



# Implications of the Fit for 55 Package on Member States' Energy Saving Obligations

## Changes to the EED and other EU Directives and Regulations

25 July 2023



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# Contents

Contents .....	2
Summary .....	3
Abbreviations and acronyms .....	6
1. Introduction .....	7
2. Changes to the EED energy savings obligation (Articles 8, 9, 10 and Annex V) .....	9
2.1. Obligation level - Articles 8(1) and 8(13).....	9
2.2. Energy poverty (Article 8(3) and Annex V(1)).....	10
2.3. Fossil fuel exclusion (Annex V(2)).....	11
2.4. Other changes to the energy savings obligation (Article 8) .....	12
2.5. Energy efficiency obligation schemes (Article 9) .....	13
2.6. Alternative policy measures (Article 10) .....	14
2.7. Other changes to methods and principles for calculating impacts (Annex V).....	14
3. Other relevant changes to the EED.....	16
3.1. Energy efficiency targets (Article 4).....	16
3.2. Exemplary role of the public sector (Articles 5, 6 and 7).....	16
3.3. Energy management systems and energy audits (Art 11).....	17
4. Key changes to the Emission Trading System (ETS) Directive .....	19
4.1. ETS 2 (Article 30a-30k) .....	19
4.2. Free allocation of ETS 1 allowances (Article 10a) .....	20
5. Social Climate Fund (SCF) Regulation .....	21
6. Effort Sharing Regulation (ESR) .....	22
7. Renewable Energy Directive (RED).....	23
7.1. Renewables target (Art 3) .....	23
7.2. Renewable heating and cooling (Art 23) .....	23
7.3. Renewable energy supply in buildings (Art 15a) .....	24
8. Regulation on CO <sub>2</sub> emissions standards for cars and vans.....	25
9. Energy Performance of Buildings Directive (EPBD).....	26
9.1. Minimum Energy Performance Standards for existing buildings (Article 9).....	26
9.2. Zero-emission buildings (new buildings) (Article 7) .....	27
9.3. Fossil fuel boilers (Article 15).....	27
10. Energy Taxation Directive (ETD).....	28
10.1. Minimum taxation rates (Annex 1) .....	28
10.2. Ranking criterion (Article 5) .....	28
11. Concurrent EU developments outside the Fit for 55 Package .....	29
11.1. Ecodesign and energy labelling reviews .....	29
11.2. REPowerEU .....	30

## Summary

How does the Fit for 55 package and other recent European Union (EU) legislation affect Member States' implementation of their energy savings obligations under the Energy Efficiency Directive (EED)? The purpose of this paper is to answer that question, assessing changes to the energy savings obligation itself and considering the impact of other legislative changes (summarised in Table 1 below).

The EED energy savings obligation has changed in three key ways. First, the required amount of energy savings has increased. Second, a share of energy savings must be achieved among priority groups (the energy poverty ringfence). Third, new energy savings and policy measures regarding fossil fuel technologies are progressively excluded.

Of the other EU legislative changes, some support Member States' efforts to meet their energy savings obligations by providing other reasons to implement energy efficiency policy measures. For example, energy efficiency improvements help Member States to meet their Renewable Energy Directive targets. Similarly, targeted energy efficiency policy measures, supported by the Social Climate Fund, help to mitigate the price impact of the extension of emissions trading to fossil fuels used in buildings and transport.

Other legislative changes reduce the scope of energy savings eligible for the EED energy savings obligation, by strengthening EU law to the extent that some energy savings no longer meet the EED's additionality criteria. For example, Ecodesign measures that increase the minimum energy efficiency requirements for products and equipment reduce the scope for additional energy savings. Similarly, the Emissions Trading System (ETS) Directive makes a proportion of the EU Allowances freely allocated to installations contingent upon the implementation of cost-effective energy efficiency measures identified by energy audits undertaken in compliance with Article 11 EED. This reduces the scope for energy savings from policy measures supporting the take up of energy audit recommendations.

Some legislative changes have both supportive and detrimental effects on Member States' implementation of their energy savings obligations. For example, the extension of emissions trading to fossil fuels used in buildings and transport will increase the price of fossil gas and oil products in these sectors. This will make it easier to persuade households and businesses to take up policy support measures such as subsidies for building renovation and heating system changes. At the same time, some energy efficiency actions will no longer require policy support, as some end-users will act autonomously to act or change behaviour, removing their additionality.

The publication of this paper coincides with the adoption of the final text of the EED by the European Parliament and Council in July 2023. Other key elements of the Fit for 55 package of EU legislation have also been finalised over recent months. Some directives – notably the Energy Performance of Buildings Directive (EPBD) and the Energy Taxation Directive – remain in negotiation. Since the publication of the Commission's proposal for the Fit for 55 package, the RePowerEU initiative has created new obligations for Member States. Meanwhile other legislation, such as Ecodesign, has continued to evolve with reviews of individual product regulations. We plan to update the paper in the coming months, by when the EPBD negotiations are expected to have concluded.

Table 1. Impact of Fit for 55 Package on the potential for energy savings under the EED energy savings obligation.

Provision	Supports obligation?	Reduces potential?	Comments
EED energy efficiency targets	✓		EE targets are more ambitious
EED public sector provision	✓		Public sector obligations are more ambitious; savings can count to the energy savings obligation
EED energy audits	✓		Energy audits remove barriers to energy savings but do not require them
ETS 2 (buildings, road transport and small industry)	✓	✓	Carbon price removes barriers to some energy savings and means that other actions no longer need policy support
ETS 1 allowance free allocation rules		✓	Rules require installations to take up cost-effective audit recommendations to receive free allowances (removing additionality of other policy measures)
Social Climate Fund	✓		Provides a new funding source for energy efficiency measures
Effort Sharing Regulation	✓		Energy efficiency can contribute to achieving more ambitious emissions reduction targets
Renewable Energy Target (RED)	✓		Energy efficiency can contribute to achieving more ambitious target
Renewable Heating and Cooling Target (RED)	✓		Energy efficiency can contribute to achieving more ambitious target
Renewable Energy Supply in Buildings Target (RED)	✓		Energy efficiency can contribute to achieving more ambitious target
New car and van CO <sub>2</sub> emissions regulations	✓	✓	The acceleration in emissions reductions increases the savings from early retirements. A more efficient vehicle fleet reduces the energy savings from in-use efficiency actions (e.g. eco-driving).
Minimum Energy Performance Standards for buildings (EPBD)	✓		Provides an additional driver for energy savings that can count under the energy savings obligation
Zero emissions buildings (EPBD)		✓	Removes some savings from more ambitious national building codes (e.g. passive house).
Fossil fuel boiler provisions (EPBD)	✓		Broadly aligned with fossil fuel exclusion provisions in EED (with different dates).

