# Article 7 of EED & Revised German Notification: Key Issues

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# Calculation of German EED7 Target

➢ Target to be saved by 2020 is = 42% of average total final energy consumption in 3 years 2010 to 2012

➢ Germany using exemption of excluding transport energy consumption from the target calculation (-28.6%)

➢ Germany then excludes a further 893 PJ (-13.8%) due to "own generation/growth and use" i.e. energy not distributed and/or commercially sold

➢ No details on reduction and some renewable activities are not eligible to be deducted – see later

➢ Germany intends to use exemptions eligible under Article 7.2 – capped at 25% of EED7 target (>1100 PJ available)

➢ Uncapped EED7 target likely between 1758 & 2017 PJ

➢ Only 1468 PJ identified in revised notification

# Eligible Measures

➢ Article 7 is meant to drive end use energy efficiency through a series of individual actions encouraged by policies whose primary aim is to encourage energy efficiency.

➢ *Individual action means an action that leads to verifiable and measureable or estimable, energy efficiency improvements and is undertaken as a result of a policy measure.\**

➢ *Policy measure means a regulatory, financial, fiscal, voluntary or information provision instrument formally established and implemented in a Member State to create a supportive framework, requirement or incentive for market actors to provide and purchase energy services and to undertake other energy efficiency improvement measures.\**

*\* EU EED Article 2*

# Interpretation is the problem!

➢ Commission guidance says *"excludes policy measures that are primarily intended to support policy objectives other than energy efficiency or energy services "*

➢ Germany initially appeared to interpret along the lines of - if it increases the price of energy, then we can claim an energy saving from this through price elasticity of demand e.g. Feed in Tariffs for renewables

➢ Revised draft no longer contains FiTs but still some issues to be resolved by lawyers e.g. EU ETS

*Commission Staff Working document SWD(2013) 451 final*

# Must be End Use Savings

➢ New cogeneration or district heating schemes without building fabric improvement do not save end use energy; can count energy savings from more efficient production of electricity/heat towards the 25% EED7 cap

➢ Similarly fuel switching generally not eligible e.g. roof top PV, biomass/biofuels, LPG for petrol vehicles, CNG/LNG for diesel vehicles, remote electricity generation from renewables, etc.

➢ However, solar water heating, heat pumps in buildings, hybrid and pure electric vehicles are examples of measures which save end use energy demand

➢ All EE measures in home/premises/factories count to EED7 target

# Measures with Questionable Eligibility

**M 03: Renewable Energies Heat Act** – justification is that it encourages EE as an alternative compliance option?

**M07: Combined Heat and Power Act** – only end use savings count to uncapped EED target

**M14: HGV Toll** – road maintenance or energy efficiency?

**M15: Air Traffic Tax** – revenue or energy efficiency?

**M16: Emissions trading –** EU ETS is a European Commission requirement – Annex V permits only savings that go beyond the minimum requirements originating from EU legislation

*For many measures, additionality/free riders is not discussed and likely to be important*

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# German Building Regulations

➤ Key issues here – how measure the energy savings & how handle EU directive requirements e.g. EPBD, EED and Ecodesign e.g.

➤ EPBD requires all new build and refurbishments to meet cost-optimal level

➤ EED uses minimum EU taxation levels from which to count energy savings; sets criteria such as additionality/free riders

