Environmental *Change* Institute

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The future of Energy Efficiency Obligation Schemes in the EU

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Key questions

Can established Energy Efficiency Obligation Schemes (EEOS) continue to deliver significant savings?

Will new EEOS meet their targets?

Do EEOS have an important future role?

First – a brief introduction to Energy Efficiency Obligation Schemes and where they fit within EU policy.

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Energy Efficiency Obligation Schemes

In Energy Efficiency Obligation Schemes an obligation is put on energy companies to deliver energy savings via energy efficiency at the customer end.

The unique features of EEOS as a policy are its method of raising funding – from energy customers – and the role of energy distributors / retailers in operating the scheme.

Evidence from across OECD countries demonstrates:

- EEOS have delivered large improvements in energy efficiency.
- EEOS have delivered very cost effective savings.

EEOS in the EU

Policy

Article 7 of the Energy Efficiency Directive sets out how countries are to calculate their national energy savings targets and the policy means by which this may be achieved

Article 7 is expected to deliver more than half of the required energy savings of the 2020 20% reduction target.

Countries can choose between EEOS and alternative measures, or a combination

Reality

There are 16 planned and existing and EEOS in the EU. They differ with respect to number and type of obliged parties (distributors or retailers); fuels covered, eligible sectors, eligible projects, monitoring, funding, target metrics

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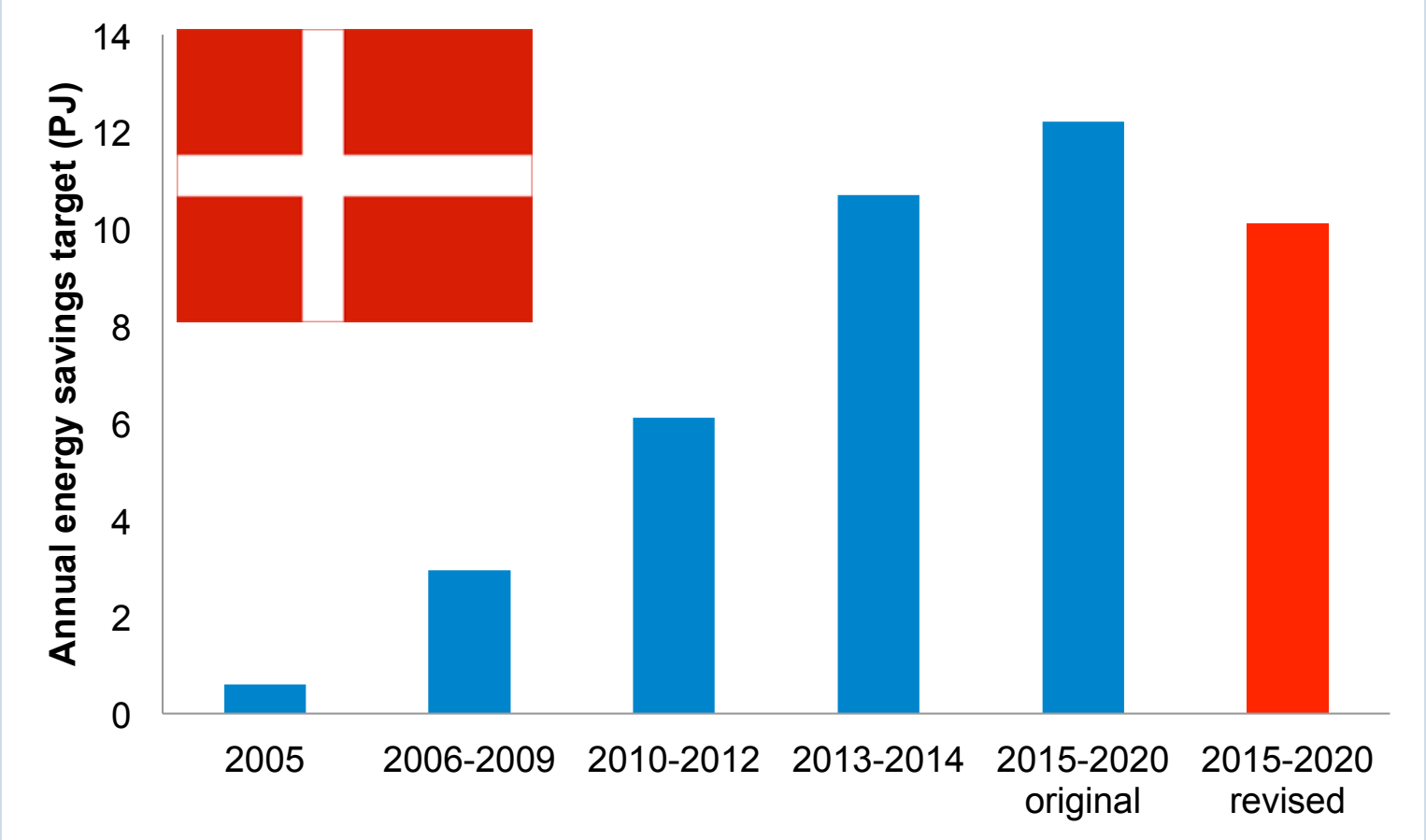
Can EEOS continue to deliver savings?