Minimum energy taxation levels (ETD)		✓	Increased minimum levels (except for electricity) would remove some savings from national taxation measures
ETD ranking criterion	✓		Would require electricity taxes to be lower than gas, coal, oil and biomass, encouraging electrification and energy savings
Ecodesign updates		✓	Minimum standards require higher energy efficiency removing energy savings potential
REPowerEU emergency measures	✓		Emergency measures can count as long as they are not rationing measures

## Abbreviations and acronyms

Acronym	Designation
EED	Energy Efficiency Directive
EEOS	Energy Efficiency Obligation Scheme
EPBD	Energy Performance of Buildings Directive
ESR	Effort Sharing Regulation
ETD	Energy Taxation Directive
ETS	Emissions Trading System
EU	European Union
FEC	Final Energy Consumption
GHG	Greenhouse gases
MEPS	Minimum Energy Performance Standards
NECP	National Energy and Climate Plan
NECPR	National Energy and Climate Progress Report
RED	Renewable Energy Directive
SCF	Social Climate Fund Regulation
SCP	Social Climate Plan
TJ	TeraJoule

# 1. Introduction

The objective of this paper is to provide policy makers and stakeholders with a practical update about the EU legislative framework through the lens of the EED energy savings obligation. The Table of Contents makes it easy to navigate to the legislation the readers are interested in. For each piece of legislation, the sections first describe the changes or additions, and then assess their implications, as regards the energy savings obligation.

The European Commission released legislative proposals for many climate and energy directives and regulations as the Fit for 55 Package in July 2021.<sup>1</sup> The Package updates the framework of climate and energy directives in the context of increased climate ambition<sup>2</sup>. A proposed revision to the Energy Performance of Buildings Directive (EPBD) followed in December 2021.<sup>3</sup> The REPowerEU initiative, launched in 2022 after Russia invaded Ukraine, has shaped the negotiation of the new provisions.<sup>4</sup>

This paper sets out changes to the Energy Efficiency Directive (EED), and other directives, to the extent that they have been agreed by EU legislators by 25 July 2023. We will publish an updated in the coming months, by when most of the negotiations on other files are expected to have concluded.

The paper focuses only on the changes that have an impact on the EED energy savings obligation - Articles 8, 9 and 10 (formerly Articles 7, 7a and 7b) and Annex V of the EED. Most important amongst these are the changes to the provisions on the energy savings obligation itself (see chapter 2).

Changes to other elements of the EED (see chapter 3) and other directives are also relevant:

- Some changes complement the energy savings obligation, providing additional drivers for eligible energy savings.
- Other changes reduce the scope for eligible energy savings by requiring actions under EU law, with implications for the additionality of some savings.

The other elements of the Fit for 55 Package assessed in this paper are the:

- Emissions Trading System (ETS) Directive (chapter 4)
- Social Climate Fund (SCF) Regulation (chapter 5)
- Effort Sharing Regulation (ESR) (chapter 6)
- Renewable Energy Directive (RED) (chapter 7)
- Regulation on CO<sub>2</sub> emissions standards for cars and vans (chapter 8)

Other relevant Directives that have yet to be negotiated are the:

- Energy Performance of Buildings Directive (EPBD) (chapter 9)
- Energy Taxation Directive (ETD) (chapter 10)

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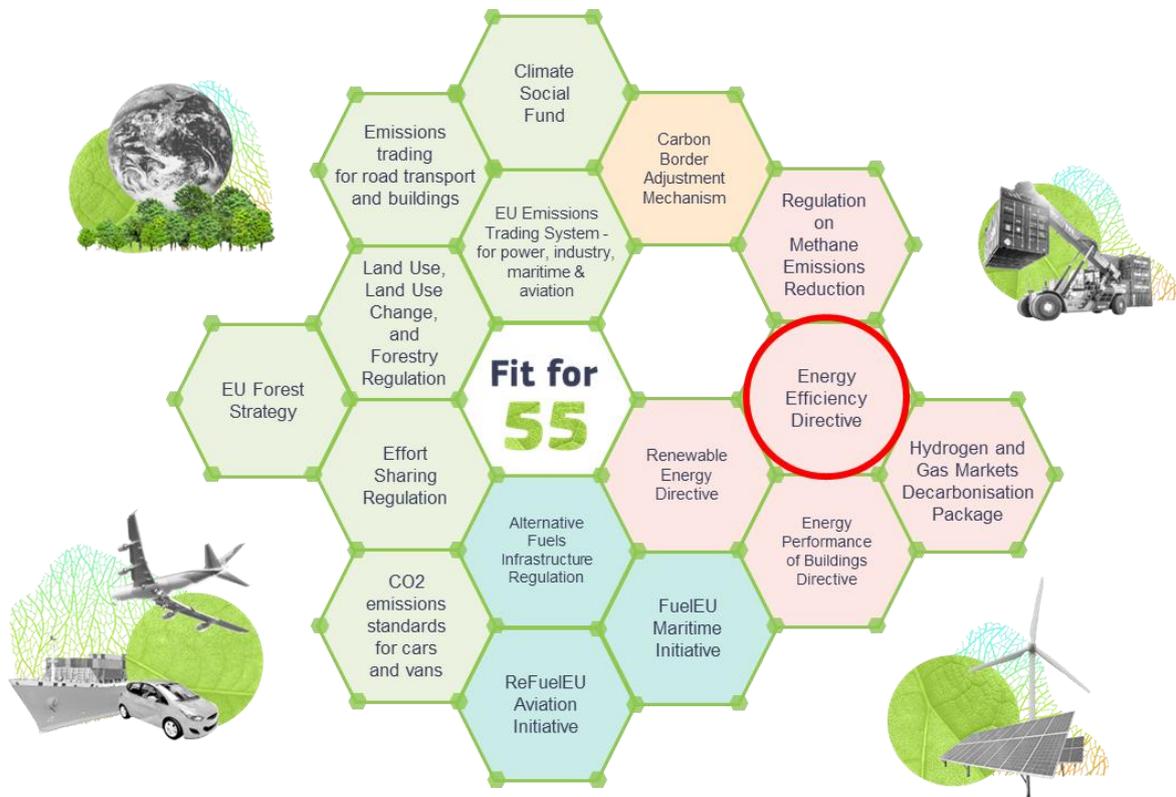
<sup>1</sup> European Council (2023). [Fit for 55](#). Webpage accessed 14 April 2023.

<sup>2</sup> In June 2021, the EU adopted the European Climate Law, setting an intermediate target of reducing greenhouse gas emissions by at least 55% by 2030 (compared to 1990 levels). This replaced the previous target of a 40% reduction. See European Union (2021). [European Climate Law](#).

<sup>3</sup> European Commission (2021). [Proposal for a Directive of the European Parliament and of the Council on the energy performance of buildings \(recast\)](#).

<sup>4</sup> European Commission (2022). [REPowerEU Plan](#).

Ecodesign regulations are not part of the Fit for 55 Package, however regulations relevant to energy using technologies are updated on a periodic basis. We look forward to expected Ecodesign revisions at the end of this document (section 11.1).



Source: European Commission

Figure 1. Overview of the Fit-for-55 Package.

## 2. Changes to the EED energy savings obligation (Articles 8, 9, 10 and Annex V)

On 10 March 2023, the Council presidency and the European Parliament reached a provisional political agreement on the EED. On 11 July 2023, the European Parliament adopted a text, which was then adopted in similar terms by the Council on 25 July. The information set out in this section is based on the final compromise text, adopted by the European Parliament and Council adopted in July 2023.<sup>5</sup>

The major changes expected in the EED recast were set out in a previous ENSMOV report:<sup>6</sup> (1) higher targets (the required amount of energy savings), (2) a share of energy savings to be achieved among priority groups (energy poverty ringfence), and (3) the progressive exclusion of energy savings from fossil fuel technologies. While assessing the final version of these provisions, this chapter also reviews the other changes introduced in Article 8, 9, 10 and Annex V of the EED recast.

