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Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With over 170 member organisations from 38 European countries, representing over 1.500 NGOs and more than 47 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

CAN Europe's position on the Energy Efficiency Directive Recast

Summary

In July 2021, the European Commission launched its recast proposal for a revised Energy Efficiency Directive (EED) within the "Fit for 55" package, which aims to reach at least 55% net greenhouse gas emissions reduction by 2030 in line with the European Green Deal. The recast proposal is being now debated within the Council and the European Parliament.

CAN Europe believes that the Commission's proposal contains many elements that improve the directive, starting with the proposed 2030 binding EU energy efficiency target. However, many provisions need to be strengthened to help the EU fulfil its commitments under the Paris Agreement. CAN Europe calls on the European Parliament and the Council to improve the current Energy Efficiency Directive by:

- Introducing an EU binding energy efficiency target for 2030 of at least 45% compared to the EU Reference Scenario 2007 or of at least 20% compared to the EU Reference Scenario 2020 to help the EU fulfil its commitments under the Paris Agreement
- Strengthening the Commission's proposal for an EU binding 2030 energy efficiency target with more robust governance, including binding national targets
- Supporting the Commission's proposal on the Energy Efficiency First principle, and mainstream the principle in complementing pieces of legislation and policy areas
- Supporting the Commission's proposal to introduce a requirement for the public sector to reduce its energy demand by at least 1,7%
- Supporting the Commission's proposal for an expansion of the 3% renovation requirement to all public buildings, linking the end goal to the Nearly-Zero Energy

Building (NZEB) level, ensure alignment with the provisions on public procurement and support the deletion of the alternative approach to renovation.

- Building on a stronger energy savings obligation in the proposed Article 8 through:
    - Increasing the annual savings rate to at least 2% from 2024 onwards
    - Supporting the Commission's proposal to exclude measures that promote fossil fuels technologies and the energy savings deriving from the use of direct fossil fuel combustion towards the fulfilment of the energy savings obligation from 2024
- Supporting the Commission's proposal provisions on energy poverty
- Bringing the revised heating and cooling provisions up to date through:
    - Making climate neutrality the core objective of heating and cooling assessments and planning and introducing a clear plan that reflects the phase out of coal by 2030 at latest and fossil gas by 2035
    - Ensuring that new and refurbished District Heating and Cooling Systems and cogeneration units do not increase the use of fossil fuels including fossil gas
    - Ensuring that the shares of renewable energy for the definitions of efficient district heating and cooling reflect the need to have a 100% renewables based energy system by 2040

This revision of the EED presents a unique opportunity to truly deliver energy savings that bring important benefits such as greenhouse gas emissions reductions, job creation, lower energy bills, reduced air pollution and improved health.

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1. Introduction

On the 14th of July 2021, the European Commission launched its “Fit for 55” package which aims to reach at least 55% net greenhouse gas emissions reduction by 2030 and to achieve climate neutrality in line with the European Green Deal. Part of the package is the recast proposal for a revised Energy Efficiency Directive (EED), setting an increased and binding EU energy efficiency target for 2030 in line with the proposed greenhouse gas (GHG) emission reduction target. Key energy efficiency measures in the proposal are adjusted to help achieve the new target within the given timeframe. These measures include an increased annual energy savings requirement and the exclusion of energy savings achieved from measures that promote the use of fossil fuels from counting towards the fulfilment of the energy savings obligation from 2024 onwards, new provisions for the public sector, updated provisions for the renovation of buildings owned by public bodies, a new legal basis for the implementation of the Energy Efficiency First principle and new rules relevant to tackle energy poverty, including a new article to protect vulnerable consumers.

The EED, which entered into force in 2012, aims to promote energy efficiency measures to increase energy savings throughout Europe. Previously, parts of the directive were amended within the “Clean Energy for All Europeans package” and entered into force in 2018. This revision of the EED presents a unique opportunity to further improve the directive and address its shortcomings to deliver more energy savings that bring important benefits such as greenhouse gas emissions reductions, job creation, lower energy bills, reduced air pollution and improved health. Energy efficiency policies including the EED have led to significant energy consumption reductions since 2014[1].

CAN Europe believes that the Commission's proposal contains many elements that can strengthen the directive, starting with the proposed binding EU energy efficiency target. Nevertheless, there are others that need to be improved to help the EU fulfil its commitments under the Paris Agreement. This includes the level of the target, the missing binding national targets, the level of the annual rate of the energy savings obligation, and the updated heating and cooling provisions, which are still lagging behind. The introduction of an article on the Energy Efficiency First principle is an important milestone, but the application of the principle needs to be clarified and mainstreamed in complementing pieces of legislation to deliver climate benefits.