Continued EU support via ‘Winter Package’ proposals for energy saving framework by 2030. Extended time period could encourage adoption of EEOS.

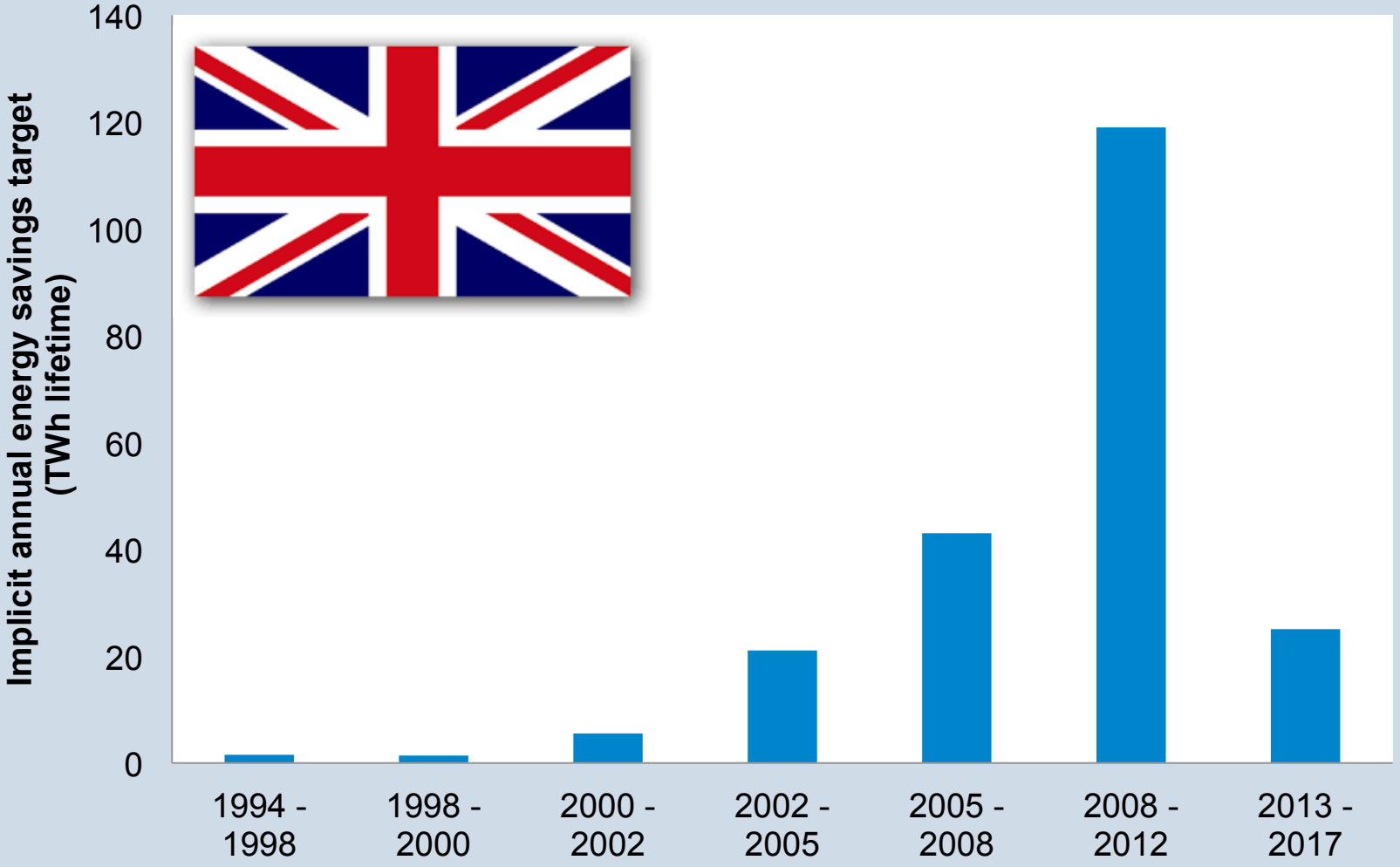
Increasing numbers of EEOS across the EU – although some proposed schemes have been withdrawn.