### 2.1. Obligation level - Articles 8(1) and 8(13)

#### 2.1.1. New provisions

In line with the higher target about the reduction in GHG emissions by 2030 adopted in the EU Climate Law, the co-legislators agreed that the required rate of new annual savings will rise gradually from the current 0.8% of final energy consumption (FEC) in 2021-2023 to 1.3% in 2024 and 2025, 1.5% in 2026 and 2027, and 1.9% from 2028. Cyprus and Malta will see their new annual savings rate rise from 0.24% now to 0.45% from 2024. The required rate in 2028-2030 (1.9%) continue in the post-2030 periods.

Under-achievement of the cumulative energy savings required during the 2021-2030 period will need to be achieved in the post-2030 period. In case of overachievement, 10% of the excess cumulative energy savings in the 2021-2030 period can be carried over to the post-2030 period. This also applies to subsequent periods.

#### 2.1.2. Assessment

The agreed new annual savings rates are equivalent to a new average annual savings rate of 1.49% in each year over the period 2024 to 2030.

The increase in the new annual savings rate from 2024 translates into a 44% increase, on average, in the cumulative energy savings that Member States must achieve over the 2021-2030 period.<sup>7</sup> This represents a significant increase in energy savings that will need to be

<sup>5</sup> European Union (2023). [Directive of the European Parliament and of the Council on energy efficiency and amending Regulation \(EU\) 2023/955 \(recast\)](#). Final compromise text.

<sup>6</sup> Thomas, S. et al (2022). [Energy efficiency policy for a Fit for 55 world](#). ENSMOV H2020 project Deliverable 5.4.

<sup>7</sup> The exact cumulative energy savings (ktoe) that Member States will need to achieve is likely to be affected by a change to the definition of FEC, which now excludes energy use in blast furnaces.

reflected in new and/or more ambitious energy efficiency policy measures by Member States.<sup>8</sup> The cumulative nature of the obligation over the 2021-2030 period, means that more ambitious policy measures put in place as early as possible, including before 2024, will help Member States to meet their increased targets, particularly if early actions have long lifetimes.

## 2.2. Energy poverty (Article 8(3) and Annex V(1))

### 2.2.1. New provisions

In line with the objective of a just transition, the co-legislators agreed that Member States must deliver a share of their energy savings obligations among priority groups: people affected by energy poverty, vulnerable customers, low-income households and, where applicable, people living in social housing.

The share of energy savings shall at least equal the proportion of households in energy poverty as assessed in Member States' National Energy and Climate Plans (NECPs), having considered the four indicators listed in the bullets below. If the share of energy poverty is not included in their NECP, Member States must calculate the share as at least equal to the arithmetic average of these four indicators in 2019:

- Inability to keep home adequately warm;<sup>9</sup>
- Arrears on utility bills;<sup>10</sup>
- Total population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor;<sup>11</sup> and
- At-risk-of-poverty rate (cut-off point: 60 % of median equivalised income after social transfers).<sup>12</sup>

Article 8(3) also requires Member States to ensure that policy measures pursuant to Article 8 have no adverse effects on the priority groups, making the best possible use of funding to remove adverse effects.

Point (d) of Annex V(1) allows Member States to use engineering estimates using standardised occupancy and thermal comfort conditions or parameters when estimating energy savings amongst the priority groups and reported for Article 8(3).

### 2.2.2. Assessment

The requirement to make energy savings among priority groups will mean new, or adapted, policy measures will need to be introduced in many countries. Member States can learn from experience in countries that have already implemented energy poverty alleviation measures through energy efficiency actions.<sup>13</sup> This also means that the monitoring systems of the policy

<sup>8</sup> See [ENSMOV report](#) mentioned in footnote 6. More resources on energy savings potentials in the context of Article 8 EED will soon be available at [energysavingpolicy.eu](http://energysavingpolicy.eu)

<sup>9</sup> Eurostat (2023). Eurostat, SILC [[ilc\\_mdes01](#)].

<sup>10</sup> Eurostat (2023). Eurostat, SILC, [[ilc\\_mdes07](#)].

<sup>11</sup> Eurostat (2022). Eurostat, SILC [[ilc\\_mdho01](#)].

<sup>12</sup> Eurostat (2023). Eurostat, SILC and ECHP surveys [[ilc\\_li02](#)].

<sup>13</sup> See for example the ENSMOV Policy Brief on [Alleviating energy poverty and Article 7 EED](#), or other resources available at [energysavingpolicies.eu](http://energysavingpolicies.eu) by using the filter "energy poverty and social aspects" in

measures reported to Article 8 should be able to identify the energy savings achieved among priority groups. This might create new challenges for Member States where policy measures are not fully dedicated to these priority groups.

The requirement to ensure that policy measures pursuant to Article 8 have no adverse effects on the priority groups aligns with the new Article 24 of the EED (related to energy poverty) and the goals of the Social Climate Fund, extending this principle to national policy measures that impact on customer bills, such as taxation measures and Energy Efficiency Obligation Schemes (EEOSs).

Energy poverty can be related to deprivation, i.e. lower use of energy (also called *prebound effect*) in case of unaffordable energy costs. Energy efficiency actions then make possible for households to meet decent comfort conditions, with part of the energy efficiency improvements not materializing in reduction of energy consumption (due to the low initial energy consumption). The possibility added in Annex V(1) to use standard assumptions on comfort conditions for Article 8(3) savings thus enables energy savings in energy poor households to be counted as if they were a non-energy poor household. This will avoid the situation where very small actual energy savings would make it virtually impossible for Member States to meet their energy poverty ringfence. In the meantime, this has implications for reporting on the impact of the energy savings obligation on the achievement of the Article 4 EED energy efficiency target (see Section 3.1), because energy savings reported to the energy savings obligation will be higher than the actual reduction in final energy consumption.

## 2.3. Fossil fuel exclusion (Annex V(2))

### 2.3.1. New provisions

In line with the new GHG emissions target for 2030 and the long-term objective of carbon neutrality, the co-legislators agreed that energy savings from the use of direct fossil fuel combustion technologies will progressively be no longer eligible to Article 8 EED:

- From 1 January 2024, the exclusion will apply first to the level of the individual actions: energy savings from direct fossil fuel combustion technologies promoted by newly implemented policy measures will no longer be eligible to Article 8.
- From 1 January 2026, the exclusion will be extended to the level of the policy measures. The policy measures that would meet one of the following conditions will no longer be eligible to Article 8:
  - Newly implemented policy measures whose scope includes direct fossil fuel combustion technologies;
  - All policy measures (existing or newly implemented) subsidising the use of direct combustion of fossil fuel technologies in residential buildings.

By way of derogation, fossil fuel combustion energy savings in energy intensive enterprises can still count until 2030, provided a set of conditions are met: (1) the enterprise has carried out an energy audit pursuant to Article 11 EED (see Section 3.3), (2) the audit recommends the technology and has a payback of five years or less, (3) the technology does not lead to lock-in effects or increase the capacity of the installation, (4) evidence is provided that no alternative, sustainable non-fossil fuel solution was technically feasible, and (5) evidence is publicly available.

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["Topics"](#). Or resources from the [SocialWatt](#) project, including [country factsheets](#) and a [policy brief](#) on the EED energy poverty ringfence.

### 2.3.2. Assessment

The fossil fuel exclusion provisions align well with the Commission’s modelling, presented in the Impact Assessment accompanying the Climate Target Plan, which showed the biggest percentage of CO<sub>2</sub> emission reductions taking place in the buildings sector.<sup>14</sup> The decarbonisation of heat in residential buildings is prioritised in the provisions, with the ineligibility from 2026 of all policy measures that subsidise fossil fuel boilers.