2. Set an at least 45 % binding EU energy efficiency target

The European Commission proposes an EU binding energy efficiency target of at least 9% in 2030 compared to the new projections of the EU Reference Scenario 2020. Balanced against the projections of the EU Reference Scenario 2007, which has been the baseline of the EU energy efficiency target so far, the proposed target is equivalent to a 36% reduction of energy consumption for final energy and 39% for primary energy, which is an increase in ambition compared to the current energy efficiency target of at least 32,5% for 2030.

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[1] Impact Assessment accompanying the proposal for a directive of the European Parliament and of the Council on energy efficiency (recast). Online to be found: https://ec.europa.eu/info/sites/default/files/proposal_for_a_directive_on_energy_efficiency_recast.pdf (page 225)

CAN Europe recommends adopting an EU binding energy efficiency target of at least 45% in 2030[2] compared to the projections of the EU Reference Scenario 2007 or at least 20% in 2030 compared to the EU Reference Scenario 2020[3]. This will help the EU get on track to achieve the 1.5 °C goal of the Paris Agreement, improve EU energy security, create jobs and reduce pollution.

Recent data on energy consumption underpin the need to increase the level of ambition. Despite energy efficiency measures having contributed to declining energy consumption trends over at least the last 10 years[4], recently progress has been happening at too little pace to make a substantial difference. Significant change in the ambition level of the EU`s 2030 energy efficiency target will be necessary to bring the EU on track to meet its trajectory to climate neutrality.

The Impact Assessment[5] accompanying the Commission's proposal states there is still significant energy savings potential in the EU, which is the outcome of a study by ICF[6] consulting to estimate the technical and economic energy savings potential by sector and Member State, commissioned by the European Commission. This is also supported by a recent study on the EED target governance by Fraunhofer Institute for Systems and Innovation Research and Stefan Scheuer Consulting[7], indicating that greater energy savings than those envisaged under the new 2030 energy efficiency target the Commission is proposing are feasible until 2030.

As action in the next ten years will be decisive in reaching the 1.5°C objective, the EU should strive for at least 65% greenhouse gas emission reductions by 2030. The agreed net 55% target still falls short of what the EU needs to do. This also means that the increase of the 2030 energy efficiency and renewable energy targets should go well beyond what the European Commission is proposing.

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[2] CAN Europe (2020): CAN Europe's position on the EU 2030 Energy Targets. Online to be found: https://www.caneurope.org/content/uploads/2020/07/Position-Paper_CAN-Europe-2030-energy-targets_final.pdf

[3] This is an estimate for adapting the CAN Europe's position regarding the 2030 energy efficiency target of 45% energy savings in 2030 (based on the 2007 Reference Scenario) to the new EU 2020 Reference Scenario by the European Commission. Given the different methodologies, the two numbers are not fully comparable.

[4] European Environmental Agency (2021): Primary and Final Energy Consumption in Europe. Online to be found: https://www.eea.europa.eu/data-and-maps/indicators/final-energy-consumption-by-sector-13/assessment

[5] Impact Assessment accompanying the proposal for a directive of the European Parliament and of the Council on energy efficiency (recast). Online to be found: https://ec.europa.eu/info/sites/default/files/proposal_for_a_directive_on_energy_efficiency_recast.pdf (page 532, table 34).

[6] ICF consulting, CE Delft, Eclareon (2021): Technical assistance services to assess the energy savings potentials at national and European level. Summary of EU results. Online to be found: https://op.europa.eu/en/publication-detail/-/publication/b259632c-f8ba-11eb-b520-01aa75ed71a1/language-en/format-PDF/source-230230802

[7] The study estimates a 45,4% technical potential for final energy consumption in 2030 and a 48,5% technical potential for primary energy consumption in 2030 compared to the 2007 Reference scenario. Source: Fraunhofer ISI & Stefan Scheuer (2021): Will the Fit for 55 package deliver on energy efficiency targets? A high-level assessment. Online to be found: https://www.isi.fraunhofer.de/content/dam/isi/dokumente/ccx/2021/EED%20Target%20Governance%20-%20an%20assessment%20of%20the%2055%20package%20by%20Stefan%20Scheuer%20and%20Fraunhofer%20ISI.pdf

The EU needs a bold shift to an energy system that is based on 100% renewable energy sources by 2040. CAN Europe has developed a Paris Agreement Compatible (PAC) scenario which shows how this fully efficient renewable energy system can be achieved. Energy efficiency and the reduction of energy demand should be the basis for the transition towards such a system. A strong and binding EU energy efficiency target, accompanied with binding policies and national targets, can enhance regulatory investment security to tap into the full energy savings potential of Member States.

