

New Energy Efficiency Directive 2018/2002: Article 7 obligations, transposition and reporting

Energy Efficiency Coordination Group Meeting and Workshop

9 March 2022

1. Obligations

2. Transposition

3. Reporting

Amended EED Article 7 – the obligation for 2024-2030

▶ **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 for 2024-2030**

- New savings equivalent to 0.8%/annum of reference quantity (2019-2021)
- **No exclusions**
- Cumulates to 22.4% of reference target
- Major increase on 2017-2020 period as no exclusions allowed

▶ **Alternatives to an EEO (also applicable to 2017-2020 period)**

- Energy or CO2 taxes
- Financing schemes and incentives that lead to application of EE technologies and techniques
- Regulations or voluntary agreements
- Standards and norms improving EE of products and services (NB must go beyond minimum requirements of other EU directives)
- Energy labelling schemes (as above)
- Training and education
- Others provided rules on calculation, measurement and verification are met

Eligibility of energy savings under Directive 2018/2002

- ▶ Directive 2018/2002 and the accompanying Commission's Recommendations 2019/1658 on Article 7 amend and clarify certain requirements regarding the eligibility of energy savings for contributing towards targets:
 - Energy savings derived from national minimum requirements for new buildings can only be counted towards the 2014-2020 obligation period, not 2024-2030 (see overleaf for 2021-2024)
 - The measurement and verification requirements and representative sampling to be undertaken
 - Additionality requirements pertaining to EU law as a baseline:
 - Only savings above the level required by EU law are permitted – e.g. with respect to Ecodesign requirements and the Clean Vehicle Directive (not currently applicable to Energy Community)
 - Specific derogation for the renovation of existing buildings where the full energy saving achieved can be calculated provided activity is supported through a policy measure other than the mere existence of minimum performance standards
 - Additionality with respect to business-as-usual and lifetimes
 - Treatment of renewable energy for own-use (only reductions in end use consumption are permitted)
 - Energy efficiency must be a designated policy objective of the measure
 - Prevention of the double-counting of energy savings from more than one measure must be ensured
 - The calculation methodology to be employed for estimating energy savings from taxation policies

Target represents a major increase on 2017-2020

▶ Example 2017-2020 target

- Reference FEC of 1,000 ktoe
- Exclude transport and own use yields 650 ktoe
- 0.7% is 4.6 ktoe
- Reduce by further 25% gives 3.4 ktoe
- Cumulate over 4 years gives **34 ktoe**

▶ Example 2024-2030 target

- Same reference FEC of 1,000 ktoe
- No exclusions
- 0.8% is 8 ktoe (more than double annual rate)
- Cumulate over 7 years gives **224 ktoe**

▶ Must also consider Energy Poverty

- “Contracting Parties shall take into account the need to alleviate energy poverty in accordance with criteria established by them”
- Measures must specifically prioritise a share of savings to be among those in energy poverty and social housing
- Information on outcomes to be included in NECP Progress Reports

But early action can help

Year of new savings actions	Energy savings (ktoe) achieved from actions by year										Total	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
2021				50	50	50	50	50	50	50	50	350
2022				50	50	50	50	50	50	50	50	350
2023				50	50	50	50	50	50	50	50	350
2024				50	50	50	50	50	50	50	50	350
2025					50	50	50	50	50	50	50	300
2026						50	50	50	50	50	50	250
2027							50	50	50	50	50	200
2028								50	50	50	50	150
2029									50	50	50	100
2030										50	50	50
Total												2,450

Early actions allow target to be exceeded at rate of 50 ktoe/yr rather than 80 ktoe/yr

1. Obligations

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Milestones for transposition



- ▶ Policy measures and individual energy saving actions to 31 December 2023 that continue to deliver new savings from 1 January 2024 are eligible
- ▶ Early action will pay dividends!
- ▶ Notify ECS of proposed detailed methodology in accordance with Annex V in NECP (June 2024)
- ▶ Progress reporting by March 2025 and every 2 years thereafter

