency target.

However, more important than the target level itself, we believe that related policy instruments should not be negatively affected and sufficient flexibility must be ensured to achieve the set targets. Specifically, EURELECTRIC is concerned about the interactions between energy efficiency and other energy and climate related targets and instruments, which are of key importance. The electricity sector has repeatedly called for careful consideration and management of the impact of the energy efficiency target on the EU ETS. The Commission's Impact Assessment shows a drop in price for ETS allowances in 2030 from €42 to €27 with an energy efficiency target increased from 27% to 30%. This corresponds to a 36% price drop in the price of ETS allowances.

Article 3 -Energy Efficiency Targets

Text proposed by Commission

Amendment proposal by EURELECTRIC

Amendment 2

Article 3(1)a

When setting those targets, Member States shall take into account:

(a) that the Union's 2020 energy consumption has to be no more than 1 483 Mtoe of primary energy **and** no more than 1 086 Mtoe of final energy;

When setting those targets, Member States shall take into account:

(a) that the Union's 2020 energy consumption has to be no more than 1 483 Mtoe of primary energy **or** no more than 1 086 Mtoe of final energy;

Justification

The Commission's proposal states that when setting indicative national energy efficiency targets for 2020, Member States shall take into account that the Union's 2020 energy consumption has to meet both a primary and a final energy target. This clearly represents a significant change and reduction of flexibility for Member States which EURELECTRIC proposes to change back to the original agreed text from the current EED, which allows meeting either of these targets.

Amendment 3

Article 3(2)

Text proposed by Commission

Amendment proposal by EURELECTRIC

2. By 30 June 2014, the Commission shall assess progress achieved and whether the Union is likely to achieve energy consumption of no more than 1 483 Mtoe of primary energy **and** no more than 1 086 Mtoe of final energy in 2020.

2. By 30 June 2014, the Commission shall assess progress achieved and whether the Union is likely to achieve energy consumption of no more than 1 483 Mtoe of primary energy and/or no more than 1 086 Mtoe of final energy in 2020.

Justification

The Commission's proposal states that when assessing progress towards the 2020 objective, it will be examined whether the Union is likely to achieve both a primary and a final energy target. This clearly represents a significant change and reduction of flexibility, which we propose to change back to the original agreed text from the Energy Efficiency Directive (EED), which allows for the achievement of either of these targets.

Amendment 4

Article 3(3)

Text proposed by Commission

Amendment proposal by EURELECTRIC

3. In carrying out the review referred to in paragraph 2, the Commission shall:

(d) compare the results under points (a) to (c) with the quantity of energy consumption that would be needed to achieve energy consumption of no more than 1 483 Mtoe of primary energy **and** no more than 1 086 Mtoe of final energy in 2020.

3. In carrying out the review referred to in paragraph 2, the Commission shall:

(d) compare the results under points (a) to (c) with the quantity of energy consumption that would be needed to achieve energy consumption of no more than 1 483 Mtoe of primary energy **and/or** no more than 1 086 Mtoe of final energy in 2020.

Justification

The Commission's proposal states that when comparing the results, the comparison will be made both with a primary and a final energy consumption target in 2020. This clearly represents a significant change and reduction of flexibility, which EURELECTRIC propose to change back to the original agreed text from the EED, which allows meeting either of these targets.

Amendment 5

Article 3(4)

Text proposed by Commission

4. Each Member State shall set indicative national energy efficiency contributions towards the Union's 2030 target referred to in Article 1 paragraph 1 in accordance with Articles [4] and [6] of Regulation (EU) XX/20XX [Governance of the Energy Union]. When setting those contributions, Member States shall take into account that the Union's 2030 energy consumption has to be no more than 1 321 Mtoe of primary energy **and** no more than 987 Mtoe of final energy. Member States shall notify those contributions to the Commission as part of their integrated national energy and climate plans in accordance with the procedure pursuant to Articles [3] and [7] to [11] of Regulation (EU) XX/20XX [Governance of the Energy Union]

Amendment proposal by EURELECTRIC

4. Each Member State shall set indicative national energy efficiency contributions towards the Union's 2030 target referred to in Article 1 paragraph 1 in accordance with Articles [4] and [6] of Regulation (EU) XX/20XX [Governance of the Energy Union]. When setting those contributions, Member States shall take into account that the Union's 2030 energy consumption has to be no more than 1 321 Mtoe of primary energy **and/or** no more than 987 Mtoe of final energy. Member States shall notify those contributions to the Commission as part of their integrated national energy and climate plans in accordance with the procedure pursuant to Articles [3] and [7] to [11] of Regulation (EU) XX/20XX [Governance of the Energy Union]

Justification

Ensuring sufficient flexibility for Member States is of pivotal importance in European energy efficiency policy in order to ensure its environmental and economic efficiency, as well as its consistency with the EU's entire energy and climate policy. The EED has been largely successful because it allows Member States full flexibility as to how they set and meet energy efficiency targets. This is important in view of the diversity of Member States' situations in terms of the structure of their energy mix and of energy efficiency performances and potential. In particular, this need for flexibility lies in the possibility to set national indicative targets in terms of final energy or primary energy. Therefore, the global EU's energy efficiency performance should also be measured either in final energy or primary energy.

