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COVER NOTE

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Delegations will find attached document SWD(2021) 626 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE EVALUATION

Accompanying the

Proposal for a Directive of the European Parliament and of the Council
on energy efficiency (recast)

{COM(2021) 558 final} - {SEC(2021) 558 final} - {SWD(2021) 623 final} -
{SWD(2021) 624 final} - {SWD(2021) 625 final} - {SWD(2021) 627 final}

A. Need for action
What is the problem and why is it a problem at EU level?
The EU currently has an energy savings target of at least 32.5% in 2030, compatible with a 40% greenhouse gas reduction (GHG) reduction. The Climate Target Plan proposes an EU target for 2030 of at least 55% net GHG reduction compared to 1990 levels in a cost-optimal way. To achieve this, EU final and primary energy consumption should decrease by at least 36-37% and 39-41% respectively compared to projected energy use. Given that combustion of fuels for energy is responsible for 75% of current EU GHG emissions, reducing energy use is a vital element, along with decarbonising energy supply, in achieving the EU's target. The broad measures to achieve a 55% GHG reduction in 2030 were explored in the Climate Target Plan. At present, EU energy saving efforts are insufficient to achieve the 2030 GHG target in an optimal way and therefore the problem is how they can be boosted. It is important for the EU to show it is feasible and desirable to take action to reduce its GHG emissions as part of the European Green Deal in the most cost-effective way.
What should be achieved?
The increased energy savings needed mean that the Energy Efficiency Directive should be reinforced. This will ensure, along with other EU legislation, that there are sufficient energy savings to achieve the EU's 2030 climate goal cost-effectively. The energy savings should be achieved in the sectors where this makes most sense from an economic, social and environmental point of view. Co-benefits such as from reduced environmental impacts and avoid exacerbating inequality should be optimised.
What is the value added of action at the EU level (subsidiarity)?
The Treaty on the Functioning of the EU identifies an aim of EU energy policy as promoting energy efficiency and energy saving. The underlying problems causing a shortfall in energy savings are the same across the EU. Action at the EU level can enable and enhance efforts by Member States and ensure a more coordinated and harmonised approach avoiding distortion of the single market. It will help to create greater markets for materials and products that help improve energy efficiency. Experience indicates that having a common EU framework reduces costs, increases benefits from the internal market and allows national policy-makers to learn from each other. The EU measures effectively complement and catalyse national measures.
B. Solutions
What are the options to achieve the objectives? Is there a preferred option or not? If not, why?
The main mechanism to achieve the objectives is through increasing the overall EU energy savings target and increasing its binding effect. This can be supplemented by specific requirements that lead to energy savings, for example by expanding the measures relating to public sector procurement and building renovations and increasing the ambition of energy saving obligations. There is a need for strengthening and enhancing the wide range of enabling and supporting measures to create an environment where it is easier to promote energy efficiency and achieve energy savings. The options need to be assessed to ensure their coherence with other measures being proposed as part of the Fit for 55 package.
What are different stakeholders' views? Who supports which option?
A large majority of stakeholders agree that energy efficiency policies play a key role in delivering higher climate ambition for 2030, while allowing for a sustainable growth that does not leave anyone behind. Their views somehow differ on the appropriate measures to achieve that, but there is no striking difference on the ultimate objectives. Almost half favour a higher EU target and more than half support it being binding. Around half

support binding national targets. There are quite varied views on the range of options identified. In general, civil society is more positive about what the proposed measures could be. In many cases, business is quite supportive. Public authorities appear to have a more cautious approach.
C. Impacts of the preferred option
What are the benefits of the preferred option (if any, otherwise of main ones)?
The preferred option consists of a package that achieves a high level of energy savings in an effective way, while avoiding the most burdensome options considered.
What are the costs of the preferred option (if any, otherwise of main ones)?
The main costs are the investments needed so that energy efficiency will be increased. Financial support from NextGenerationEU and other public sources are expected to play a pivotal role in uptake of energy efficiency investments. Capital costs for more energy efficient equipment and retrofitting of buildings are considered.
What are the impacts on SMEs and competitiveness?
There are not expected to be significant impacts on SMEs. There is a considerable scope for cost-effective energy savings in services and industry that will not lead to any overall increase in costs. Implementing these should reduce business exposure to energy price fluctuations and along with the reduced operating costs enhance its competitiveness.
Will there be significant impacts on national budgets and administrations?
There are implementation costs associated with the preferred option for public administrations, even if those build on already existing measures. Nevertheless, these additional costs are expected to be small compared to the substantial cost savings that will be realised through energy saving investments. Money not spent on energy will be used for other purposes and lead to a boost in employment and economic activity. These costs may vary, depending on the manner in which Member States choose to implement the requirements. The EED Concerted Action provides a forum for Member States to share best practice and identify effective ways to achieve the desired objectives. The Commission is ready to support Member States further with technical assistance.
Will there be other significant impacts?
Reducing energy use will bring significant environmental benefits, in particular from reduced air pollution. It will also lead to other environmental benefits such as reduced emissions to water from power stations and reduced environmental damage due to the lower need for infrastructure and less resource extraction. It reduces resource consumption and positively contributes to the circular economy. Reduced energy needs will also decrease the EU's dependence on energy imports and geopolitical volatility, thus helping to insulate the economy from external energy price shocks. Through well designed measures, it will also lead to important social benefits. For example, the energy upgrading of housing will lead to better living conditions and health as well as lower expenditure on energy. Energy saving measures lead to a high level of job creation.
Proportionality?
The proportionality principle is fully respected. The measures proposed are the minimum needed to achieve the goals that are crucial to achieving the EU's climate ambition for 2030.
D. Follow up
When will the policy be reviewed?
The Commission intends to review the implementation of the legislation to assess the extent to which the policy objectives have been achieved every 5 years.