➤ Ecodesign sets minimum performance standards on products such as boilers (2015), heat pumps (2017), air conditioning (2015), motors (2015) – only energy savings above minimum standard are eligible for EED7
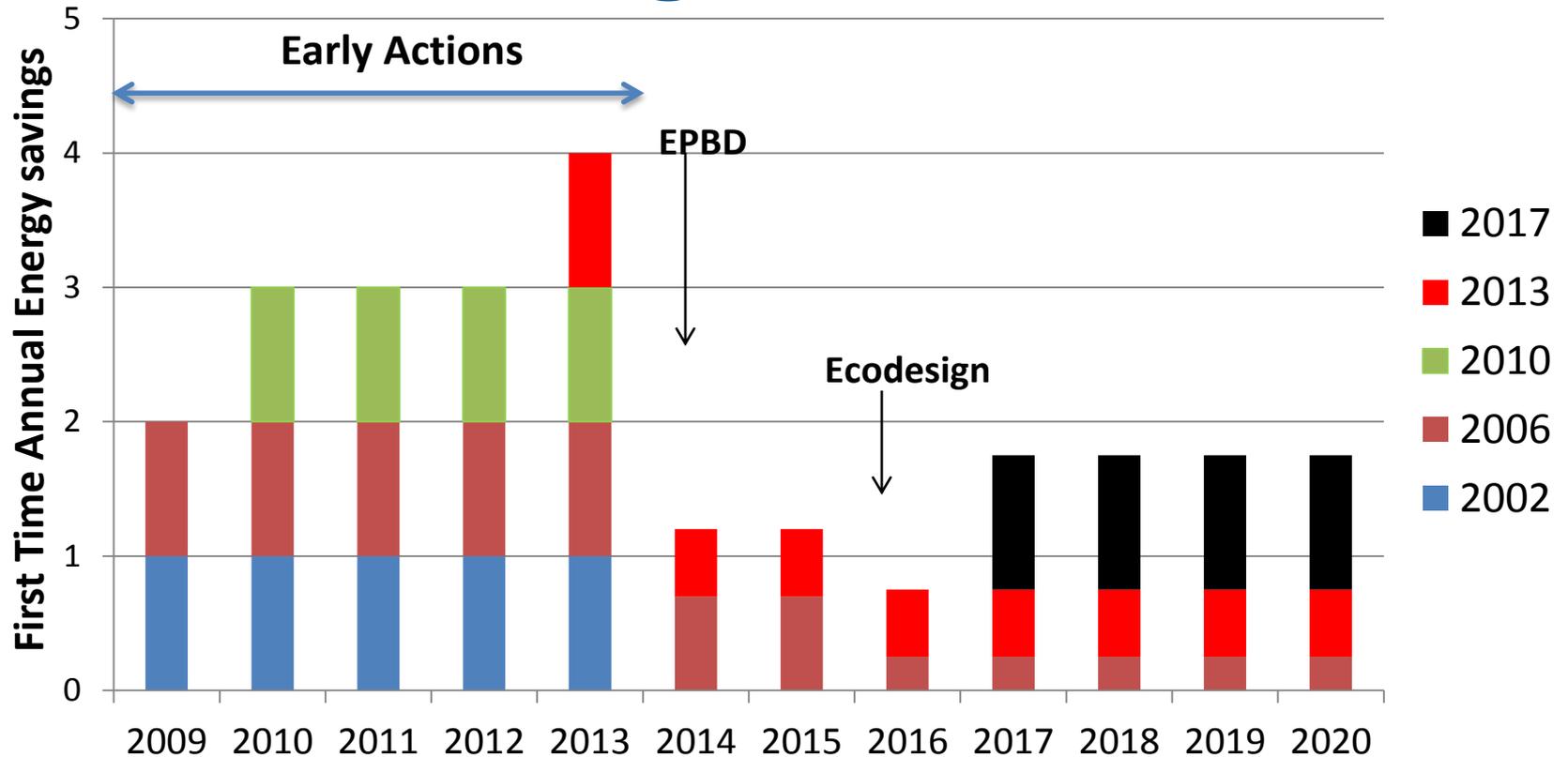
# Simple Illustration for Building Regulations
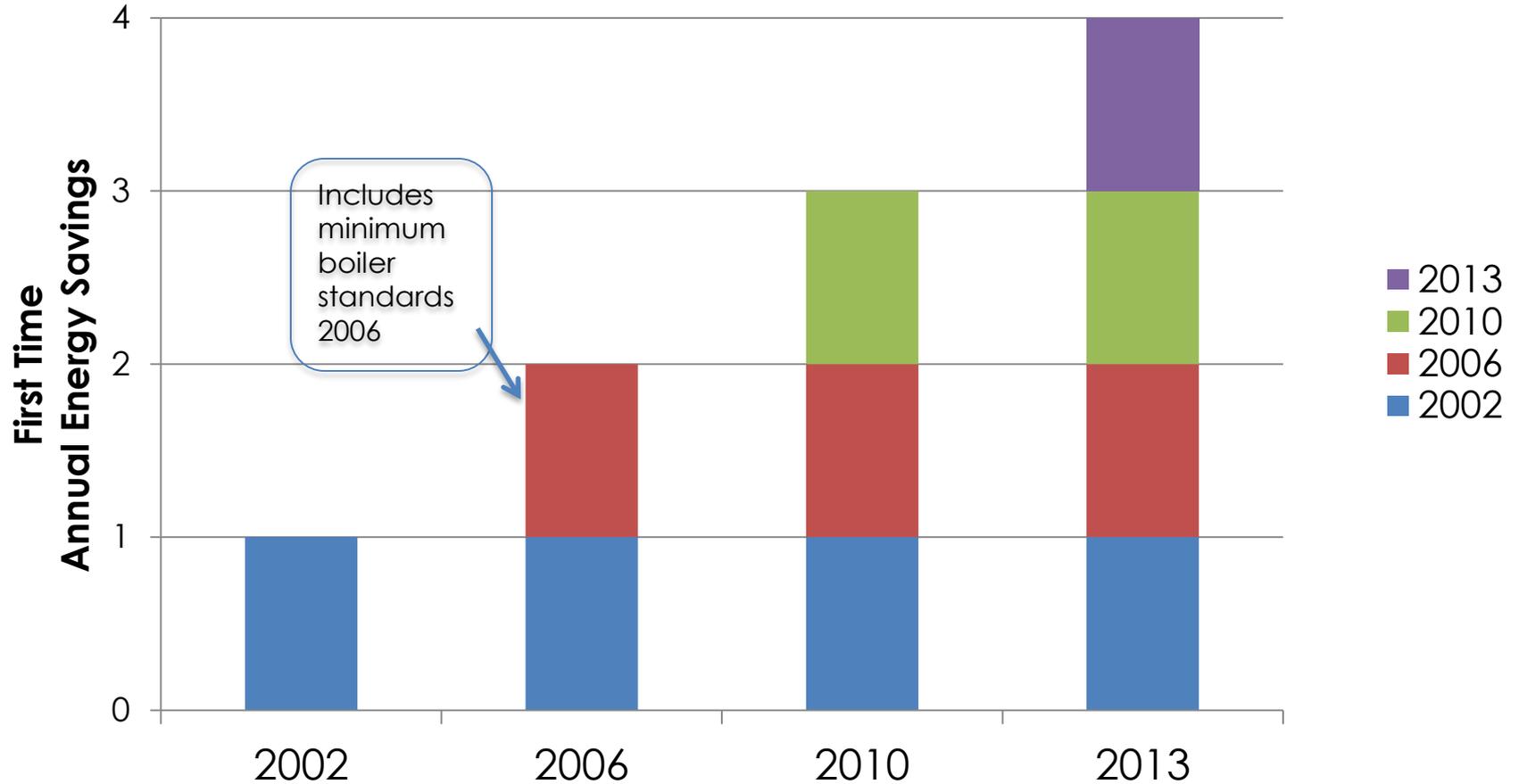