According to the conventional rules used to convert final energy into primary energy, the imposition of targets or criteria both in terms of final energy and primary energy may produce counterproductive effects as regards decarbonisation and energy security. Indeed, with current rules, the primary energy consumption assumed to correspond to a same amount of final energy consumption is at worst much higher and at best equal in the case of low carbon electricity consumption than in the case of fossil fuels consumption. At the stage of final energy consumption, this may lead to the substitution of decarbonised electricity with fossil fuels in order to artificially maximise the estimated primary energy savings, entailing in that case an increase in GHG and other pollutant emissions, as well as a greater energy dependency and resource depletion.

In the broader context of the EU's energy and climate policy, the provisions of the EED should not be an obstacle to the decarbonisation of the European economy and the energy security through the electrification of energy uses.

Article 7 – Energy Savings obligation

Amendment 6

Article 7(1)

Text proposed by Commission

Amendment proposal by EURELECTRIC

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 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.

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

Justification

Keeping in mind that the proposal stipulates a ten year prolongation of the binding 1.5% savings target, EURELECTRIC does not support the Commission's proposal to automatically prolong the target beyond 2030. The regular review of the Energy Efficiency Directive is sufficient in this regard. Evidence from national implementation has shown that pursuing the 1.5% annual level of energy savings is very challenging for some Member States in view of increasing marginal costs.

Amendment 7

Article 7(1)

Text proposed by Commission

For the purposes of point (b), 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 ***policy measures introduced during the period from 1 January 2014 to 31 December 2020*** provided it can be demonstrated that those measures result in individual actions that are undertaken after 31 December 2020 and deliver savings.

Amendment proposal by EURELECTRIC

For the purposes of point (b), and without prejudice to paragraphs 2 and 3, Member States may count only those energy savings that stem from policy measures, ***whether*** introduced after 31 December 2020 or ***before*** provided it can be demonstrated that those measures result in ***new*** individual actions that are undertaken after 31 December 2020 and deliver ***new*** savings.

Justification

Ensuring that existing measures that continue to trigger new actions after 2020 are able to have these savings accounted for in Article 7 provides essential flexibility for Member States to bridge the gap from 2020 to 2030.

Amendment 8

Article 7a(2)

Text proposed by Commission

Amendment proposal by EURELECTRIC

2. Member States shall designate, on the basis of objective and non-discriminatory criteria, obligated parties among energy distributors and/or retail energy sales companies operating in its territory and **may** include transport fuel distributors or transport fuel retailers operating in its territory. The amount of energy savings needed to fulfil the obligation shall be achieved by the obligated parties among final customers, designated by the Member State, independently of the calculation made pursuant to Article 7(1), or, if Member States so decide, through certified savings stemming from other parties as described in point (b) of paragraph 5.

2. Member States shall designate, on the basis of objective and non-discriminatory criteria, obligated parties among energy distributors and/or retail energy sales companies operating in its territory and **shall** include transport fuel distributors or transport fuel retailers operating in its territory. The amount of energy savings needed to fulfil the obligation shall be achieved by the obligated parties among final customers, designated by the Member State, independently of the calculation made pursuant to Article 7(1), or, if Member States so decide, through certified savings stemming from other parties as described in point (b) of paragraph 5.

Justification

When designing obligation schemes Member States must take into account the critical role of leveraging efficiencies in the transport sector. In this regard, transport fuel distributors or transport fuel retailers, like other energy distributors and/or retail energy sales companies, have to assume their obligations.

Amendment 9

Article 7a(5)a

Text proposed by Commission

Amendment proposal by EURELECTRIC

5. Within the energy efficiency obligation scheme, Member States:

(a) **shall** include requirements with a social aim in the saving obligations they impose, including by requiring a share of energy efficiency measures to be implemented as a priority in households affected by energy poverty and in social housing;

5. Within the energy efficiency obligation scheme, Member States:

(a) **may** include requirements with a social aim in the saving obligations they impose, including by requiring a share of energy efficiency measures to be implemented as a priority in households affected by energy poverty and in social housing;

Justification

Given the constraints on resources across Member States, we agree that available assistance for energy efficiency should be focused on those who are most in need. However, supplier obligations are not the best way to fund and deliver energy efficiency measures. We must transition to using more progressive sources of funding (other than levies on energy bills), which takes into account customers' ability to pay. More focus should be given to removing existing barriers to energy efficiency policies. Measures such as regulatory tools in the housing sector or financial incentives including tax exemptions should be considered.

Annex to the Energy Efficiency Directive

Amendment 10

Annex IV

Text proposed by Commission

Amendment proposal by EURELECTRIC

(a) in Annex IV, footnote 3 is replaced by the following: '(3) Applicable when energy savings are calculated in primary energy terms using a bottom-up approach based on final energy consumption. For savings in kWh electricity Member States may apply a default coefficient of **2,0**. Member States may apply a different coefficient provided they can justify it.'