CAN Europe calls for:

- Introduce an EU binding energy efficiency target for 2030 of at least 45% compared to the EU Reference Scenario 2007 or of at least 20% compared to the EU Reference Scenario 2020 to help the EU fulfill its commitments under the Paris Agreement (amend Article 4.1 of the EED recast proposal)

3. Reinforce the proposal for an EU binding energy efficiency target and introduce binding national targets

CAN Europe welcomes the proposal from the European Commission to set a 2030 binding target at EU level and recommends to refer to the binding nature of the target also in Article 1 beyond its reference in Article 4.2. The EU energy efficiency target is the only non-binding target in the current 2030 energy and climate framework, which represents a major shortcoming. A binding EU energy efficiency target ensures consistency with the other energy and climate targets and gives the target equal importance. A binding EU-target ensures commitment, gives a higher sense of priority for the implementation of energy efficiency measures and creates a benchmark to assess progress of the implementation.

The achievement of the EU target, which needs to be met collectively, largely depends on the commitment made by Member States in setting and delivering national indicative contributions. Existing evaluations and preliminary data show that systematic efforts towards meeting the EU energy efficiency targets for 2020 and 2030 have been insufficient. Based on the progress of Member States up to 2019[8] and preliminary data for 2020[9], it can be anticipated that the non-binding energy efficiency target for 2020 would not have been met without the impact of the COVID-19 crisis. Planned national contributions do not sum up to meet the required energy savings in line with the existing 2030 target. The recent assessment of the national energy and

[8] European Environmental Agency (2020): Approximated estimates for the primary and final consumption of energy in 2019 (EEA 2019 proxies on primary and final energy consumption). Online to be found:
https://www.eea.europa.eu/data-and-maps/data/approximated-estimates-for-the-primary-3
Data for a specific year are available 2 years afterwards. So specific data for the energy consumption in 2020 will be available in 2022.

[9] European Environmental Agency (2021): Trends and Projections in Europe 2021. Online to be found: https://www.eea.europa.eu/publications/trends-and-projections-in-europe-2021

climate plans (NECPs)[10] indicates a collective ambition gap of national contributions of 3,1% towards the existing EU 2030 energy efficiency target. In contrast, the assessment of the renewable energy national contributions do not show gaps towards the EU 2030 renewable energy target, which is binding. The Impact Assessment[11] accompanying the Commission's proposal sees a possible reason for the lack of ambition in missing binding national energy efficiency targets.

CAN Europe believes that binding national targets should be introduced to ensure accountability and commitment of Member States to meet the required level of the binding EU energy efficiency target. The Commission's proposal for the EED requires Member States only to set national indicative contributions. National binding targets should both be set for the EED and the RED.

The concept of the formula included in the Commission's proposal goes into the right direction, as this allows for more transparency and the opportunity to check to what extent the level of ambition on energy efficiency of each Member State contributes to the collective EU 2030 energy efficiency target by comparing it to a specific benchmark. A strong governance system and an effective and fair target allocation for national targets can secure the achievement of the binding EU energy efficiency target. In this context, the proposed new formula with only objective criteria could also be the basis for setting mandatory national targets. However, the Commission's proposal currently does not even provide certainty whether the formula is mandatory or indicative[12]. Member States should also have specific checkpoints on their pathway to achieve the 2030 target.

The proposal also includes a gap delivery mechanism, requiring Member States to close the gaps and take corrective actions, if they are not achieving their indicative trajectory, similar to the governance of the current EU`s 2030 renewable energy target. If the additional measures taken by Member States are still not enough, the Commission can take further measures. The gap delivery mechanism that increases the accountability of Member States in the Commission's proposal is a step forward, even though it should be there to complement binding national targets for 2030.

CAN Europe calls for:

- Reinforce the Commission's proposal for an EU binding 2030 energy efficiency target by referring to it in Article 1 and by strengthening its governance (Amend Art.1 and Art. 4 of the EED recast proposal)
- Introduce binding national targets for 2030 (Amend Art.1 and Art. 4 of the EED recast proposal)

[10] European Commission (2020): An EU-wide assessment of National Energy and Climate Plans . Online to be found: https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1600339518571&uri=COM:2020:564:FIN

[11] Impact Assessment accompanying the proposal for a directive of the European Parliament and of the Council on energy efficiency (recast). Online to be found: https://ec.europa.eu/info/sites/default/files/proposal_for_a_directive_on_energy_efficiency_recast.pdf (page 347)

[12] The Commission text refers to the mandatory use of the new formula for determining national contributions, while Annex I refers to it as an indicative formula.

