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Energy savings under Article 7 of the Energy Efficiency Directive

Assessment of national progress reports and positions

Updated 25 July 2017

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Introduction and objective

The Energy Efficiency Directive (EED) sets the overall energy efficiency target (Articles 1 and 3) as well as a requirement for Member States to put in place policies and measures to deliver each year from 2014-2020 new end-use energy savings worth 1.5% of energy sales (Article 7). The total savings requirement under Article 7 amounts to 10.5% of energy sales in 2020. Savings shall be new and additional, which means that savings from one year must be maintained over the following years. The cumulative savings over the whole period are thus 42% of annual sales. Member States have the possibility to lower this end-use savings requirement by 50% in average, depending on the size of transport sector and the application of other exemptions.

As part of the revision of the EED, the Commission has proposed to extend Article 7 beyond 2020, keeping the same ambition level. Many Member States raised concerns about the feasibility and costs of the provision.

This report aims to assess and map national progress towards the Article 7 target to inform the legislative debate. Each year in April Member States have to report progress in reaching the Article 7 requirement. This report looks at the cumulative savings reported in 2014-2015 and compares them with the Article 7 targets notified by Member States.

Poor quality of national reports and methodological approach

In 2017 only ten countries (AT, BE, CY, EE, HU, IE, IT, NL, PT and SI) have used the common template for their annual progress reports. As a consequence assessment is cumbersome and prone to misunderstandings in multiple cases. The Article 7 requirement includes annual *'new'* savings, leading to a minimum of *'total'* savings per year and *'cumulative'* savings over a period. Only if all those three parameters are available, can a proper progress assessment be carried out.

Since only a few countries provide the *cumulative* savings in their reports, we assumed that most savings have a life time over 7 years, with the exception of taxation measures. Some countries account taxation on a short-term, annual basis (i.e. Germany), while others consider also longer-term effects (Sweden). In addition many countries did not provide the total savings realised, but simply list the results of individual measures without stating whether they are eligible or overlapping. In these cases we had to make expert judgments to estimate on overall savings amount, considering the European Commission's Article 7 guidance (SWD(2013) 451 final). The impacts of such 'corrections' are significant in the case of the UK (early savings) and Germany (life-time of energy savings resulting from its energy tax). For some countries (Romania and Luxembourg), information was insufficient to draw conclusions about their progress towards realising their target.

The cumulative savings 2014 to 2015 based on the national progress reports are compared with the linear target path for reaching the requirement for the whole period 2014-2020.

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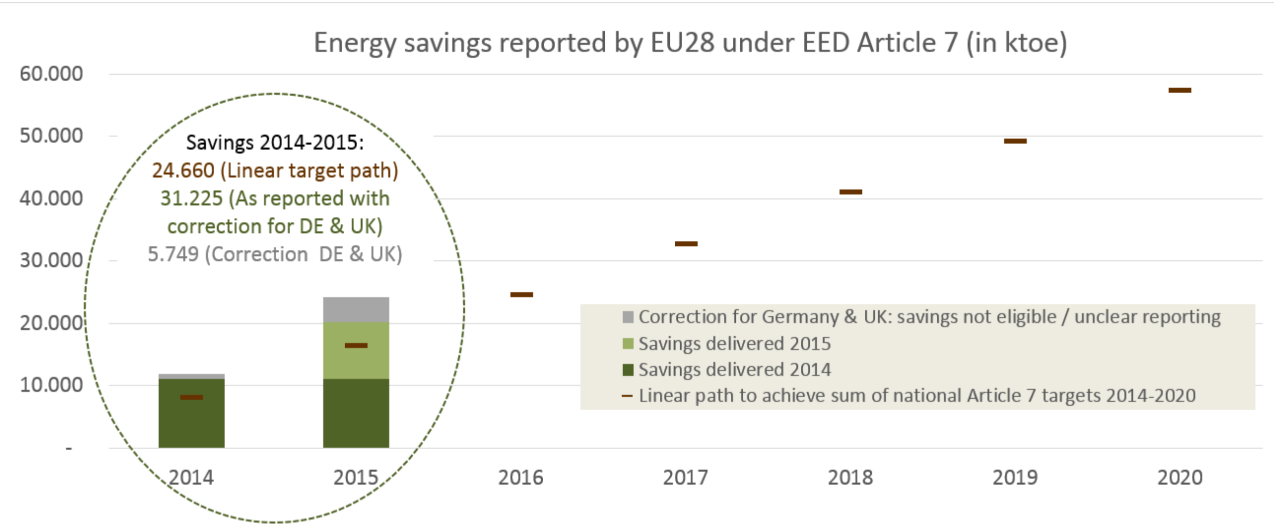
Summary of findings: most countries report good progress

