

Regional Energy Efficiency Programme: Energy Efficiency Policy Dialogue

Results and lessons learnt after more
than two years of implementation

1 June 2016, Vienna

The end of the beginning

- ▶ **A recap of REEP policy dialogue to date – what has been achieved and what needs to be done?**
 - Energy Performance of Buildings
 - Public Procurement
 - Utility policies, tariffs and metering
 - National Energy Efficiency Action Plan (NEEAP)
- ▶ **Lessons learnt**
 - Findings from our consultancy work and improvements for the future
- ▶ **The big milestones to come – implementation at the forefront**
 - EPBD implementation and enforcement
 - 3rd NEEAPs and 2020 indicative targets
 - EED Article 7 and Energy Efficiency Obligation schemes
 - Monitoring and verification platforms

Regional Energy Efficiency Programme: Energy Efficiency Policy Dialogue

A recap of REEP policy dialogue to date

REEP policy dialogue objectives

- ▶ Develop an enabling environment for sustainable energy by addressing **systemic barriers** to energy efficiency
- ▶ Assist the Contracting Parties meet the challenge of **harmonising their legislative frameworks** with the relevant EU directives
- ▶ Three (+1) 'domains' identified:
 - EPBD transposition and implementation
 - Public procurement codes and guidelines (appliances and equipment)
 - Utility EE obligation schemes
 - NEEAP preparation
- ▶ **Prioritisation of assignments**
 - Status review
 - Country visits (May-August 2013)
 - Agreed selection criteria
- ▶ **Eleven (11) assignments covering all beneficiaries**
 - EPBD – 6 projects
 - Procurement – 1 project
 - EEOs – 3 projects
 - NEEAP – 1 project

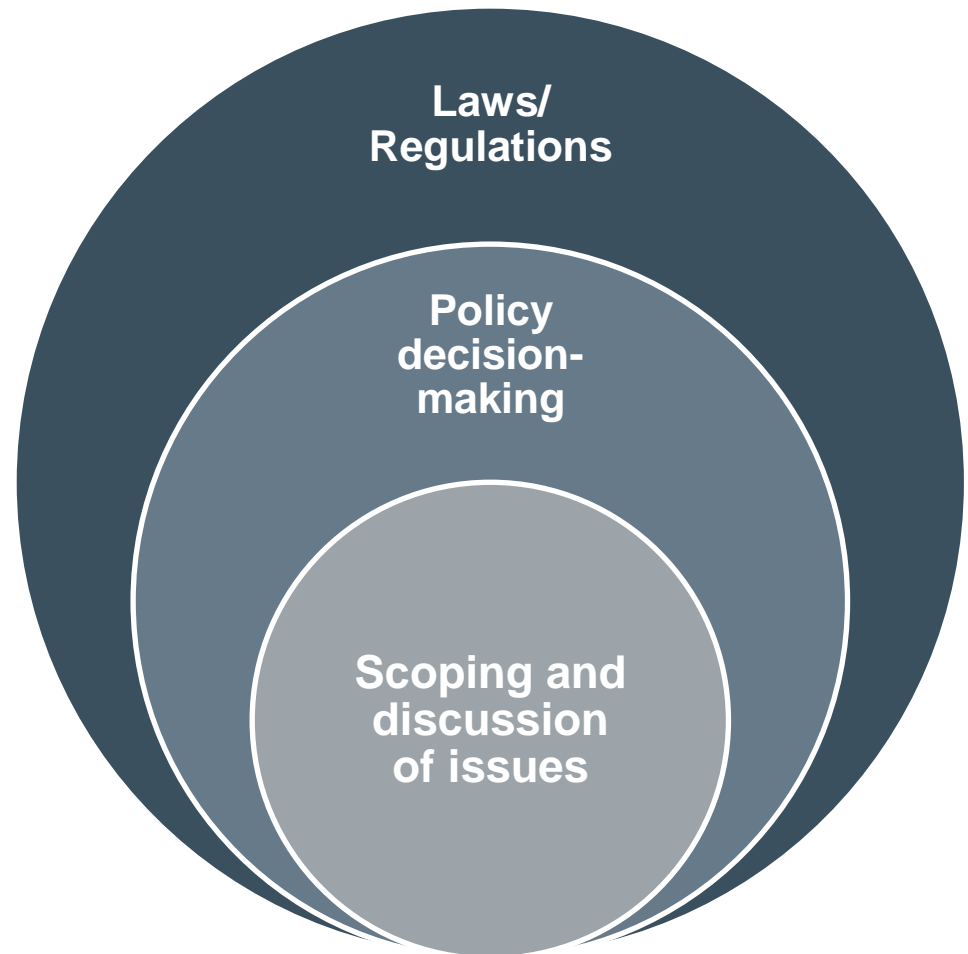
REEP policy dialogue implementation structure



