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Revised Energy Efficiency Directive

On 30 November 2016, the European Commission presented a proposal for a revised Energy Efficiency Directive, as part of the Clean Energy package. This aims to adapt and align EU energy legislation with the 2030 energy and climate goals, and contribute towards delivering the energy union strategy.

The Commission proposes a 30 % binding EU energy efficiency target for 2030, to be achieved by means of indicative national targets. Although more demanding than the 27 % efficiency target approved by the European Council in 2014, it is less ambitious than the 40 % target called for by the European Parliament. The revised directive proposes to extend beyond 2020 the application of the energy savings obligation scheme, which requires utility companies to help their consumers use 1.5 % less energy each year. It also aims to make the rules on energy metering and billing clearer.

The proposal has been debated twice in the Council, which adopted a general approach in June 2017. In the Parliament, the file was assigned to the ITRE committee. The European Parliament adopted its position in plenary on 17 January 2018. Trilogue negotiations between Council, Parliament and Commission started in February.

Proposal for a directive of the European Parliament and of the Council amending Directive 2012/27/EU on energy efficiency

COM(2016) 761, 30.11.2016, 2016/0376(COD), Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')

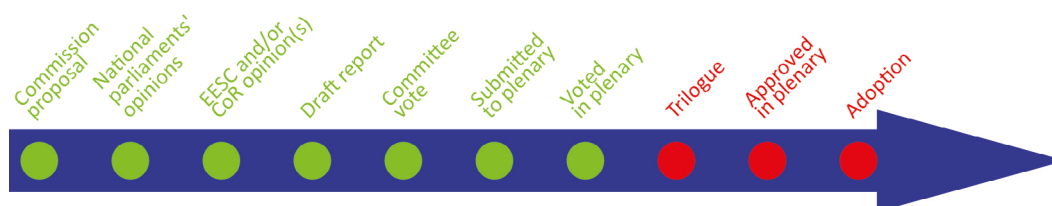
Committee responsible:	Industry, Research and Energy (ITRE)
Rapporteur:	Miroslav Poche (S&D, Czech Republic)
Shadow rapporteurs:	Markus Pieper (EPP, Germany), Anneleen Van Bossuyt (ECR, Belgium), Gerben-Jan Gerbrandy (ALDE, the Netherlands), Xabier Benito Ziluaga (GUE/NGL, Spain), Benedek Jávor (Greens/EFA, Hungary), Dario Tamburrano (EFDD, Italy), Angelo Ciocca (ENF, Italy)
Next steps expected:	Trilogue negotiations

16 March 2018

Third edition

The 'EU Legislation in Progress' briefings are updated at key stages throughout the legislative procedure.

Please note this document has been designed for on-line viewing.





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Introduction

On 30 November 2016, the European Commission presented the '[Clean Energy for All Europeans](#)' package of proposals, including a [revised Energy Efficiency Directive](#) amending the current directive ([2012/27/EU](#)).

The package includes eight legislative proposals in the field of energy efficiency, renewable energy, electricity market design, security of electricity supply and energy governance. Its aim is to bring EU energy legislation into line with the 2030 climate and energy targets, as well as to contribute to the 2015 [energy union strategy](#) goal of ensuring a secure, sustainable, competitive and affordable energy supply in the EU. 'Energy efficiency first' is one of the key elements of the energy union, and the revision of the Energy Efficiency Directive is supposed to put that idea into practice. The review of some of the articles was mandated by the 2012 directive itself.

The proposal for a revised directive introduces a binding EU target involving a 30 % reduction of energy consumption by 2030 compared to business-as-usual projections. This goes beyond the 'at least 27 %' indicative energy efficiency target, possibly to be revised to 30 %, adopted in the European Council [conclusions](#) of October 2014. The revision of the directive fine-tunes the measures necessary for achieving this target, while making the directive more compatible with the rest of the package, in an effort to increase the overall consistency and clarity of EU energy legislation.

Existing situation

The EU energy efficiency framework consists of a number of directives whose revision is planned or ongoing. The Energy Efficiency Directive, adopted on 25 October 2012, requires the Member States to set indicative national energy efficiency targets ensuring that the EU reaches its headline target of saving 20 % of primary and final energy consumption by 2020 compared to business-as-usual projections.¹ It also introduces a set of binding measures to help Member States achieve the target. The [Ecodesign Directive](#) and the [Energy Efficiency Labelling Directive](#) set standards for products, while efficiency of buildings is regulated by the [Energy Performance of Buildings Directive](#).