This is not equivalent to a complete ban of fossil fuel technologies. Such technologies may still be installed, depending on national legislation<sup>15</sup>. Member States may still subsidise them, as long as this complies with other EU legislation<sup>16</sup>. However, the energy savings from these technologies can no longer be reported to Article 8. This is a first step towards the phase out of fossil fuel technologies, encouraging Member States to anticipate and already stop subsidising these technologies.

Energy savings from the reduction of fossil fuel final energy consumption through fuel-neutral technologies (e.g. insulation of building envelope) and behaviour change (e.g. ecodriving) remain eligible.

The provisions related to policy measures mean that, where they include support for fossil fuel combustion technologies, all the energy savings attributable to the policy measure cannot count, whether or not they regard the use of fossil fuel combustion technologies. This also applies to all policy measures newly implemented from January 2026, whatever the sector.

## 2.4. Other changes to the energy savings obligation (Article 8)

There are some other changes to Article 8 that have less of an impact on Member States’ policy measures.

### 2.4.1. New provisions

Article 8(3) requires Member States to consider and promote the role of **energy communities** in the design of their policy measures reported to Article 8.

Article 8(14) (b) requires Member States to demonstrate how their achieved energy savings contribute to their **national contributions towards the EU’s energy efficiency target** (Article 4 EED, see Section 3.1).

Article 8(14) (c) requires Member States to demonstrate that their **policy measures are established for fulfilling their energy savings obligation**.

<sup>14</sup> European Commission (2020). [Impact Assessment accompanying Stepping up Europe’s 2030 climate ambition. Investing in a climate-neutral future for the benefit of our people.](#)

<sup>15</sup> Some Member States have already banned certain fossil fuel technologies, independently of EU legislation.

<sup>16</sup> The EPBD recast may forbid subsidising fossil fuel boilers in buildings from a given deadline. The text of this recast is under negotiation by the EU co-legislators (see Section 9.3).

## 2.4.2. Assessment

The provision on energy communities requires Member States to engage with this topic, as this can be a way to ensure that policy measures can benefit all parts of society and tackle energy poverty. Countries can learn from experience in places where this is already the case<sup>17</sup>.

The provision related to the connection between the energy savings obligation and energy consumption (the metric used in the Article 4 EED target) will require Member States to assess policy impacts alongside other factors affecting energy consumption. Particular attention will need to be paid to the energy savings reported under the energy poverty ringfence (see Section 2.2), as there is scope for Member States to report energy savings based on standard assumptions (and not the likely initial lower energy consumption of households who could not afford decent comfort). The introduction of the energy poverty ringfence, means that policy measures designed only to meet the EED energy savings obligation will likely contribute less to the achievement of energy efficiency targets, that are based on absolute levels of energy consumption.<sup>18</sup> Member States will need to take this into account when designing strategies to meet their energy efficiency targets.

The provision on the eligibility of policy measures does not mean that achieving final energy savings should be the main or only objective of the policy measure. However, this should be explicitly one of its objectives. The policy measure should then be clearly notified in the reporting to Article 8 (e.g. in the NECP or National Energy and Climate Progress Report – NECPR), with a M&V system complying with the Annex V requirements.

## 2.5. Energy efficiency obligation schemes (Article 9)

There are some changes to Article 9 that have a limited impact on Member States' policy measures.

### 2.5.1. New provisions

Article 9(2) sets out some clarifications that do not directly affect Member States' compliance with Article 8 (e.g. including transmission system operators in the list of **potential obligated parties**).

Article 9(5) confirms that EEOs can be used as measures aimed to achieve Member States' **energy poverty** ringfences, while also highlighting that EEOs can be used to reduce costs or provide financial support for **SMEs and microenterprises** through energy efficiency improvement measures.

<sup>17</sup> See for example: [https://energy-communities-repository.ec.europa.eu/index\\_en](https://energy-communities-repository.ec.europa.eu/index_en) And [https://energy.ec.europa.eu/topics/markets-and-consumers/energy-communities\\_en](https://energy.ec.europa.eu/topics/markets-and-consumers/energy-communities_en)

<sup>18</sup> A smaller contribution from policy measures can also be a sign that the reported energy savings could have been over-estimated, and that further verifications of energy savings would be needed.

Article 9(6) requires that actions in individual units located in **multi-apartment buildings** are eligible measures within EEOs. It also requiring Member States to encourage obligated parties to carry out actions such as building renovation, replacement of appliances and financial support and incentives. The same paragraph also explains that Member States may require obligated parties to work with **regional and local authorities or municipalities and social services** to promote energy efficiency improvement measures amongst the groups targeted to comply with the energy poverty ringfence.

Article 9(9) requires that the **impact of the carbon price under ETS 2** (see Section 4.1) be taken into account in the calculation and reporting of energy savings, where an obligated party is subject to both ETS 2 and an EEOs.

### 2.5.2. Assessment

Article 9(9) singles out the impact of ETS 2 amongst EEOs where the obligated parties are fossil fuel suppliers. However, Member States complying with Annex V EED, should already be complying with this provision, as the impact of ETS 1 on energy prices should already be accounted for when calculating the additionality of energy savings.

## 2.6. Alternative policy measures (Article 10)

There is one change to Article 10 that may have some impact on Member States' policy measures.

### 2.6.1. New provisions

Article 10(4) requires Member States to demonstrate, when reporting a **taxation measure**, how the effectiveness of the price signal has been ensured and, where there is a decrease in the tax rate, how the taxation measure produces new energy savings.

### 2.6.2. Assessment

The requirement to demonstrate the effectiveness of the price signal will likely mean that Member States will need to undertake research to assess effectiveness.

The provision related to decrease in tax rates will likely mean that Member States will need to reassess the correct elasticity to apply when the difference between the national tax rate and the minimum tax rate required under the Energy Taxation Directive is smaller than in previous years.

## 2.7. Other changes to methods and principles for calculating impacts (Annex V)

Many of the changes to Annex V relate to additionality to other aspects of EU law. Where this is the case, this paper deals with them in separate sections:

- Section 3 for additionality to other parts of the EED
- Section 4 for additionality to the ETS Directive
- Section 6 for additionality to the ESR
- Section 9 for additionality to the EPBD and

- Section 11.2 for additionality to REPowerEU (emergency measures).

The remainder of Section 2.7 deals with the changes to Annex V that are not dealt with elsewhere in this paper, that will have an impact on Member States energy savings calculations or reporting.

### 2.7.1. New provisions

Annex V(2) (a) requires Member States to demonstrate that one of the **objectives of a policy** measure, whether new or existing, is the achievement of end-use energy savings. The provision also requires Member States to provide **evidence, including documentation, that the energy savings are caused by a policy measure**, including voluntary agreements.

Annex V(2) (i) allows Member States to exclude the heat produced by **solar thermal** technologies from solar radiation from their end-use energy consumption.

Annex V(4) (b) on **taxation measures**, says that short-run elasticities shall represent the responsiveness of energy demand to price changes, and that they must be estimated on the basis of recent and representative official data sources applicable for the Member State and, where applicable, based on accompanying studies from an independent institute. Where other elasticities than short-run elasticities are used, Member States must explain how double-counting with EU law has been avoided. Annex V(4) (d) then says that short-run elasticities should be used to avoid overlap with both Union law and other policy measures. Annex V(4) (e) requires Member States to assess distributional effects of taxation measures on the priority groups listed in Article 8(3) and how these effects are mitigated. Annex V(4) (f) requires Member States to provide evidence, including calculation methodologies, showing that there is no double counting with the ETS Directive.