Overall the cumulative savings 2014 and 2015 in the EU based on the Member States' reports is well above a linear target path, even when correcting the amount of savings downwards for Germany (considering short life-time of taxation impacts) and for the UK (considering that temporary flexibility for obligated parties must not lower target as set out in the European Commission's guidance). Some measures reported by Member States appear to be not eligible, either they are not targeted at improving energy efficiency or are not additional to EU actions. Legal enforcement activities would therefore most likely lead to further downward corrections.

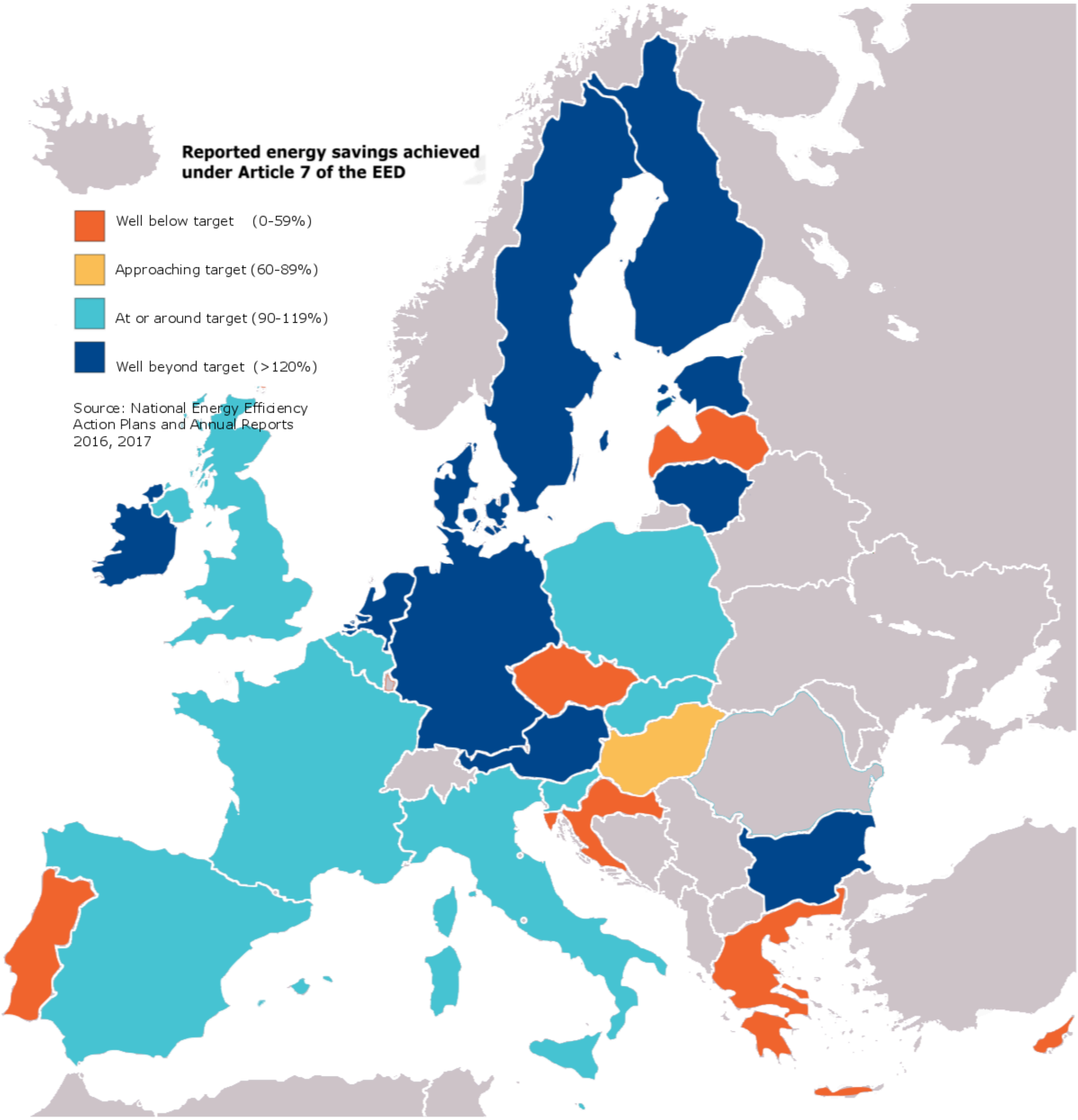


Most countries have been able to increase their savings during 2015, the second year of implementation. Meanwhile, and while a large majority of Member States report achieving or overachieving the annual energy savings requirement of 1.5%, many of them requested additional loopholes in the EED revision to lower the requirement after 2020[1]. At the 26th June Energy Council, energy ministers from Bulgaria, Poland, Slovenia, Slovakia and UK opposed or abstained in the final vote[2], although their country has been reaching or exceeding their Article 7 targets.

The map below summarises the findings from Member States' progress reports. More detailed information is provided for some countries in the next section.

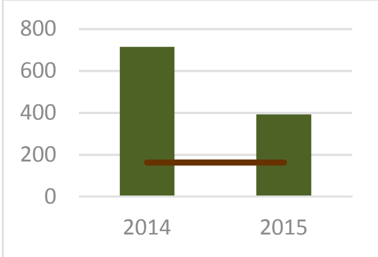
[1] Analysis by the Coalition for Energy Savings of a text proposed by the Maltese Presidency of the Council http://energycoalition.eu/energy-council-preparations

[2] At Council meeting HU, LV, PL, RO, SK and UK objected to the text of the general approach while BG, and SI abstained.


Reported energy savings achieved under Article 7 of the EED
Well below target (0-59%)
Approaching target (60-89%)
At or around target (90-119%)
Well beyond target (>120%)
Source: National Energy Efficiency Action Plans and Annual Reports 2016, 2017

Information for selected Member States

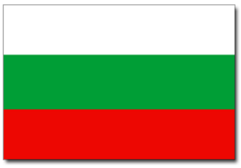
Austria

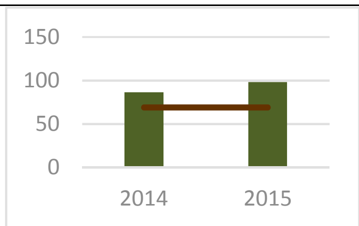


Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

Austria has not been actively taking a position on the level of the annual savings requirement in the Council negotiations, as the Austrian government has commissioned a national impact assessment on Article 7 of the EED. The process is still ongoing. During the first two years of the EED period Austria was well above the average new savings per year required to reach minimum savings for the period 2014-2020. In 2014 an energy tax delivered 3/4 of savings. The energy tax does not continue to deliver new savings each year. In 2015 already half of the savings came from an energy efficiency obligation scheme.

Bulgaria

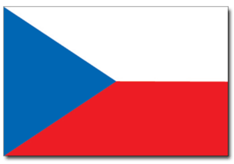


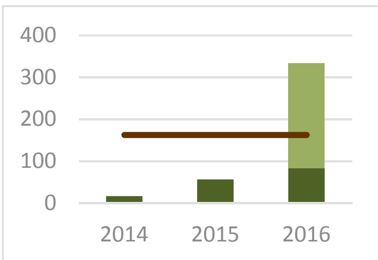


Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

Bulgaria has surpassed its average new savings per year required under Article 7. Half of all Bulgarian savings come from a metering and billing scheme for improved access to consumer information on electricity, heat energy and natural gas usage. Bulgaria abstained from voting on the General Approach in the Energy Council as it could not accept moving away from 2014 European Council conclusions with an energy efficiency target of 30%.

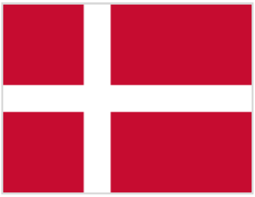
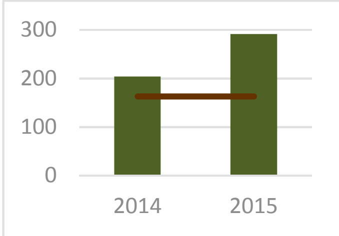
Czech Republic





Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020. The light green bar represents savings from supply side.

In the Council negotiations on the Energy Efficiency Directive the Czech Republic has been a proponent for reducing Article 7 ambition. Savings reported under Article 7 have increased significantly in 2016, when the savings rate had a nearly six-fold increase from the level of 2015. But three quarters of the savings came from an older Strategic Framework for Sustainable Development, which concentrated mainly on supply-side efficiency measures and may only count towards reducing the final end-use target (up to 25%) but not for reaching the remainder of the target. Czech Republic negotiated hard for its position but finally voted for the General Approach in the Energy Council of 26 June.