Energy Performance of Buildings

The ambition

- ▶ Targeted assistance for **particular aspects of the EPBD implementation road map** with a view to **filling significant gaps** in the existing frameworks
- ▶ Two broad categories of assistance
 - **Legislative** – development and/or amendment of relevant laws and regulations for specific aspects of the EPBD
 - **IT infrastructure** - software that supports the implementation of the regulations



Energy Performance of Buildings

The achievements



		Albania	BiH-RS	BiH-Fed	Croatia	FYR Macedonia	Kosovo	Serbia
Primary legislation		Law submitted 10/2014	N/A	N/A	N/A	N/A	Law submitted 1/2015	N/A
Secondary legislation	MEPS	N/A	N/A	N/A	N/A	Final regulatory changes submitted 7/2015	Regulatory requirements submitted 7/2015	N/A
	NCM	N/A	N/A	Final NCM submitted 7/2015	N/A	Final NCM amendments submitted 6/2015	Final NCM submitted 5/2015	N/A
	EPC	N/A	N/A	N/A	N/A	Review completed and policy proposals submitted 7/2015	Final regulation submitted 7/2015	N/A
	Inspection	N/A	Final regulations submitted 3/2016	N/A	Review (1/2015), Procedures (4/2015), Control system (5/2015)	Recommended regulatory amendments submitted 5/2015	Final regulation submitted 4/2015	Final regulations (4/2015), Equivalence report (2/16)
IT software	Calculation software			Final software delivered – Croatia (5/2015), BiH-F (7/2015), FYR Macedonia (7/2015), Kosovo (7/2015) PLUS TRAINING (2016)				
	EPC registry (database)			EPC register specification: Croatia (10/2014) EPC database delivery: BiH-F (5/2015)		N/A		

Energy Performance of Buildings

Still to do

▶ **Adopt all laws and regulations**

- Develop any required subordinate rules (procedures, scheme operating conditions, training and qualifications, etc)
- Ensure competent and sufficiently resourced bodies are established
- Monitor and enforce (control systems, penalties for non-compliance)

▶ **Adopt and roll out software**

- Finalise customisation of databases
- Although, should be able to still use now

And that's not the end of it!

- ▶ Experience in the EU Member States shows that the process of transposition:
 - Is an **evolving** one
 - Takes **many years**
 - Requires **significant time and resources**
- ▶ If implementation is to be successful, then it is critical that:
 - There is **commitment** at the political and administrative levels
 - There is further development of **administrative capacity**

