

# Lessons from Implementation of the Energy Efficiency Obligations (Art. 7 EED) and the role of evaluations

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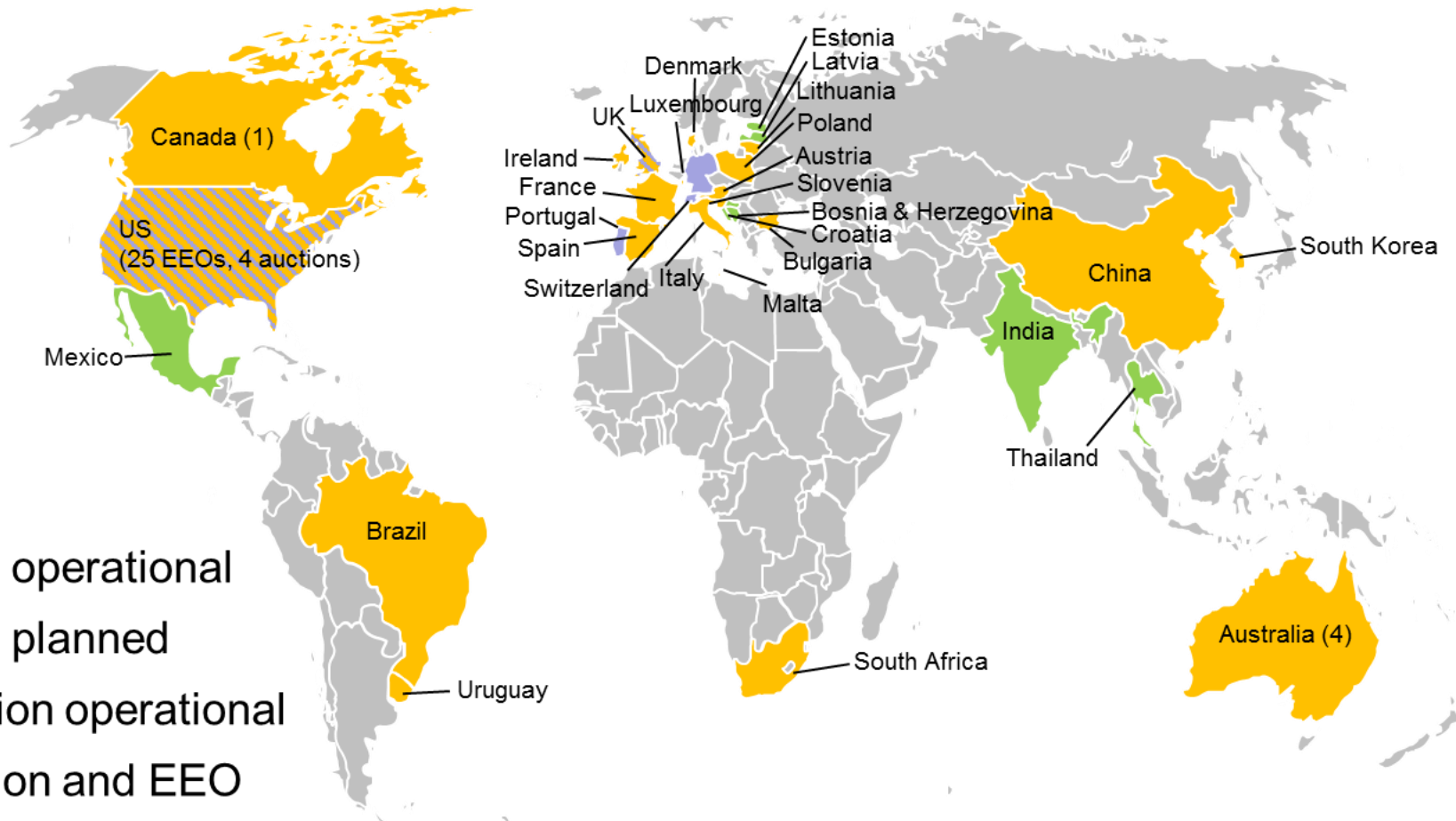
