

Part II: Reaching the Targets

Eligibility of Measures
Energy Efficiency Obligations
Alternatives to EEOs

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- Under Article 7 of EED, MSs are set cumulative energy saving target for 2014-20; as explained earlier the 1.5% new annual savings each year likely to reduce to 1.125% (early actions and supply side); if exclude transport sector from target calculation then $\sim 0.75\%$ each year
- Therefore essential to ensure “real energy savings”
- Defines eligible measures (widely) & how to count savings towards the target
- Only savings beyond “business as usual” are eligible – crucial to define baselines in determining the new energy savings to count towards EED
- Measurement & Verification (M&V) process outlined (especially Annex V); important applies to all measures, not just EEOs

- Energy savings only if better than required by EU legislation e.g. Ecodesign, EPBD, minimum EU taxation levels
- Ensure double counting is eliminated e.g. tax break and a financial subsidy from an EEO
- Savings must be the result of an EEO or other policy measures (Article 7.9), with the explicit aim to improve energy efficiency (especially important for taxation policies e.g. FiT, VAT are not specific EE policies)
- For taxation measures, due to short period 2014-20, real, short-run price elasticities of demand should be used e.g. for residential typically -0.2 (10% price increase reduces demand by 2%)
- **Additionality (incl. free riders) – possibly most difficult; only savings beyond “business as usual” are eligible**

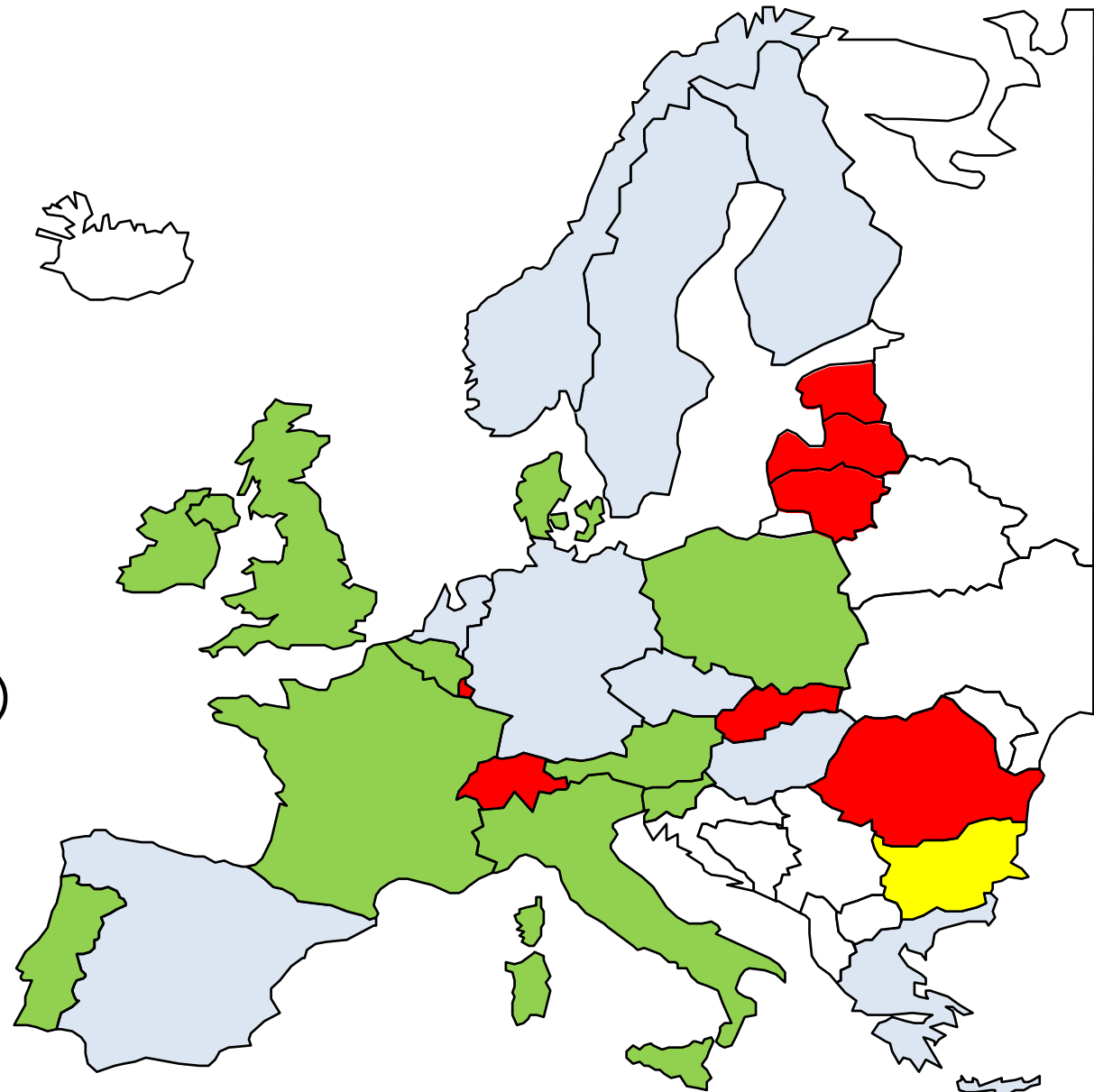
- Started by requiring regulated utilities to save energy in their customers' homes or premises
- Flexible and growing in scope e.g. obligation on retailer /distributor and increasingly on non regulated energy companies
- EEOs can address all end use sectors; most activity in residential sector as if well designed can tackle many of the "barriers" to EE e.g. personalised advice, imperfect knowledge, hassle, finance
- As EEOs not funded by Government - avoid stop/start of public financing
- Not a "silver bullet" need other EE policies e.g. Building Codes, appliance standards & labeling, low interest finance, tax breaks and the synergies between these