EE in public procurement

The ambition

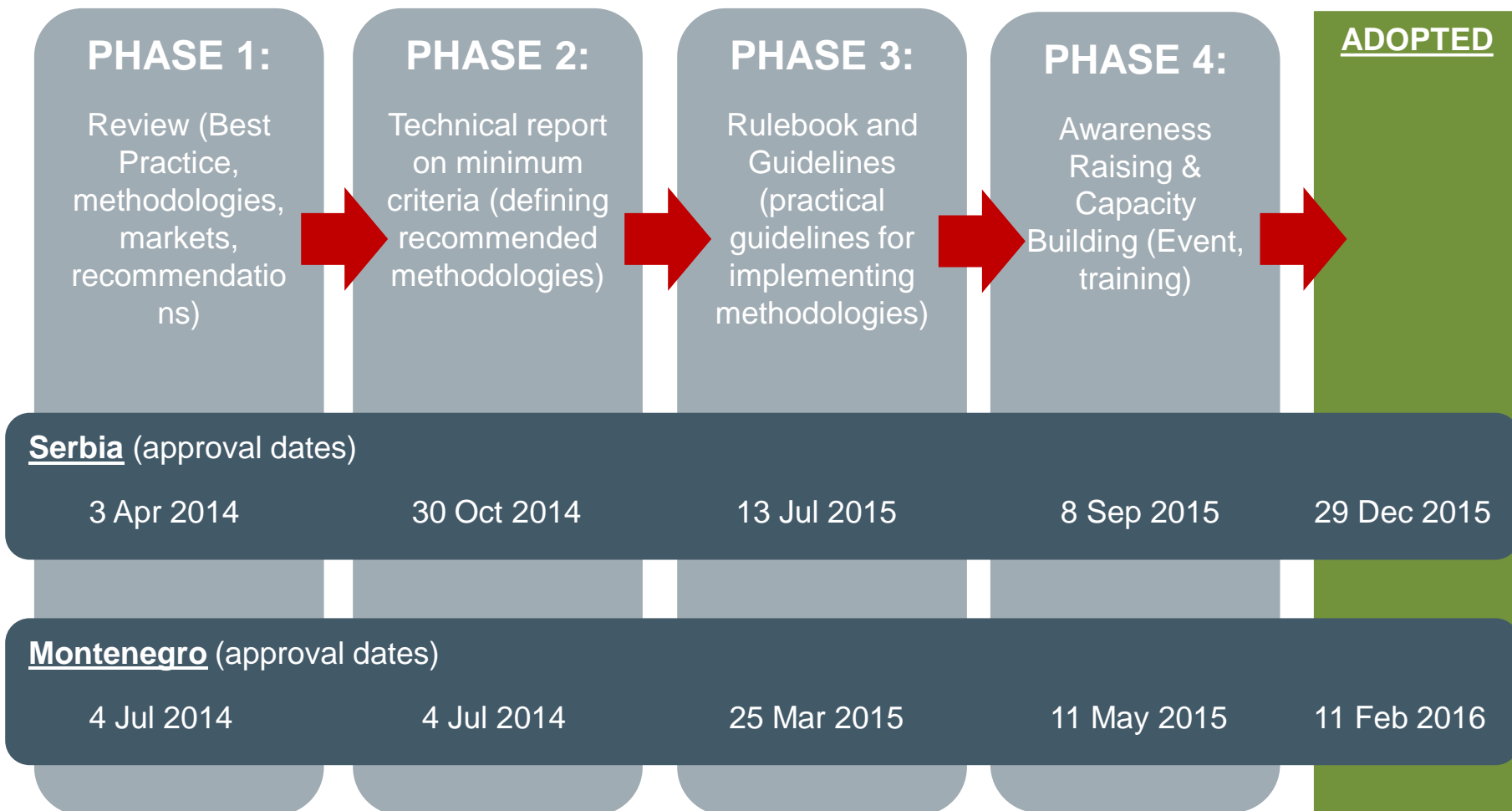
- ▶ **Align public procurement codes with energy efficiency requirements of EU directives:**
 - 2006/32/EU (the “ESD”, Art. 5)
 - 2010/30/EU (Art. 9 on PP and incentives)
 - 2012/27/EU (the “EED”, Art. 6)
- ▶ Ensure central governments purchase only products, services and buildings with high EE performance
 - Provided economic feasibility, technical suitability and sufficient competition allow

Scope of work:

1. Inception phase to assess current situation regarding public procurement law
2. Policy paper on European experience
3. Cost-benefit assessment of products and services
4. Development of Rulebook
5. Associated Guidelines
6. Training of procurement officers with pilot project

