

An energy efficiency law for Germany

Briefing

22nd November 2022

On the 17th of October 2022 Chancellor Scholz decided that his government will propose an ambitious energy efficiency law. It happened in parallel to his decision to extend two nuclear power stations by 3.5 months until Spring 2023.

This is a major breakthrough for German NGOs and businesses which have been calling for such a law since many years, in order to provide an overall policy framework and to elevate energy efficiency to its proper role as a carrying pillar for the energy transition.

A first draft law prepared on 18th October by the energy ministry follows closely the energy efficiency developments at the EU level - in particular the Council's position for the recast of the Energy Efficiency Directive (EED) to strengthen the 2030 targets, savings obligation and other measures.

The draft includes *inter alia*:

- 2030 targets for final and primary energy consumption (FEC and PEC) ensuring a 24% FEC and 37% PEC reduction compared to 2008. The level of the targets is close to the result of the allocation formula foreseen in the Council position on the EED recast. Council's position is a 9% reduction of EU energy demand compared to the business as usual scenario, while the Commission had proposed 13% and Parliament 14.5%;
- 2040 and 2045 targets for final and primary energy consumption, in line with Germany's net zero GHG emission pathway. These targets mean that in 2045, the final energy consumption would be reduced by 45% and primary energy by 57% compared to 2008;
- An energy savings obligation to deliver 50TWh new annual savings as of 2024 until 2045, through energy efficiency policies and measures. The savings are to be delivered in line with the requirements of the EED. The 50 TWh are 2% of the average final energy consumption 2017-2019 and are in line with the Parliament's position, but above the Council's position for a 1.5% savings obligation. The federal level has to present by the end of 2023 an action programme with the measures to deliver new annual savings of 45 TWh. The states (Länder) have to deliver 5 TWh new annual savings and prioritise the renovation of the worst performing social housing stock;
- Mandatory implementation of energy audit recommendations: companies that are subject to energy audits or an energy management system (above 2.5 and 10 GWh/year respectively) have to implement all measures within two years which are identified as cost-effective, meaning that their net present value after half of their life-time is positive; and
- Minimum energy efficiency and waste-heat reuse standards for data centres.

Overall the draft law appears to be a comprehensive transposition of the Council's position for the recast of the Energy Efficiency Directive. But it falls short of the Parliament's ambition. Currently, the European Parliament and Council are negotiating on the final text for the recast.

The law should enter into force by next year. Yet, the inter-ministerial consultation is not concluded. A proposal for the energy efficiency law will have to be submitted to the Bundesrat and the Bundestag for decision.

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