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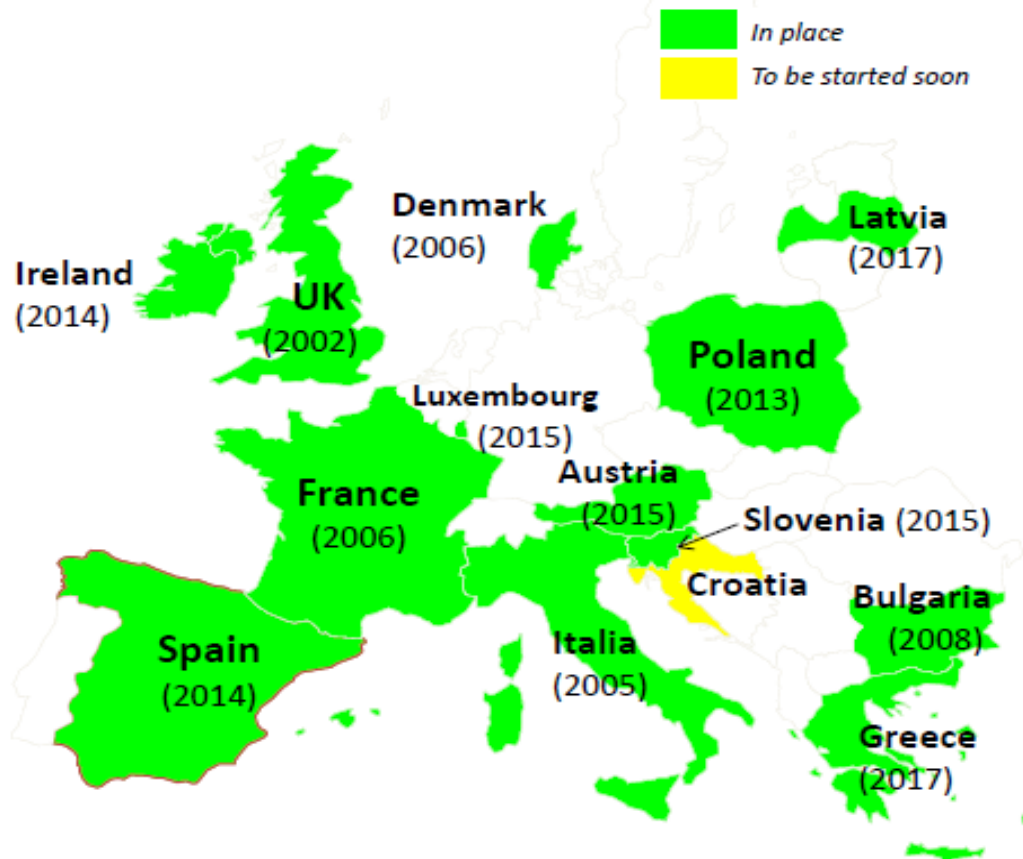
This project has received funding from the European Union's Horizon 2020 Research and innovation programme under grant agreement No 746265.