### 2.7.2. Assessment

The requirement to provide evidence that energy savings are caused by a policy measure is a strengthening of the materiality and additionality criteria. Member States will likely need to undertake evaluation studies to provide the documentation required.

The provision on solar thermal allows this technology to benefit from the same derogation afforded to ambient heat technologies (such as heat pumps). By not counting the heat produced from solar radiation, Member States can count all the avoided fuel and electricity resulting from a solar thermal installation (still taking into account the final energy consumption of the ancillaries of the solar thermal installations).

The updated requirements on taxation measures mean that Member States will need to justify the elasticity estimates used, explain how double counting has been avoided, determine the distributional effects and show the effects of mitigation measures. This will likely require additional analysis by Member States. The provisions around distributional effects are linked to the provisions of the new Article 24 of the EED on energy poverty.

## 3. Other relevant changes to the EED

This chapter assesses the other changes to the EED that are likely to have some impact on Member States' implementation of their Article 8 EED energy savings obligations.

### 3.1. Energy efficiency targets (Article 4)

#### 3.1.1. New provisions

The co-legislators agreed on an EU-wide final energy consumption reduction target of at least 11.7% in 2030 compared to the energy consumption forecasts for 2030 made in 2020. This can be translated to an upper limit of 763 Mtoe and 992.5 Mtoe of EU's final and primary energy consumption respectively, with the final energy consumption limit to be collectively binding. Member States will contribute to the overall target through the indicative national contributions and trajectories, set in their updated NECPs. A formula for each Member State to calculate their national contribution is added as Annex I of the EED recast.

In case the national contributions do not add up to achieve the target, the Commission will initiate a gap-filling mechanism to correct and increase the national contributions that are below the corresponding amount calculated using the formula of Annex I.

#### 3.1.2. Assessment

The new energy efficiency target is in between the Commission's and Parliament's suggestions and the limits are considerably lower than the 2018 EED. The higher overall EU target for 2030, will require an increase in the energy savings that the Member States should indicate in their NECPs so that altogether they reach the 11.7% target.

The increase in the energy efficiency target complements the Article 8 increased obligation level (see Section 2.1), as it supports the development of new or strengthened policy measures that can deliver new, eligible energy savings under Article 8, provided that they meet the requirements of Annex V EED.

### 3.2. Exemplary role of the public sector (Articles 5, 6 and 7)

#### 3.2.1. New provisions

The Council and the Parliament agreed to the introduction of a new obligation of 1.9% annual energy consumption reduction (compared to 2021) for the public sector (Article 5 EED). In addition, the previous obligation for Member States to renovate annually 3% of the total floor area of the central government buildings is extended to cover all building owned by public bodies<sup>19</sup>, thereby adding the regional and local levels to the obligation's scope (Article 6 EED). The revision also clarifies that the renovations should aim at transforming the public buildings

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<sup>19</sup> In Article 2(12) of EED recast, public bodies are defined as "national, regional or local authorities and entities directly financed and administered by those authorities but not having industrial or commercial character".

into Nearly-zero energy buildings (NZEBS) or Zero-Emission Buildings. Finally, when it comes to public procurement (Article 7 EED), Member States shall ensure that contracting authorities and contracting entities purchase only products, services, buildings and works with high energy efficiency performance in accordance with Annex IV requirements, while for those contracts and concessions where no specific requirement is mentioned, Member States shall ensure that the energy efficiency first principle is applied<sup>20</sup>.

### 3.2.2. Assessment

The introduction of a binding annual energy consumption reduction target in the public sector, as well as the extended requirement for public buildings' renovations, is expected to trigger additional policy measures. Both amendments come as an increase in the scope of the obligations for the public sector. This may also contribute to Member States' achievement of their energy savings obligation set in Article 8.

Point (c) of Annex V(2) clarifies that the measures put in place to fulfill the requirements of Article 5 and Article 6, can be counted towards meeting the energy efficiency obligations of Article 8, provided that they result in verifiable, and measurable or estimable, end-use energy savings. For example, energy savings from alternative measures such as subsidies schemes for energy renovation of public buildings could be counted under Article 8.

Regarding public procurement, the previous directive was addressing central government, and only required *encouragement* of regional and local governments to follow the energy efficient procurement requirements. The EED recast does not make this differentiation and addresses all contracting authorities that conclude public contracts and concessions with values above the defined thresholds. This could reduce the scope of national regulation addressing public procurement at local and regional level. However, the impact is likely limited as the requirements on public procurement deal with new products or buildings, which in most cases little energy savings were eligible to Article 8 anyway, due to the provisions of Annex V(2) requiring additionality to the minimum energy performance requirements set in ecodesign regulations or regulations for new buildings or EU emission standards for new vehicles.

## 3.3. Energy management systems and energy audits (Art 11)

### 3.3.1. New provisions

The EED recast revises the obligations related to energy audits and energy management systems. The new requirements relate to businesses' energy consumption instead of their size, with two thresholds: (1) enterprises with an average annual energy consumption of the three previous years higher than 85 Terajoules (TJ) shall implement an energy management system (Article 11(1)); and (2) companies with energy consumption higher than 10 TJ will have to carry out an energy audit, at least once every four years, except if they have an energy management system in place (Article 11(2)).

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<sup>20</sup> Based on Article 7(1) the requirement applies to contracts and concessions that has a value equal or higher to the threshold of Article 8 of the Directive 2014/23/EU, Article 4 of the Directive 2014/24/EU, and Article 15 of the Directive 2014/25/EU.

The EED recast also adds two new points to the minimum criteria for energy audits, presented in Annex VI of the directive. These require energy audits to identify: (i) energy efficiency measures to decrease energy consumption; and (ii) the potential for cost-effective use or production of renewable energy.

In addition, Article 12 on data centres requires Member States to disclose information on the energy consumption of data centres in their countries with power demand of at least 500kW, and also encourage the owners and operators of the data centres with installed IT power demand equal or greater than 1MW to take into account best practices referred to in the most recent version of the European Code of Conduct on Data Centre Energy Efficiency<sup>21</sup>.

### 3.3.2. Assessment

The introduction of a mandatory requirement for enterprises consuming more than 85 Terajoules (TJ) to implement an energy management system and for those consuming more than 10TJ to perform an energy audit every four years (except if they already have an energy management system in place), reduces the scope for savings from national regulation addressing SMEs with large energy consumption that were not subject to mandatory energy audits with the criteria used in the previous directive.

The provisions on mandatory energy management systems or audits also go a step further, compared to the previous EED, by requiring the obligated companies to define an action plan based on the recommendations. However, policy measures that would support the implementation of the recommendations remain eligible to Article 8 (e.g. public subsidies or financial incentives from obligated parties within EEOS; national or local regulation requiring the implementation of the recommendations; and voluntary agreements where participating parties need to commit to energy savings targets and/or to the implementation of the recommendations).

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<sup>21</sup> See: European Commission (2023). [2023 Best Practice Guidelines for the EU Code of Conduct on Data Centre Energy Efficiency](#). Joint Research Centre Technical Report.

