

BNXS34: EU Directive on Energy End-use Efficiency and Energy Services

Version 3.0

This Briefing Note and referenced information is a public consultation document and will be used to inform Government decisions. The information and analysis form part of the Evidence Base created by Defra's Market Transformation Programme.

1 Summary

This Briefing Note is intended to provide information and updates on the Directive of the European Parliament and of the Council on Energy End-use Efficiency and Energy Services (2006/32/EC), as it relates to products. The directive is referred to in the Briefing Note as 'the Directive' for the sake of brevity.

The Directive entered into force on 17 May 2006. It sets a non-binding target for EU Member States to reduce energy use across all sectors by 9% below business-as-usual over the period of the Directive (between 2008 and 2017), as well as encouraging the development of the energy services market within Europe.

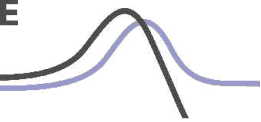
Member States are required to submit a series of Energy Efficiency Action Plans (EEAPs) to the Commission (the first not later than 30 June 2007) to report on the administration and implementation of the Directive, including progress towards the 9% target. In addition, Member States have until 17 May 2008 to transpose the Directive into national legislation.

2 Overview

2.1 Aims of the Directive

The purpose of the Directive is to enhance the cost-effective improvement of energy end-use efficiency in the EU Member States by:

- Establishing targets, incentives and the institutional, financial and legal frameworks needed to eliminate market barriers and imperfections which prevent efficient end use of energy.
- Encouraging the development of a market for energy services and for providing energy-saving programmes and other measures aimed at improving end-use energy efficiency.



2.2 Scope of the Directive

The Directive covers the distribution and retail sale of energy to end customers and targets (ie the retail sale, supply and distribution of extensive grid-based energy carriers, such as electricity and natural gas (as well as other types of energy such as district heating, heating oil, coal and lignite, forestry and agricultural energy products and transport fuels)).

The Directive applies to:

- Providers of energy efficiency improvement measures, energy distributors, distribution system operators and retail energy sales companies.
- All end-users of energy: domestic, public and commercial, except those energy-intensive and other high-emission industries covered by the Emissions Trading Directive and the IPCC Directive. This means that around 75% of EU industry is covered.

3 Targets

The Directive sets one specific target (which is legally non-binding). Member States must adopt and "aim to achieve" an overall indicative energy savings target of 9% (of the average amount of energy consumption calculated as per Annex I of the Directive) for the ninth year of application of the Directive. The target is to be the result of cumulative annual energy savings achieved throughout the nine-year application of the Directive. No specific annual energy saving targets have been set in the Directive.

In particular, Member States are to ensure that the public sector fulfils an exemplary role in achieving the 9% target. This is to be achieved by:

- Ensuring that energy efficiency improvement measures are taken by the public sector, focusing on cost-effective measures which generate the largest energy savings in the shortest span of time (at least two of these measures must be from a list set out in Annex VI of the Directive relating to energy efficient public procurement measures).
- Effective communication by Member States of the exemplary role and actions of the public sector to all citizens and private companies.
- The preparation and publishing of guidelines on energy efficiency and energy savings as a possible criterion in competitive tendering for public contracts.

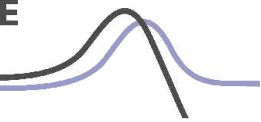
4 Measurement and verification of energy savings

The Directive recognises the difficulty of identifying a genuine energy saving when a considerable number of factors can influence energy use, including:

- Weather conditions (eg degree days - ie number of days when heating or cooling is necessary).
- Changes in economic activity (GDP).
- Structural changes (eg energy-intensive manufacturing being replaced by service industries).

The Directive takes a multi-pronged approach to deal with this issue:

- Base case is taken as the average of the previous five years' energy use.



- Savings claimed must be verifiably assigned to specific measures and verified by independent third parties.

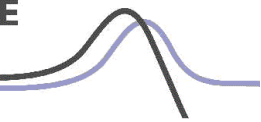
This means that even if an organisation's energy use increases year-on-year due, for example, to strong growth, if it can show that it has applied energy-saving measures and that these reduced energy by the required amount (ie it has prevented even greater growth in demand), then the organisation has met the target.

Measures which have been taken previously (as early as 1991) can count towards the target as long as it can be shown that they are still generating energy savings.

