

Consultation on the preparation of a legislative proposal on the effort of Member States to reduce their greenhouse gas emissions to meet the European Union's greenhouse gas emission reduction commitment in a 2030 perspective

(This consultation addresses the Effort Sharing Decision. A separate public consultation "Addressing greenhouse gas emissions from agriculture and land use, land use change and forestry in the context of the 2030 EU climate and energy framework" is organised at the same time.

Fields marked with * are mandatory.

Introduction

The European Commission today launches a public consultation on the preparation of a legislative proposal on the effort of Member States to reduce their greenhouse gas emissions to meet the European Union's emission reduction commitment in a 2030 perspective. It concerns the continuation in the period 2021-2030 of the current Decision 406/2009/EC on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020 (Effort Sharing Decision, ESD) (http://ec.europa.eu/clima/policies/effort/index_en.htm)

The Effort Sharing Decision sets greenhouse gas emission reduction targets for each Member State for the sectors not covered by the EU Emissions Trading System. Its scope currently covers some 55 % of total greenhouse gas emissions in the EU and includes greenhouse gas emissions from sources such as CO₂ emissions from road transport, heating of buildings, small-scale industry and so-called non-CO₂ emissions from agriculture and waste. The ESD does not include emissions or removals from land use, land-use change and forestry (LULUCF). Each Member State has an emission reduction or limitation commitment for 2020 under this Decision which varies between -20% and +20% as compared to its 2005 GHG emissions. Taken together, these commitments correspond to an EU-wide reduction in 2020 of around 10% compared to 2005 for the sectors covered by the ESD.

The objective of the ESD is to achieve its contribution to the EU's overall 20% reduction target in 2020 and to promote reductions of greenhouse gas emissions (GHG) within its scope in a cost-effective manner.

In addition to the 2020 targets, the ESD establishes binding annual GHG emission limits — so-called annual emission allocations (AEAs) — for all Member States for the period 2013–2020 with annual reporting obligations and compliance checks.

At the European Council meeting in October 2014, EU leaders expressed their wish to continue the ESD approach for the period 2021-2030, with the aim to reduce emissions in the non-ETS sectors by 2030 by 30% compared to 2005 as the contribution in implementing the overall economy-wide emission reduction target of at least 40% in 2030 as compared to 1990. (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/145397.pdf)

The consultation launched today aims to collect evidence, experiences, suggestions and opinions related to the post-2020 design of the ESD itself and focuses on several issues, including:

- 1.) the flexibility mechanisms foreseen in the ESD to ensure overall cost efficiency,
- 2.) monitoring, reporting and compliance,
- 3.) the approach to setting the national greenhouse gas reduction targets in the ESD, and
- 4.) complementary EU-wide action to achieve the reduction targets.

It also asks for stakeholder feedback on the ongoing implementation of policies and measures in Member States to achieve their targets set out in the current Effort Sharing Decision that sets national targets until 2020.

This consultation addresses citizens, authorities and other stakeholders and seeks input on questions concerning the policy alternatives to be considered by the European Commission in its preparation of a legislative proposal to revise and maintain the ESD after 2020. It complements earlier consultations that the European Commission has conducted recently, notably the Consultation on the Green Paper on a 2030 framework for climate and energy policies (<http://ec.europa.eu/energy/en/consultations/consultation-progress-towards-2020>-<http://ec.europa.eu/>)

Based on a questionnaire, the online consultation will run until 18 June 2015. Earlier replies are encouraged.

This consultation is launched in parallel with the consultation "Addressing greenhouse gas emissions from agriculture and land use, land use change and forestry in the context of the 2030 EU climate and energy framework" (http://ec.europa.eu/clima/consultations/articles/0026_en.htm), which addresses questions on how to integrate Land Use, Land Use Change and Forestry into the 2030 Climate and Energy Framework, on how this integration will relate to agricultural non-CO2 emissions and on the relation between such changes and the Effort Sharing Decision.