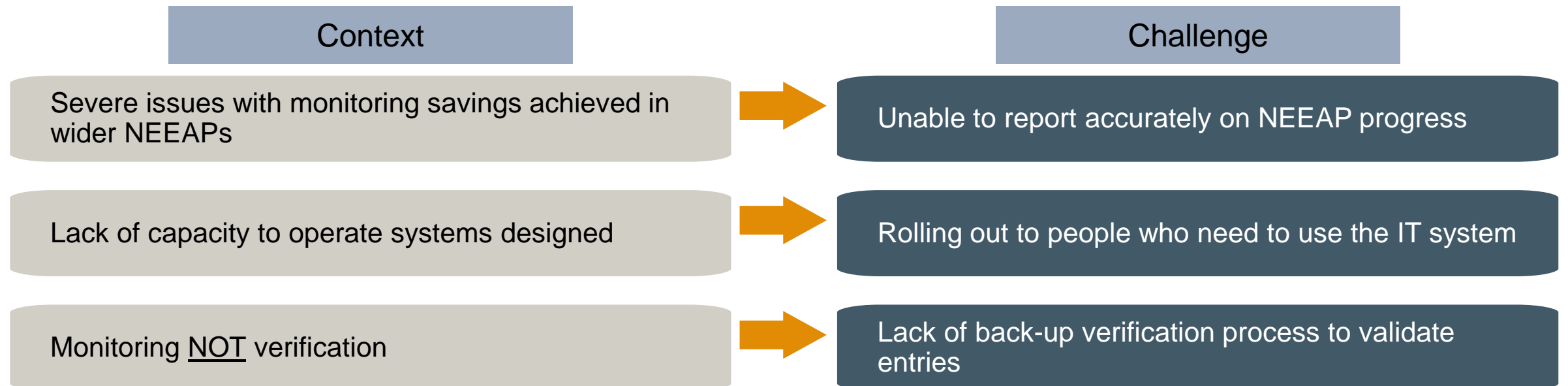
1. Obligations

2. Transposition

3. Systems for reporting

Monitoring and reporting can be supported by strong IT systems

- ▶ Implemented measures should be reported to the administrator using a pre-established template or portal at designated intervals
- ▶ A centralised database can then be used by the administrator to monitor and report to government
- ▶ ECA has previously identified particular challenges facing Contracting Parties:



Example of best practice on IT systems - Croatia



- ▶ System for Measuring and Verifying energy savings (**SMiV**)
- ▶ Centralised **bottom-up calculation and monitoring** of EE policy measures
- ▶ **Legal obligation** for public bodies, EE Fund, ESCOs, OPs to enter data

- ▶ **Training** is a key challenge
- ▶ Development supported by **technical partner** (EIHP) via MultEE project
- ▶ **Roundtable events** used to update deemed savings values
- ▶ **Legal obligation** for public bodies, EE Fund, ESCOs, OPs to enter data

Verification needs to be layered and statistically significant

▶ **The administrator needs to have processes for verifying claimed savings:**

- Document checks
- Site visits and audits
- Clear process for recourse in event of issues

▶ **Obligated Parties should also have requirements to verify savings claimed:**

- Contract independent audits for sample of work done
- Should cover quality of works and appropriateness of claimed savings calculation
- All issues found should be rectified

▶ **Number of checks should be “statistically significant”**

- Updated European Commission guidance clarifies how this is to be interpreted, uses illustrative table:

	Probability of error		
Proportion of false reports	10%	5%	1%
5%	31	51	103
10%	15	24	49
20%	7	11	22
50%	2	3	5

- Should include representative sample of project types, sizes, sub-sector and location

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Annex – calculation methodologies