4. Enact the Energy Efficiency First principle

The Commission's proposal provides a legal basis for a compulsory test in relevant legislative, investment and planning decisions which can help the implementation of the Energy Efficiency First (EE1st) Principle, highlighting the need to embed energy efficiency solutions in the decision making process. Approval and monitoring requirements can ensure that the principle is taken into account. The Energy Efficiency First principle is a guiding principle of EU energy policy and defined in the Governance Regulation, however the application of the principle has not been fully understood and was mostly done on a voluntary basis[13], thus requiring an enabling legal framework. **The introduction of an article on the Energy Efficiency First principle is an important milestone.** It sends the right signals to the energy sector, but also to policy areas beyond the energy sector, such as ICT, transport, agriculture and water, where energy efficiency measures are not the core of policy considerations.

The recommendation[14] and guidelines[15] on the implementation of the principle provide first examples to shed light on the scope of the article, as they provide clarification on the size of the investment decisions, the relevant entity and the monitoring requirements. As the recommendation and guidelines are not legally binding, a legal clarification on the scope of the application of the Energy Efficiency First Principle is needed that aligns with the overall objectives of the EED. **CAN Europe believes that increasing energy savings throughout Europe needs to be the core goal of the application of the EE1st principle.** Aiming for a coherent approach, the EE1st principle should also be reflected in complementing pieces of legislation, such as the EPBD, and other policy areas.

CAN Europe calls for:

- Support the Commission's proposal to provide a legal basis for the practical application of the Energy Efficiency First principle and align it with increasing energy savings
- Treat the energy efficiency first principle as an overarching principle through mainstreaming the principle in complementing pieces of legislation and policy areas. (amend Article 3 of the EED recast proposal).

5. Establish the public sector as a frontrunner

The public sector is responsible for around 5-10% of the EU`s total final energy consumption in the scope of the Energy Efficiency Directive. The new requirement for the public sector to reduce its

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[13] Impact Assessment accompanying the proposal for a directive of the European Parliament and of the Council on energy efficiency (recast). Online to be found: https://ec.europa.eu/info/sites/default/files/proposal_for_a_directive_on_energy_efficiency_recast.pdf , Impact Assessment (page 370)

[14] Recommendation on Energy Efficiency First: from principles to practice. Guidelines and examples for its implementation in decision-making in the energy sector and beyond. Online to be found: https://ec.europa.eu/energy/sites/default/files/eef_recommendation_ref_tbc.pdf

[15] Annex to the Commission recommendation on Energy Efficiency First: from principles to practice. Guidelines and examples for its implementation in decision-making in the energy sector and beyond. Online to be found:. https://ec.europa.eu/energy/sites/default/files/eef_guidelines_ref_tbc.pdf

energy demand by at least 1,7% annually can showcase the public sector as a frontrunner and reap energy savings potential in the public sector. **Therefore, CAN Europe welcomes the proposal of the European Commission to set an annual requirement to save energy for the public sector.**

A similar requirement for energy savings in the public sector can be found in the Irish Energy Services Directive since 2009 and afterwards in the transposition of the Energy Efficiency Directive in 2014. The Irish requirement foresees an energy savings requirement for the public sector of 33% energy improvement until 2020 and an increased 50% energy efficiency improvement until 2030. For 2019 the requirement achieved 4,064 GWh of annual primary energy savings equivalent to 788,000 tonnes of annual CO_2 savings[16], which makes an improvement of 29% towards business as usual, while improving measures in heating, building fabric and structured energy management. Based on the Irish experience, the annual savings requirement for the public sector is expected to be an effective and useful mechanism to save energy and reduce greenhouse gas emissions in the EU. In any case, putting a focus on the public sector should under no circumstances mean neglecting the need to speed up action in all other actors.

CAN Europe calls for:

- Support the Commission's proposal to introduce a requirement for the public sector to reduce its energy demand by at least 1,7% (Article 5 of the EED recast proposal)

6. Ensure the exemplary role of public buildings

CAN Europe welcomes the proposals of the European Commission to strengthen provisions for public buildings renovation. The Renovation Wave initiative highlighted the need to step up renovation rates and depth, including for all administration levels of public buildings. Public authorities should lead by example in the renovation of their building stock, thereby developing replicable practices for the private sector when performing large-scale renovation projects.