Background:

On 24 October 2014, EU leaders expressed their wish to work towards a domestic EU greenhouse gas emissions reduction target of at least 40% by 2030 compared to 1990 together with other building blocks for a 2030 policy framework for climate and energy (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/145356.pdf), following the policy proposals in a European Commission Communication of January 2014 (http://ec.europa.eu/clima/policies/2030/documentation_en.htm). The 2030 framework aims to make the EU's economy and energy system more competitive, secure and sustainable and also sets a target of at least 27% for renewable energy and energy savings by 2030, respectively.

The Commission has indicated in its February 2015 Roadmap for the Energy Union annexed to its Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy that it intends to present a legislative proposal on the Effort-Sharing Decision for the period 2021-2030 and on the inclusion of LULUCF into the 2030 Climate and Energy Framework in 2016. (http://ec.europa.eu/priorities/energy-union/docs/energyunion-annex_en.pdf)

0. Registration

***0.1. What is your profile?**

- International administration
- National government or national administration
- Regional government or association of regional governments
- Local government or association of local governments
- Academic/research organisation
- A small or medium-size enterprise
- Business other than small or medium-size enterprise
- Trade association representing business
- Finance sector institution
- Non-governmental organisation
- Citizen
- Other

*0.2 Please enter the name and contact details of your organisation (address, e-mail, website, phone)

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Eurima is the European Insulation Manufacturers Association and represents the interests of all major mineral wool producers throughout Europe.

Eurima members manufacture a wide range of mineral wool products for the thermal and acoustic insulation and fire protection of domestic and commercial buildings and industrial facilities. The production processes in our industry are energy intensive, while the downstream benefits of our products (insulation materials) are large; a multitude of the energy used in production is saved during the use phase.

0.3. Register ID number (if you/your organisation is registered in the Transparency register)

98345631631-22

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1. Flexibility mechanisms

In order to provide for flexibility for Member States in implementing their commitments and as a means to enhance the overall cost-effectiveness of reaching the EU-wide 2020 target, the Effort Sharing Decision (ESD) provides a number of so-called flexibility mechanisms that can be used in the period 2013-2020 to comply with their annual targets. Should the greenhouse gas emissions exceed the annual emission allocations (AEAs) for the relevant year Member States are allowed to borrow 5% of their AEAs from the next year, buy AEAs from other Member States or use international project credit rights in order to fill any deficit for compliance. Should a Member State reduce its emissions by more than needed, thus exceeding its target for a given year, it can bank the surplus AEAs for use until 2020 or transfer it to other Member States. It is also possible for a Member State to transfer to other Member States up to 5% of its AEAs for a given year before compliance have been checked for that year. Member States are obliged to report on concluded agreements of AEA transfers among each other, but are otherwise free to decide on whether and how to engage in such transfers. As of early 2015, there were no known concluded agreements of AEA transfers between any Member States.

For the 2030 perspective the European Council has expressed its desire that *"the availability and use of existing flexibility instruments within the non-ETS sectors will be significantly enhanced in order to ensure cost-effectiveness of the collective EU effort and convergence of emissions per capita by 2030."* Flexibility instruments should be simple, transparent and easy to manage for Member States. The intention that international project credits will not be allowed in the ESD after 2020 means that a stronger emphasis on the two existing internal flexibility mechanisms will be needed:

1) Banking and borrowing of AEAs during the compliance period

As explained above, Member States already have flexibility in managing the use of their AEAs over the whole commitment period to cover any AEA shortage in specific years. Different levels of borrowing than the current 5% limit could be envisaged for the period after 2020 to help Member States achieve their annual targets by managing their own AEAs, bearing in mind that a higher level of borrowing early in the commitment period could increase the risk of individual Member States not meeting their targets later in the period.

2) Transfers of AEAs between Member States

There are several possible ways to stimulate AEA transfers among Member States. These include creating a more transparent market for AEA transfers, being less restrictive in how much Member States can transfer among each other before the compliance checks, and more direct measures to enhance availability of AEAs, such as project-based mechanisms or auctioning of a number of AEAs.

Market transparency could be enhanced by requiring Member States to report more openly and frequently on AEA transactions and prices or by encouraging transfers to pass through certain trading platforms.