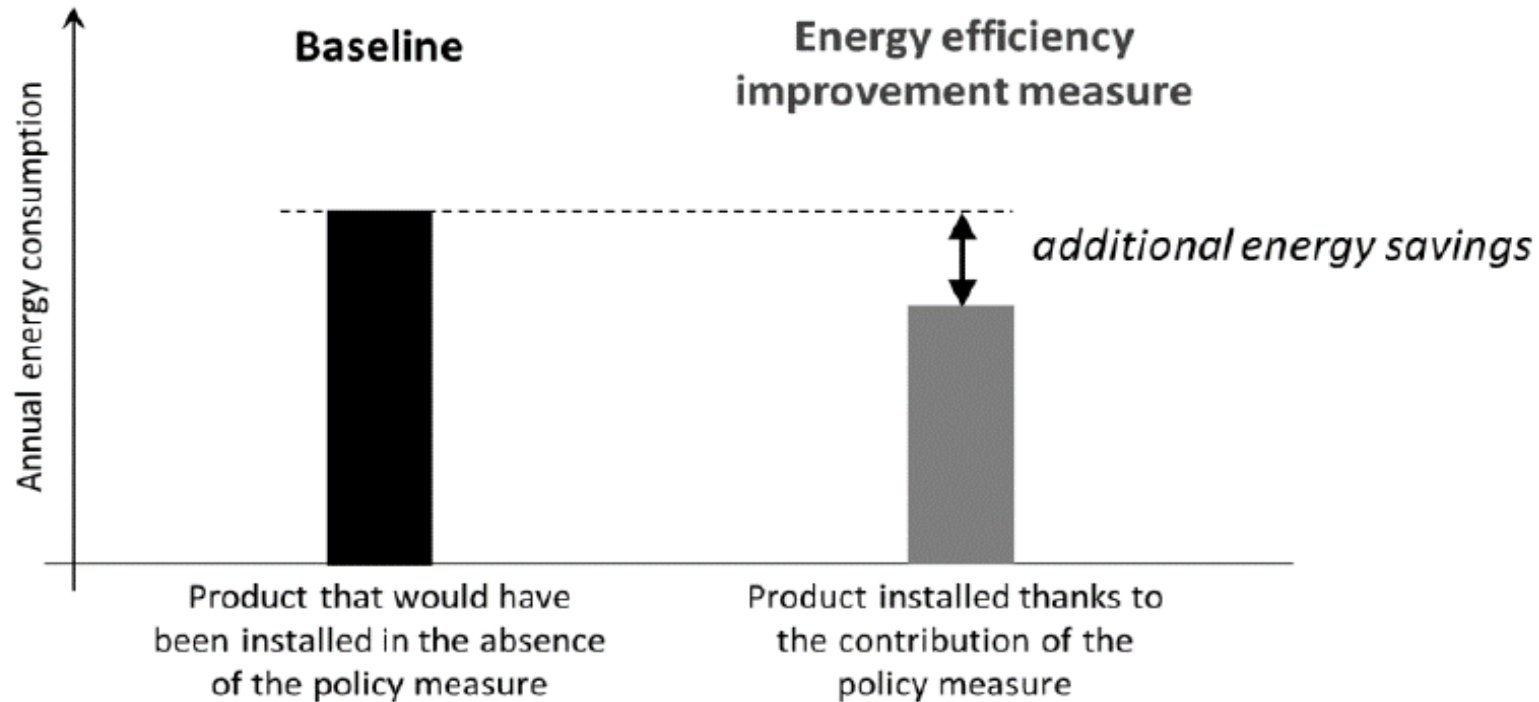
Additionality requirements

Savings shall be additional to those that would have occurred in any event without the obligated parties, or implementing public authorities

- ▶ Member States shall have regard to how energy use and demand would evolve in the absence of the policy measure, taking account of:
 - Energy consumption trends
 - Changes in consumer behaviour
 - Technological progress
 - Changes caused by other measures implemented at Union and national level.

