



Press briefing – Brussels, 27 February 2012

## **Strengthening EU legislation on energy efficiency and savings - briefing ahead of the EP committee vote**

5 years after committing to a voluntary target of reducing energy consumption 20% by 2020, EU member states are way off track. The review of the EU energy efficiency directive (EED) aims to address this and, in doing so, will provide a boost to the economy. Improving energy efficiency and saving in Europe not only makes sense in terms of realising the EU's energy security and climate change goals, it also makes broader economic sense, stimulating economic activity, creating employment and bringing down energy costs.

The European Parliament industry and energy committee (ITRE) today (28 February) voted on the EU energy efficiency directive review. This briefing sets out the state of play on the directive following the vote, including information on some of the key details under the agreed 'compromise amendments', ahead of the vote. These include binding targets and measures on energy efficiency but also greater flexibility in implementation.

### **Binding targets** (articles 1, 3 and 19, annex 0)

There will be binding, effort-shared energy savings targets for member states to deliver the 2020 target of reducing consumption by 20% - leading to a consumption of not more than 1474 MTOE by 2020 (as per the original Commission definition). These targets would apply upon the entry into force of the directive and include national trajectories for each member state to 2020, with interim targets for 2014, 2016 and 2018 under the oversight of the Commission. The EU Commission's evaluation of national performance would be notably based on detailed national energy efficiency action plans to be submitted every three years.

### **Binding financial instruments** (article 2a)

Each member state will be obliged to set up national financing facilities for energy efficiency, aggregating funds and directing them to energy saving projects. These facilities should receive funding through EU regional funds or through revenues raised from the auction of permits under the emissions trading scheme. Public and private financial sector bodies should be actively encouraged to participate in co-financing of projects, with a view to ensuring sufficient leverage.

### **Energy efficient buildings** (articles 3a and 4)

Member states will have to set out a roadmap for achieving 80% energy savings in buildings by 2050, dealing also with the social impact of energy savings for apartments, complementing the EU buildings directive. National roadmaps should aim to achieve the deep renovation (deemed as a 75% improvement in energy performance) of all buildings by 2050. There will be a renovation rate of 2.5% per year for all public buildings, with a view to stimulating innovation and cost reductions of energy savings technologies.

### **Energy efficiency in public procurement** (article.5)

Member states should use their public procurement contracts (roughly 19% of EU GDP) to create an EU wide market for 'best-in-class' efficiency products and services. This would help innovation by making the EU a lead market for efficiency products and services.

### **Energy company obligations** (article 6)

Energy suppliers or distributors will be tasked with delivering cumulative 1.5% annual savings across all end use sectors, including transport. This scheme - which is already successfully implemented in the UK, Denmark and France - will help overcome the often exclusive reliance on government budgets to pre-finance energy efficiency investments. Governments have flexibility in determining how this is achieved. The implementation of this measure could realise up to 110 MTOE in savings.

### **Customer information and consumer organisations** (article 8 and 8a)

Customers will be provided better and more transparent information on energy costs and consumption. Smart meters will have to have displays as standard when they are implemented, while apps will have to be more regularly updated. All this is designed to ensure customers have control of their energy use data. All governments should work closer with their respective national consumer organisations when designing and implementing national efficiency programs

### **Combined heat and power** (articles 10 and 12.5)

There are requirements for increasing the use of combined head and power (CHP) technologies in power production, which could yield up to 50 MTOE in savings. If a cost-benefit analysis shows that CHP makes sense (either for new build or renovation), this should be implemented. Priority access and dispatch for CHP shall be granted. This should not be at the expense of priority access and dispatch of renewables however. The latter will always have first loading order.

### **Energy performance of power plants** (article 11)

All power plants over 50MW will be surveyed as regards the energy efficiency of their power production. Based on this register, the Commission may come up with further measures to improve the energy performance of plants in 2015.

### **Energy networks** (article 12)

The building of new power and gas distribution networks will be expected to achieve higher efficiency. This includes introducing new market design rules for all relevant electricity and gas markets to improve demand side management. This will ultimately reduce costs.

### **Rescuing the emissions trading scheme** (article 19)

The report will provide a mandate for the Commission to come forward with a proposal to repair the emissions trading scheme if appropriate. With the ETS widely recognised to be malfunctioning due to the oversupply of emissions permits for the third phase and the extremely low carbon price failing to provide an incentive for investments in emissions reduction technologies, a fix is urgently needed. This could include the set aside of permits under the ETS.