EE in public procurement

The achievements



Utility policies, tariffs and metering

The ambition

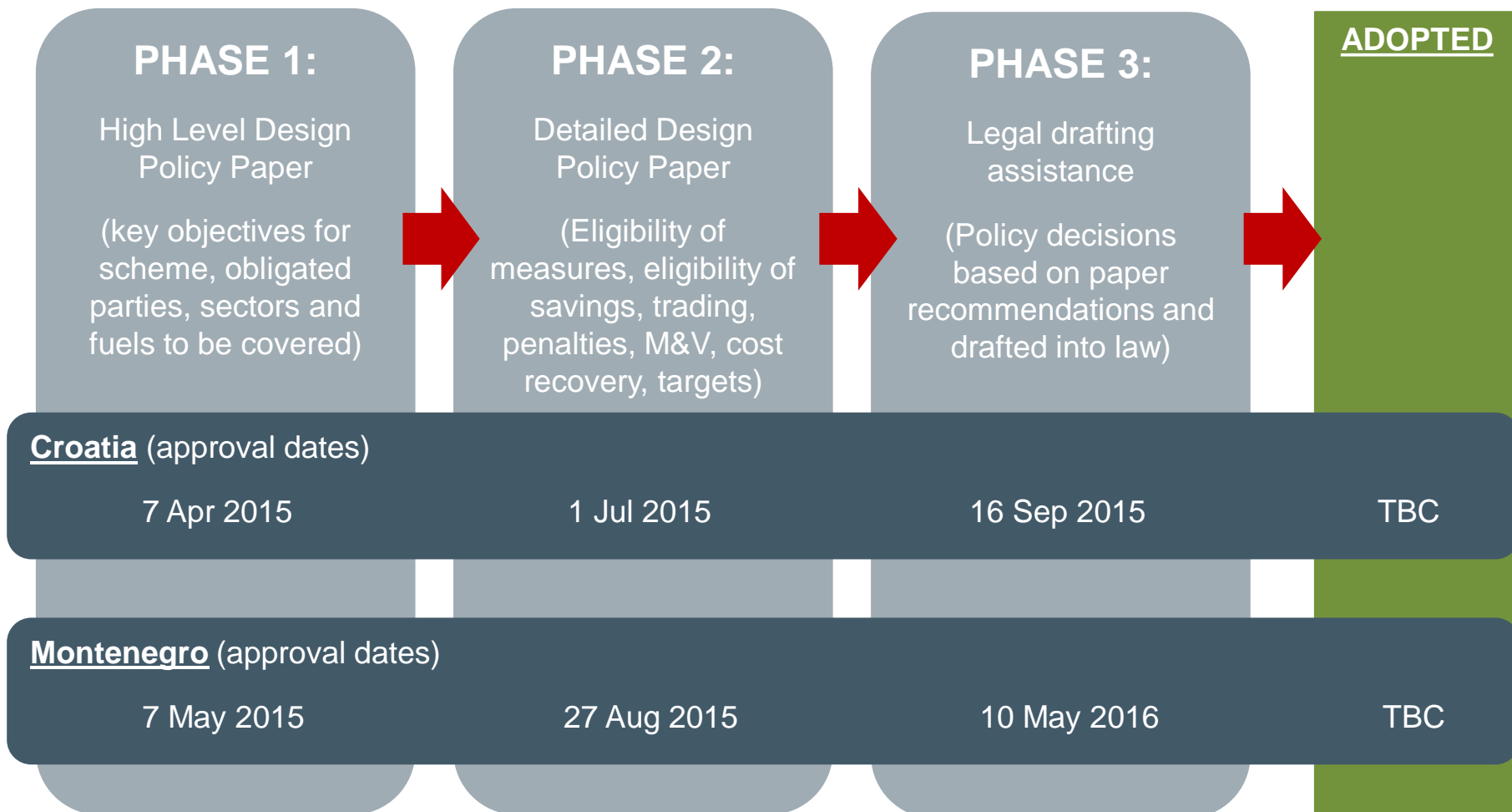
- ▶ **Review and develop policies and regulations to meet:**
 - Energy Efficiency Obligation (EEO) schemes under Article 7 of the EED
 - Address EE requirements in network tariffs and power markets as per Article 15 of EED
- ▶ States must achieve a quantified energy saving target under Article 7 using an EEO or alternative measures
- ▶ Separate target for EU Member States and Energy Community