The current 5% limit for AEA transfers before the compliance check could be increased, however, it should be noted that increasing this limit could also increase the risk of individual Member States not meeting their targets later in the commitment period 2021-2030.

Different kinds of project-based mechanisms for cost-efficient compliance within the ESD could be considered. Such an approach could attract targeted investments in ESD sectors prioritised by the host Member State and ensure more certainty that AEA credits will become available for transfers by potentially allowing private sector initiatives. However, a verification and certification system would need to be established to guarantee the environmental integrity and validity of the credits which would entail upfront administrative costs.

Auctioning of a certain percentage of AEA credits could ensure that an annual supply of AEA credits becomes available for MS to acquire.

For all above aspects, alternative solutions might also be possible.

Question

1. How can the availability and use of the two existing internal flexibility instruments under the ESD be enhanced to ensure cost-effectiveness of the collective EU-effort in 2021-2030:

a) for banking and borrowing; and

b) for AEA transfers among Member States, respectively?

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Existing studies (See for instance Carbon Market Watch Policy Briefing of May 2014, ClientEarth discussion paper "The future of the Effort Sharing Decision within the post 2020 EU climate framework" (2013) and the EEA report "Trends and projections in Europe 2014" (2014)) show that a surplus of AEA credits has built up since the beginning of the implementation and is expected to remain until 2020. According to the estimates from Carbon Market Watch, the 2020 ESD target will be overachieved by up to 50% and is too low to drive low-carbon innovation and efficiency. This situation may explain the lack of AEA trading among Member States under the ESD: most Member States are expected not to need them as they have sufficient AEA credits already, even without significant investments in decarbonisation. Therefore, the first step in order to increase AEA trading, and thus cost-effectiveness of the collective EU-effort in 2021-2030, would be to have an ambitious ESD target for 2030 in combination with an ambitious energy efficiency target based on a bottom-up assessment of the sectoral potentials, ideally combined with sectoral targets (e.g. buildings). Such targets would drive job- and growth-enhancing investments in low-carbon innovation and resource efficiency. Member States would be incentivised to invest cost-efficiently, i.e. to use priority measures that have the best return on investment and as a result would make use of banking, borrowing and transfer options.

In any case, the carry-over of surplus AEA credits from the current to the 2030 framework should not be allowed. As of now, the ESD provides that AEA credits are valid until 2020. As said previously, a weak target has led to an oversupply. Any carry-over would water down the 2030 target, delay

Member States action in investing in low-carbon and energy efficient technologies, and represent a missed opportunity to spur jobs and growth.

Banking within the same period should be allowed and facilitated as much as possible, so as to incentivise early action and provide flexibility to Member States. A system incentivising early action, such as increased auctioning of AEAs instead of handing them out for free to Member States, would increase the cost-effectiveness of the ESD. This is further clarified in the answers to the next sub-question.

Borrowing from following years should be allowed in order to provide flexibility; however it should be subject to very strict conditions, to limit the risk of delayed action or even failure to reach the objective. Borrowing should not be used as a licence to postpone action. It should only be allowed to facilitate the implementation of far-reaching programmes (such as deep building retrofit) that may require several years before reaching full speed, so as to avoid lock-in in suboptimal situations of shallow efficiency gains. Any provisions in borrowing should therefore be combined with stringent monitoring requirements ensuring GHG emission reduction actions are not postponed.

The current 5% limit may be a barrier to transfers among Member States in the future. The Commission should consider increasing this limit, while not weakening compliance monitoring.

Specific provisions could be added to the 2030 framework to incentivise transfer of AEAs among Member States, which are developed in the answers to the next sub question.

With respect to the latter, is there need for more transparency in how Member States engage in AEA transfers? Could the current rules be further enhanced through more transparent reporting, the use of trading platforms, project-based mechanisms, auctioning, or through other means? Are there examples from other areas that could provide useful experience in designing a post-2020 transfer system?