Energy efficiency obligation schemes

The main instruments of the Energy Efficiency Directive are energy efficiency obligation schemes, requiring 'obligated parties' determined by Member States – energy distributors and/or retail energy sales companies – to reduce the volume of energy sales to final customers by 1.5 % annually. This has to go beyond the existing energy efficiency standards regulated by other EU legislation. Energy sales in the transport sector can be excluded from the calculation. Gradual phase-in is allowed, as are some exemptions (for instance, the calculation can exclude energy for industrial activities), provided that the exemptions do not add up to more than 25 % of required savings.

¹ This means that in 2020, EU energy consumption should be no more than 1 483 mega tonnes of oil equivalent (Mtoe) of [primary energy](#) and no more than 1 086 Mtoe of [final energy](#). The amounts from the 2012 version of the directive were adapted in 2013 by [Council Directive 2013/12/EU](#), in order to account for the accession of Croatia.



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Member States can decide to achieve the same savings by alternative measures, such as CO2 taxes, financing schemes, fiscal incentives, training and education, energy efficiency standards, norms and labelling that goes beyond those mandated by EU law. Ultimately, Member States are free to choose how they will achieve the savings; currently, there are 477 different measures in use.

Metering and billing information

The directive contains a number of provisions on metering and billing for electricity, natural gas, district heating and cooling, and domestic hot water. It requires that individual meters for final customers' consumption of electricity, natural gas, district heating, cooling, and domestic hot water be introduced whenever a new connection in a new building is made or when the meter is replaced, provided this is technically possible and cost-effective. By 31 December 2016, individual meters for heating and cooling have to be introduced in all multi-apartment/multi-purpose buildings, unless this is technically impossible or is not cost-efficient. Alternatively, individual heat-cost allocators can be used, unless this would also not be cost-efficient. The directive sets requirements for the billing information available to customers with smart and regular electricity and gas meters, and requires that this information be accessible free of charge.

Public procurement

The directive requires Member States' central governments to purchase only highly energy efficient products, services and buildings, and to encourage local and regional authorities to do the same. Public bodies are required to do so, provided it is cost-effective and economically feasible.

Buildings

Central governments are required to lead by example in the field of buildings as well, and to renovate 3 % of the total floor area of buildings occupied or owned by central government each year from 2014 onwards. Member States can choose to achieve the same savings by alternative measures. The directive requires Member States to establish long-term strategies for mobilising investment in energy-efficient renovation of national public and private building stock.

Other measures

The directive additionally requires Member States to introduce mandatory energy audits of companies, excluding small and medium-sized enterprises; to monitor the efficiency of new energy generation capacity; to assess and use the potential for high-efficiency cogeneration (combined heat and power, CHP) and efficient district heating and cooling; to ensure priority access and dispatch of CHP electricity; to encourage and promote [demand response](#); to support a market for energy services; and to ensure training, accreditation and certification of people working in the new energy market.

Parliament's starting position

In both the current and previous term, the European Parliament has advocated a more ambitious 2030 energy efficiency target. In three resolutions – [A 2030 framework for climate and energy policies](#) of 5 February 2014, [2014 UN Climate Change Conference – COP 20 in Lima, Peru](#) of 26 November 2014 and



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[Towards a new international climate agreement in Paris](#) of 14 October 2015 – the Parliament called on the Commission and the Member States to set a binding 40 % target to be implemented by setting individual national targets. In all three resolutions, Parliament pointed out that this ambitious energy efficiency target would bring jobs and savings, increase economic competitiveness, spur innovation, reduce dependency on energy imports and increase energy security. It stressed that buildings should be the centrepiece of energy efficiency. After the European Council adopted the 27 % target, the Parliament, in its resolution of December 2015, [Towards a European Energy Union](#), criticised the less ambitious target as 'weak' and repeated its call for a 40 % binding energy efficiency target.