<table>
<tr>
<td>Denmark
</td>
<td>
</td>
<td>Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.</td>
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</table>

Denmark was active in supporting a higher level of ambition in the Council's General Approach and was one of the co-signatories of a letter regretting the lack of ambition of the final deal on the EED. It has reported a successful implementation of Article 7 of the EED during the first years of the implementation.

<table>
<tr>
<td>Estonia
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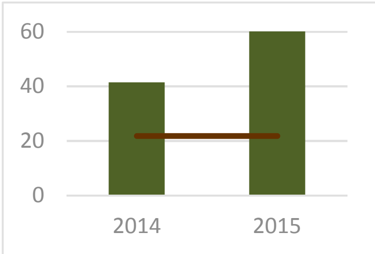
<td>
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<td>Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.</td>
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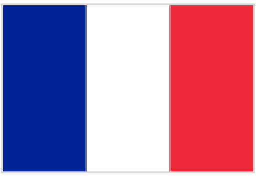
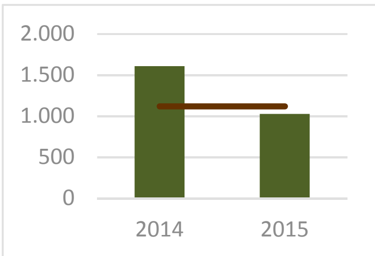
</table>

Estonia has reported a successful implementation of Article 7 of the EED during the first years of the implementation. 99% of its savings come from various energy taxation measures. As a country holding the Council's presidency in the second half of 2017, Estonia did not take a strong position on the revision of the EED.

<table>
<tr>
<td>France
</td>
<td>
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<td>Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.</td>
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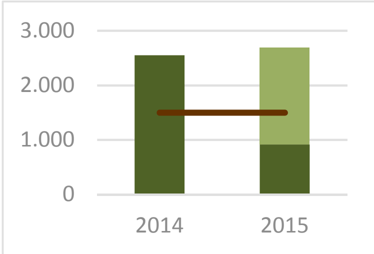
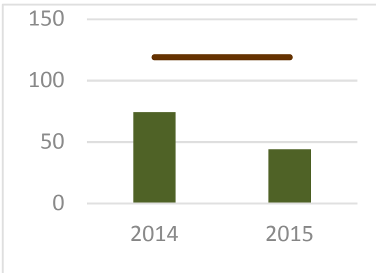
</table>

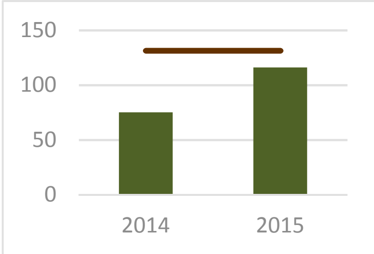
France has been fulfilling its Article 7 requirements through its White Certificate scheme for energy suppliers. Around a half of the savings of the White Certificate scheme take place in the residential buildings. The scheme was recently extended and its success has been used internally as an argument for continuing a strong Article 7. France was active in supporting a higher level of ambition in the Council's General Approach and was one of the co-signatories of a letter regretting the lack of ambition of the final deal on the EED. France defended the Commission's proposal to maintain Article 7 ambition after 2020, and supported Germany's proposal to reinforce the Article by removing the possibility to exclude transport energy sales from the baseline.

Germany 		Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020. The light green bar in 2015 represents savings from the energy tax which cannot be considered new in 2015 according to the method applied by Germany.

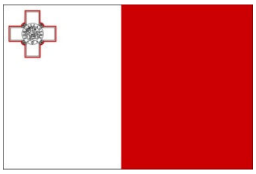
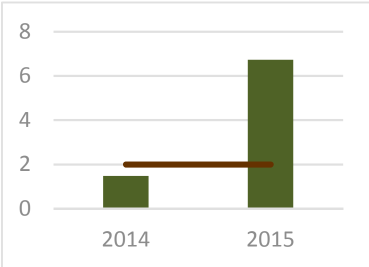
Germany reported a successful implementation of Article 7 of the EED during the first years of the implementation. Around two thirds of the energy savings come from an energy tax introduced in 1999 and last revised in 2003. Germany does not follow the standardised reporting template proposed by the Commission, making it difficult to analyse the impact of tax measures during the whole period. Stakeholders have criticised the German government for reporting measures whose capacity to deliver eligible savings is unclear, including for example road taxes, as stressed in a complaint to the Commission. The German government commissioned a Green Book on energy efficiency to chart out the future of the next generation of EE programmes. Germany was active in supporting a higher level of ambition in the Council's General Approach and was one of the co-signatories of a letter regretting the lack of ambition of the final deal on the EED. Germany defended the Commission's proposal to maintain Article 7 ambition after 2020 and also proposed to reinforce the Article by removing the possibility to exclude transport energy sales from the baseline.