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Transfers of AEAs between Member States (MS) should be encouraged in combination with stringent targets for 2030, as they allow to tap the emissions reduction potential where it is most cost-effective. They should not however, replace dedicated policies but rather complement them. Several options should be examined by the European Commission:

- Encouraging project-based mechanisms, so as to generate domestic offsetting. This enables targeted action where potential is most important even when dedicated policies have not been adopted yet. Project-based mechanisms allow for ad hoc measures suited to specific conditions or needs. For instance, project-based mechanism could potentially provide the means to tap into large scale deep renovation

projects. This would allow to tap into the potential linked to deep retrofit in areas where national legislation is not sufficiently stringent yet as well as leveraging private sector investment for emission reduction projects. An Ecofys study “Costs and effectiveness of domestic offset schemes” estimated for the Netherlands that the built environment is one of the sectors that could benefit from project-based mechanisms while generating additional emission reductions. However, any project-based mechanism should be designed carefully so as to keep administrative costs as low as possible. A whitelist of eligible activities, i.e. activities resulting in emission reductions additional to existing policies, for project-based mechanisms could help in this respect. In order to compare their potential with possible administrative and other costs, the European Commission should undertake a cost-benefit assessment across Europe of project-based mechanisms;

- Ensuring that transactions are made on a transparent basis, through a clearing house for instance, where prices and volumes are disclosed to all stakeholders. Such a trading platform would also facilitate the implementation of project-based mechanisms by providing data and benchmarks on AEA prices. A lack of transparency in prices could be a limiting factor for MS to trading, impeding the cost-effectiveness of the instrument.

- Auctioning a number of AEAs instead of allocating them for free to each Member State. According to economic theory with cost-effectiveness as the main criterion, MSs would reduce their emissions to generate AEAs as long as the price of AEAs is higher than the costs to reduce emissions. However, in practice, Member States generally do not behave as rational market players and do not base their decision to reduce emissions solely on the cost-effectiveness criterion. National circumstances generally supersede the cost-effectiveness criterion. Currently many MSs are already on the trajectory of meeting their 2020 ESD target under the BAU, i.e. they will have sufficient AEAs to meet their ESD compliance obligations under the BAU. These MSs would not have an incentive to evaluate their most cost-effective approach, even if these would be the most cost-effective approach for the EU collectively to reduce emissions. Auctioning of AEAs so that MSs would not meet their target under BAU, would stimulate them to re-evaluate their measures and provide an incentive to determine the cost of each measure it could take. Otherwise they would face the costs of AEAs. This should be combined with transparency of prices. Revenues from auctioned AEAs could be used to fund EU-wide target areas, like capacity building programs, low-carbon innovations, improvements in grid infrastructure (e.g. country inter-connections), and research & development across the Member States.

Experience from the AAU (Assigned Amount Units, linked to the Kyoto protocol obligation for participating countries) trading could be used, as this system allowed for exchange of allowances between countries participating in the Kyoto protocol. Accordingly lessons learned as well as know how may be retrieved from it to design trading rules for AEAs.

2. Monitoring, reporting and compliance

The Effort Sharing Decision (ESD) and the Monitoring Mechanism Regulation (Regulation (EU) No 525/2013, MMR) have established an annual reporting and compliance cycle requiring an annual review of Member States' greenhouse gas inventories to ensure that compliance with the ESD is assessed in a credible, consistent, transparent and timely manner. The reviewed inventory data are used to check Member States' compliance with their annual emission limits. If a Member State's emissions exceed its annual emission allocation even when the flexibilities are taken into account, it will need to take corrective action in addition to the likelihood of the Commission launching regular infringement procedures. The corrective action includes a penalty of 1.08 times the Member State's excess annual emissions adjusted for the following year and temporary suspension of its right to transfer AEAs to other Member States.

The first annual inventory review will be carried out in 2015 and will concern Member States' inventories for the year 2013.

It needs to be considered whether more flexible rules for banking and borrowing and enhanced AEA transfers under the ESD will be possible with less frequent compliance checks.

Question

2. On the basis of experience with the present set of rules on reporting, monitoring, and corrective actions, which aspects should be maintained and which should be changed after 2020?

Please select one of the following:

- a) Keep it as it is: Annual reporting and annual compliance checks with existing corrective action (explain your reasons);***
- b) Annual reporting with biennial compliance checks with existing corrective action (explain your reasons);***
- c) Biennial reporting with biennial compliance checks and enhanced corrective action (explain your reasons and possible additional corrective actions); or***
- d) Other (with explanation).***

Please explain your selection:

4000 character(s) maximum

Answer a.