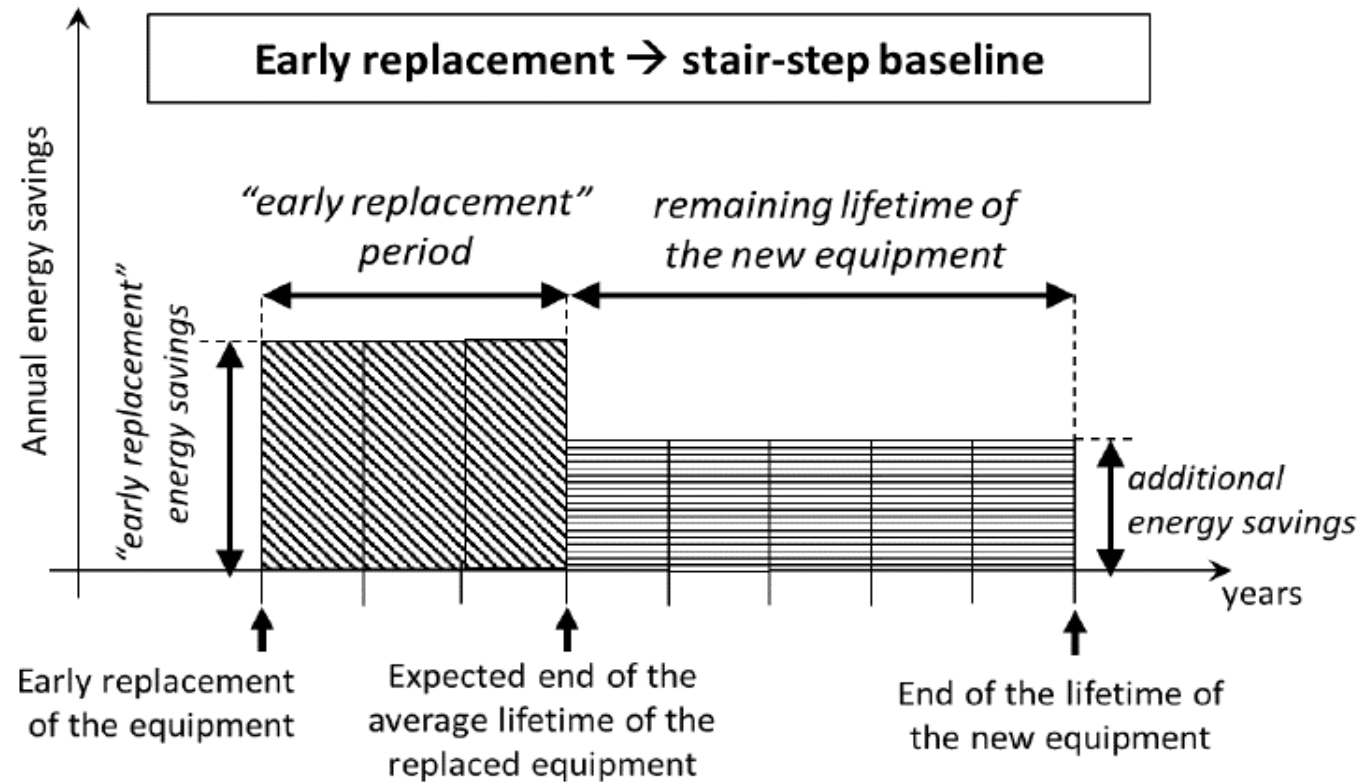
Additionality requirements

- ▶ Use market-average data, analysis of consumption trends and surveys to identify a baseline counterfactual:



Additionality requirements

- ▶ Proper consideration of early replacement and above market-average improvement:



Materiality requirements

The activities of national public authorities in implementing the policy measure must be ‘material’ to the achievement of the energy savings claimed

Member States are required to notify:

- how they have determined additionality and materiality; and
- what methodologies and benchmarks they have used for deemed and scaled savings.

► **Criteria to approve eligibility**

Indicative example:

Pre-defined types of eligible contribution (e.g. financial aid, targeted energy advice, technical support for the design or implementation of the action) and corresponding requirements (e.g. minimum incentive rate, threshold for payback time, minimum contents of energy advice); signed contract with the customer for project implementation, paid invoices and project documentation.

Materiality requirements

▶ Criteria to approve validity

Indicative example:

Requirement that the contribution was decided with the beneficiary prior to action installation (and corresponding types of proof, e.g. standardised statement form filled in and signed by the beneficiary).

Where intermediaries make the contact with the final beneficiaries, requirement that the contracts or agreements covering the whole chain from obligated parties (or other parties allowed to claim savings) to final beneficiaries were in force before action installation (and corresponding types of proof).

▶ Criteria to avoid double-counting

Indicative example:

Requirement that the final beneficiaries gave agreement for energy savings to be claimed on their behalf only once for a given action (and corresponding type of proof).