**48 operational and 6 planned**



Source: RAP 2016, Rosenow 2016



Compliance with Article 7 requirements is proposed through either:

- **EEO scheme** (4 countries: Bulgaria, Denmark, Luxembourg, Poland)
- **Combination of EEO schemes & Alternative measures** (Austria, Belgium, Croatia, Estonia, France, Ireland, Italy, Latvia, Lithuania, Malta, Slovenia, Spain, UK, Greece)
- **Alternative measures** (10 countries: Czech Rep., Cyprus, Finland, Germany, Netherlands, Portugal, Romania, Slovakia, Sweden).
- 58% of the EU 28 final consumption

### NEWS...

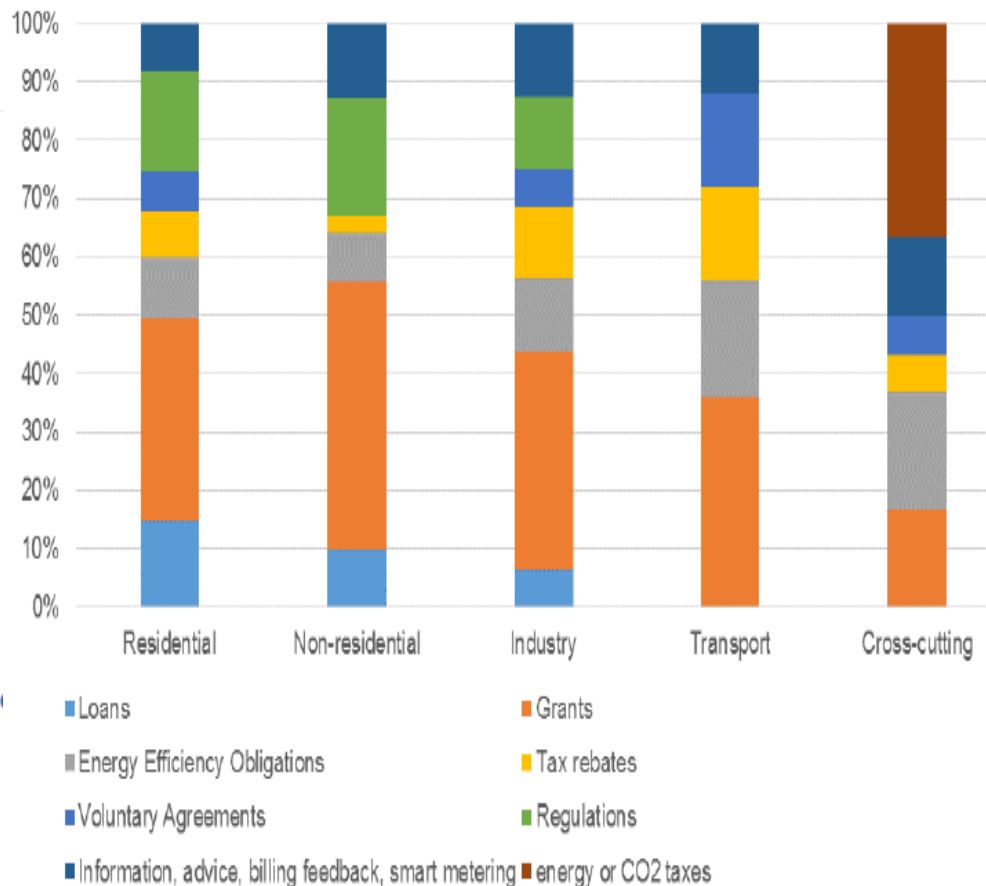
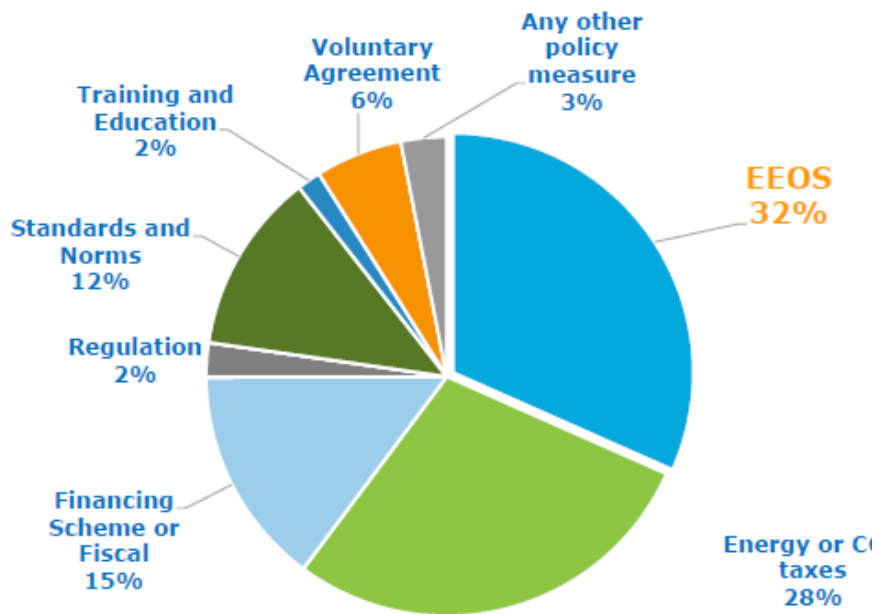
- Estonia: alternative measures only
- Lithuania: Voluntary agreements (new EE law 2016)
- Malta: Scheme under revision

Source: Broc 2017

- Trading only in 3 MS
- Obligations on suppliers (2 MS distributors)
- All EEOs use buy-out options
- Penalties differ



- 28.5 Mtoe reported savings / 15 MS reported more savings than plan/ 5 MS close to the target/ 8 MS underachieved (EC 2017)

