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21 March 2017

First 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.

Revised Energy Efficiency Directive

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

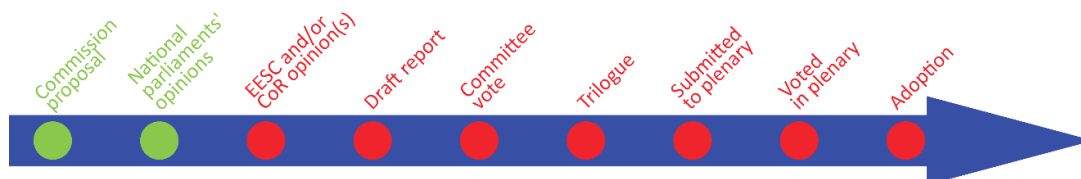
In the revised directive, the Commission proposes a 30 % binding energy efficiency target at the EU level for 2030, to be achieved through indicative national targets. This is more ambitious than the 27 % efficiency target approved by the European Council in 2014, but less ambitious than the 40 % target repeatedly called for by the European Parliament. The revised directive also proposes to extend beyond 2020 the application of the energy savings obligation schemes, which require 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 Commission's impact assessment showed that a revision of the directive was necessary, as the current policies would lead the EU to achieve only a 23.9 % reduction of energy consumption by 2030. The adequacy of the EU energy efficiency target was also a focus of a wide range of stakeholder reactions.

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:	Adam Gierek (S&D, Poland)
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 (EFN, Italy)
Next steps expected:	Initial discussions in ITRE Committee



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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](#) goals of ensuring 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 in 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 the business-as-usual projections. This goes beyond the 'at least 27 %' indicative energy efficiency target, possibly to be revised to 30 %, which was adopted in the European Council [conclusions](#) of October 2014. The revision of the directive additionally 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 instrument 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](#), 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, and so forth. 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 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 – on [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 implemented by setting individual national targets. In all three resolutions, Parliament pointed out that the 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 fully. 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](#) showed, namely, 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 the 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 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 said 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 2015 [energy union roadmap](#) announced that the review of the Energy Efficiency Directive would take place in 2016. 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 current EU policies would lead to a reduction of only 18.4 % in primary energy consumption in 2020 and 23.9 % in 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 to 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.



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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 had 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 indicative national energy efficiency contributions. The Member States are supposed to notify these in their integrated national energy and climate plans, proposed in 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 obligation period 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 installation of

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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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 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 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 efficiency 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 amended and moved to 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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Views

Advisory committees

The European Economic and Social Committee ([EESC](#)) and the Committee of the Regions ([CoR](#)) are being consulted on the proposal and may give their opinion.

National parliaments

The subsidiarity deadline was 27 January 2017. No national parliament issued a reasoned opinion, while a [communication](#) in the framework of the political dialogue was issued by Austrian Federal Council.

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

Parliament's Committee on Industry, Research and Energy (ITRE) is responsible for the file. The Committee on Environment, Public Health and Food Safety (ENVI) will also be preparing an opinion.



References

EP supporting analysis

Zygierewicz, A., [Implementation of the Energy Efficiency Directive \(2012/27/EU\): Energy Efficiency Obligation Schemes](#), EPRS, European Parliament, April 2016.

Erbach, G., [Understanding energy efficiency](#), EPRS, European Parliament, October 2015.

Other sources

[Energy Efficiency](#), European Parliament, Legislative Observatory (OEIL).

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