## 4. Key changes to the Emission Trading System (ETS) Directive

[Directive \(EU\) 2023/959](#) of 10 May 2023 amended the Directive 2003/87/EC, revising the EU Emission Trading System<sup>22</sup>. Amongst the provisions are the following:

- to expand emissions trading to fuels used for combustion in buildings, road transport and industrial activities not covered by the existing ETS (ETS 1), through the establishment of a separate but adjacent emissions trading system (ETS 2); and
- to link 20% of the free allocation of (ETS 1) EU allowances provided to installations covered by the energy audit obligation (now Article 11 of the EED, see Section 3.3), to the implementation of cost-effective audit recommendations.

### 4.1. ETS 2 (Article 30a-30k)

#### 4.1.1. New provisions

Regulated entities releasing fossil fuels for combustion in the buildings, road transport and industrial sectors not covered by ETS 1 must hold permits by 2025 and, from 2027, surrender allowances to cover their CO<sub>2</sub> emissions. This will run as a separate system, at least in the short run.

The EU-wide quantity of allowances will be auctioned, unless placed in the Market Stability Reserve, from which allowances will be released in the event of excessive allowance price increases or sustained prices exceeding 45 Euros per tonne of CO<sub>2</sub>.

ETS 2 emissions trading may be postponed until 2028 in the event of exceptionally high gas or oil prices. Member States may opt regulated entities out of ETS 2 until 2030 if their emissions are covered by a national carbon tax that is higher than the average ETS 2 auction clearing price.

#### 4.1.2. Assessment

The extension of emissions trading to buildings, road transport and the rest of the industrial sector means that virtually all energy end-use sectors are covered by the ETS. This is likely to have a broadly neutral impact on compliance with the EED energy savings obligation. Increases in the cost of fossil fuels will mean that some energy efficiency actions will no longer require policy support, others will require less support (e.g. lower subsidies) and a further set of actions will become cost-effective with prevailing levels of support.

Annex V EED makes it clear that energy savings from eligible energy efficiency policy measures in the sectors covered by both ETS 1 and ETS 2 can count towards Member States' obligations as long as they comply with the measurement, verification and energy savings calculation requirements of Annex V.

<sup>22</sup> A consolidated version of the Directive can be found here: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02003L0087-20230605>

## 4.2. Free allocation of ETS 1 allowances (Article 10a)

### 4.2.1. New provisions

The revision of the Directive introduced the provision that, if an installation is covered by the obligation to conduct an energy audit or to implement a certified energy management system under the EED, the amount of free allocation of ETS 1 allowances will be reduced by 20%, unless the recommendations of the audit (or energy management system) with pay-backs of three years or less have been implemented or the costs of the investments are disproportionate.

### 4.2.2. Assessment

The link between free allocation and energy audits creates a strong driver for energy efficiency investments in the installations affected, meaning that complementary energy efficiency policy measures are unlikely to be material to investment decisions. Annex V EED clarifies that Member States can only count energy savings from policy measures in affected installations if they go beyond the implementation of actions linked to the allocation of free allowances.

## 5. Social Climate Fund (SCF) Regulation

[Regulation \(EU\) 2023/955](#) of 10 May 2023 established a Social Climate Fund (SCF) to provide funds for Member States to support their policies to address the social impacts of the introduction of emissions trading for buildings and road transport (see ETS 2 in Section 4.1). The Fund would support vulnerable households, vulnerable micro-enterprises and vulnerable transport users, through temporary income support and energy efficiency actions.

### 5.1.1. New provisions

The SCF will be funded through auction receipts from the ETS (ETS Directive Articles 10a and 30d) up to a maximum of 65 billion Euros over the period 2026 to 2032 (54.6 billion Euros between 2027 and 2032 in the case where the start of ETS 2 is delayed until 2028) (Article 10). To access the SCF, Member States must submit Social Climate Plans (SCPs) by 30 June 2025 (Article 4), consistent with their updated National and Energy Climate Plans (NECPs). Measures providing temporary direct income support shall not represent more than 37.5% of the estimated total cost of SCPs (Article 8). Member States must contribute at least 25% of the total estimated costs of their SCPs (Article 15). Support from the SCF must be additional and not substitute for recurring national budgetary expenditure (Article 13).

### 5.1.2. Assessment

The SCF will provide Member States with funding for new energy efficiency policy measures eligible under the energy savings obligation. The requirement that most expenditure under the SCPs must be on investments with lasting impacts, such as building renovations, electrification of heating and cooling and incentives to use public transport, should lead to new eligible energy savings if they comply with Annex V EED. The requirement that expenditure should focus on vulnerable groups aligns well with the energy poverty ringfence agreed as part of the updated energy savings obligation (see Section 2.2).

## 6. Effort Sharing Regulation (ESR)

[Regulation \(EU\) 2023/857](#) of 19 April 2023 amended the 2018 Effort Sharing Regulation (ESR), providing the conditions for the period 2021-2030.<sup>23</sup>

### 6.1.1. New provisions

The ESR for 2021-2030 establishes collective and national binding targets, and annual emissions allocations (AEAs) for Member States, to cut greenhouse gas emissions from energy, industrial, agriculture and waste sources not included in the current scope of the EU ETS (ETS 1). Collectively, the targets would reduce EU emissions in the ESR sectors by 40% compared to 2005 levels, with national emissions reduction targets ranging from a reduction of 10% in Bulgaria to 50% in Denmark, Finland, Germany, Luxembourg, and Sweden. Trading of AEAs between Member States will be allowed (up to 10% of annual allocations until 2025 and 15% between 2026 and 2030). There are some restricted flexibilities to meet ESR targets through transfer of effort from ETS 1 (cancelling EU Allowances) and from land-use, land-use change and forestry (LULUCF) targets.

### 6.1.2. Assessment

Higher ESR targets complement the EED energy savings obligation well. Member States will likely implement new and/or more ambitious policy measures to reduce emissions in the sectors covered by the ESR. For those Member States with very ambitious ESR targets, energy efficiency policy measures will likely be amongst the most cost-effective policies to deliver the necessary emission reductions. For those Member States with less ambitious ESR targets, energy efficiency policy measures could also generate emissions reductions that could be traded with Member States that have fewer cost-effective opportunities to meet their targets within their own countries.

An additional impact worth noting is that compliance with ESR targets is calculated using bottom-up information on fuel use and other activities that generate greenhouse gas emissions. Member States wishing to use energy efficiency policy measures to help meet their ESR targets might prioritise energy efficiency actions that deliver measurable reductions in the final energy consumption of fossil fuels.

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<sup>23</sup> See also: Yougova, D. (2023), [Revising the Effort-sharing Regulation for 2021-2030: 'Fit for 55' package](#). European Parliamentary Research Service Briefing on EU Legislation in Progress

## 7. Renewable Energy Directive (RED)

On 30 March 2023, the Council presidency and the European Parliament reached a provisional political agreement on the RED. The information set out in this section is based on the press release provided by the Council of the EU following the conclusion of the trilogue negotiations.<sup>24</sup> As the agreement is provisional, changes may be agreed before the updated RED becomes EU law.

### 7.1. Renewables target (Art 3)

#### 7.1.1. Position

The provisional agreement raises the share of renewable energy in the EU's gross final energy consumption to 42.5% by 2030, with a potential top up that would allow the target to reach 45%. Member States have to set national contributions that collectively meet the EU's binding target and put in place policy measures designed to achieve their national contributions.

#### 7.1.2. Assessment

The increase in the target, from the current 32% in 2030, is significant. Member States' energy efficiency policy measures that prioritise efficient renewable technologies will help the EU to meet the target. More generally, the reduction in final energy consumption achieved by the energy savings obligation directly contributes to the achievement of the RED headline target, as it is set as a percentage of the EU's gross final energy consumption.