The current framework of annual reporting and annual compliance checks with existing corrective action should be maintained as it is.

This system ensures that Member States and the European Commission monitor closely progress towards the objectives. Laxer rules for reporting and compliance may result in Member States not taking the necessary measures and policy, and lose sight of investments needed to reduce emissions in the non EU ETS sector. In particular for buildings, delaying action in particular to cut emissions in the existing building stock, risks locking-in the potentials and jeopardizing the chance for this sector to reach its 88%-91% decarbonisation target for 2050 (European Commission Energy Roadmap 2050). While it is true that such an annual monitoring and compliance cycle entails an administrative cost, its recurrence makes it easier for Member States to streamline the process and implement lessons learned.

The other two specified options only offer biennial compliance checks. This means that possible non-compliance would only be exposed with a delay of up to two years. Only after that would corrective measures be introduced. The impact of these ensuing corrective measures would only be assessed two years later. This leaves a period of up to four years that bears the risk that Member States take significant action too late to reach their targets. In addition, infringement procedures can extend over longer periods of time, thus it is preferable to assess non-compliance as early as possible to prevent postponement of emission reduction actions.

3. Setting national targets for GHG emissions not covered by the EU Emissions Trading System

The Effort Sharing Decision sets Member State targets for GHG emissions between -20% and +20% by 2020 compared to 2005 based on economic capacity, with reduction targets for countries with higher GDP per capita than the EU average, and emission increase limits for countries with lower GDP per capita. This provides a distributive element among Member States. Various flexibility mechanisms, including AEA transfers between Member States (see question 1) enable cost-effective target achievement in principle.

The Commission impact assessment for the 2030 framework for climate and energy policies (Commission Staff Working Document SWD 2014/15, section 5.9, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014SC0015>) reconfirmed evidence that cost-effective mitigation potentials to reach the GHG emission reductions in ESD sectors in line with a 40% overall GHG reduction target continue to differ across Member States. The assessment noted that realising these potentials implied higher effort compared to GDP by lower income Member States. It also noted that a similarly large spread in targets for 2030 as established in legislation for 2020 would lead to very high ambition levels for some higher-income Member States whose domestic potential for making such reductions is relatively limited.

The October 2014 European Council on this issue expressed its wish that that "*the methodology to set the national reduction targets for the non-ETS sectors, with all the elements as applied in the Effort Sharing Decision for 2020, will be continued until 2030, with efforts distributed on the basis of relative GDP per capita.*" The European Council also expressed its wish that the applicable target range be as follows: "*All Member States will contribute to the overall EU reduction in 2030 with the targets spanning from 0% to -40% compared to 2005.*" This means that the methodology to set targets for Member States with a GDP per capita below the EU average in principle would not require modification. However, the European Council expressed a desire for a new element concerning higher income Member States, requesting that the "*targets for the Member States with a GDP per capita above the EU average will be relatively adjusted to reflect cost-effectiveness in a fair and balanced manner.*" This would address concerns of higher income Member States by foreseeing the creation of a new flexibility for a limited number of Member States "*through a limited, one-off, reduction of the ETS allowances*" that can then be used for compliance in the ESD.

Question

3. How can cost-effectiveness be reflected in a fair and balanced manner in adjusting individual ESD targets for Member States with a GDP per capita above the EU average? What can be the role of the one-time reduction through a limited amount of ETS allowances in achieving these Member States' ESD targets, while preserving predictability and environmental integrity?

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To improve cost-effectiveness, individual ESD targets for Member States with a GDP per capita above the EU average may be adjusted by using criteria such as carbon intensity, abatement potential and abatement costs. Member States with higher carbon intensity and higher potential for cost-effective emission abatement would have higher individual targets. Thus Member States with higher GDP per capita and large abatement potential would have more ambitious targets but those that are early movers, i.e. have already invested in decarbonisation, and would have lower targets. This would be fairer and more cost-effective, as it would ensure that targets are higher where potential is higher.

