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8

Energy efficiency obligation schemes, monitoring impacts of eligible measures

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1 Introduction and context

The Concerted Action for the Energy Efficiency Directive (CA EED) was launched in spring 2013 in order to support the effective implementation of the Directive on Energy Efficiency (2012/27/EU) in all EU Member States as well as Norway. By providing a trusted forum for exchange of experiences and collaboration, the CA EED helps countries learn from each other, avoid pitfalls and build on successful approaches when implementing the Directive. The CA EED benefits therefore from a strong European network and a wealth of information gathered and lessons learned.

This report summarises work carried out between January 2013 and March 2014 by the CA EED on “Energy efficiency obligation schemes: monitoring impacts of eligible measures”. This relates to Article 7 and Annex V of the Energy Efficiency Directive (EED). The objective of the work on Article 7 was to give participants a clearer picture of the implementation options available to their countries and help them learn from existing solutions on some of the technicalities of Article 7.

Article 7 of the EED requires Member States (MS) to set up an energy efficiency obligation scheme for energy suppliers and/or distributors that achieves yearly end-use energy savings of 1.5%. As an alternative, Member States can implement other policy measures that lead to the same amount of savings as an obligation scheme. Combinations of these two implementation options are also permissible. The common methods and principles for calculating the impact of energy efficiency obligation schemes or other policy measures are defined in Annex V of the EED.

Participants from all Member States¹, plus Croatia and Norway, provided input; this has led to an excellent overview of implementation plans and the challenges associated with implementing Article 7. The information gathered in the course of the first three Plenary Meetings of the CA EED also helped to highlight different ways in which implementation of Article 7 is planned in Member States.

The areas addressed comprise:

- Implementation options and plans for Article 7
- Monitoring and verification of energy savings at low administrative costs
- Measuring energy savings from soft measures and energy taxes

¹ Under the Concerted Action for the Energy Services Directive (CA ESD)

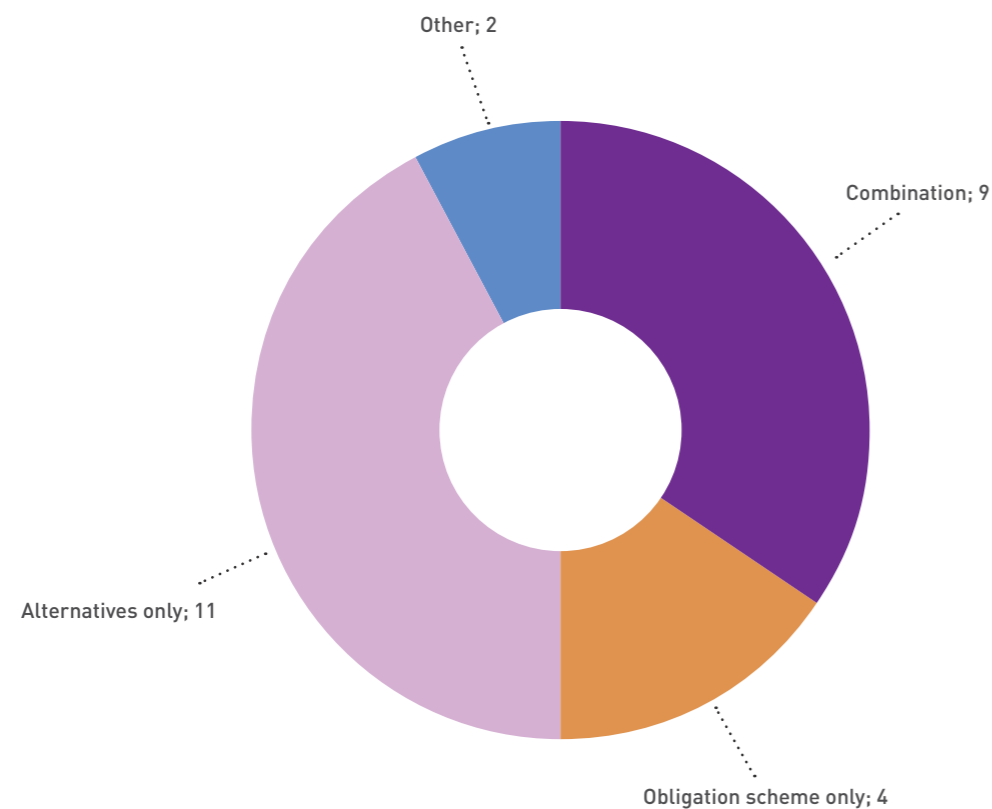
2 Implementation options and plans for Article 7

The CA EED meetings gave participants an overview of the Article 7 implementation plans of other Member States. This helped them to obtain a clearer picture of what their options are with respect to Article 7.