### 7.2. Renewable heating and cooling (Art 23)

#### 7.2.1. Position

The provisional agreement provides for a binding minimum average increase of 0.8 percentage points per year until 2025 and 1.1 percentage points per year from 2026 until 2030, in the share of renewable energy used for heating and cooling. Additional indicative increases are calculated specifically for each Member State.

The accounting method will also allow renewable electricity used for heating and cooling to count towards the increase in the renewable share, up to a limit of 0.4 percentage points, provided that the efficiency of the generator unit is higher than 100%.

#### 7.2.2. Assessment

The move from indicative to binding renewable heating and cooling targets and the change in the accounting method create a strong driver for the take-up of energy efficient heating and cooling equipment, such as electrically powered heat pumps and solar thermal hot water heating, that both increase the renewable share and can be counted under the EED energy savings obligation. This will be the case for low temperature heating applications in both the buildings and industry sectors.

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<sup>24</sup> Wilson, A. and Widuto, A. (2023). [Revision of the Renewable Energy Directive: Fit for 55 package](#). European Parliamentary Research Service briefing on EU Legislation in Progress.

Moreover, as with the headline target, the reduction in heating and cooling consumption achieved from the energy savings obligation directly contributes to the achievement of the RED target for heating and cooling, as it is set as a percentage of final energy consumption.

## 7.3. Renewable energy supply in buildings (Art 15a)

### 7.3.1. Position

The provisional agreement sets an indicative target of 49% for the renewable share of the EU's final energy consumption in buildings in 2030. Member States have to set national contributions that collectively are consistent with the EU's indicative target and put in place policy measures designed to achieve their national contributions, including building codes, and where appropriate other policy measures, that require a minimum level of energy from renewable sources in buildings.

### 7.3.2. Assessment

To meet the new provisions, Member States may choose to introduce minimum renewable shares for buildings undergoing renovations that would, in effect, require more efficient heating systems, such as heat pumps or solar thermal hot water heating, to be installed. These types of energy efficiency actions would generate energy savings that could be counted under the EED energy savings obligation. Solar photovoltaic panels do not directly lead to end-use energy savings and cannot generate energy savings eligible to the EED energy savings obligation.

Similarly to the other RED targets, the reduction in final energy consumption of buildings from the energy savings obligation will contribute to the achievement of the target for buildings. This creates an incentive for Member States to prioritize final energy savings in buildings, and to promote integrated approaches combining energy efficiency and renewable energy, in line with the Energy Efficiency First principle.

## 8. Regulation on CO<sub>2</sub> emissions standards for cars and vans

The Parliament and the Council reached a political agreement [Regulation \(EU\) 2023/851](#) amended Regulation (EU) 2019/631 setting CO<sub>2</sub> emission performance standards for new passenger cars and for new light commercial vehicles.<sup>25</sup>

### 8.1.1. Position

The regulation will set more ambitious standards for reducing CO<sub>2</sub> emissions from new cars and vans in 2030 – 55% below the 2021 target for cars and 50% for vans. It also introduces a 100% reduction in emissions across both categories of new vehicles by 2035.

### 8.1.2. Assessment

The more ambitious targets for new vehicle decarbonisation will have a mixed effect on the potential for energy savings that can be reported under the EED energy savings obligation. A high proportion of battery-electric vehicle registrations will almost certainly be needed to meet the new targets. As the average emissions of new vehicles reduces, so will average final energy consumption, of both new vehicles and the overall stock of vehicles. The lower energy consumption of the stock of cars and vans will reduce the scope for energy savings from measures that improve the efficient use of vehicles (e.g. eco-driving, tyre maintenance).

The new vehicle CO<sub>2</sub> emissions standards effectively set the reference energy consumption of any car or van against which the energy consumption of the replaced vehicle should be compared.<sup>26</sup> This effectively limits the energy savings that can be reported to the EED energy savings obligation to the savings from early replacement of vehicles, i.e., before they would have been replaced without the policy measure. The increase in the rate of reduction of energy consumption of new vehicles will increase the energy savings that can be reported from early vehicle replacement schemes.

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<sup>25</sup> European Union (2023). Consolidated text: Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting [CO<sub>2</sub> emission performance standards for new passenger cars and for new light commercial vehicles](#), and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (recast).

<sup>26</sup> This is because of the “waterbed effect”: sales of more efficient (and less polluting) vehicles can be offset by sales of less efficient vehicles by manufacturers complying with their fleet average standards.

## 9. Energy Performance of Buildings Directive (EPBD)

The Commission proposed a revision of the Energy Performance of Buildings Directive (EPBD) in December 2021.<sup>27</sup> Both the Council and the Parliament have adopted their mandates and started interinstitutional negotiations in 2023.<sup>28, 29</sup>

### 9.1. Minimum Energy Performance Standards for existing buildings (Article 9)

#### 9.1.1. Position

The co-legislators agree with the Commission's proposal to add provisions on Minimum Energy Performance Standards (MEPS) which will set deadlines by when groups of buildings should reach a certain energy performance level. Currently, the co-legislators have different positions on the dates, groups of buildings covered and possible exemptions. They also have a different view on the freedom Member States should have in setting the standards.

#### 9.1.2. Assessment

MEPS will trigger additional building renovations. Their impact on the energy savings that Member States can claim under Article 8 depends on EED Annex V.

Already today, Annex V(2) includes a derogation for building renovations in the application of the additionality principle. It states that energy savings related to buildings renovation may be claimed provided that the activities of the participating party, entrusted party or implementing public authority are material to the achievement of the energy savings claimed. In practice, this means that Member States can report to Article 8 EED policy measures encouraging renovations. They do not have to deduct the impact of building codes for buildings undergoing a major renovation from the energy savings they report under Article 8, even though these building codes are required by the EPBD.

The EED recast (point (c) of Annex V(2)) anticipated the EPBD recast and explicitly added to the derogation the MEPS for existing buildings. This means that a Member State can report to Article 8 EED energy savings from renovations that take place in buildings that are also subject to a MEPS provision, if the renovation is encouraged by a policy measure reported under Article 8 (i.e. provided that the materiality criterion is met).

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<sup>27</sup> European Commission (2022). [Proposal for a Directive of the European Parliament and of the Council on the energy performance of buildings \(recast\)](#).

<sup>28</sup> Council of the EU (2022). ['Fit for 55': Council agrees on stricter rules for energy performance of buildings](#). Press release.

<sup>29</sup> European Parliament (2023). [Amendments adopted by the European Parliament on 14 March 2023 on the proposal for a directive of the European Parliament and of the Council on the energy performance of buildings \(recast\)](#).

## 9.2. Zero-emission buildings (new buildings) (Article 7)

### 9.2.1. Position

The co-legislators agree with the Commission's proposal to amend the minimum requirements for new buildings. The Commission proposes that, as of 2030, new buildings must be zero-emission buildings, and includes an earlier deadline for new public buildings. The co-legislators have different views on the definition and requirements for zero energy buildings (Article 2(2) and Annex III), as well as on the deadlines, scope and possible exemptions.