The proposal to extend the scope of the obligation to renovate each year at least 3% of the floor area of central governments' buildings to all buildings owned by public bodies - thus including hospitals, schools and social housing - can help improve the energy performance of public buildings and contribute to a faster decarbonisation of the public building stock. The existing obligation covering only buildings owned and occupied by central governments falls short of the level of ambition needed, as these only represent a very small part of all public buildings in the EU, notably around 4.5%[17]. Overall, public buildings account for about 10% of the existing European building stock and are responsible for around 2% of total EU final energy

[16] Sustainable Energy Authority of Ireland (2021): Annual Report 2020 on Public Sector Energy Efficiency Performance. Online to be found: https://www.seai.ie/publications/Public-Sector-Annual-Report-2020.pdf (page 13)

[17] European Commission (2020): A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives. Online to be found:https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1603122220757&uri=CELEX:52020DC0662

consumption[18]. Therefore, by shifting the focus from central governments' buildings to all buildings owned by public bodies including hospitals, schools and social housing, the Commission's proposal substantially expands the scope of the obligation and could contribute to improving the energy efficiency of the public stock in line with the climate neutrality objective.

CAN Europe welcomes the proposal to link the 3% renovation requirement to the Nearly-Zero Energy Building (NZEB) level, as energy savings also depend on the depth of the energy renovation carried out. National NZEB standards are higher than the existing minimum energy performance requirements set in accordance with Article 4 of the EPBD, which currently correspond to the level of ambition of this Article's renovation obligation. As observed in the 2018 cost-optimal reports, many Member States' **NZEB requirements are well within reach and already at a comparable level.** At the same time, in the context of the upcoming revision of the EPBD, it is crucial to ensure that the NZEB provisions are strengthened and aligned with the climate neutrality objective in order to drive the full decarbonisation of the public stock as well. To this end, the NZEB definition should be revised towards highly energy efficient and net-zero-energy/positive energy buildings supplied only by renewables.

In order to avoid legal loopholes and possible market distortions, consistency with the provisions on public procurement covering buildings purchased or rented by public authorities needs to be ensured. According to Article 7 and Annex IV of the EED recast proposal, public authorities should only purchase - or make new rental agreements for - buildings that comply at least with the minimum energy performance requirements under Article 4 EPBD, thus a substantially lower level of ambition compared to the NZEB level applied to the renovation requirements of the buildings owned by public bodies. **With a view to align at least part of the occupied buildings, namely those subject to new rental agreements, with the provisions of Article 6 on buildings owned by public bodies, a reference to Article 9 EPBD (i.e. NZEB) in Annex IV (f) is required.** At the same time, it needs to be noted that the Commission will put forward a proposal for the EPBD revision which might introduce changes to this Article**.**

Deleting the alternative approach in Article 6 of the EED recast proposal makes the renovation requirement more impactful. It removes the option for Member States to use alternative measures to achieve equivalent savings, thereby significantly strengthening the requirement to undertake actual renovation. This sends the right signals to Member States, as chosen alternatives take the focus away from the need to renovate. Under the alternative approach, instead of renovating buildings, Member States could choose, for example, awareness raising campaigns that have short term effects compared to building renovations. Alternative measures can be valuable, but they need to be additional to renovations. The Commission's proposal suggests that these measures can continue to count as part of the new provision on the public sector under Article 5 in order to help Member States reduce the sector's energy demand.

[18] EUROSAI WGEA (2018): Energy Efficiency of Public Sector Buildings.

CAN Europe calls for:

- Support the Commission's proposal for an expansion of the 3% renovation requirement to all public buildings and linking the end goal to the Nearly-Zero Energy Building (NZEB) level (Article 6 of the EED recast proposal). The Article should be linked to a revised definition of NZEB in the EPBD and aligned with the provisions on public procurement.
- Support the Commission's proposal to delete the alternative approach to renovation (Article 6 of the EED recast proposal)

7. Build on a stronger energy savings obligation

The proposed Article 8 is a key provision of the EED, as it ensures a minimum level of energy savings to be achieved[19]. It was put in place to facilitate and accelerate the uptake of energy efficiency measures, such as home insulation, double glazed windows, more efficient appliances and heating systems.The mandatory requirement was initially set to achieve 1,5% annual energy savings of final energy sales until 2020. Due to loopholes that Member States were allowed to use when implementing the provision, this level of ambition never materialised[20].