Scope of work:

1. Inception phase to clarify objectives
2. EEO High Level Design Policy Paper on key scheme characteristics
3. EEO Detailed Design Policy Paper on specific functions
4. Development of EEO Rulebook
5. Review of legislative and regulatory framework for compliance with Article 15

Utility policies, tariffs and metering

The achievements (Article 7 elements)



Utility policies, tariffs and metering

Still to do

Outstanding issued to enable adoption:

- ▶ Croatia
 - Amendment to Law on EE to allow change in OP
 - Amendment to EEO regulation and adoption
 - Interim regulation using EE Fund and obligation on distributor
- ▶ Montenegro
 - Amendment to primary law on Efficient Use of Energy
 - Adoption of draft regulation

Then there is implementation...

- ▶ Measurement, verification and reporting structures
 - Deemed savings
 - Sampling procedures
- ▶ Target setting
 - Illustrative mix of expected measures and costs
 - Tariff impact assessment
- ▶ Guidelines for obligated parties and training

NEEAP

The ambition

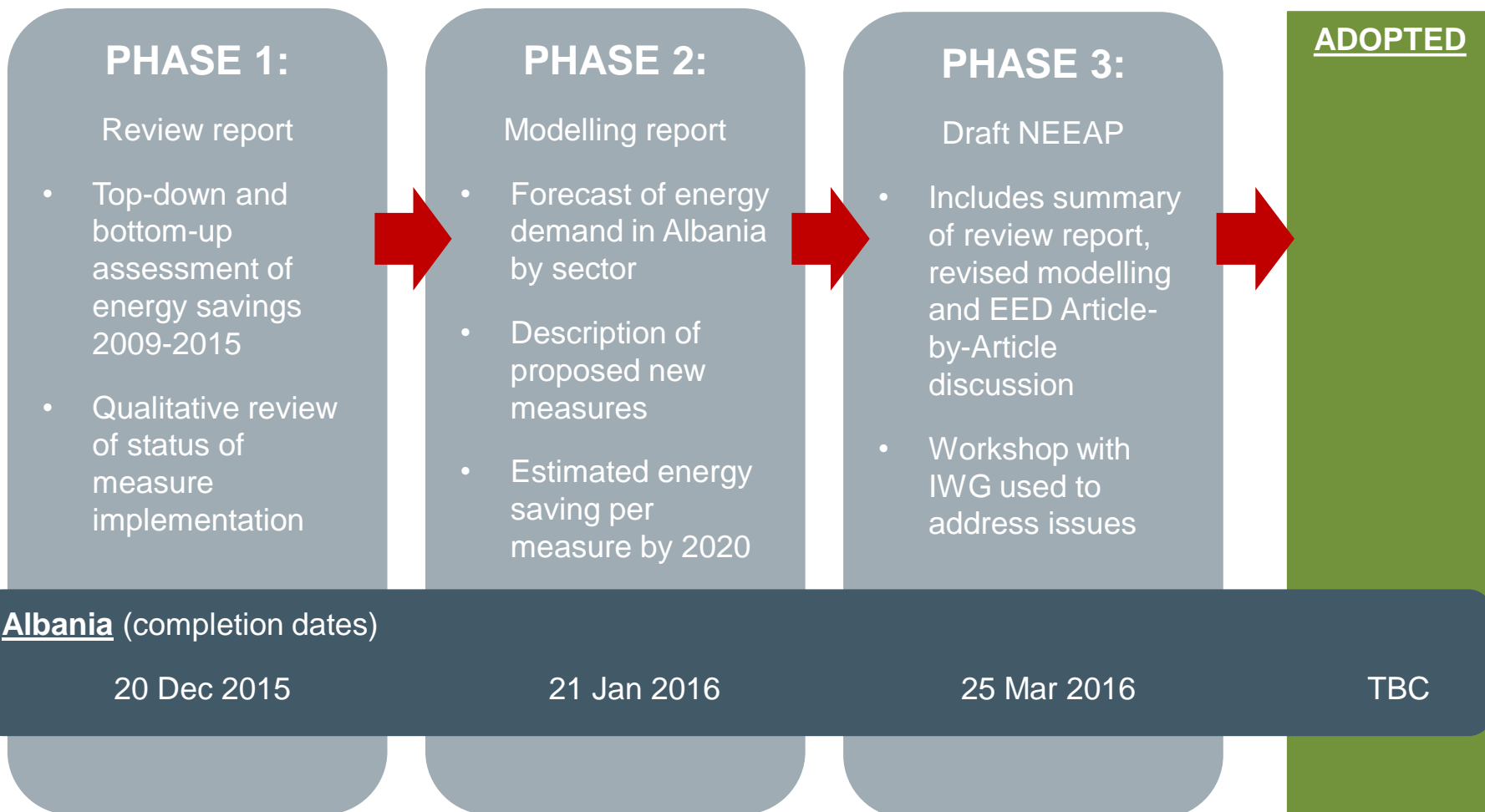
- ▶ **Develop a new NEEAP for Albania**
 - Compliant with requirements of EPBD and EED
 - Follow ECS 3rd NEEAP template
- ▶ The 3rd NEEAP is required to report on progress to date against 1st and 2nd NEEAPs
- ▶ 3rd NEEAP includes supply, transmission and distribution of energy
- ▶ Furthers ESD 2018 target but integrates with EED requirement for wider 2020 'indicative target'