Greece 		Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

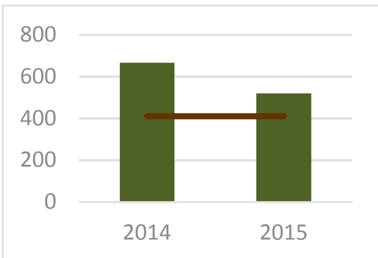
Greece has had difficulties in achieving its Article 7 target. Most of the savings have come from transport (support for both public transport and replacing old private passenger vehicles) and an Energy Saving at Home programme subsidising investments for energy efficiency in the residential sector.

Hungary 		Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

Hungary voted against the General Approach at the 26 June Energy Council, stating that it could not approve the increase of ambition, which went to their understanding beyond the 2014 European Council conclusions. Hungary's Article 7 implementation has picked up speed and starts reaching the minimum level required.

Malta 		Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

Malta had difficulties in achieving the Article 7 target in the first year, but already in the second year of implementation overachieved the target by more than 300%. Malta has an energy efficiency obligation scheme which provides a small part of the savings only, with nearly three quarters coming from financing schemes. According to the Maltese National Energy Efficiency Action Plan these measures: "included savings stemming from projects carried out in order to improve energy efficiency in Government-owned industry, savings as a result of incentives schemes for double glazing, roof insulation and solar water heaters, energy efficiency measures in low-income households, savings as a result of grant schemes to improve vehicle fleet efficiency and self consumption of PV generation".

Netherlands 		Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

The Netherlands has been able to implement Article 7 going well beyond its minimum required target both in 2014 and 2015. The Dutch negotiators have stated that their support for a 1.5% annual energy savings obligation in the Council is dependent on being guaranteed flexibilities in its implementation. The Dutch energy efficiency policies produce savings from a variety of measures, the two most important are the Energy Investment Allowance, a tax relief program subsidising energy efficiency investments, and policies targeted to improving the energy efficiency of households.

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<td>Poland
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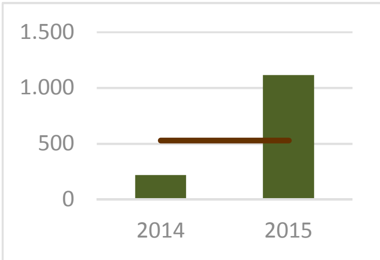
<td>
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<td>Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.</td>
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Poland has not been very active during the Article 7 negotiations on the EED revision but objected to the text of the general approach. Poland relies exclusively on an energy efficiency obligation scheme to achieve its target. The EEO began in 2015 and overachieves significantly the minimum annual requirement.

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<td>Portugal
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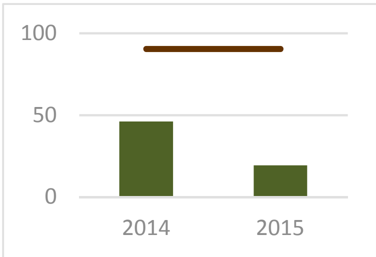
<td>
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Although supportive of a binding 30% target in the Commission's proposal on the EED, Portugal is concerned with the extension of Article 7. Portugal cites difficulties in implementation and monitoring of the article in a southern country, where most of the possible savings can only come from industrial consumers as the share of heating and cooling in households is smaller than in other countries. Around half of its savings come from SGCIE – Management system of Intensive Energy Consumption – and nearly a third from PPEC, a consumption efficiency promotion plan. In the SCGIE incentives are awarded for the promotion of measures aimed at improving efficiency in electricity consumption at the consumer level through measures taken by suppliers, network operators and organisations. The implementation of the planned measures during the first year of the savings period was insufficient, therefore Portugal has stated that additional measures will be taken in energy consumption among final consumers in order to achieve the proposed objectives.