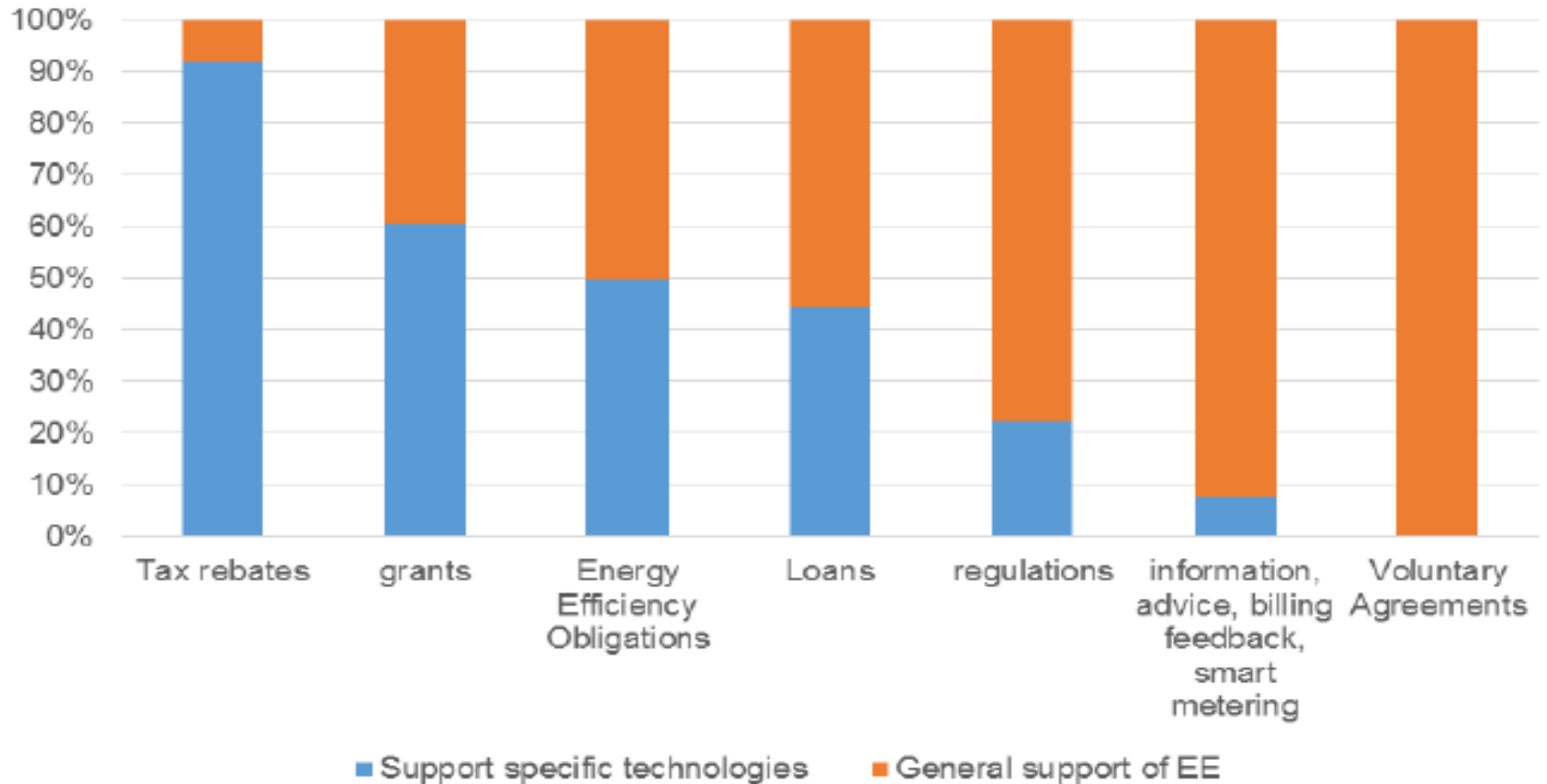




- No two EEOs are the same!
  - ⇒ Number and type of obliged parties (distributors or retailers; type of energy supplied), eligible sectors/projects, monitoring, fund raising mechanism, metrics for target setting...
- EEO delivered substantial improvements in energy efficiency
  - ⇒ Now **important components of the national policy mix.**
- EEOs developed incrementally: start with low target, and growing targets over the years, allowing a "learning" period for subject under the obligation.
- Majority of savings from cost effective savings reaching large numbers of beneficiaries.
  - ⇒ **Flexibility of EEO as a policy instrument,**
  - ⇒ **Adaptability to national circumstances and policy priorities.**



- Uncertainty in achieving targets with existing instruments





- The deemed savings can be applied mainly to **homogeneous target groups** (for instance household appliances, highly standardized and replicable technologies)
- Use **autonomous improvements** (estimated in number of years and compared to market and technologies autonomous developments) and **update baselines periodically** (for instance with energy price effects, disposable income, technology costs, penetration rate, awareness trends)
- Technology list to be **technologically neutral** and to avoid producing deemed savings that may favour very few technologies manufacturers
- Verification needs update with **free-riders and rebound effects**
- Eliminate competition to ESCO development