Scope of work:

1. Inception meeting to define approach and schedule
2. Review of savings under 1st NEEAP using ECS reporting requirements
3. Modelling of proposed measures to define 2020 target
4. Drafting of full 3rd NEEAP
5. Workshop with inter-ministerial working group to refine draft

NEEAP

The achievements



NEEAP

Still to do

▶ **Adoption by government**

- Policy document so need for government “adoption” is decision of country
- Final IWG consultation
- ▶ A selection of secondary legislation related both to EPBD and EED aspects is required to be finalized and adopted

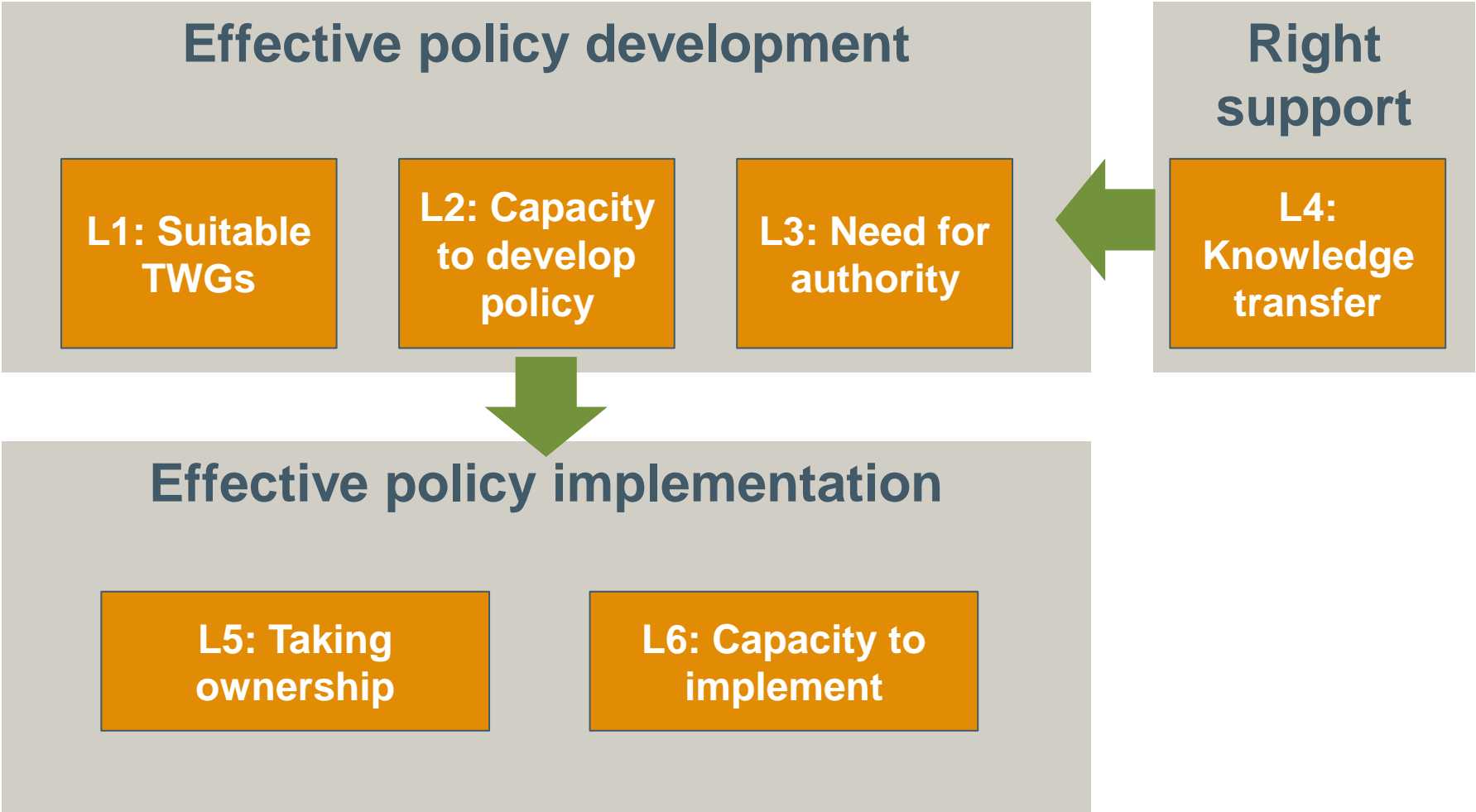
Implementation:

- ▶ Measurement, verification and reporting platform and structures
- ▶ Planning and preparatory activities for measures
 - IWG steering is vital
 - Long lead times put strain on 2020 targets
- ▶ Supporting institutional and financial framework needs establishment

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Lessons learnt

Planning for success – our lessons learnt



Lesson 1 – the importance of TWGs

▶ **Technical working groups help root policy in local reality and capture issues at an early stage**

- Encompass views of key stakeholders
- Constitution of TWG is critical (see later point on authority)
- Iterations of draft documents have been extensive – a lesson for consultants in planning!
- Energy legislation development is often inter-dependent – need to ensure efforts are aligned

What makes a good TWG?

- Includes all key stakeholders even if outside of civil service
- But not so broad it is unwieldy
- Members need to be committed
- Composition ideally extends beyond consultancy support
- Capacity to review documentation (see later)
- Authority to make decision likely to hold

Lesson 2 – capacity to develop policy

▶ **A lack of expertise and capacity has constrained TWG ability to make policy decisions**

- Data quality and availability is a key constraint – EE policy is data intensive!
- Existing laws often developed by consultants with lack of knowledge transfer to civil service
- Difficulties working in English

Possible solutions?

- Institutions with necessary data should be present on TWGs (or invited periodically)
- Greater scope provided for local consultants to undertake new data collection
- Increase in number of TWG workshops and training
- Increased country presence by consultants (more on this in a moment...)
- Previous advisors on TWG
- All draft and final documents undergo translation

Lesson 3 – need to establish authority

- ▶ **A lack of authority in TWG to provide firm direction and/or decisions on the policy matters raised**
 - Membership sometimes lacked senior enough officials
 - Few powers to move decisions forward into implementation
 - But balance needed as executive decision-making rests at too high a level for day-to-day engagement
 - Often received additional comments from more senior staff following job “close”

Possible solutions?