In its [Implementation report on the Energy Efficiency Directive](#), adopted on 23 June 2016, Parliament concluded that the existing directive, while offering a framework for reducing energy demand, was being implemented poorly. It called on the Member States to implement it rapidly and in its entirety. The Parliament asked the Commission and the Member States to review the energy efficiency target for 2030 in light of the Paris Agreement. It called for phasing out fossil fuel subsidies, and using these resources for energy efficiency projects instead. It demanded that the Commission close loopholes in the provisions on energy savings obligation schemes. An EPRS [implementation appraisal](#) noted that because of phase-in provisions and exemptions, on average Member States were saving only 0.75 % of energy per year instead of 1.5 %. The Parliament proposed that priority be given to energy efficiency measures in buildings, especially in energy-poor households. It asked the Commission to propose a target for improving energy efficiency in residential buildings and to extend the 3 % renovation requirement to include not only the buildings of central government, but all public buildings. It also called for clearer guidelines for efficiency requirements in public procurement and for wider and more consistent use of energy audits.

European Council starting position

In its October 2014 [conclusions](#) on the 2030 Climate and Energy Policy Framework, the European Council endorsed the indicative EU-level energy efficiency target of at least 27 % compared to business-as-usual projections. It required that the target be reviewed by 2020, 'having in mind an EU level of 30 %'. The European Council explicitly stated that the target was not to be translated into binding national targets.



Proposal

Preparation of the proposal

In 2014, the European Commission published a [communication on energy efficiency](#), in which it concluded that additional efforts on the part of Member States would be needed, after its analysis showed that by 2020 the EU would only have achieved around 18-19 % energy savings. In its 2015 [progress report](#) on energy efficiency, the Commission expressed optimism that the 2020 energy efficiency target would be met, but only if the existing legislation was fully implemented, the Member States increased their level of ambition, and investment conditions continued to improve.

The [public consultation](#) took place from 4 November 2015 to 29 January 2016 and received 332 submissions and 69 additional documents. Respondents included industry associations (140 submissions), private companies (47), NGOs (33) and EU Member States (17). A stakeholder event with 282 participants from European industry, civil society organisations and Member States was organised on 14 March 2016. An [evaluation](#) of the effectiveness of provisions on energy efficiency purchases by public bodies and those on energy efficiency obligation schemes, and a separate [evaluation](#) on the metering and billing schemes, were also conducted.

The results of the public consultation and the evaluations were taken into account in the impact assessment (see [executive summary](#)), published alongside the proposal for a revised directive. The impact assessment (IA) noted that not all Member States had managed to fully transpose the current Energy Efficiency Directive, which might lead to the EU missing its 2020 energy efficiency target. Based on this finding, the IA noted that current EU policies would lead to a reduction of only 18.4 % in primary energy consumption by 2020 and only 23.9 % by 2030.

The IA considered various possible levels of ambition for the 2030 EU energy efficiency target (27 %, 30 %, 33 %, 35 % and 40 %) and its nature (indicative EU and national targets, a binding EU target and binding Member State targets). No preferred option was identified, and the stakeholder consultation also showed no clear preference.² However, the IA showed that more ambitious targets would have more positive impacts on economic growth, employment, competitiveness and security of supply. They might also lead to a lower price in the EU emissions trading system (ETS) and increased coal consumption, a circumstance that was taken up by some stakeholders (see below). The 30 % target would, in the short-term, cost €9 billion more than the 27 % target, but €9 billion less in the long-term.

2 At the stakeholder event, not all participants had a view on this, but, according to the impact assessment, most of those who did supported a target of 'up to 40 %'. There was no clear preference on the nature of the target.



Preparation of the proposal

The changes the proposal would bring

Table 1. Impact assessment for a 30 %, 33 %, 35 % and 40 % efficiency target, compared to 27 %

		30 %	33 %	35 %	40 %
Additional jobs*		+395 000 – 435 000	+605 000 – 1 580 000	+780 000 – 2 430 000	+1 210 000 – 4 850 000
GDP growth (%)*		+0.26 % – 0.39 %	+0.21 % - 1.45 %	+0.16 % - 2.08 %	+0.06 % - 4.08 %
Gross fuel consumption (%)	solid fuels	+4	+1	+2	-8
	oil	-2	-4	-6	-9
	natural gas	-10	-19	-24	-34
Gas imports (%)		-11.8	-23.4	-28.8	-41.3
Fossil fuel import savings (billion €) from 2021 to 2030		69.6	147.3	199.3	287.5
Total energy system costs in 2030 (billion €)		+9	+34	+71	+133
Total energy system costs in 2050 (billion €)		-9	+26	+60	+121
Average price of electricity (€/Mwh)		-4	-3	-4	-2
ETS carbon price in 2030 (€/t of CO ²)		-15	-15	-22	-28
Health impacts (millions of life-years gained)		+2.5	+8.7	+11.0	+16.9

* These numbers result from three of the four analysed scenarios. The impact assessment deems that the fourth analysed scenario, which excludes the possibility of firms and households taking on debts, so that all investments have to be self-financed, is less realistic, as it does not reflect the current situation or the expected one. In this scenario, all energy efficiency targets above the business-as-usual have a negative impact on growth, leading to a net loss of 400 000 jobs for the 27 % target, 780 000 job for the 30 % target and 3.34 million jobs for the 40 % target.