# How Building Regulations Count to EED7 Target
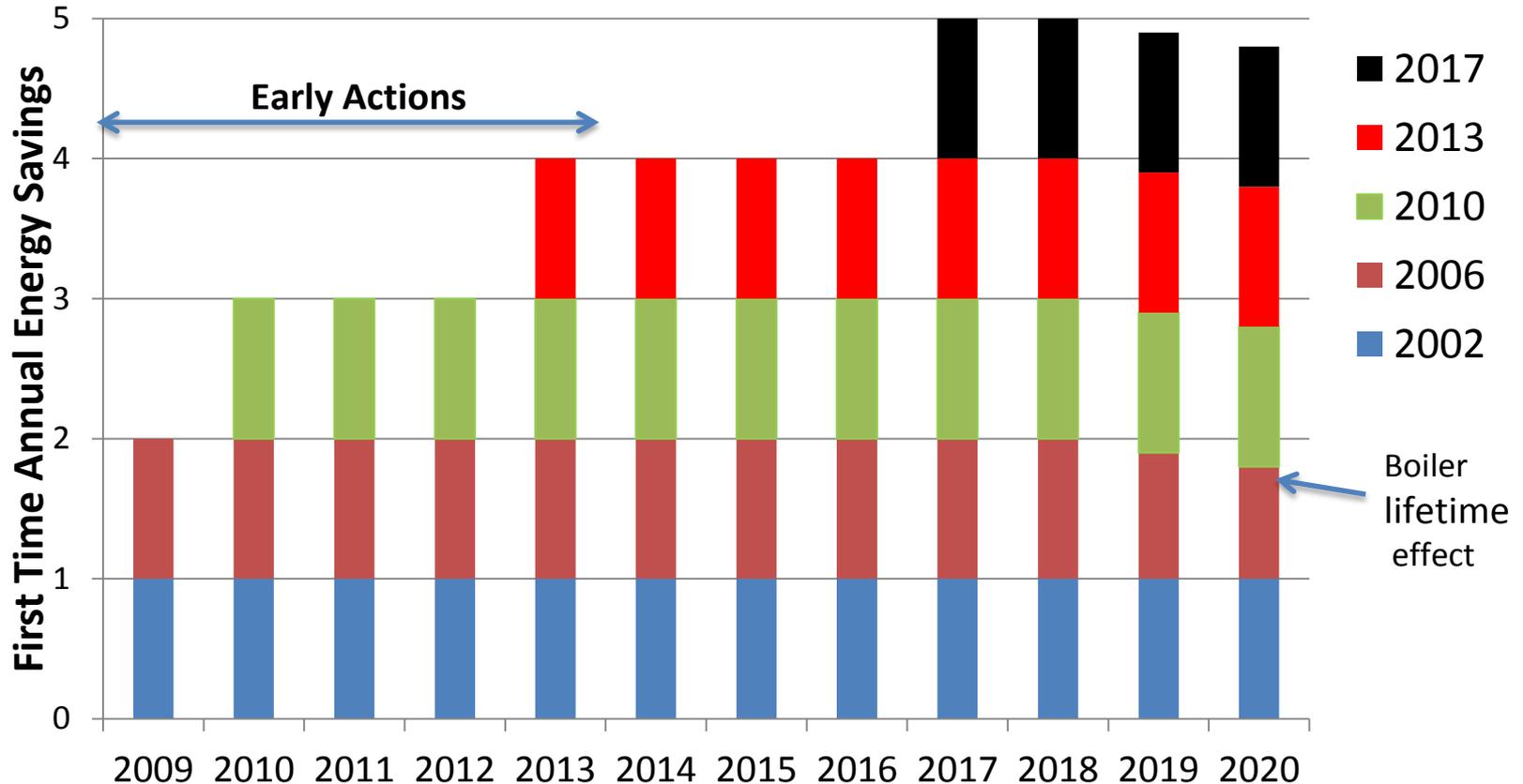
# Illustrative Impact of Ecodesign & EPBD on New Energy Savings from Building Regulations