Project-based mechanisms and measures to increase AEA trading between Member States, as detailed in the answers to 1, are another way to provide the higher GDP per capita MSs with the flexibility to make cost-effective investments. The costs and cost-effective potential of project-based mechanisms, however, would require an assessment prior to deciding whether this is the right instrument of choice.

The objective of the EU ETS is primarily to cap emissions from the energy and industrial sector, by promoting investment in low carbon technologies. It is a different instrument than the ESD, and has a mechanism of its own to ensure its stability, the Market Stability Reserve (MSR), which is in the process of being adopted. Therefore any artificial linkage between both could be detrimental to the predictability and credibility of the EU ETS. It is important to stress that the non-EU ETS sector should not be used as an adjustment variable for the EU ETS sector. As a matter of fact, a one-off reduction through a limited amount of ETS allowances would weaken the ambition and impact of policies in the non-EU ETS sector, thus departing from the EU's commitment towards a low-carbon economy and risking lock-in to carbon-intensive investments. Furthermore, its effect on the EU ETS market is uncertain. If it only takes away allowances in surplus and do not impact prices, then it will remove incentives to act in the non-EU ETS sector without raising the bar for EU ETS investments. If it creates a deficit of allowances in the EU ETS, it as it could lead to a sudden shift in the supply and demand balance, leading to a sudden increase in carbon prices, thereby harming the predictability of carbon prices. This uncertainty in the EU ETS market combined with the resulting lower ambition level in the non-EU ETS sector could harm the predictability and environmental integrity of EU. In conclusion, a one-time reduction would only have negative impacts.

4. Further evidence and studies on implementation of the Effort Sharing Decision at Member-State level and at regional level

In accordance with Article 14 of the Effort Sharing Decision (ESD), and to establish a solid knowledge-base for the 2030 proposal and its impact assessment, the European Commission is conducting an ex-post evaluation of the current ESD. Member States report their greenhouse gas emissions and on progress towards their 2020 commitments annually; the results of these reports are published each year by the European Environment Agency and the Commission. ([Report from the Commission to the European Parliament and the Council: Progress towards achieving the Kyoto and EU 2020 objectives](#) and [Annex; Trends and projections in Europe 2014: Tracking progress towards Europe's climate and energy targets for 2020](#))

In the context of the European Semester, the European Commission also publishes annual reports on Member States' progress with respect to their 2020 targets. (http://ec.europa.eu/europe2020/pdf/themes/16_energy_and_ghg_targets.pdf and http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

To support the evaluation process, the Commission would welcome any additional studies and evidence from stakeholders.

Question

4. Do you have studies on:

- ***the implementation of the ESD at the level of Member States and at regional level;***
- ***how the ESD incentivises greenhouse gas reductions in the different sectors concerned;***
- ***good practices of policies and measures that are of particular interest for sharing with other Member States; and***
- ***other benefits apart from greenhouse gas emission reductions***

that you think the Commission should be aware of?

In your view, what are the key lessons learned of these studies relevant for the European Commission and other Member States, and what other benefits does ESD implementation bring (e.g. in terms of job creation, energy security, health benefits, ...)?

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Existing studies have shown the current 2020 ESD target is expected to be overachieved by up to 50% and is too low to drive low-carbon

innovation and efficiency. Nonetheless, The EC's annual report on Member States (MS) progress on their 2020 targets shows that a number of MS need extra effort to reach their target. Energy efficiency policy and measures should be of particular interest to MS in reaching their ESD target cost-effectively. Studies show that investing in energy efficiency, especially in buildings through deep retrofit of the existing building stock, has not been exploited to the full extent of its potential. The IEA's WEO 2013 shows that without new policies, more than 80% of the energy efficiency potential in buildings will be lost. Investment in energy efficiency may generate benefits in multiple sectors: industry, construction work, services, etc.