5 Actions required to meet the Directive

Member States are expected to meet the targets by doing the following:

- Ensure that energy distributors and/or energy retail businesses that sell electricity, natural gas, heating oil and district heat:
 - supply and actively promote energy services as an integral part of the distribution and/or sale of energy to clients, either directly or via other energy service providers;
 - refrain from any activity which could hamper the supply of energy services, programmes to improve energy efficiency and other measures aimed at improving general energy efficiency;
 - supply information on their end clients which is needed to develop and implement programmes to improve energy efficiency.
- Ensure that energy services, programmes or other services aimed at improving energy efficiency are offered to all eligible clients, including small and medium-sized enterprises (SMEs), consumers and voluntary groups of small customers.
- Put in place systems for the qualification, certification and accreditation of suppliers of energy services.
- Repeal or amend legislative provisions and national regulations which hamper or restrict the use of financial instruments and contracts for making energy savings on the energy services market.
- Establish publicly overseen financing options for energy end-use efficiency, especially for investments with comparatively long payback requirements or high transaction costs.
- Set up programmes aimed at improving energy efficiency which facilitate the provision of energy services and which are financed by the appropriate national funds.
- Develop high-quality energy auditing systems aimed at determining which measures can be taken to improve energy efficiency and which energy services it must be possible to provide, and to prepare for their implementation.
- Ensure that end-users are provided with competitively priced individual metering and informative billing that reflect their actual energy consumption.
- Ensure a 'level playing field' for all possible new entrant companies to offer energy services, audits and energy efficiency improvement measures.
- Ensure that voluntary agreements and/or other market-oriented schemes, such as white certificates, are set up.
- Ensure that information on all aspects of energy efficiency is widely disseminated to all relevant market actors.



- Remove all incentives in transmission and distribution tariffs that unnecessarily increase the volume of distributed energy (Member States may impose a public service obligation relating to energy efficiency on undertakings operating in the electricity and gas sectors)
- Report on the administration and implementation of the Directive via the Energy Efficiency Action Plans (EEAPs).

The goal of making the public sector an example of best practice in energy end-use efficiency may be achieved by (amongst other direct energy efficiency measures) putting in place purchasing guidelines, which may include:

- Requirements for predetermined measurable energy savings when purchasing energy services and energy efficiency measures.
- Requirements to buy energy efficient equipment and vehicles (where this is cost-effective over the life-cycle of the product).
- Requirements to buy products with low stand-by power (where this is cost-effective over the life-cycle of the product).

6 Timescales

The Directive was originally proposed on 10 December 2004. Having been reviewed by all the relevant levels of Government (Council, Parliament and Commission), the final content and text was agreed.

The final Directive was published in the *Official Journal of the European Union* on 27 April 2006 and it entered into force on 17 May 2006. The Directive is to be transposed into legislation in Member States not later than 17 May 2008.

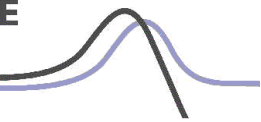
Member States were required to have submitted information to the Commission on existing practices in calculating methods for measuring energy savings by 17 November 2006. In addition, Member States are required to submit three EEAPs, as follows:

- A first EEAP not later than 30 June 2007.
- A second EEAP not later than 30 June 2011.
- A third EEAP not later than 30 June 2014.

Member States are required to report on how they intend to reach their targets in the first EEAP, with the subsequent plans also reporting on what has been achieved. The Commission will review each EEAP and assess the performance of the previous EEAP, identifying best practice, cost-effectiveness of activities and case studies.

7 Related EU Directives

- Directive for Mandatory Energy Labelling of Household Appliances (Directive 92/75/EEC).
- Framework Directive for the Eco-design of Energy Using Products (EuP Directive 2005/32/EC).
- Directive on the Energy Performance of Buildings (2002/91/EC).



8 Links

The Directive be downloaded from

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_114/l_11420060427en00640085.pdf

Related MTP information

- BNXS03 Framework Directive for the Eco-design of Energy Using Products (EuP Directive)
- BNXS35 EC Green Paper on Energy Efficiency

Changes from version 2.0

- Addition of summary
- Minor text changes

Consultation and further information

Stakeholders are encouraged to review this document and provide suggestions that may improve the quality of information provided, email **info@mtprog.com** quoting the document reference, or call the MTP enquiry line on +44 (0) 845 600 8951.

If you would like to be notified of future updates on the Energy End-use Efficiency and Energy Services Directive or similar EU policies please either:

- fill in the form on the Join Interest Group page on the MTP Web site (<http://www.mtprog.com/JoinInterestGroup.aspx>), selecting 'EU Policies'; or
- contact us via email on info@mtprog.com quoting the document reference; or
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