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<td>Slovakia
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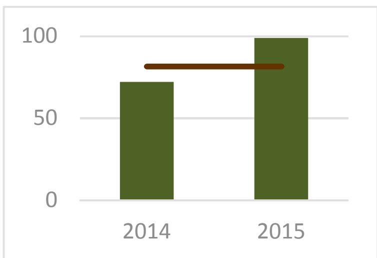
<td>
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<td>Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.</td>
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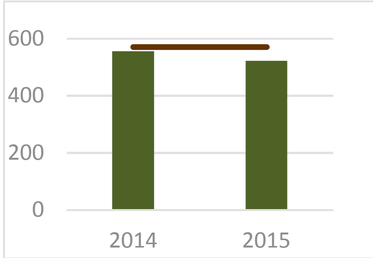
Slovakia asked for additional loopholes under the Council negotiations and for Article 7 to be indicative. Approximately half of its savings came from the building sector in 2014, but the annual reports do not show savings by project. Slovakia's 2015 annual savings surpassed the target and were sufficient to cover for the first year's small deficit.

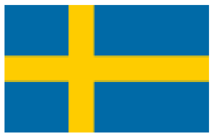
Spain

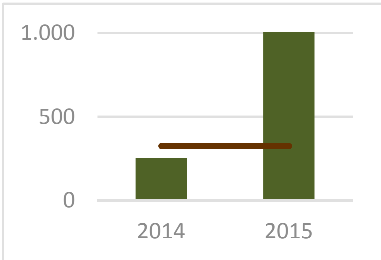


Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

In the negotiations on the EED Spain has requested additional loopholes and reduced ambition of the Article 7 target level. Spain has a large diversity of measures reported under Article 7 of the EED, although half of all savings are reported under the Law 15/2012 on fiscal measures to aid energy sustainability. Its reported savings are close to the annual target.

Sweden

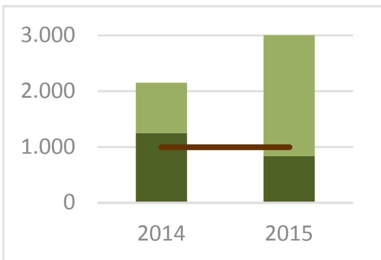




Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020.

In Sweden, the second year's Article 7 savings compensated for the underachievement in the first year. Sweden has achieved its requirements related to Article 7 mainly through energy taxes. It does not follow the standardised reporting template proposed by the Commission, making it difficult to analyse the impact of tax measures during the whole period. Sweden has asked for a binding target of at least 30% and defended Article 7 ambition during the Council negotiations. It was active in supporting a higher level of ambition in the final Energy Council meeting that decided on a General Approach. It also supported Germany's proposal to reinforce Article 7 by removing the possibility to exclude transport energy sales from the baseline. Sweden is currently the only Member States which is not making use of this exemption possibility.

United Kingdom



Energy Savings (in ktoe) reported under Article 7. Horizontal line represents average new savings per year required to reach minimum savings for the period 2014-2020. The light green bars represent savings which appear to be not eligible.

The UK asked for a voluntary Article 7. It supported additional loopholes in Article 7, and asked for retroactive changes to allow counting new buildings as delivering new energy savings. The UK reports successful implementation of Article 7. But it has been criticised for counting new buildings building regulations, which account for a large part of their savings even though their additionality to EU measures is doubtful. The Maltese presidency has included new buildings to allowed Article 7 savings during the Council negotiations. Further to that the UK has reported ineligible early action savings from the period 2010-2013 in its Article 7 reports.

Conclusions

Most Member States annual progress reports are of low quality, lacking transparency, missing obligatory data and not using the standard format. This makes assessments difficult and may cause misunderstandings.

Two thirds of Member States are close to or already well above the linear target path for the 1.5% new energy savings per year for the period 2014-2020 according to their annual progress reports and action plans.

Reported progress matches national positions on EED revision, but not always:

- The vast majority of countries report good progress in implementing the EED's main provision, the 1.5% new annual energy savings requirements set out in Article 7.
- Some of these countries, led by France and Germany, support extending the requirement after 2020 without lowering its ambition.
- Several other countries also reporting good progress, including UK, Slovakia, Finland, Spain and Italy, have nevertheless asked for lowering the ambition after 2020 by adding several additional loopholes. Their motivation is not always clear:
    - Is reaching the 1.5% annuals savings too difficult? So far no country has brought forward evidence;
    - Are there doubts about the correct implementation of Article 7? For example the UK is counting its codes for new building without proofing of additionality; and
    - Is energy efficiency seen as a less relevant element in the EU's policy mix to reach a decarbonised energy system?