Recent studies highlighted the benefits of energy efficiency with regards to economic growth, jobs, investment and innovation:

"Development and evaluation of long-term scenarios for a balanced European climate and energy policy until 2030", has been developed by E3M and shows the overall benefit of having a specific target for energy efficiency. Fraunhofer, in "Estimating energy system costs of sectoral RES and EE targets in the context of energy and climate targets for 2030", concludes that a specific target for energy efficiency (and for renewable energy), would lead to reduced total system costs. They estimates the cost-effective energy savings potential up to 2030 in the residential sector at 61% and in the tertiary sector at 38% in its "Analysis of a European Reference Target System for 2030".

Numerous reports point at building renovation projects as a way to boost the economy, decrease GHG emissions and health costs: the Copenhagen Economics reports on "Multiple benefits of investing in energy efficient renovation of buildings" and on "The role of building renovation in the EU investment strategy". The Ecofys report on "Deep renovation of buildings, an effective way to decrease Europe's energy import dependency" underlines energy efficiency's potential in increasing energy security. The Cambridge Econometrics report on "Jobs, Growth and Warmer homes" determines that investing the revenues from carbon taxes into energy efficiency would lift between 75% and 100% of the households that were living in fuel poverty out of it.

It is clearly that reaping energy savings will generate the greatest possible economic, social and environmental benefits, provide the cheapest GHG emissions reductions and improve our trade balance and our energy security most effectively. The European Commission and Member States should consider the results of these studies and take action to encourage building renovation projects.

With the development of heat pumps, the European heating and cooling sector moves towards electrification. Energy efficient buildings with a highly insulated building envelope, either new buildings or after deep renovation, significantly reduce the related electricity demand. This translates into a reduction of the amount of energy that needs to be generated and transported, thus to a reduction of the system operational costs and of the related losses. It reduces the system peak, lowering necessary generation and grid infrastructure investments. High efficient buildings have an increased flexibility potential through their capability to shift heating operation in time without affecting the temperature comfort levels inside the building, significantly improving

the flexibility of the whole power system by offering services for Demand Side Management. Shallow renovation of the building stock, generating smaller savings (typically 15-25%) compared the potential in the sector (80%) would lead to a smaller potential for flexibility, as the buildings do not hold the same capacity to maintain comfort level and need to be permanently heated /cooled.

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5. Complementary EU-wide action in the sectors covered by the Effort Sharing Decision

Member States are responsible for implementing policies and measures to meet their obligations under the Effort Sharing Decision (ESD) according to their national situation. These may include a variety of national actions ranging from economic instruments, such as tax regimes to support specific low-carbon fuels, information campaigns to promote public transport, integrated urban and transport planning, supporting improved energy performance in buildings and switching to renewable energy for district heating.

To a certain extent these national measures are also supported by other EU-wide climate and energy policies, including on CO2 emission standards for light-duty vehicles ([cars](#) and [vans](#)), [non-CO2 gases](#), energy efficiency (e.g. [Energy Performance of Buildings Directive](#) , [Energy Efficiency Directive](#)) and on renewable energy sources ([Renewables Directive](#)).

Question

5. Is the current scope of EU-wide action and legislation OTHER than the ESD to support Member States' emission reductions in ESD sectors sufficient, or should it be enhanced?

- a) The current scope is sufficient; or*
- b) The current scope should be enhanced.*

Please explain your selection:

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b) The current scope should be enhanced. The current 2030 framework only has an indicative target of 27% for energy efficiency. This lacks ambition and will not lead to achieving the available potential of cost-effective mitigation measures.

The current framework's relative lack of ambition may generate a lock-in into a suboptimal situation. It does not incentivise to take far-reaching measures that would tap the entire energy efficiency potential (or a large extent of it), but only to undertake less ambitious actions that exploit only part of this potential. While the ESD enhances the cost-effectiveness of Member States' emission reductions in the short term, it does not necessarily support emission reduction measures for the long term. These long-term measures may be

more expensive and not be the most cost-effective at that moment, but could be the cheapest option over time with the emission reduction targets becoming increasingly stringent over time. This is especially true in the building sector, where in spite of the acknowledged potential and cost-effectiveness of solutions such as insulation, a solid long term vision for realising the savings is still to be developed.

