

EURIMA Response to the European Commission's proposal to revise the Energy Efficiency Directive

Energy Efficiency First & 2030 targets

An ambitious revision of the Energy Efficiency Directive (EED) is paramount for reducing EU greenhouse gas emissions by at least 55% by 2030 and achieving climate neutrality by 2050. Energy efficiency measures such as building renovation not only reduce emissions on the demand side, but also enable faster electrification and penetration of renewables on the supply side. It is therefore encouraging that the Commission has proposed to enshrine the Energy Efficiency First Principle (EE1st) in the Directive, and committed to mainstreaming EE1st across EU energy and climate legislation.

The proposed increase to the 2030 energy efficiency targets marks a much needed step-change in EU ambition on energy savings. However, both the primary energy target and final energy target should be equally ambitious and set to capture the EU's full cost effective energy efficiency potential of at least 41%¹. A recent study has shown that the EU's cost-effective energy efficiency potential is rising due to higher energy prices and faster uptake of energy efficient technologies, amongst other factors¹. Whilst the new 2030 target for primary energy consumption corresponds to a reduction of 39% compared to the 2007 reference scenario, the final energy consumption target represents a mere 36% reduction. In order to align the Fit-For-55 package with the EE1st principle, the 2030 energy efficiency targets should at least equal the level of ambition on renewables (set at 40%).

In addition, the governance framework could be improved further by introducing binding national targets to ensure the political impetus necessary to implement robust policies at all levels of government.

Exemplary public buildings to lead the Renovation Wave

The greatest challenge for implementing the Renovation Wave lies in boosting the rate of deep renovations, which is stagnating at 0.2% of the building stock per year. Public authorities can and must play an exemplary role by tackling this challenge head on. It is therefore positive that the Commission's proposal extends Article 6 requirements to all public buildings, and not merely those owned and occupied by central government, and that the revised EED will address the depth, and not only scale of renovations of public buildings.

Addressing depth is crucial if public buildings are to act as front-runners in the energy transition. Accordingly, public buildings must be renovated to a level of energy performance that avoids carbon lock-in, ensuring that buildings are renovated once between now and 2050. Given that cost-effective renovations take place on average once

¹ Stefan Scheuer Consulting & Fraunhofer ISI (2021) Stronger Energy Efficiency Target Governance ([access here](#))

every 30 years, renovating once on the road to 2050 is also a way to ensure public acceptance for the Renovation Wave by spending taxpayer money in a responsible manner. For example, renovating a school in the early 2020s to achieve 20-25% energy savings would mean that this same school would need to be renovated once more in the 2030s to ensure alignment with the objective of a climate neutral building stock by 2050. This would result in both wasted energy and wasted public resources.

In revising the EED, the Commission must ensure coherence between Article 6 provisions on public buildings and the Energy Performance of Buildings Directive (EPBD). Whilst the EED proposal states that public buildings should be renovated to nZEB standard, the Commission has also indicated that nZEB requirements could be upgraded as part of the EPBD revision later this year. Although upgraded nZEB standards would have an overwhelmingly positive impact on the EU building stock as a whole, such standards may no longer be appropriate for renovation activities of public buildings. In such a scenario, an approach based on a new Deep Renovation Standard may prove more appropriate.

Similarly, the EED provisions that invite Member States to encourage public bodies to consider life cycle carbon emissions as part of their procurement practices should be linked to the development of a harmonised European framework for measuring and reporting whole life carbon emissions. Indeed, national calculation tools vary widely and are limited in scope, which will prevent comparability and a level playing field for assessing whole life carbon. Therefore, the revised EPBD should introduce a common EU harmonised framework for calculating building emissions, based on LEVEL(s) and EN15978. At product level the current EPD system based on EN15804+A2 should be used as the reference for reporting emissions (to be further mandated via the CPR). This will enable Member States to introduce whole life carbon reporting requirements, starting with public buildings as front-runners, whilst preventing the mushrooming of divergent national approaches that would be counter-productive for addressing the climate impact of the building stock coherently and consistently across the EU.

Unlocking the energy efficiency potential in industry

Evidence suggests that there is still significant energy efficiency potential in industrial insulation representing approximately 37 Mt of annual cost-effective CO₂ savings, or around 4% of total annual CO₂ emissions of EU industry². It is therefore encouraging that the Commission has proposed stronger incentives for companies to take up recommendations in energy audits. A step further would be to extend the scope for mandatory implementation of recommendations stemming from energy audits, especially for measures with short pay-back periods (e.g. < 5 years).

By linking audit obligations to the energy consumption of a company, and not its size, the Commission is proposing a more objective and fairer approach to designing Article 11.

² EiiF & Ecofys (2021) Climate protection with rapid payback: Energy and CO₂ savings potential of industrial insulation in EU27 ([access here](#))

A reinforced Energy Savings Obligation

The Commission has proposed to strengthen the cornerstone of the EED – the Energy Savings Obligation (ESO) – by raising the current 0.8% ESO to 1.5% for the 2024-2030 period. Such an increase would mark a step-change in EU ambition on energy efficiency and align Article 8 with the new 2030 greenhouse gas reduction target. However, the Commission's proposal does not clarify whether a cumulative design is envisaged for the two implementation periods (2021-23 & 2024-30). The lack of a cumulative design would risk encouraging short term measures in the first period and result in less overall savings achieved by 2030.

The role of the ESO should be to promote effective, verifiable and long-lasting energy saving measures like building renovations. Conversely, measures that are difficult to monitor and verify, or that only affect consumer and investment behaviour in the short-term, such as taxation measures, should be discouraged. In this context, Eurima welcomes the Commission's proposal to place additional scrutiny on taxation measures reported under the ESO as part of the new Annex V.

The parallel revision of key energy and climate legislation outlined in the 'Fit-for-55' package offers an unprecedented opportunity to align the EED with mutually supporting policies, such as the EPBD, EU ETS, Renewable Energy Directive and Effort Sharing Regulation. The ESO plays a crucial role in this equation, particularly with regards to the upcoming EU ETS proposal and the upcoming revision of the EPBD.

As part of the EPBD revision, the Commission is considering the introduction of minimum energy performance standards (MEPS) for existing buildings. Successful implementation of MEPS requires strong supporting measures like public financing, workforce training, technical and administrative assistance etc. EED Article 8 is one of the most important EU tools for developing such a supporting framework and can directly contribute to MEPS implementation.

The Commission has also stated its intention to extend the EU ETS to include heating fuels for buildings (ETS-2). If left unaccompanied by building renovation programmes targeting low-income households, such a move threatens to increase the cost of heating homes, pushing more people into energy poverty. Here too, an ambitious EED Article 8 can serve as an enabler by promoting deep renovation. Meanwhile, ETS-2 will generate revenues that can be used to help Member States achieve the objectives of both the EPBD and EED Article 8. To this end, all revenues generated by ETS-2 (except for the allocation to road transport) should be ring-fenced to support deep renovation via subsidies, training, information tools as well as technical and administrative assistance.