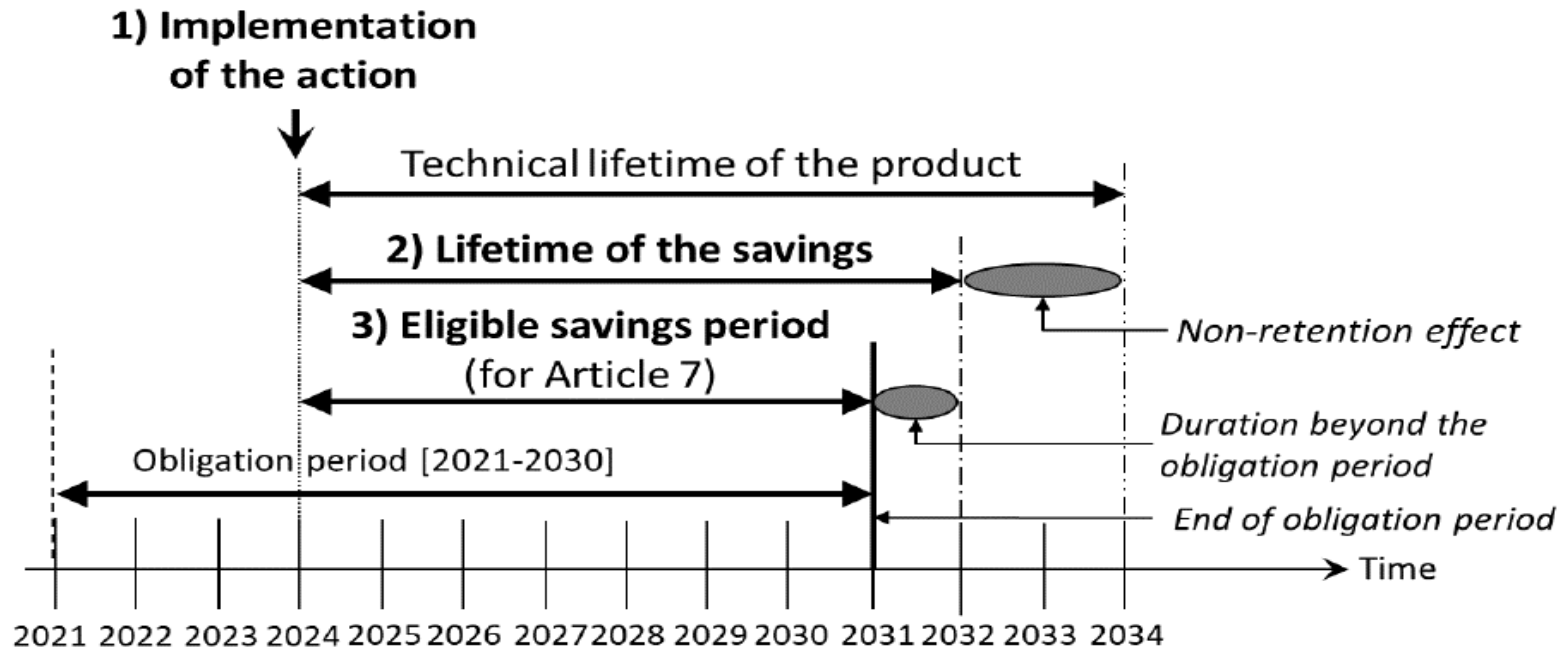
Requirement that the details of each action be entered in an online database that enables automatised duplication checks, e.g. standard statement form filled in and signed by the beneficiary.

Lifetime requirements

Member States should distinguish between the requirements to take into account:

- The lifetime of a measure; and
- The rate at which energy savings decline over the relevant obligation period.

Must describe in NECP the lifetimes applied per type of measure and basis



- Default lifetimes provided in Recommendations
- Particular attention where <10 years
- Examples include behavioural measures, modal shift, EMS, eco-driving etc.

Decline in savings

Energy savings change over time:

- Performance degradation of the individual action (to be compared with baseline)
- Changes in the condition of use (e.g. volume of production)

To address this:

- May consider applying a “technical discount factor”
- Investigate actual effects of behavioural measures
- Options provided in Recommendations include:
 - On-site installation verification / On-site measurement and testing
 - Laboratory testing
 - Surveys interviews
 - Billing analysis
 - Benchmarking and secondary literature review
 - Stock modelling