Data source: Commission's [Impact Assessment](#).

The evaluation of **energy savings obligation schemes** showed that by the end of 2016, they had contributed more energy savings (34 %) than any other single measure. According to the IA, both energy savings obligation schemes and many of the alternative measures have proven highly efficient and cost-effective. The IA states that these measures go hand in hand with the rest of energy legislation, encouraging, for instance, the uptake of building renovations and highly efficient appliances, as these can be effective ways of reducing energy consumption. However, the expiry of energy efficiency savings obligations could deepen the legal uncertainty for investors and have a negative effect on long-term investments, so the preferred option in the IA was to extend them to 2030, along with simplifying and updating them, especially regarding exemptions and eligible savings. In the public consultation, most stakeholders, especially NGOs and utility companies, were in favour of extending the obligation schemes beyond 2020, but seven out of the 15 Member States that answered this question were against it.



When it comes to **metering and billing information**, the IA noted that due to the recent transposition date, it was too early to make conclusions on the effectiveness of these provisions. However, it was already clear that consumers are still not receiving information on their actual consumption frequently enough (often just once or twice a year) and are still having difficulty understanding their energy bills. It concluded, in particular, that there is a lack of clarity when it comes to sub-metered consumers of thermal energy in multi-apartment/multi-purpose buildings and that some of the provisions are out of date, having been introduced by the 2006 Energy Services Directive. Because metering and billing are also regulated by the Internal Energy Market Directives for Gas and Electricity, the IA concluded it would be simpler to move all provisions on metering and billing of electricity and gas to these two directives. The public consultation showed that two thirds of NGOs, including consumer organisations, considered the metering and billing provisions inadequate, while 92 % of utility respondents, as well as Member States in general, were satisfied with the current provisions.

Ultimately, the IA did not assess any of the **public procurement** provisions, as the evaluation concluded that it was too early to judge their effectiveness, given the relatively recent deadline for transposition by the Member States. Furthermore, although the majority of Member States had completed the transposition, not all of them had managed to do this in full by December 2016.

The changes the proposal would bring

The revision of the directive only focused on some articles – those that needed to be brought into line with the 2030 energy and climate targets and those whose evaluation was mandated by the current directive. The revised directive would still include most provisions of the current directive for the period up to 2020, and would add some new ones for the period up to 2030 and beyond.

Energy efficiency targets

The revised directive introduces a binding EU 30 % energy efficiency target,³ to be achieved by means of indicative national energy efficiency contributions. The Member States are supposed to notify these in their integrated national energy and climate plans, as proposed by the new [Energy Governance Regulation](#). The Commission can propose additional measures, should its assessment of the Member States' progress in implementing their plans show that the EU is not on track to achieve the 2030 target.

Energy savings obligation

The 1.5% annual energy savings obligation is extended from 2020 to 2030 and possibly beyond. Member States can achieve the savings obligation by introducing energy savings obligation schemes, alternative measures or a combination of the two. The measure should be reviewed in 2027 and every 10 years thereafter with a view to achieving the 2050 energy and climate targets. Energy sales in transport can still be excluded from the calculation, but the revised directive allows Member States also to exclude the

3 In 2030, EU energy consumption has to be no more than 1 321 Mtoe of primary energy and no more than 987 Mtoe of final energy.



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installation of new renewable energy generation on or in buildings for own use. The revised directive retains all other exemptions that are in the current directive.

The calculation of energy savings (Annex V) has been modified to clarify which savings are eligible. Savings from renovation of existing buildings can now be claimed in full.

While previously Member States could choose to include social requirements in savings obligation schemes, including the one foreseeing that a share of energy savings obligation schemes be implemented in energy poor households or in social housing, now they have an obligation to include such requirements. Member States also need to take into account the effect of alternative policy measures on energy-poor households.