The EU legislation should therefore make sure that long-term potential is not traded off against quick wins encouraged by non-ambitious targets. For the EU to capture the full potential of energy efficiency, the EU economy needs to receive a clear signal that large-scale energy savings will be sought in a long-term perspective.

In order to support Member States' emission reduction in ESD sectors, the current indicative target for energy efficiency should become a mandatory EU-wide target, with clear national targets. Only then will the EU live up to its objective of putting "efficiency first". Enhanced certainty for investors would lower the costs of finance for energy efficiency measures. Furthermore, the level of this target should be raised so as to be more ambitious and effectively boost energy efficiency. In EURIMA's view, the most effective signal should take the form of a 2050 sectoral target for buildings as a complement to overall energy efficiency ambitions, supported by intermediate milestones for 2040, 2030, to drive the overall energy improvement of the buildings stock. A signal to the building and construction materials industries is needed for the mobilisation and long-term planning and investment in this fragmented sector to happen.

An efficient way to tap into the large cost-effective emission reduction potential of building renovation would be to develop a progressive regulatory framework, building on stronger and more ambitious national renovation strategies (article 4 EED). For instance, the certification scheme for buildings that effectively incentivises deep retrofit should be enhanced. Further, definition of nearly zero energy buildings (nzeb) in building renovation could be introduced to provide guidance on energy levels to be reached to meet the long term EU targets, and enabling to elaborate specific targeted policies for deep renovation in existing buildings. The renovation of buildings into of nearly zero energy buildings would then be incentivised through financial means. Currently the Energy Performance of Buildings Directive only provides guidelines for renovation in existing buildings and the Energy Efficiency Directive only provides a target for renovation in public buildings. These policies should be better aligned and more specific to tap into this large cost-effective emission reduction potential of building renovation. They would create jobs, grow the economy and reduce GHG emissions in one stroke.

When strengthening its energy efficiency policy, the European Union should make sure that its improved targets are consistent with its other tools and overarching objectives: trading schemes should be designed by

taking into account the effect of other policies.

6. Capacity building and other support to implementation at national, regional and local level

The EU and the European Commission are supporting the implementation of the current Effort Sharing Decision through, inter alia:

- Projects financed through the European Structural and Investment Funds, as well as other initiatives to build capacity and exchange best practices;
- Regional workshops on implementation, to facilitate exchange of best practice and experience with national policies and measures among Member States; and
- Annual guidance to Member States in the European Semester.

The European Commission's Climate Change Committee and its Working Groups is an important forum for exchange with Member States' administrators and experts on implementing measures at national level.

Question

6. Is there a need for additional EU action in terms of capacity building and similar support targeted at the regional and local level to facilitate national policies and measures under the ESD after 2020?

- a) Yes***
- b) No***

If you selected answer a), what kind of additional support do you have in mind?

4000 character(s) maximum

Yes, further support is needed at regional and local level to facilitate national policies and measures after 2020. Firstly, the current European energy and climate policy framework has become increasingly complex with various Directives with interacting and related objectives and targets. For example, the Energy Efficiency Directive and Energy Performance for Buildings Directive both contain legislation aimed at renovation in buildings. Support in understanding the interactions between the various Directives would facilitate the implementation of more effective national policies and measures applicable to the national circumstances. Furthermore, if the ESD post-2020 entails ambitious objectives for Member States, implementation by regional and local authorities will be key, especially for energy efficiency measures. Such measures often need to be tailor-made to fit local conditions and require a good level of knowledge of existing financing tools to remove barriers to investment. Thus it is extremely important for the EU to inform Member States as well as local and regional authorities of their objectives in terms of energy efficiency, of the specificities of the building stock (e.g. risk of lock-in effect), of the instruments at their disposal to achieve them efficiently, and the successful renovation schemes already in place in other member states. In addition, the European Commission should make sure that all stakeholders are informed of the opportunities and support for investment in energy efficiency offered by the European Fund for Strategic Investments (EFSI) to be launched soon.

While Country Reports by the European Commission in the framework of the European Semester indicate whether Member States are on track to deliver on their GHG emissions reduction and energy efficiency targets, it does not provide elaborate guidance on energy efficiency potentials or suggest specific actions that can be undertaken cost-effectively.

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