(a) in Annex IV, footnote 3 is replaced by the following: '(3) Applicable when energy savings are calculated in primary energy terms using a bottom-up approach based on final energy consumption. For savings in kWh electricity Member States may apply a default coefficient of **1,6**. Member States may apply a different coefficient provided they can justify it.'

Justification

While often seen as a technical detail, the Primary Energy Factor (PEF) will continue to have a profound impact on whether Europe's future fuel of choice in the downstream sectors will be fossil fuel based or carbon-neutral (e.g. RES, nuclear). Specifically in the Energy Efficiency Directive, the PEF will determine whether, and to what extent, Member States are incentivised to save fossil fuels or electricity (which in 2014, was on average already 55% carbon-neutral in the EU).

We believe that the revised Primary Energy factor (PEF) must be forward-looking and take more into account the quickly increasing share of low carbon electricity in the EU's power generation mix, as well as the significant advantages it brings in terms of security of supply. In this regard, EURELECTRIC strongly advocates applying a factor 0 to non-combustible RES sources. This corresponds to methodology 2 in the Fraunhofer Study prepared for the Commission. The 1,6 factor we propose is the corresponding value given in the Study (page 5).

Annex V to the Energy Efficiency Directive - Common methods and principles for calculating the impact of energy efficiency obligation schemes or other policy measures under Articles 7(1) and (2), Articles 7a and 7b and Article 20(6):

Text proposed by Commission

Amendment proposal by EURELECTRIC

Amendment 11

Annex V – paragraph 2a

2. In determining the energy savings for an energy efficiency measure for the purposes of Articles 7(1) and (2), Articles 7a and 7b and Article 20(6) the following principles apply:

(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 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 level;

2. In determining the energy savings for an energy efficiency measure for the purposes of Articles 7(1) and (2), Articles 7a and 7b and Article 20(6) the following principles apply:

(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 **take into account how energy use and demand** would evolve in the absence of the policy measure in question, **by considering** 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 level;

Justification

Allowing Member States to apply their implemented energy use and demand analysis tools will prevent additional bureaucracy. Setting a baseline scenario that leaves all previous efforts undertaken by Member States out of the equation would potentially punish those countries which have already established and implemented an ambitious energy efficiency framework. Punishing those Member States, which have been ambitious in the past is not in the interest of achieving the objectives of this Directive not or the broader Energy Union objectives.

Amendment 12

Annex V – paragraph 2e

e) for policies that accelerate the uptake of more efficient products and vehicles, full credit may be claimed provided it is shown that the uptake takes place before the expiry of the average expected product or vehicle lifetime, or before the product or vehicle would usually be replaced, **and savings are only claimed for the period until the expiry of the average expected lifetime of the product or vehicle to be replaced**

e) for policies that accelerate the uptake of more efficient products and vehicles, full credit may be claimed provided it is shown that the uptake takes place before the expiry of the average expected product or vehicle lifetime, or before the product or vehicle would usually be replaced **or if it is shown that the product or vehicle replacing the replaced product or vehicle would likely not have been chosen without the policy in question.**

Justification

EURELECTRIC believes that products or vehicles which are replaced with more energy efficient products or vehicles at the end of the lifetime should be at least partly credited. This is, for example, important in the case of an internal combustion engine vehicle that is replaced by an electric vehicle. Since electric vehicles still tend to be more expensive in terms of purchasing costs, one cannot assume that the switch to an electric car would have taken place anyway at the end of the lifetime.

Amendment 13

Annex V – paragraph 2g

g) the calculation methodology, including how additionality and **causality** have been determined and which methodologies and benchmarks are used for deemed and scaled savings;

g) the calculation methodology, including how additionality and **materiality** have been determined and which methodologies and benchmarks are used for deemed and scaled savings;

Justification

EURELECTRIC proposes to remove the requirement to show direct causality as it might not always be possible for this to be proven. Instead it is fully sufficient for Member States to show materiality, which would not cause this problem.

Common methods and principles for calculating the impact of energy efficiency obligation schemes or other policy measures under Articles 7(1) and (2), Articles 7a and 7b and Article 20(6):

Text proposed by Commission

Amendment proposal by EURELECTRIC

Amendment 14

Annex V – paragraph 3h

the activities of the participating party, entrusted party or implementing public authority are ***shown to have caused the achievement of the claimed savings.***

the activities of the participating party, entrusted party or implementing public authority are ***demonstrably material to the achievement of the claimed savings;***

Justification

It is proposed to remove the requirement to show direct causality as it might not always be possible to be proven. For example, the installation of charging infrastructure for electric vehicles is central to the uptake for electric vehicles, which are about 3 times more efficient than internal combustion engine (ICE) vehicles. However, it is impossible to show that the installation on one certain charging station has caused a certain number of vehicle owners to replace their ICE vehicle with an electric one. Therefore, EURELECTRIC proposes to revert to the wording of the current Directive and state that the party's activities must be demonstrably material to the archived savings.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

▶ Growth, added-value, efficiency

Environmental Leadership

▶ Commitment, innovation, pro-activeness

Social Responsibility

▶ Transparency, ethics, accountability



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