

【欧州】 【Common】

Common - Fit for 55 package: The recast of the Energy Efficiency Directive as part of the Fit for 55 package

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【概要 : Summary】

Based on the EU's commitment under the Paris Agreement and the European Green Deal's target to reach climate neutrality in the EU by 2050, the European Climate Law introduced a new intermediate target of reducing GHG emissions by at least 55% by 2030, compared to 1990 levels. The European Green Deal also calls for a 90% reduction in GHG emissions from transport by 2050, compared with 1990 levels.

The increase of energy efficiency is seen as one of the quickest and more cost-effective ways to achieving the 2030 target as well as the 2050 net zero GHG emission reduction target, and to deliver on the current energy security and climate problems.

Accordingly, the European Commission's "Fit for 55" package of 14 July 2021 also includes the recast of the Energy Efficiency Directive (EED) (COM (2021) 558 final). It aims at further improving energy efficiency to support the 2030 GHG emission reduction target.

In 2012, the first EU Energy Efficiency Directive (EED) was adopted to help the EU and its Member States to improve energy efficiency of at least 20% by 2020. The EED was amended in 2018 under Directive (EU) 2018/2002, which introduced an upper limit on the total EU energy consumption and included a series of provisions to help the EU Member States to deliver on the EU objective

of achieving energy efficiency improvements of at least 32.5% by 2030 and each Member State was required to deliver higher annual energy savings obligations of +0.8%.

The Energy Efficiency Directive (EED) recast in COM (2021) 558 final was proposed as part of the "Fit for 55" package in 2021 to accelerating the pace of delivering energy savings, to set a more ambitious binding annual target for reducing the annual energy use at EU level and thereby to also reduce GHG emissions. It intends to almost double the annual energy saving obligation for Member States. The public sector will be required to renovate 3% of its buildings each year to accelerate the renovation wave. As a result, the EED recast (COM (2021) 558 final) together with the other revisions of EU energy and climate rules is expected to ensure achieving the new 2030 GHG emission reduction target.

Meanwhile, the European Parliament and the Council of the European Union have adopted their respective position on the proposal COM (2021) 558 final. While the European Parliament supports stricter limits for increasing the energy efficiency, the Council follows the Commission proposal, but supports a weaker and more gradual introduction of the targets compared to the Commission proposal. The trilogue negotiations between the Parliament, the Council, and the Commission on the EED recast are still ongoing.

【記事 : Article】**1. Background: The 2012 Energy Efficiency Directive and its amendment in 2018**

In 2007, the EU set 3 key climate and energy related targets for 2020. These included a 20% cut in GHG emissions (from 1990 levels), the introduction of a 20% share of EU energy from renewables and a 20% improvement in energy efficiency (European Commission n.d.a). Furthermore, by the year 2010, the EU was facing unprecedented challenges resulting from increased dependence on energy imports and scarce energy resources, as they needed to overcome the economic crisis, besides the need to limit climate change. In this context, energy efficiency was and is a valuable means to address these economic and environmental challenges.

Therefore, the EU introduced the Energy Efficiency Directive 2012/27/EU (EED), which establishes a common framework of measures to promote energy efficiency within the EU.

The Directive 2012/27/EU lays down rules to remove barriers in the energy market and to overcome market failures that impede efficiency in the supply and use of energy, among others. The EU aimed to reach the 2030 target on energy efficiency of at least 32,5% and beyond (Directive 2012/27/EU).

Under the 2012 EED (Directive 2012/27/EU), all EU Member States are required to use energy more efficiently at all stages of the energy chain, including energy generation, transmission, distribution, and end-use consumption. The EED's energy efficiency target for 2020 in Article 3 corresponded to a 20% reduction in the EU's primary and final energy consumption by 2020 (COM/2022/641 final). Following a gradual decrease between 2007 and 2014, energy consumption increased between 2014 and 2017, and in 2018, this growing trend stabilised (European Commission n.d.a). Therefore, although the 2012 EED encouraged the EU and its Member States to make significant energy savings, the achievements

were not quite good enough to support the EU's growing climate ambitions.