Don't know

Active EEO in place

EEO study/interest

10 MSs currently have EEOs operational; DK, FR, IT & UK all evaluated and expanded their EEOs in 2010-12 (+ BE, IE, PL, AT, PT, SI)



- Cost is between 0.5% and 4% of customer bills (ex VAT)
- Detailed operations of EEOs in MSs reflect the local status of the energy market (liberalised or otherwise), the energy efficiency history of the energy companies/ESCOs, climate, energy saving opportunities and culture.
- Usually can save any end use fuel; some give priority to low income households
- Only Italy has experience of tradable White Certificates; UK trying a brokerage system to reduce the market power of the energy companies in energy efficiency
- The legal obligation to deliver energy savings (with penalties for failure) appears to “focus the mind” – important to transfer this aspect to any alternatives

- Rules: for measuring energy savings (e.g. deemed energy savings have independent verification); for dealing with the issues of free riders (those end users who would have undertaken efficiency measures even in the absence of EEO)
 - Ensure that EEOs lead to long-term ambitious savings (avoid setting a target for which only the first year's energy savings from a measure are counted and incentivise measures with longer lifetimes).
 - To avoid “stop-go” market activity for the energy efficiency industry, it has been good practice to permit banking of energy savings from one phase of the EEO to the next
 - Best Practice on M&V etc. in: *Determining Energy Savings for Energy Efficiency Obligation Schemes*, eceee and RAP, April 2012.
URL: <http://www.raponline.org/document/download/id/4898>
- **N.B. All the above applies to all EE policies**

- EED permits delivery of part or all of the target by alternative measures that have the effect of reducing end-use consumption (Article 7.9). These include:
- Energy or carbon taxes;
- Financing instruments or fiscal incentives;
- Regulations or voluntary agreements;
- Standards and norms;
- Labelling schemes, which must be compliant with the EU Labelling Directive 2010/30/EU;
- Training and education;
- Establishment of a national energy efficiency fund.

All must meet the eligibility criteria established for EEOs.

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