So far, the implementation of Energy Efficiency Obligation Schemes (EEOs) achieved the largest share of the energy savings under the energy savings obligation (35% energy savings according to 2018 reported data) and were used in 15 Member States. Member States also chose to put in place energy or CO_2 taxes (16%), financing schemes (13%) or other measures, such as regulation (4%). The latest evaluation of the EED showed that the energy savings obligation has delivered the majority of energy savings stemming from the EED until 2018[21], indicating that the energy savings obligation is a real opportunity to bring about important energy savings at the national level. According to a report on the National Energy and Climate Plans[22], Member States are planning around 372 national policies and measures under the energy savings obligation up to 2030. This significant share of measures reflects the overall importance of this article and the efforts put in place by Member States to comply with the article's requirements. The opportunity must be however maximised by increasing the level of ambition, including through ensuring the reliability of the reported energy savings.

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[19] Santini, M & Thomas, S. (2020): Article 7 of the Energy Efficiency Directive 3.0. How to maximise the energy efficiency opportunity for climate neutrality. (page 1)

[20] Rosenow, J., Leguijt, C., Pato, Z., Fawcett, T., Eyre, N. (2016): An ex-ante evaluation of the EU Energy Efficiency Directive - Article 7. Economics of Energy & Environmental Policy 5(2), p. 45-63

[21] Technical assessment study on evaluating the EED, COWI (2021) (not published yet) - Source: Impact Assessment of the EED recast proposal (page 225)

[22] Economidou, M., Ringel, M., Valentova, M., Zancanella, P., Tsemekidi Tzeiranak, S., Zangheri, P., Paci, D., Ribeiro Serrenho, T., Palermo, V. and Bertoldi, P., National Energy and Climate Plans for 2021-2030 under the EU Energy Union, EUR 30487 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-27013-3, doi:10.2760/678371, JRC122862. (page 38)

7.1 Increase further the annual energy savings requirement

The energy savings obligation is a central instrument contributing to the objectives of the EED and its reinforcement supports the increased ambition of the 2030 energy efficiency headline target. **CAN Europe believes that the level of ambition of Article 8 of the EED proposal needs to increase to achieve more energy savings among final consumers.**

The Commission proposes to raise the annual energy savings requirement from 0,8% to 1,5% for all Member States from 2024 onwards. Delivering more energy savings beyond those the proposed 1,5% will bring is paramount to reflect a higher ambition of the energy efficiency target and the higher greenhouse gas emission reductions needed in line with the EU´s commitment of limiting global temperature rise to 1.5°C.

It is understandable that the increased requirement will only take effect in 2024, taking into account the time to conclude the negotiations for the revision of the EED. However, this should not have an impact on ambition. In order to allow for compensating energy savings lost between 2021 to 2023, **CAN Europe recommends to increase the annual energy savings rate to at least 2% from 2024 onwards**[23]. In any case, with the increased level of ambition being put in place in 2024 and taking into account that the energy savings to be delivered are cumulative, it is important for the Member States to accelerate the implementation of the measures planned under the energy savings obligation already now without any delays.

The Commission is proposing two sub-periods between 2021 to 2030, but these are connected and cumulative savings should be delivered from 2021 all the way to 2030. The Commission proposal also rightly requires from the Member States that do not achieve the required cumulative energy savings over an obligation period, to deliver them in the following period on top of the expected ones. **Lastly, it needs to be ensured that measures that deliver long term energy savings are encouraged over measures with short term savings.** Measures taken in the building sector under Article 8 should support Member States in the implementation of their long-term renovation strategies.

CAN Europe calls for:

- Increase the annual savings rate to at least 2% from 2024 onwards (Amend Article 8 of the EED recast proposal)

[23] It is estimated that applying the 1,5% annual rate already from 2021 onwards would lead to more cumulative energy savings up to 2030 than the Commission's proposal. Taking into account that an increased annual rate can't really take effect from that year, increasing the annual rate to 2% instead of 1,5% from 2024 onwards would allow to cover for the majority of those additional savings

7.2 Support excluding fossil fuels to count towards the fulfilment of the energy savings obligation

CAN Europe welcomes the Commission's proposal to exclude measures that promote fossil fuels technologies and the energy savings deriving from the use of direct fossil fuel combustion as a result of the implementation of these measures to be counted towards the fulfilment of the energy savings obligation. Currently, Member States for example can replace an old oil boiler with a more efficient oil boiler or a fossil gas boiler[24] and can count the resulting energy savings towards the fulfilment of the energy savings obligation. However this is not compatible with the EU's climate commitments, as fossil fuels including fossil gas have no place in a climate proof energy system.

Revising the eligibility criteria to exclude policy measures using direct fossil fuel combustion allows alignment with the EU`s climate neutrality commitment and the objectives of the Green Deal.