Accordingly, the EED (Directive 2012/27/EU) was amended by Directive (EU) 2018/2002 in 2018, setting the rules and obligations for achieving the EU's 2020 and 2030 energy efficiency targets. Under the Directive (EU) 2018/2002, the EU Member States had to achieve new energy savings of 0.8% each year of final energy consumption for the 2021-2030 period, except Cyprus and Malta that would have had to achieve an annual energy savings obligation of 0.24% (Directive (EU) 2018/2002, European Commission n.d.a). The amended EED (Directive (EU) 2018/2002) also placed an upper limit on the total EU energy consumption among others. The Directive (EU) 2018/2002 entered into force in December 2018 and had to be transposed into national law by Member States by 25 June 2020 (European Commission n.d.a).

Finally, the 2012 EED's 2020 targets were overachieved, but this positive result had to a large extent be attributed to the impact of the Covid-19 pandemic. Moreover, with the introduction of European Green Deal (COM/2019/640 final) in 2019 and the EU's new 2050 climate neutrality target, an even more ambitious intermediate target of reducing GHG emission by -55% by 2030 compared to 1990 levels was set. This led to the need to substantially revise the amended EED Directive (EU) 2018/2002.

2. The recast of the Energy Efficiency Directive (COM (2021) 558 final)

The EU's commitment under the Paris Agreement, the European Green Deal's target to reach the EU's climate neutrality by 2050, and the related new intermediate target to reach a GHG emission reduction of -55% by 2030 required the revision of several EU energy and climate related laws under the "Fit for 55" package (European Commission 2021a). Accordingly, the Commission also put forward a proposal for a recast of the Energy Efficiency Directive (COM/2021/558 final).

The proposal on the EED recast EU Directive on Energy Efficiency COM/2021/558 final of 14 July 2021 aims at further increasing the energy efficiency towards the 2050 climate neutrality target (COM/2021/558 final).

The proposal COM/2021/558 final promotes “energy efficiency first” as an all overriding principle of EU energy policy. This principle was included in the 2018 amendment of the EED but proved hard to implement without a clear legal definition. The proposal COM/2021/558 final now provides the legal and operational definition in Article 3 of the proposal (COM/2021/558 final, European Commission n.d.b). Based on the proposal COM(2021) 558 final, the “energy efficiency first” principle will apply to energy systems and all non-energy sectors that have an impact on energy consumption and energy efficiency (COM(2021) 558 final).

The recast proposal raises the level of ambition of the EU energy efficiency target and makes it binding by requiring the EU Member States to collectively ensure an additional reduction of energy consumption of 9% by 2030, based on Article 4 (COM(2021) 558 final, European Commission n.d.b). This 9% additional effort is compared to the 2020 reference scenario and updated baseline projections. It corresponds to the 39% savings in the primary energy consumption (PEC) and 36% savings in final energy consumption (FEC) as energy efficiency targets for primary and final energy consumption, based on the Climate Target Plan (COM/2020/562 final). PEC is a broader measure of energy consumption than FEC because it also calculates the amount of energy used in energy production and transmission. As a result, the overall EU energy consumption should be no more than 1023 million tonnes of oil equivalent Mtoe of primary energy and 787 Mtoe of final energy by 2030, according to Article 4 (COM(2021) 558 final, European Commission n.d.b). The EU would be required to meet both, the FEC and PEC targets, whereas under the 2018 EED it was

sufficient for the EU to meet either of these targets. These new targets will become binding for the entire EU, but the national contributions remain only indicative.

However, under the recast proposal (Article 8), the EU Member States will have to achieve new energy savings obligations in each year of 1.5% of final energy consumption from 2024 to 2030, up from the current level of 0.8% in the 2021 to 2030 period (European Commission n.d.b). The new energy savings obligation is an important instrument to reach energy savings in end-use sectors such as buildings, industry, and transport, and under the new proposal, the annual energy saving obligations ESOs rate would almost double between 2024 and 2030.

Another key element of the recast proposal is a specific requirement for the public sector to achieve an annual energy consumption reduction of 1.7% as part of the objective to enhance the role of public sector across wide range of activities like buildings, transport, water, and street lighting, among others (European Commission n.d.b).