Metering and billing information

Provisions on metering and billing have been amended in such a way that they no longer refer to electricity. Instead, they have been moved to the new market design legislation. New provisions refer mainly to district heating, cooling and domestic hot water. As of 1 January 2020, all newly installed district heating and cooling meters and domestic hot water meters, as well as cost allocators at individual radiators, have to be remotely readable. Old meters and allocators will have to add such capabilities or be replaced by 1 January 2027, unless a Member State shows this would not be cost-efficient. While previously Member States were free (but not obliged) to introduce transparent rules on the allocation of heating and cooling costs in multi-apartment and multi-purpose buildings, now such rules are a requirement. The wording of the provisions for billing and consumption information has been changed, with a distinction now being made between 'final consumers' and 'final users'. The right to accurate information on actual consumption now refers to all 'final users', while previously it referred to the 'final consumers', potentially excluding sub-metered consumers.

Other provisions

A number of provisions of the existing Energy Efficiency Directive have been moved to other parts of the clean energy package, in order to make EU legislation more consistent and user-friendly. Provisions on national long-term building renovation strategies have been moved to the revised [Energy Performance of Buildings Directive](#). Provisions on priority access and priority dispatch of electricity from highly energy efficient cogeneration, as well as those on demand response, have been moved to the new proposals on electricity market design legislation. All provisions to do with monitoring, reporting and planning have been subsumed in the new [Energy Governance Regulation](#).

The new directive is to be evaluated by the Commission by 28 February 2024 and every five years thereafter. The directive would enter into force on the 20th day following its publication in the Official Journal of the European Union, and the Member States will have 12 months for transposition.



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The European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) were consulted on the proposal and both bodies issued an opinion.

[EESC Opinion TEN/618](#) of 26 April 2017 on 'Revision of the Energy Efficiency Directive' (rapporteur Mihai Manoliu, Employers – Group I, Romania) is ambivalent about the binding 30 % efficiency target in the Commission proposal, which it does not explicitly endorse nor reject. Rather the EESC insists that 'any increase in the 27 % target would need to be justified by demonstrating both the economic benefits and the level of investment needed to reach this target', and fully endorses the voluntary nature of Member State commitments. The EESC calls for stepping up consumer awareness schemes on energy efficiency and 'asks the Member States to pay closer attention to subsidised housing and households suffering from energy poverty'. The EESC endorses the Commission proposal to extend the 1.5 % energy savings obligations beyond 2020. The EESC 'welcomes the amendment to the articles on metering and billing', but at the same time 'demands that the Directive should not impose individual metering in countries where by law the landlords must cover the tenant's energy costs, especially as these rental laws create a major energy efficiency renovation incentive for landlords'.

[CoR Opinion ENVE-VI/019](#) of 12 July 2017 on 'Energy Efficiency and Buildings' (rapporteur Michiel Rijsberman, ALDE, the Netherlands) supports a binding energy efficiency target of 40 % by 2030. The CoR wants to raise the annual energy savings obligation requirement from 1.5 % to 2 % in the period 2021-2030, and 'proposes that the possibilities for excluding items from the energy savings obligation scheme be removed', the most significant of these being energy use in the transport sector as well as some industrial activities. The CoR regrets that energy audits of companies are not covered in the revised Directive, and proposes that the 'demands for individual metering and billing for heating be modified, as these are not always cost efficient or technically feasible'.

National parliaments

National parliaments were [consulted](#) on the Commission proposal. No reasoned opinions were received under the subsidiarity early warning mechanism. Five chambers entered into political dialogue with the Commission (Austrian Federal Council, Czech Chamber of Deputies, Italian Chamber of Deputies and Senate, Portuguese Parliament). The Austrian Federal Council expressed concern that only energy efficiency measures initiated from 2021 onwards would count towards the 2030 target (excluding earlier policy measures that may impact on energy efficiency after 2020); and suggested that the provisions on installing smart meters could be left to the Member States to decide. The Italian Chamber of Deputies expressed concern that the 1.5 % energy savings obligation in the Commission proposal may penalise Member States that made significant efficiency savings in the past (and as a result display below-average energy intensity); and raised the possibility of introducing stronger incentives for companies to undergo voluntary energy audits. The Czech Chamber of Deputies stressed above all that energy efficiency targets should remain strictly non-binding in nature.