CAN Europe calls for:

- Support the Commission's proposal to exclude measures that promote fossil fuels technologies and the energy savings deriving from the use of direct fossil fuel combustion towards the fulfilment of the Energy Savings Obligation from 2024 onwards (Annex V of the EED recast proposal)

8. Underpin efforts to alleviate energy poverty

CAN Europe welcomes the proposals from the European Commission to alleviate energy poverty, including a new article to empower and protect vulnerable customers. We recognise the co-benefits this has for cutting emissions and securing safe living conditions for those in energy poverty. **Energy efficiency plays a pivotal role in tackling the root causes of energy poverty, as it can reduce inequality by lowering the energy needs and thereby bring down the energy bills and improve health and the comfort of homes while reducing greenhouse gas emissions.** According to Eurostat, 8%[25] of the EU population is unable to afford to adequately heat their homes. At the same time, the analysis of the NECPs shows that Member States have not put enough emphasis on reducing energy poverty and are not addressing the issue sufficiently[26]. In any case, the pressing issue of energy poverty should be addressed through a holistic approach across different policies, including the EED, EPBD and Social Climate Fund. Member States should deliver on this in their NECPs, Long Term Renovation Strategies and potentially upcoming Social Climate Plans.

We welcome and support the proposal for Article 8 to include an obligation to achieve a share of the end-use energy savings among energy poor or vulnerable households and

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[24] Santini, M & Thomas, S. (2020): Article 7 of the Energy Efficiency Directive 3.0. How to maximise the energy efficiency opportunity for climate neutrality. (page 10)
[25] Eurostat (2021): 8% of EU population unable to keep home adequately warm. Online to be found: https://ec.europa.eu/eurostat/fr/web/products-eurostat-news/-/ddn-20211105-1
[26] CAN Europe and Friends of the Earth (2020) Tackling Energy poverty through national energy and climate plans: https://caneurope.org/content/uploads/2021/01/Energy-poverty-report-_FInal_December-2020.pdf

people living in social housing. Supporting energy poor through targeted mechanisms can promote a fair and just energy transition and can bring social inclusion and benefits of energy efficiency to those that need it most.

The proposed new Article 22 introduces an obligation for Member States to implement energy efficiency improvement measures as a priority among energy poor and vulnerable customers, which offers an opportunity to target those that need them the most. It must be ensured that all stakeholders, including consumer organisations and organisations representing the energy poor partake in the proposed national networks of experts to support local and national decision makers in implementing energy efficiency improvement measures alleviating energy poverty.

CAN Europe calls for:

- Support the Commission's proposal provisions on energy poverty i.e. an obligation to achieve a share of the end-use energy savings among energy poor or vulnerable households and people living in social housing in combination with the increased ambition level of the annual savings rate (Article 8 of the EED recast proposal) and empowering and protecting vulnerable customers and alleviate energy poverty. (Article 22 of the EED recast proposal)

9. Bring the heating and cooling provisions up to date

The EED heating and cooling provisions are outdated. During the previous review of the EED, the provisions were not revised, but the Commission updated some aspects through a delegated regulation in 2019. CAN Europe believes that the proposed heating and cooling provisions need to be strengthened to contribute to the energy transition and the achievement of the EU long-term climate goals. **A swift change towards a 100% renewable energy system by 2040 in combination with the reduction of energy needs and with a clear phase out of fossil fuels is essential.**

9.1 Align assessment and planning with the EU's long term climate goals

The European Commission proposes to lay down stricter planning and follow up of comprehensive assessments on heating and cooling, including the promotion of local and regional levels in Article 23. **CAN Europe recommends a more consistent and holistic approach in developing heating and cooling plans including at the local and regional level and for the recommendations to implement the policies and measures towards aligning heating and cooling in all sectors with the climate neutrality goal, based on renewable energy and energy savings.** Clear milestones and mechanisms in case of non-compliance need to ensure that plans are transformed into real investments. Plans need to reflect a phase out of coal by 2030 at latest and fossil gas by 2035.

Furthermore, the heating and cooling assessments required in the EED and the assessments of renewable sources and waste heat and cold required in the Renewable Energy Directive should be

aligned with strengthened long-term renovation strategies under the Energy Performance of Buildings Directive. Overall, the provisions still miss the opportunity to fully align the heating and cooling assessments with the need to achieve climate neutrality by 2040.

