eurelectric
powering people

EED Trilogue Negotiations

eurelectric recommendations

February 2018

eurelectric is the voice of the electricity industry in Europe.

We speak for more than 3,500 companies in power generation, distribution, and supply.

We Stand For:

Carbon-neutral electricity in Europe well before mid-century

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

Competitive electricity for our customers

We support well-functioning, distortion-free **energy and carbon markets as** the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

Continent-wide electricity through a coherent European approach

Europe's energy and climate challenges can only be solved by **European – or even global – policies,** not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment to** ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

eurelectric. Electricity for Europe.

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WG Energy and Resource Efficiency

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KEY MESSAGES

The negotiations on the energy efficiency file between the Commission, Council and Parliament are about to kick off and eurelectric would like to underline its key messages while contributing to the inter-institutional debates.

Our members have identified the following as the key aspects of the Directive:

- The Energy Efficiency Directive (EED) has been largely successful because it allows Member States to address their national challenges and pursue tailored strategies. As Member States struggle to meet the annual savings targets in a cost-efficient manner, a prolongation of a higher and/or binding target (provided it is agreed), must not go hand in hand with less tools to meet it. Member States must retain full flexibility as to how they set and meet energy efficiency targets, as is the case now. Indicative targets and flexibility in the calculations of savings should be kept. It should be possible to exclude partially or totally sales of energy used in transport in the calculation of the baseline, however Member States should have the flexibility to include transport fuel distributor or retailers among the obligated parties.
- eurelectric welcomes the attempt by the Commission to review the Primary Energy Factor (PEF) and fully supports the position of both the Council and the Commission - a PEF of 2.0. Often disregarded as a technical detail, the PEF actually has a key role in incentivising the quality of the energy savings and can heavily influence the decarbonisation of our society. A PEF of 2.3 as suggested by the Parliament will not reflect the reality of the energy mix when the Directive will enter into force. It risks of locking in savings coming from decarbonised electricity instead of fossil fuels and even of inducing substitution of decarbonised electricity with fossil fuels.
- The electricity sector reiterates its call for proper recognition and management of the impact of EU energy efficiency policy on the EU ETS. eurelectric is concerned by the Commission Impact Assessment's estimated 2030 price levels for ETS allowances under the increased ambition scenarios, which decrease significantly with higher target levels. This would weaken the ETS instrument right after its current reform and neutralise the economic gains of the instrument. In this sense, a formal recognition of the existence of policy overlaps is needed in the final text.
- In the discussion on a potential increase of the EU energy efficiency target, eurelectric's primary concerns are ensuring sufficient flexibility in setting and achieving the target as well as the proper management of the inherent impact on EU climate policy. In this context, eurelectric is not convinced of the economic or environmental advantages of an increased energy efficiency target. The power sector further calls for the continuation of an indicative target, as currently implemented.

Item	Commission (30.11.2016)	Parliament (17.01.2018)	Council (26.06.2017)	eurelectric preferred option
Energy efficiency targets	A binding 30% EU target	A binding 35% EU target combined with indicative national targets	<u>An (indicative) 30% EU target</u>	<u>Council</u> Economic and the environmental advantages of target > 27% are not convincing; the Commission's Impact Assessment shows a drop in price for ETS allowances in 2030 from €42 to €27 with an energy efficiency target increase from 27% to 30% (and 20€/t with an increase to 35%). This corresponds to a 36% price drop in the price of ETS allowances.
	Member States shall take into account that EU's 2030 energy consumption has to be no more than 1 321 Mtoe of primary energy and no more than 987 Mtoe of final energy.	Union's 2030 energy consumption has to be no more than 1 321 Mtoe of primary energy and no more than 987 Mtoe of final energy.	Union's 2020 energy consumption has to be no more than 1 483 Mtoe of primary energy <u>or</u> no more than 1 086 Mtoe of final energy; Member States shall take into account that the Union's 2030 energy consumption has to be no more than 1 321 Mtoe of primary energy <u>and/or</u> no more than 987 Mtoe of final energy. Member States shall express the amount of energy savings required of each obligated party in terms of either final <u>or</u> primary energy consumption	<u>Council</u> Expressing energy savings in both in primary and final energy consumption represents a significant change and reduction of flexibility. Moreover, with current rules, the primary energy consumption assumed to correspond to a same amount of final energy consumption is at worst much higher and at best equal in the case of low carbon electricity consumption than in the case of fossil fuels consumption. At the stage of final energy consumption, this may lead to the substitution of decarbonised electricity with fossil fuels.