The EU Member States are also required to renovate each year at least 3% of the total floor area of buildings owned by all levels of public administration and to systematically consider energy efficiency requirements in their public procurement of products, services, buildings and works, among others (European Commission n.d.b). The proposal also introduces an obligation for EU Member States to implement energy efficiency improvement measures among vulnerable customers, people affected by energy poverty and, where applicable, people living in social housing, to achieving a share of energy savings amongst them (Article 8) (European Commission n.d.b).

As an impact of the Russian war in Ukraine and the European Commission’s REPowerEU plan of May 2022, to reach the geopolitical target to reduce the EU’s reliance on fossil fuel imports from Russia, the Commission proposed to increase the

binding EU energy efficiency target from 9% to 13%, compared to the 2020 Reference Scenario (European Commission n. d. b).

While the potential for energy savings remains high in all sectors, there exist challenges in the transport sector, which is responsible for 30% of final energy consumption and for buildings, which are responsible for 40% of energy use, and where 75% of the EU building stock has a poor energy performance. This problem and challenge are addressed by the inclusion of these two sectors in the new EU-ETS II emissions trading system. However, also in the EED recast proposal there are efforts to make these sectors more energy efficient (Directorate-General for Energy 2021, COM (2021) 558 final). There are specific measures proposed under the EED recast, and a new funding instrument of the Social Climate Fund based on the revenues from the new EU-ETS II to mitigate the impact of higher costs for consumers as a result of the introduction of a carbon price in the road transport and building sectors COM (2021) 558 final). The proposal incentivises the uptake of energy efficiency measures in the transport sector (COM (2021) 558 final).

3. The European Parliament's amendments and the Council's general approach

The European Parliament referred the proposal for a revision of the Energy Efficiency Directive COM (2021) 558 final to the Committee on Industry, Research and Energy (ITRE), which appointed Niels Fuglsang as rapporteur and agreed on a final report on 13 July 2022 (European Parliament 2022a). The rapporteur considered the proposed recast being a valid starting point for the legislative process. However, he intended to further strengthen the proposal due to the urgency of the climate crisis and the multiple benefits offered by energy efficiency (European Parliament 2022b). Therefore, the ITRE report sets more ambitious targets on lowering energy consumption by 2030 with a 40% reduction of FEC,

and an upper limit of 740 Mtoe, as well as a reduction of 42.5% in PEC, with an upper limit of 960 Mtoe. These targets are more ambitious than the original Commission proposal's targets of 39% savings in PEC primary energy consumption and 36% in FEC. However, the new targets do not differ much from the EED amendment as part of the REPowerEU plan of May 2022 (COM(2022)230). In fact, the plan proposed upper limits of 750 Mtoe (FEC) and 980 Mtoe (PEC), respectively. However, the main difference is that the ITRE report would assign binding national targets accompanied by milestones for 2025 and 2027, whereas the Commission's national targets are only indicative (European Parliament 2022a).

Furthermore, the ITRE report contains more ambitious targets for the public sector, covering buildings owned *and* rented by public bodies. It proposes annual energy saving obligations (ESOs) of 2% final energy consumption between 2024 and 2030, a third higher than the Commission's proposal (1.5%). It also provides considerably more details on implementing the "energy efficiency first" principle, addressing energy poverty, monitoring energy use of data centres, establishing 'one stop shops' on energy efficiency, and developing energy partnerships (European Parliament 2022a).

The European Parliament also emphasised that by reducing overall energy demand, the EU can reduce dependency on imports of oil, gas, and coal. When energy efficiency is increased by 1%, the gas imports decline by 2.6%. Thus, energy efficiency helps the EU to significantly improve its energy security and reaching its objective of becoming more energy independent (European Parliament 2022b).

To sum it up, the Parliament's amendments are slightly more ambitious than the targets proposed by the Commission's REPowerEU plan of May 2022 to phase out imports of Russian fossil fuels and accelerate the clean energy transition and they

are also more ambitious than the original Commission proposal (European Parliament 2022a). On 14 September 2022, the European Parliament's plenary voted in favour of the revision of the Energy Efficiency Directive (EED) and to start the "trilogue" negotiations (European Parliament 2022a).