Longer-established schemes continuing to operate – some with increasing targets over time. But in other cases targets are lower – Denmark and the UK.

Danish EEOS, 2005 - 2020



UK EEOS, 1994 - 2017



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Will new EEOS meet their targets?

Risk of policy failure based on presence of voluntary phase and/or adoption of successful designs

	Ambition level (% of Article 7 savings)	Voluntary phase	Adoption of successful design	Risk of savings shortfall
Austria	42%	✓		Low
Croatia	41%			High
Ireland	48%	✓		Low
Latvia	65%			High
Luxembourg	100%		✓	Low
Malta	17%			Moderate
Poland	100%			Moderate
Slovenia	33%	✓		Low
Spain	44%			High

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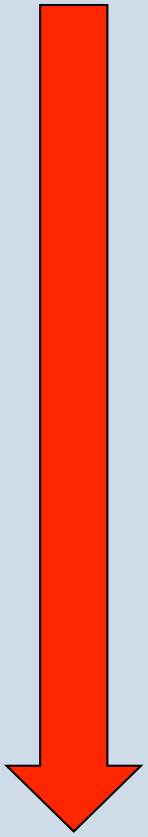
How might EEOS **not** have a future?

less likely



more likely

- No significant energy efficiency potential available from standardized measures
- EEOS policy is shown to fail in terms of efficacy / efficiency / cost-efficiency / equity
- Energy companies become more like ESCOs - so that they already deliver optimum energy efficiency
- Regressive revenue raising via (residential) energy customers, or very unequally distributed benefits, becomes unacceptable
- Energy company resistance
- Public / political resistance to energy price rises

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Conclusions

EEOS have delivered sustained energy savings over many years.

It is a flexible policy instrument & can meet varying national needs

The EU ‘energy efficiency first’ framing supports EEOS

Long-established schemes in the UK and Denmark have faced public and political challenges

New EEOS may not all meet their targets in the first phase

There is still a policy space for EEOS - but there are challenges – e.g. can EEOS deliver deep renovation of buildings?

Expertise and evidence about the benefits of EEOS must be shared with wider civil society – not only understood by experts

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Key questions & answers

Can established Energy Efficiency Obligation Schemes (EEOS) continue to deliver significant savings?

Probably

Will new EEOS meet their targets?

Possibly (unlikely that all will)

Do EEOS have an important future role?

Yes (we hope)

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