



## **Briefing on the Energy Efficiency Directive Progress Review**

The European Union (EU) imports 53% of the energy it needs, paying more than 1 billion € per day<sup>1</sup>. Given the EU's potential for energy savings and renewable energy, this means that an enormous cash flow is leaving the EU unnecessarily instead of being invested domestically to create jobs, increase competitiveness and reduce greenhouse gas emissions.

EU leaders highlighted in March that “moderating energy demand through enhanced energy efficiency” was the first step to reduce Europe's dependency on gas imports<sup>2</sup>. The European Commission's Energy Security Strategy published in late May said this was “one of the most effective tools to reduce the EU's external energy dependency and exposure to price hikes”<sup>3</sup>.

The upcoming progress review of the Energy Efficiency Directive (EED) will define the next steps to close the gap towards the 2020 energy savings target and explore future directions for efficiency policy towards 2030. We urge the Commission to ensure that the 2020 target is met and to propose a binding EU target of 40% energy savings by 2030.

### **Missing the 2020 energy savings target is not an option**

According to the Commission's latest official estimates, the EU will achieve less than 17% of primary energy savings instead of the required 20% by 2020<sup>4</sup>. Missing the 2020 target has significant implications, especially in the light of Europe's energy import dependency. In fact, a gap of just 1% towards achieving the 2020 target is equivalent to 12.5% of Europe's gas imports from Russia<sup>5</sup>.

The EED Progress Review is likely to focus on the implementation of existing EU legislation to close the gap towards the 2020 target. Robust implementation of EU legislation, including an active use of infringement procedures, is necessary in relation to both the EED and the Energy Performance of Buildings Directive (EPBD). However, further actions are needed to

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<sup>1</sup> European Commission, *European Energy Security Strategy*, Brussels, 28.5.2014, COM(2014) 330 final, page 2.

<sup>2</sup> European Council, 20/21 March 2014, Council Conclusions, page 10

[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/141749.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/141749.pdf)

<sup>3</sup> European Commission, *European Energy Security Strategy*, Brussels, 28.5.2014, COM(2014) 330 final, page 7

<sup>4</sup> Impact Assessment accompanying the Communication *A policy framework for climate and energy in the period from 2020 up to 2030*, Brussels 22.1.2014, SWD(2014) 15 final, page 191

<sup>5</sup> Conference "Paving the way for a European Energy Security Strategy, Brussels 21.05.2014

European Industrial Insulation Foundation presentation:

[http://ec.europa.eu/energy/events/doc/20140521\\_essc\\_presentation\\_andreas\\_guertler.pdf](http://ec.europa.eu/energy/events/doc/20140521_essc_presentation_andreas_guertler.pdf)

ensure that the 2020 energy savings target is met, such as making the 2020 target binding and proposing measures with a 2030 time horizon that start delivering savings already by 2020. These measures should be combined with a binding 2030 energy savings target.

### **A binding 2030 energy savings target delivers investment certainty**

It is well known that energy efficiency offers multiple benefits such as innovation and competitiveness, job creation, greenhouse gas emission reductions and improved health. But experience shows that, due to various barriers, it does not happen by itself. A dedicated mix of binding targets and policy measures is needed to make it happen.

In particular, a binding 2030 policy framework is necessary to give regulatory certainty to the business community to plan investments on energy efficiency. Certainty about the amount of energy the EU will be using in 2030 is also essential for planning and developing future energy infrastructure based on Europe's needs in order to avoid unnecessary and costly projects.

### **A target of at least 40% energy savings in 2030**

The Commission's Impact Assessment for the 2030 climate and energy framework shows that those scenarios that foresee stronger energy efficiency policies also deliver the greatest benefits in term of GDP growth, environmental protection, health benefits and reduced energy imports<sup>6</sup>. However, these benefits were not taken into account in the Commission's proposal itself. The level of ambition of 25% energy savings by 2030 mentioned in the Commission's 2030 Communication<sup>7</sup> is practically business-as-usual, as it does not require any energy efficiency policies and measures that would be additional to the existing ones.

Energy savings of at least 40% are achievable in a cost-effective manner by 2030<sup>8</sup> and broadly in line with the European Parliament's recommendations<sup>9</sup>.

### **An economy-wide, absolute energy savings target broken down to the national level**

A single overarching economy wide energy savings target for 2030 is simple and easy to monitor. It provides Member States with flexibility to implement national energy efficiency measures, targeting the sectors with the most cost-effective potentials, whilst ensuring that all sectors contribute their fair share. In addition, only an energy savings target can guarantee a reduction of energy imports and provide clarity on the greenhouse gas reductions it will deliver, making it complementary to the emissions trading scheme<sup>10</sup>.

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<sup>6</sup> For example, Table 2 of the 2030 IA shows that the EU could save up to €41.5 billion in pollution control costs with the highest ambition scenario for GHG reductions, energy savings and renewable energy.

<sup>7</sup> European Commission, *A policy framework for climate and energy in the period from 2020 up to 2030*, Brussels 22.1.2014, COM(2014) 15 final

<sup>8</sup> Fraunhofer ISI, *Analysis of a European Reference Target System for 2030*, Karlsruhe, 4.10.2013

<sup>9</sup> European Parliament resolution of 5 February 2014 on a 2030 framework for climate and energy policies, 2013/2135(INI); CAN Europe asks for at least 40% reduction in primary energy demand in 2030 compared to 2005 levels.

<sup>10</sup> Generally, the EU's energy efficiency policies will not negatively affect the functioning of the ETS as a market stability reserve is being put in place to control the number of allowances in the system.

On the contrary, relative targets, such as energy intensity ones (expressed as the amount of energy used to produce a unit of GDP), cannot deliver a previously defined level of energy savings. This would make infrastructure planning difficult and jeopardize expected benefits in terms of reduced energy imports and greenhouse gas emission reductions.

To ensure accountability, the overall target should also be distributed among the 28 Member States on the basis of their savings and economic potentials. Interestingly, many of the EU countries that are the most dependent from energy imports have also some of the greatest energy savings potentials. For example, Bulgaria relies on Russia for almost all of its gas needs, much of which is used in the building sector. Yet the OECD estimates that above 50% of energy consumed in buildings in Bulgaria could be saved<sup>11</sup>.

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<sup>11</sup> CAN briefing on energy security, May 2014: [http://www.climnet.org/resources/doc\\_view/2417-briefing-on-energy-security-may-2014](http://www.climnet.org/resources/doc_view/2417-briefing-on-energy-security-may-2014)