- Start with modest levels of savings, **increasing in ambition level over time**, learning from early phases and re-designing the EEOS to be more efficient and effective
- **Trial period** with low savings targets, so that obligated parties can get used to the target idea
- majority of savings will originate from low cost energy measures in the residential sector, **no retrofitting**
- Opening the scope (as for instance Industry for Denmark, or fuel suppliers in France) can help achieving a more ambitious objective
- introducing tools and incentives to support third party financing, among which there is the guaranteed fund introduced in the transposition of the EED directive





- Focus on those measures that are most robust in terms of monitoring, reporting and verification, like subsidies, voluntary agreements
- Mixture of instruments is often used to realize savings in the building sector. Double counting can be managed by assigning all savings to one particular instrument.
- In a business-as-usual scenario (without article 7), less savings than the EPBD are expected.
- Article 7 measures could generate savings that fill the EPBD compliance gap.
- Assuming that the savings of behavioural measures last only for 3 to 5 years, it is not likely that the savings still count by 2020. Therefore, use only behavioural measures, if really needed.
- Strong need for harmonized, simple accounting rules & uniform process to estimate savings from valid measures.



Figures out of early evaluation (capital and administrative costs)..

- France: 0.4 Eurocent / kWh
- Denmark: 0.45 Eurocent / kWh
- Italy: 1.7 Eurocent / kWh
- UK: 0.7 Eurocent / kWh

*(Lees 2012, Rosenow and Galvin 2013)*

Country	Administrative Costs (% of overall programme costs)
UK	0.2%
Denmark	0.3%
France	0.4%
Italy	1.4%

BELOW energy price so **highly cost effective!**

## NO BLUEPRINT

**Key Factors:** Enough time for learning!!

**Involve stakeholders right from the beginning!!**



*“Policies are living creatures and need to be adjusted periodically to take into account changes in context, markets, policy priorities, etc. A timely **evaluation** can provide the necessary basis for this”*

*“The success factors of this well-working policy measure have been good monitoring and **evaluation**, strong results and communication of results.”*

*“One may have **fear** to do an ex-post impact evaluation, because it may show smaller results than based on the engineering estimates. However this increases the robustness of the results and therefore the **confidence** funders can have in them”*

*“There were **no more questions about the rationale** or interest to implement this scheme. At the opposite, the questions were about **how to make the scheme grow.**”*

*Quotes from interviews with policy makers and evaluators*



### EPATEE's main concept:

Improving evaluation practices help bridging the gap between the need for effective policy making and the lack of data and analysis about the impacts.



## Examples of evaluation uses (for EEO schemes and/or alternative measures):

- ✓ Providing an evidence base for revision/update of policies
- ✓ Assessing cost-effectiveness (both at policy and action level)
- ✓ Better understanding of additionality
- ✓ Improving EEO's targeting (eligible action types; prioritization factors)
- ✓ Identifying needs for quality insurance/requirements
- ✓ Assessing stakeholders' satisfaction/getting feedback
- ✓ And much more!

➔ But for an evaluation to be successful (= used), it needs legitimacy/trust = good enough data & methods + transparency

**EPATEE provides support for results to be documented,  
and for evaluations to be as effective as possible**



## Concrete examples:

- ✓ **Denmark:** new rule from 2012 that actions with a payback time of less than 1 year cannot receive a grant ; use from 2010 of prioritization factors to favour actions with longer lifetime
- ✓ **UK:** the National Energy Efficiency Data-Framework provides a strong basis to evaluate the impacts of EE actions in dwellings, and gives a better understanding of how policy options will impact on the different households' categories
- ✓ **Finland:** identification of the sub-sectors where the commitments of stakeholders were lower (voluntary agreements), and how this could be improved (e.g., specific support for SMEs)
- ✓ **Italy:** Thermal Account scheme had a difficult start and is now performing better after it was revised based on an evaluation

➔ Think about **what would it cost not to make evaluations?**



- Continue to deliver savings (...2030) and impacts of changing rules on energy savings calculations



- Move focus from the building sector
- Ensure a proper communication towards potential beneficiaries
- Limit impacts on energy prices while removing risk from obligated parties
- Increase the scheme efficiency
- Achieve balance between rules and procedures

Especially through minimizing administrative burden on MRV procedures..

Issues of energy poverty...



Thank you for your attention !

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