### 9.2.2. Assessment

The derogation to the additionality principle only applies to building renovation (see Section 9.1), not to new buildings. So already now, the final energy savings from new buildings eligible to Article 8 EED are limited to energy savings from additional energy performance compared to the minimum requirements set in the current EPBD, i.e. Nearly Zero Energy Buildings. This is why, in practice, very few Member States planned in their NECPs, submitted in 2019, to report to Article 8 EED policy measures targeting new buildings. The EPBD recast will very likely imply a tightening of building codes but this would not significantly reduce the energy savings that can be claimed under Article 8 EED in the current period, in part because the deadline for this tightening will likely be close to the end of the 2021-2030 period.

## 9.3. Fossil fuel boilers (Article 15)

### 9.3.1. Position

The EPBD proposals include a deadline by which Member States shall not provide any financial incentives for the installation of boilers powered by fossil fuels from 2027, with some exceptions. The co-legislators agree on this provision but opt for an earlier deadline (2025 for Council, 2024 for Parliament).

The Parliament's mandate includes additional requirements to ban fossil fuel heating systems in new buildings (Article 7) or at certain trigger points (major renovation, deep renovation, or heating system replacements – Article 8). This would come with some exemptions, including for hybrid heating systems and boilers certified to run on renewable fuels.

### 9.3.2. Assessment

These provisions and the EED new restrictions on counting energy savings from the installation of fossil-fuel technologies (see Section 2.3) go in the same direction. While the dates and scope of the different restrictions are yet to be approved, they point towards a phase out of energy savings from fossil fuel boilers in the coming years, that could be enforced at EU level through a revision of the ecodesign regulations for heating systems.<sup>30</sup>

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<sup>30</sup> European Builders Confederation EBC (2023). [Energy Efficiency: European Commission Ecodesign and Energy Labelling Consultation Forum discusses ban on standalone boilers](#). Web page accessed 24 July 2023.

## 10. Energy Taxation Directive (ETD)

The Commission proposed a recast of the ETD as part of the Fit for 55 Package in 2021.<sup>31</sup> The analysis presented below is based on this proposal. EU laws on taxation require unanimity in the Council, following consultation of the European Parliament and the European Economic and Social Committee. The Committee adopted an opinion in January 2022. In the European Parliament, the proposal is being examined by the Economic and Monetary Affairs Committee (ECON) that delivered a draft report in February 2022, opened to amendments, but no vote has been scheduled yet. In the Council, the Working Party on tax questions has examined the proposal, with some progress but still outstanding issues by June 2023.<sup>32</sup>

### 10.1. Minimum taxation rates (Annex 1)

#### 10.1.1. Position

The Commission's proposal rationalises the approach to minimum rates of taxation, basing them on energy content rather than volume as well as reduce the scope for Member States to use exemptions to set rates below the minima, except for clean energy products. The result would be higher minimum rates for fossil fuels and lower minimum rates for renewables.

#### 10.1.2. Assessment

The Article 8 EED scope for energy savings from many national energy and carbon taxes would be reduced. Increases in minimum rates reduce the difference between the baseline (minimum rate) and national tax level used to estimate the energy savings that can be reported.

### 10.2. Ranking criterion (Article 5)

#### 10.2.1. Position

The Commission's proposal ranks fuels according to their energy content and environmental performance. Member States should then use this ranking in their national frameworks to ensure that the most polluting fuels are taxed most heavily.

#### 10.2.2. Assessment

To comply with the ranking system, Member States would need to ensure that electricity is taxed less than fossil fuels. This rebalancing of taxation would complement energy efficiency policy measures supporting the electrification of end-uses, which tends to deliver significant energy savings. At the same time, Member States that increase taxes on fossil fuels, by more than the increase in minimum rates, would be able to report higher energy savings from their national taxation measures.

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<sup>31</sup> European Commission (2021). [Proposal for a Council directive restructuring the Union framework for the taxation of energy products and electricity](#). COM(2021) 563.

<sup>32</sup> See European Parliament's [Legislative Train Schedule on the Energy Taxation Directive](#).

# 11. Concurrent EU developments outside the Fit for 55 Package

Ongoing review processes under the [Ecodesign and Energy Labelling Directives](#) affect compliance with the EED energy savings obligation, while initiatives such as [REPowerEU](#) complement the EED, with their focus on energy saving.

## 11.1. Ecodesign and energy labelling reviews

Reviews of regulations concerning various products and equipment are ongoing. The Commission's workplan for 2022-24 includes 29 specific product groups for which reviews are due or expected before the end of 2025.<sup>33</sup>

### 11.1.1. Position

Amongst the product groups undergoing or set for review, the most relevant to Article 8 EED are:

- Space and combination heaters
- Water heaters/storage tanks and solar devices
- Local Space Heaters / Solid fuel local space heaters
- Air conditioners (including air to air heat pumps)
- Solid fuel boilers
- Air heating/cooling products
- Ventilation units (commercial)
- Domestic cooking appliances
- Water pumps
- Industrial fans
- Circulators
- Electric motors and variable speed drives
- Professional refrigeration equipment
- Household white goods

### 11.1.2. Assessment

Additionality to Ecodesign standards is a key aspect of the EED energy savings obligation. New minimum standards for energy-using equipment and products change the baseline used when calculating the energy savings eligible to Article 8 EED. The impact of tighter energy efficiency standards is to reduce the Article 8 EED scope for energy savings from the related equipment or products, except for periods of early replacement (as specified in point (m) of Annex V(2)).

Energy labels have a more balanced impact on the energy savings obligation but are generally positive. Energy labels provide information on the energy performance of products and equipment, making it more likely that complementary energy efficiency policy measures are more impactful. At the same time, energy labels are likely to shift entire product markets towards more efficient products, affecting the baseline against which energy savings from product replacement policies should be measured (e.g. using the market average).

<sup>33</sup> European Commission (2022). [Ecodesign and Energy Labelling Working Plan 2022-2024](#).

## 11.2. REPowerEU

In the context of the global energy market disruption caused by Russia's invasion of Ukraine, the European Union adopted emergency regulations under Article 122 of the Treaty on the Functioning of the European Union (TFEU) aimed at coordinating demand reduction measures (Council Regulation (EU) 2022/1369)<sup>34</sup> and addressing high energy prices<sup>35</sup>.

### 11.2.1. Position

The demand reduction regulation aimed to reduce gas demand voluntarily by 15% between August 2022 and March 2023, with the possibility of making gas demand reductions mandatory if the conditions for a "Union alert" were triggered. In March 2023, the gas demand reduction target was extended until March 2024.<sup>36</sup> The high energy prices regulation required Member States to achieve reductions of gross electricity consumption during peak hours between December 2022 and March 2023, averaging at least 5% per hour. The RePowerEU package also included a set of suggested policy approaches that Member States might choose in order to make the envisaged energy demand reductions, including information campaigns, subsidies and fiscal measures.<sup>37</sup>

### 11.2.2. Assessment

Point (d) of Annex V(2) EED clarifies that end-use energy savings resulting from the implementation of energy efficiency improvement measures taken as a result of the emergency regulations can count towards the EED energy savings obligation, as long as they meet the criteria established for all energy savings. The Annex also clarified that energy savings resulting from non-energy efficiency measures, such as rationing or curtailment, do not count.

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<sup>34</sup> Council of the European Union (2022). [Council Regulation \(EU\) 2022/1360 on coordinated demand-reduction measures for gas](#).

<sup>35</sup> Council of the European Union (2022). [Council Regulation \(EU\) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices](#).

<sup>36</sup> Council of the European Union (2023). [Member states agree to extend voluntary 15% gas demand reduction target](#). Press release.

<sup>37</sup> EU Commission (2022). [EU 'Save Energy'](#). Commission Communication.

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