- Reach agreement on composition of TWG at assignment commencement
- Identify mid-way critical junctures whereby relevant ministers are briefed on required decisions
- In-person presence of consultant legal support when presenting draft regulation

Lesson 4 – focus on knowledge transfer

- ▶ **To avoid repetition of capacity constraints, knowledge transfer needs to sit at heart of assignment planning**
 - Increased local presence is a necessary but alone insufficient condition (avoid compartmentalized secondees)
 - Provide additional face-to-face time and assistance for identifying inputs, talking through draft deliverables and providing underpinning training



Lesson 5 – taking ownership

▶ **Consultancy (and donor) support will always be time-limited – beneficiaries need to be ready to take ownership of projects**

- Requires ‘champions’ for the policy (political and institutional)
 - EECG members?
 - Get ‘buy in’ from relevant agencies
- The continuation of the technical working groups through to implementation (and beyond) will help with continuity
 - But they must have the right representation and sufficient capacity

▶ **Need to move away from reluctant compliance to active promotion**

- Requires political will

▶ **But is it all worthwhile?**

- Need data and analysis
- What about other country experience?
- If do not implement, will never know (and cannot make improvements)!

Lesson 6 – capacity to implement

▶ **Adopting regulations is only the start of the story**

- Measures under the EED and EPBD require planning, development of tools and guidelines, training of delivery entities, etc
- Implementing bodies and funding structures need to be clearly defined and established where necessary
- Implementation needs to be monitored for compliance purposes and, more importantly, to gauge lessons and adapt frameworks to actual experience

▶ **Further support will be needed**

- Funding
- Capacity building
- Knowledge and experience sharing
- EU concerted actions (EPBD and EED)

▶ **Formalised mechanisms for policy implementation should be established**

- Unambiguous allocation of roles and responsibilities

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Milestones to come

Implementation – enforcement of EPBD

▶ **Finalise and adopt all necessary legislation**

- Enabling laws
- Secondary legislation
- Subordinate rules
- Other areas of EPBD (eg NZEBs)

▶ **Develop and roll out supporting IT infrastructure**

- SBEM development costs have already been paid and software has track record of application

▶ **Establish competent bodies and requisite procedures**

Other key points to remember are:

- ▶ Requirement to initiate incentives and other measures to overcome barriers to energy efficient buildings
- ▶ Accreditation of independent experts
- ▶ Independent control systems (for EPCs and inspection reports)
- ▶ Information dissemination to building owners and tenants

Implementation – 3rd NEEAPs and 2020 targets

▶ 3rd NEEAPs are required to be drafted and submitted to ECS

- Covers period 2016-2018 with respect to ESD and 2016-2020 with respect to EED
- Comprehensive policy document to aid planning for EED transposition (due 15 Oct 2017)
- Sets indicative primary energy target in addition to Article 7 end-use target
- Covers supply, transmission and distribution of energy

Huge implementation project!

- ▶ Complementary strategies:
 - Building Renovation Strategy (Article 4)
 - Article 7 notification
 - CHP strategy (Article 14)
 - EE in networks strategy (Article 15)
- ▶ Then there is supporting institutions, tools and financing mechanisms

Implementation – Article 7 and EEOs

▶ **Must adopt an EEO scheme**

- Unless alternative measures are selected, or both

▶ **Obligated parties are selected**

- Energy distributors and/or sales companies – key decision
- Can include electricity, gas, DH and transport retailers

▶ **Cumulative target by end-2020**

- New savings equivalent to 0.7%/annum of reference quantity (2013-2015)
- Cumulative savings of 7% by 2020 but exclusions apply...

▶ **Alternatives include:**

- Energy/CO2 taxes
- Other financing schemes
- Regulations
- Voluntary agreements

▶ **Need to consider implementation architecture:**

- Administrative entity
- Technical support
- Reporting platform
- Cost regulation
- M&V processes

Implementation – Monitoring and verification

▶ **Monitoring and verification is key to tracking savings**

- Without a robust monitoring platform accurate tracking of progress against targets is not possible
- Reliable verification is vital to prevent unsubstantiated claims
- Supports future measure identification and estimations of savings

Current EU-funded multEE project aiming to provide innovative approach to M&V:

- Could be backed by legislation as in Croatia
- Online interface integrated with ORF-EE platform
- Centralised database avoids double-counting
- Can help coordinate measures between initiatives and plans
- Supports cross-country coordination

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