There is a wide variety of Article 7 implementation plans across MS. The main options available to MS are:

- Introduction of an energy efficiency obligation scheme.
- A combination of an energy efficiency obligation scheme and alternative policy measures (including setting up an energy efficiency fund).
- The use of alternative policy measures only.

According to the CA EED questionnaire from the beginning of 2014, 11 MS plan to implement Article 7 with alternative measures only, 9 with a combination of energy efficiency obligations and alternative measures and 4 through an energy efficiency obligation only. 2 MS did not report any plans to the European Commission until the beginning of 2014 and another two Member States did not provide information to this topic of the CA EED. A summary of Member States' implementation plans is shown in the pie chart below.



The reported plans of Member States reflect the importance of alternative measures in meeting the required savings target. Between the first and the third meeting of the CA EED, Article 7 implementation plans became more and more concrete.

There are a lot of different alternative measures planned to achieve the energy saving target in Member States. These range from subsidy schemes to audit schemes and energy taxes. Most MS reported a mix of measures to comply with the requirements of Article 7.

Budgetary constraints, the tight implementation timeline and securing political agreement on the measures are seen as the main challenges in the decision process for Article 7 implementation. In the near future, MS see the following important challenges to implementation:

- Final political decisions on measures, finalisation of necessary legislation
- Financing of the necessary energy efficiency measures
- Technical issues concerning monitoring and reporting of Article 7
- Setting up new schemes
- Adaptation of existing schemes

One session within this topic was devoted to the concepts of "demonstrably material" and "additionality". When calculating savings according to Article 7, Member States must take these two concepts into account. During the discussions at the CA EED, 3 Member States presented their approaches towards "demonstrably material" and "additionality". In the group discussions, two starting points for incorporating these concepts into MS' approaches were noted:

- Existing energy efficiency obligation schemes already include concepts of "demonstrably material" and "additionality".
- Existing subsidy schemes in many MS also implicitly feature similar concepts.

The meetings of the CA EED clearly demonstrated the Member States' interest in Article 7 of the EED, but also revealed a pressing need for more information.

Good practice example

✓ France

In the French energy efficiency obligation scheme, the concept of "demonstrably material" is currently tackled as follows. The bill serves as proof that an energy efficiency measure was implemented. The obligated party should have had a "leading role" in the delivery of the measure, i.e. must have contributed to the energy saving (directly or indirectly). The incentives that can count as a contribution include financial incentives, advice and extended guarantees. The contribution to the energy saving must have been individualised and intended for the final consumer and the contribution must have been made before execution of the energy efficiency measure. The "leading role" played by the obligated party must be documented in writing by certificates from installers and consumers.

3 Monitoring and verification of energy savings at low administrative costs

This topic looked at the administrative aspects of energy efficiency schemes for which energy savings are calculated and monitored. Member States provided each other with existing examples that may be transferable to Article 7 implementation.

The discussion covered existing examples of monitoring and verification for energy efficiency schemes in the following categories:

- Obligation schemes
- Voluntary agreements
- Subsidy schemes and funds
- Tax incentives

For all examples discussed, the main responsibility for monitoring, control and verification lies with the public authority that administers the scheme. However, involving obligated parties / contract partners / receivers of support in this process as much as possible can reduce administrative costs. Standardised report procedures and reporting templates (e.g. via an online interface) support the involvement of additional actors in monitoring, control and verification.

Standardised report procedures and reporting templates reduce administrative burdens but require a clear definition of eligible measures and evaluation and documentation requirements. It has to be kept in mind that the definition of minimal technical and administrative requirements has to balance the need for accuracy with administrative costs.

The calculation of energy savings is a crucial element in the implementation of Article 7 of the EED. Savings can be calculated based on standard values or can be specific for each individual measure. One important element that helps to reduce administrative burdens is to use default evaluation values for standard measures (especially in households) and to use the deemed savings approach in all possible cases.

The systems put in place to check and verify energy savings differ between the Member States' approaches. Approaches which can help to reduce administrative burdens in this field include performing checks on paper files instead of on site as much as possible and, rather than attempting to check 100% of measures, checking a significantly large share on a random basis. A further step for simplification is the introduction of a paperless process.

Many Member States point to the importance of automation of the monitoring process. Member States either already have such solutions in place or are planning to implement them.