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# EED Annex V issues

➢ Annex V defines the methodological rules

➢ For many measures, **additionality/free riders is not discussed** and likely to be important

➢ E.g. KfW bank is 22% of identified German savings; especially in buildings; is additionality 100% (free riders =0)?

➢ Additionality needs to be explored for other measures

➢ **Taxation measures** are 41% of identified German savings; 3 are questionable, but energy tax (M13) dominates at 35% and is eligible measure

➢ Question on how inflation on price difference between German and EU minimum taxation levels has been handled

# Summary of Revised EED7 Target

## No Additionality reduction
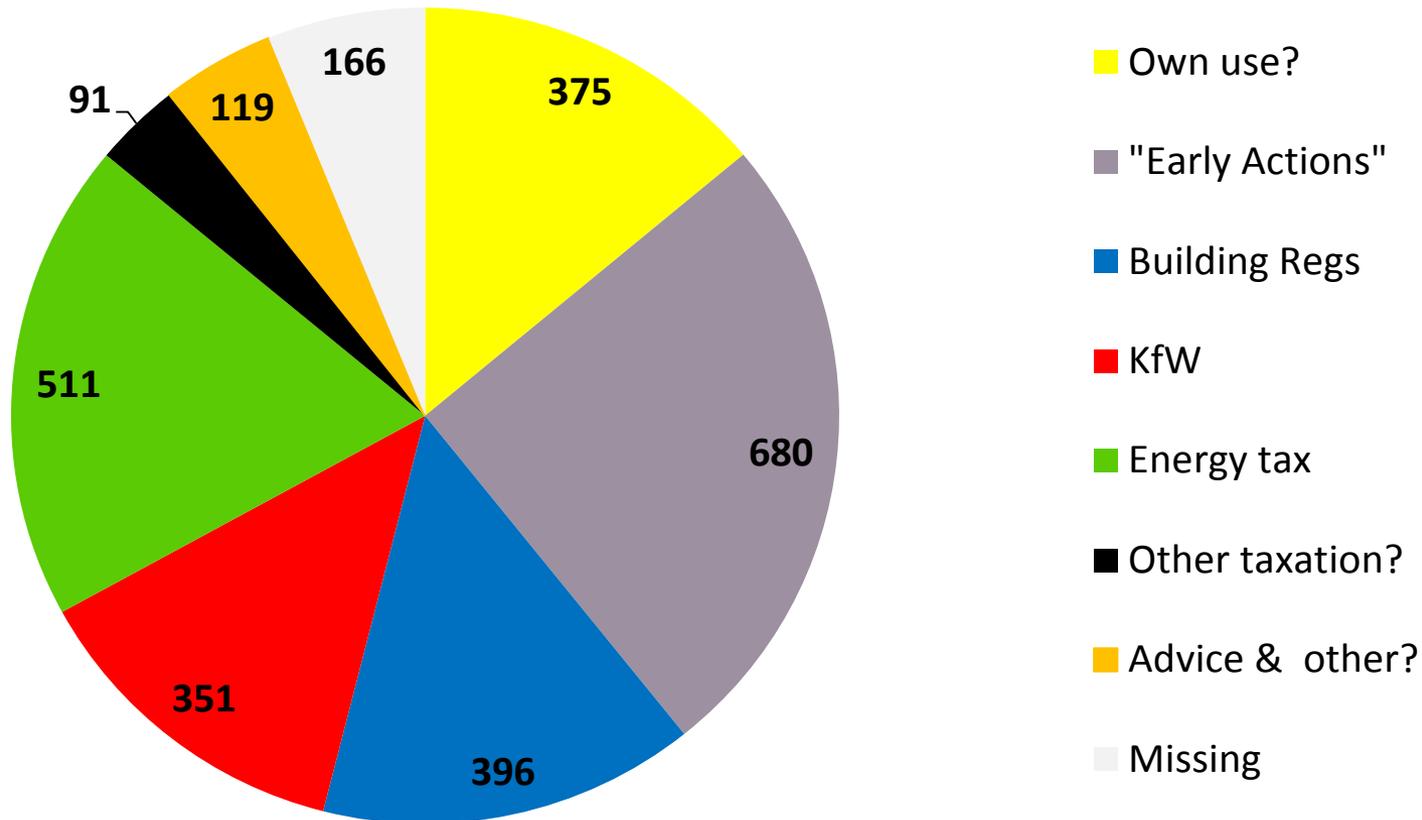


**All Figures are in PJ**

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