CAN Europe calls for:

- Align heating and cooling assessments and planning with the climate neutrality goal (Amend Article 23 of the EED recast proposal)
- Ensure that a clear pathway towards a phase out of coal by 2030 at latest and fossil gas by 2035 is reflected in the planning (Amend Article 23 and Annex X of the EED recast proposal).

9.2 Ensure a swift change to renewable energy and a clear phase out of fossil fuels

CAN Europe welcomes the Commission's proposal in Article 24 to take out cogeneration as part of the definitions of an efficient district heating system from 2035 onwards. For combined heat and power (CHP) plants usually heat demand decides when the plant is running. Simultaneous power and heat demand are occurring less and less often. Optimal operating conditions for CHP are thus becoming increasingly rare, which means that relying on CHP only for efficiency reasons will not be sustainable in a long term perspective. Long term energy scenarios by Fraunhofer ISI et al. (2021)[27] show for Germany that large scale heat pumps and heat accumulators will be key technologies in 2050, with less operating hours and a declining role for CHP until this date. Full **disclosure requirements[28] for the district heating and cooling networks and all existing CHP plants that operate in these networks, can enhance transparency on assessing whether it is still beneficial to include cogeneration in these networks from an energy efficiency perspective.** Furthermore, it should be clear how potential CHP projects fit within the comprehensive heating and cooling assessments which as mentioned above, need to aim for climate neutrality through more energy savings and renewable energy. These should also take into account the impact of EU policies such as those foreseeing the reduction of final energy demand.

CAN Europe believes that a faster uptake of sustainable renewable energy to reach a 100% renewables supply by 2040 is a prerequisite for limiting dangerous climate change. District Heating systems need to be modernised to become more efficient and more flexible[29], as a key part of the future fully renewable energy system. It is also paramount to assimilate quick and high shares of renewable energy into these systems. This should be reflected in the definitions proposed in Article 24, for an efficient district heating and cooling system, in order to help reach a

[27] Fraunhofer ISI, Consentec GmbH, ifeu, TU Berlin (2021): Langfristszenarien für die Transformation des Energiesystems in Deutschland 3. On behalf of BMWi. Online to be found: https://www.isi.fraunhofer.de/content/dam/isi/dokumente/cce/2021/LFS_Kurzbericht.pdf (In German).
[28] The disclosure requirement for district heating and cooling networks could e.g. include data on system efficiency, system losses, connection density, network losses and temperature spread, primary energy and final energy consumption, emission factors and upstream chains of the energy sources.
[29] CEE Bankwatch Network: District heating. Online to be found: https://bankwatch.org/project/district-heating

fully renewable energy system by the indicated date. The Renewable Energy Directive (RED) should ensure that policy measures steer a higher uptake of renewable electricity, geothermal and solar heating, facilitated through heat storage and district heating. Further alignment is needed to make waste heat of undefined origin in the proposed definitions in the EED entirely renewables based over time, and that stringent sustainability criteria for renewable energy in the heating and cooling supply are put in place.

We recommend to accompany the uptake of renewable energy with a clear phase out of fossil fuels, including preventing a switch to fossil gas. The proposed provisions which incentivise switching to fossil gas fired CHP through the proposed emission level in Annex III in combination with having high efficiency cogeneration in efficient district heating and cooling until 2035 in Article 24 are likely to produce lock-in effects[30] in a fossil fuel that is not compatible with the trajectory to climate neutrality. **It needs to be ensured that new and refurbished District Heating and Cooling Systems and cogeneration units do not increase the use of fossil fuels including fossil gas, to deliver actual climate benefits.** A Paris-aligned option recommended by the EU Technical Experts Group for the development of the taxonomy proposes an emission level for cogeneration of 100g CO2 e/kWh[31] for all fuels, which would exclude fossil gas.

CAN Europe calls for:

- Ensure that the shares of renewable energy for the definitions of efficient district heating and cooling reflect the need to have a 100% renewables based energy system by 2040 (Amend Article 24.1 of the EED recast proposal).
- Ensure that new and refurbished District Heating and Cooling Systems and cogeneration units do not increase the use of fossil fuels including fossil gas, to deliver actual climate benefits. (Amend Article 24.2 and Annex III of the EED recast proposal)

[30] Fossil gas CHP plants have a lifetime of around 20-30 years.

[31] Although the 100 gCO_2 e/kWh threshold is derived from power sector assumptions, it will apply equally to both electricity and heating/cooling generation. The emission level should be regarded as a dynamic threshold and improved over time. For further information regarding the threshold, please refer to the Climate Bonds Initiative`s Briefing on the EU Technical Experts Group`s recommendation for the EU taxonomy electricity generation threshold.