Already on 27 June 2022, the Council of the European Union adopted its general approach on the proposal COM (2021) 558 final on the recast of the EED, as a fundamental legislative step to reduce the EU's GHG emissions and to phase out fossil fuel imports from Russia as soon as possible (Council of the European Union 2022).

The Council's general approach differs from the ITRE report as it basically follows the Commission proposal's original targets, with upper limits on final energy consumption of 787 Mtoe (FEC) and primary energy consumption of 1023 Mtoe (PEC) (Council of the European Union 2022). The Council agreed to reducing energy consumption at EU level by 36% for final energy consumption and 39% for primary energy consumption by 2030. However, unlike in the Commission's proposal, only the FEC target for final energy consumption with a 36% reduction at EU level would be binding, whereas the PEC target would be indicative.

The targets also use a new baseline and correspond to a 9% reduction target compared to 2020, rather than the increase of the binding EU energy efficiency target to 13% as suggested under the REPowerEU plan to reach the geopolitical target of reduce the EU's reliance on fossil fuel imports from Russia (European Commission n. d. b).

Furthermore, the EU Member States' contributions would also remain indicative, non-binding, and based exclusively on FEC and not based on primary energy consumption. The -1.7% FEC targets for public buildings would become binding only after four years and would be limited to buildings owned by public bodies. The EU Member States could alternatively set a higher target of -1.9% FEC

that excludes the transport sector and armed forces. In addition to this, the Council agreed that Member States would be required to renovate each year at least 3% of the total floor area of buildings owned by public bodies (Council of the European Union 2022).

The general approach also suggests a more gradual increase of ESO than in the Commission proposal. Member states would ensure savings of 1.1% of annual final energy consumption from 1 January 2024 (2024-2025); 1.3% from 1 January 2026; and 1.5% from 1 January 2028 to 31 December 2030, with the possibility to carry over a maximum of 10% of excess savings to the following period (Council of the European Union 2022). Malta and Cyprus would continue to be able to deliver lower ESOs. The general approach also includes additional measures to address energy poverty, monitoring the energy consumption of data centres. Meanwhile, the trilogue negotiations between the European Parliament, the Council and the Commission are continuing, and the outcome is still certain regarding the question whether the European Parliament's stricter amendments will become part of the final compromise agreement (European Parliament 2022a).

4. Conclusion

The EU's EED was originally adopted in 2012 to help the EU and its Member States to achieving energy efficiency improvements of at least 20% by 2020. The original EED was revised in 2018 to deliver on the EU objective of reaching energy efficiency improvements of at least 32.5% by 2030, with each EU Member State being required to deliver higher annual energy savings obligations (+0.8%). However, under the European Green Deal, the EU has agreed to set even more ambitious climate goals, which also made it necessary to amend the 2030 intermediate target. Therefore, the 2030 GHG emission reduction target was elevated to a 55% reduction, based on 1900 levels.

These new targets required substantial changes to existing EED and its amendment of 2018, including much deeper and faster improvements in energy efficiency, based on a substantial revision “recast” of the EED as part of the “fit for 55” legislative package.

The EED recast supports an increased and binding EU energy efficiency target of 9% in 2030 compared to the projections of the 2020 Reference Scenario. This corresponds to a reduction of 36% for final energy consumption and 39% for primary energy consumption by 2030 compared to the 2007 Reference Scenario. However, due to the impacts of the Russian war, the energy consumption targets had to be further decreased in the context of the REPowerEU plan, the Commission proposed an increase to the binding EU energy efficiency target from 9% to 13% compared to the 2020 Reference Scenario (750 Mtoe in final and 980 Mtoe in primary energy consumption, respectively). However, while the European Parliament’s amendments support ambitious targets similar to the REPowerEU plan, the Council’s general approach falls short of these targets. It remains to be seen, which approach will be chosen for the final version of the legal text of the EED recast.

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