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Annual energy savings 1.5% (Art. 7.1)	New savings each year (2014-2020) of 1.5 % of annual energy sales; new savings each year (2021-2030) of 1.5 % of annual energy sales; Member States to continue achieving new annual savings of 1.5% for 10 year periods after 2030;	New savings each year (2014-2020) of 1.5 % of annual energy sales; new savings each year (2021-2030) of *at least 1.5 %* of annual energy sales; Member States to continue achieving new annual savings of 1.5% for 10 year periods after 2030;	<u>New yearly savings of: 1) 1.5 % of annual energy sales for the periods 2014-2020 and 2021-2025; 2) 1.0% from 2026 to 2030;</u> <u>By 2024 the EC shall assess the progress achieved and could increase the value for 2026-2030 to 1.5% accordingly.</u>	<u>Council</u> No automatic extension of the target beyond 2030 as the regular review of the EDD is sufficient and evidence from national implementation has shown that pursuing the 1.5% annual level of energy savings is very challenging for some Member States.
	For 2020-2030, Member States may count only those energy savings that stem from new policy measures introduced after 2020 or policy measures introduced between 2014-2020 if they result in individual actions that are undertaken after 2020 and deliver savings. (...) Energy savings achieved after 2020 may not count towards the cumulative savings amount required for the period 2014-2020.	Savings for 2020-2030 shall be cumulative and additional to savings required for 2014-2020; Member States may count energy savings that stem from new policy measures introduced after 2020 or earlier policy measures, if they result in new individual actions that are undertaken after 2020 and deliver savings. Member States may also count savings from the individual actions that are undertaken during 2014-2020 if they continue to deliver verifiable energy savings after 2020. (...) Energy savings achieved after 2020 may not count towards the cumulative savings amount	Member States may count energy savings that stem from policy measures, <u>whether</u> introduced after 31 December 2020 <u>or before</u>, provided that those measures result in <u>new</u> individual actions that are undertaken after 2020. (...) Energy savings achieved after 2020 may not count towards the cumulative savings amount required for the period 2014-2020. <u>Member States that exceed the cumulative energy savings amount required from 2014 to 2020 may count any excess savings towards the cumulative energy savings</u>	<u>Council</u> Policy measures, whether introduced after or before 2020, should be considered if it can be demonstrated that those measures result in new individual actions that deliver new savings.

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		required for the period 2014-2020.	amount required for the period to 2030.	
Accounting of transport	Member States shall designate, on the basis of objective and non-discriminatory criteria, obligated parties among energy distributors and/or retail energy sales companies operating in its territory and may include transport fuel distributors or transport fuel retailers operating in its territory.	Member States shall designate, on the basis of objective and non-discriminatory criteria, obligated parties among energy distributors and transport fuel distributors or transport fuel retailers operating in their territory.	Member States shall designate, on the basis of objective and non-discriminatory criteria, obligated parties among energy distributors, and/or retail energy sales companies operating in its territory and may include transport fuel distributors or transport fuel retailers operating in its territory.	Parliament When designing obligation schemes Member States must take into account the critical role of leveraging efficiencies in the transport sector. In this regard, transport fuel distributors or transport fuel retailers, like other energy distributors and/or retail energy sales companies, have to assume their obligations.
	The sales of energy, by volume, used in transport may be partially or fully excluded from these calculations.	During 2014-2020, the sales of energy, by volume, used in transport may be partially or fully excluded from these calculations. Sales of energy used in transport shall be fully included in the calculations for the period 2020-2003 and beyond.	The sales of energy, by volume, used in transport may be partially or fully excluded from these calculations.	Commission/Council Member States should be given the flexibility they need to achieve the targets – hence transport should be allowed to be excluded from the baseline.
Primary Energy Factor	For saving in kWh electricity Member States may apply a default coefficient of 2.0 – Member States may apply a different one if they justify it.	For savings in kWh electricity Member States shall apply a coefficient established through a transparent method comparable across Member States. For savings in kWh electricity Member States may apply a default coefficient of 2.3	For savings in kWh electricity Member States may apply a default coefficient of 2.0 – Member States may apply a different one if they justify it	Commission/Council A PEF of 2.0 better reflects the evolving electricity mix. The higher the PEF for electricity is, the more it risks of locking in savings coming from decarbonised electricity instead of fossil fuels.

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		and a recurring review every 5 years based upon actual observed data. Member States may apply a different one if they justify it		
Energy poverty	Within the energy efficiency obligation scheme, Member States shall include requirements with a social aim in the saving obligations they impose, including by requiring a share of energy efficiency measures to be implemented as a priority in households affected by energy poverty and in social housing; In designing alternative policy measures to achieve energy savings, Member States shall take into account the effect on households affected by energy poverty.	Within the energy efficiency obligation scheme, Member States shall include requirements with a social aim in the saving obligations they impose, including by requiring a share of energy efficiency measures to be implemented as a priority in households affected by energy poverty and in social housing; In designing alternative policy measures to achieve energy savings, Member States shall take into account the effect on low-income households, including those affected by energy poverty, and ensure measures are implemented as a priority in those households and in social housing. Member States shall calculate the amount of savings achieved in those households as compared to the total amount of	In designing policy measures referred to in Art. 7a (energy efficiency obligation scheme) and 7b (alternative policy measures) Member States shall take into account the need to alleviate energy poverty, in accordance with the criteria defined by Member States and taking into account their existing practices in this field.	<u>Council</u> Supplier obligations are not the best way to fund and deliver energy efficiency measures. We must transition to using more progressive sources of funding (other than levies on energy bills), which takes into account customers' ability to pay. More focus should be given to removing existing barriers to energy efficiency policies.

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		savings achieved in all households under this Article.		

eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

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