Finally, clear and transparent rules that are adequately communicated to all actors are a prerequisite for lowering the administrative burden in monitoring all kinds of energy efficiency schemes.

4 Measuring energy savings from soft measures and energy taxes

The calculation of energy savings from energy efficiency measures is a key aspect of Article 7 of the EED. Discussions on soft measures and energy taxes helped participants to exchange experiences and learn about possible approaches.

Article 7 of the EED requires MS to set up an energy efficiency obligation scheme for energy suppliers and/or distributors that achieves yearly savings of 1.5% of the annual energy sales to final customers. As an alternative, MS can implement other policy measures that lead to the same amount of savings as an obligation scheme. MS can also use a combination of energy efficiency obligation schemes and other policy measures to reach the target. The examples of acceptable alternative measures mentioned in Article 7 (9) of the EED include soft measures and energy and CO₂ taxes that have the effect of reducing end-use energy consumption.

Measuring the impact of soft measures in energy units proved to be a challenge for all Member States during the roll-out of the Energy Services Directive (ESD). Behavioural measures are eligible Article 7 measures and, in Annex V, one of the methods for calculating energy savings is dedicated to so-called "soft measures", meaning behavioural measures related, for example, to consumers' responses to advice, training, information campaigns, labelling or certification schemes, or smart metering.

Slightly under half of the MS had included soft measures in the Article 7 notification report required by 5th December 2013. Soft measures included in the Article 7 notification reports covered a broad range, including energy advice, energy audits, energy management, education, training, information campaigns, smart meter deployment and capacity building with networks. The most common methods used to calculate savings for these measures were deemed and surveyed savings as well as savings based on studies or small scale trials. Some CA EED representatives reported that in their countries they had not yet defined a clear method.

In some MS, energy and CO₂ taxes are also seen as an important trigger to reduce energy consumption and incentivise more efficient use of energy.

The discussions at the CA EED gave participants an overview of other Member States' plans to report savings from the application of energy and CO₂ taxes as part of the implementation of Article 7 of the EED. While only 4 Member States reported energy savings from energy and CO₂ taxes in the 2nd NEEAPs in 2011, 10 Member States are planning to calculate such savings for Article 7 implementation. Further countries are not ruling out the possibility of reporting savings from energy and CO₂ taxes, even though this measure was not part of their 5th December 2013 notification report.

From discussions within the CA EED, it became apparent that the main challenge concerning the use of energy and CO₂ taxes for Article 7 implementation is the development of a sound energy savings calculation methodology. However, there are some countries that have made some progress with developing calculation methodologies.

Good practice examples

Ireland

Ireland launched the “SME programme” in 2007 to deliver advice and training services to business. The principal driver for the programme is that energy costs are threatening competitiveness in the SME sector with potentially consequent impacts on employment and growth prospects. At the core of the programme are energy advisors who provide one-to-one support and mentoring to SMEs, motivate clients to take action and provide relevant information to point clients in the right direction. All programme data from 2007 to 2013 is saved in a database. This includes data on 3000 companies; analysis of this data shows that, in the first three months of participation in the programme, companies achieved energy savings of 5%.

More information can be found on: www.seai.ie/Publications/Statistics_Publications/Energy_Forecasts_for_Ireland/Economic_Analysis_of_Residential_and_Small-Business_Energy_Efficiency_Improvements.pdf

Sweden

Sweden developed a methodology for calculating energy savings from energy taxes based on their long tradition of using energy taxes as an instrument of energy efficiency policy.

Additional information on the Swedish approach can be found in the Annex of the Article 7 notification from 5th December 2013 of Sweden that is available on DG ENER website: http://ec.europa.eu/energy/efficiency/eed/article7_en.htm

5 Concluding remarks

During the discussions at the CA EED, Article 7 of the EED turned out to be a challenging Article to implement. Over the past 18 months, the CA EED has helped Member States to clearly identify their implementation options and learn from planned solutions in other Member States. Alongside presentations on good practices (e.g. on monitoring and verification of energy savings from different type of measures eligible for Article 7), the discussion of unsuccessful practices was especially well received by participants.

For more information please email:

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The Concerted Action for the Energy Efficiency Directive (CA EED) was launched by Intelligent Energy Europe (IEE) in spring 2013 to provide a structured framework for the exchange of information between the 28 Member States and Norway during their implementation of the Energy Efficiency Directive (EED).

For further information please visit www.ca-eed.eu or email caeed@ca-eed.eu



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