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Stakeholders' views⁴

Most stakeholders reacting to the proposal for a revised Energy Efficiency Directive focused on the adequacy of the EU energy efficiency target.

[Business Europe](#) said that the proposed 30 % target would weaken the emissions trading system (ETS) by bringing the price of carbon emissions down. It also considered it not cost-effective, nor realistic, as it would require a 400 % increase in investment. [Eurelectric](#) was also worried about the impact on the ETS and called for a comprehensive assessment of the issue. It advocates an 'ambitious but cost-efficient indicative target'.

[Climate Action Network Europe](#) said the 30 % target was a positive step and called on the European Parliament and the Member States to increase the target. It thought that the prolongation of energy efficiency obligation schemes would provide certainty for investors, but expressed disappointment that the loopholes which allow keeping these saving at about half of the required 1.5 % had not been closed. Similar views were expressed by the [European Environmental Bureau](#).

The [European Alliance to Save Energy](#) welcomed the binding target, which would give a clear long-term market signal to the industry and financial actors, but said that the 30 % target was too low and would not enable the EU to use the full potential of energy efficiency, nor would it bring full benefits to consumers.

Consumer organisation [BEUC](#) welcomed the proposed changes to metering and billing, as it believes this step will 'help increase consumer trust in the energy market and will help them get better deals'.

⁴ This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.



Legislative process

Energy ministers in the Council [debated](#) the Commission proposal on 27 February 2017, along with the rest of the Clean Energy package. They expressed a preference for an indicative target of 27 % on energy efficiency, with limited support for a binding 30 % EU target. They had doubts concerning the 1.5 % annual energy savings obligation and the financing of energy efficiency measures beyond 2020, and were also concerned by the potential administrative burden relating to the new calculation of energy savings.

Energy ministers in the Council [debated](#) the Commission proposal again on 26 June 2017 and reached agreement on a **general approach**, endorsed by 20 Member States. Six countries objected to the [general approach](#) (Hungary, Latvia, Poland, Romania, Slovakia, United Kingdom), while two abstained from voting (Bulgaria, Slovenia). In the general approach, the Council agreed with the Commission proposal for a binding 30 % EU target, to be achieved by means of indicative national targets. However, the Council proposed to reduce the annual energy savings obligation to 1 % in the 2026-2030 period (albeit with the possibility to increase this to 1.5 % on the basis of a new Commission proposal). The Council also proposed a derogation for small insular states, which would only need to meet an average 0.8 % annual savings obligation in the 2021-2030 period. Calculations of energy savings in the 2021-2030 period could include some earlier policy measures that continue to deliver savings after 2020. Finally, the Council proposed to remove all provisions relating to energy poverty from the Commission proposal.

Parliament's Committee on Industry, Research and Energy (ITRE) was given responsibility for the file, and appointed rapporteur Adam Gierek (S&D, Poland) to produce a draft report, which was published on 31 May 2017. Amendments were tabled and debated in the ITRE committee, where the final report was adopted on 28 November 2017. On 5 December 2017, the rapporteur was replaced by Miroslav Poche (S&D, Czech Republic). After further amendments voted in plenary, Parliament adopted its position on 17 January 2018 (485 votes in favour, 132 against, 58 abstentions), together with a mandate to start interinstitutional trilogue negotiations.

The [Parliament](#) supports a **binding EU target of at least 35 % efficiency improvements by 2030**, to be achieved by means of indicative national targets. This is halfway between the Commission's legislative proposal for a binding 30 % EU target, and earlier own-initiative resolutions of the Parliament that had supported a binding 40 % target. The plenary position would however require these energy savings to be realised in terms of **both final and primary energy consumption**. The Commission proposal gives more discretion to the Member States, by allowing them to choose whether to calculate their savings in terms of either primary or final energy consumption.

The Parliament's position **strengthens the provisions on annual energy savings obligations** to ensure that savings are both cumulative and additional, and encompass a wider range of sectors (including buildings, transport, district heating and cooling). To address problems related to energy poverty, low-income households and social housing should be a priority for energy savings measures undertaken by the Member States.

MEPs voted to introduce the '**energy efficiency first**' principle into the directive and specified that this should apply throughout the energy chain. They would also introduce an obligation on Member States to ensure that businesses (particularly SMEs) have **non-discriminatory access to the growing market in energy efficiency services**.



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