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# **RANKING OF EU MEMBER STATES**

**ENERGY EFFICIENCY: DOES YOUR GOVERNMENT GET IT?**

**TOP SECRET**

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**BRIEFING PREPARED**

**BY**



# **ENERGY EFFICIENCY:**

## **DOES YOUR GOVERNMENT GET IT?**

*Environmental NGOs' ranking of the performance of the six biggest EU Member States in negotiations on the EU's new Energy Efficiency Directive*

### **Introduction**

Discussions on the draft Energy Efficiency Directive (EED) are due to conclude by the middle of June 2012. Before time runs out, CAN-Europe and Friends of the Earth Europe want to highlight the negative role that the big governments have been playing in negotiations around the Directive. We have therefore decided to name and shame by ranking **the six biggest Member States in terms of their performance in these crucial negotiations.**

### **Background**

The EU has three linked targets for 2020: to cut its greenhouse gas emissions by 20%; to obtain 20% of its final energy from renewable sources; and to reduce its total energy use by 20%. While we are on track to meet the first two targets, **at present rates of progress we will miss the third "energy efficiency" target by at least half.**

In June 2011, the European Commission proposed a new European Directive on Energy Efficiency (EED), which is intended to close the gap to the 20% target. The European Parliament and the Council of the European Union (made up of 27 Member State governments) are supposed to reach a common agreement on the form of this Directive by the end of June 2012, when the 6-month EU Presidency of the Danish government will end.

**But while the European Parliament has proposed a number of significant improvements to the European Commission's original proposal, most governments have been seeking to drastically weaken it.** Having refused the simplest, most flexible solution of legally binding national targets, they are trying to cut away each of the individual measures designed to help businesses and consumers elicit energy savings in particular sectors such as buildings, transport and electricity production.

**Failing to meet the EU's 20% energy savings target will mean missing out on net financial savings of at least 200 billion Euros per year by 2020; the creation of hundreds of thousands jobs in the construction, technology and energy services industries; increased competitiveness for European businesses, and significant reductions in our ever-growing dependence on foreign supplies of unsustainable fossil fuel imports. Making 20% energy savings happen by 2020 is also essential for the EU to make the rapid greenhouse gas emission cuts needed to avoid dangerous climate change.**

## How has your government performed?

In order of “worst” (1) to “least bad”, the position and behaviour of the six biggest EU Member States in the EED negotiations over the past weeks and months rank as follows:

1. **Spain**
2. **UK + Germany (tied)**
3. **France + Poland (tied)**
4. **Italy**

## How were these rankings derived?

Environmental NGOs consider that the three most vital elements needed in the EED to ensure it elicits effective economy-wide energy savings are:

- **A binding 20% energy savings target**, with milestones for reductions in energy consumption toward 2020;
- **Obligations for energy companies** to invest in energy efficiency measures that will deliver at least 1.5% cumulative energy savings per year;
- Policies to ensure **deep or staged renovation** of buildings and households and long term national roadmaps to reduce the energy consumption of the building stock

For each aspect, countries were given a score out of 3, where *-1 = terrible; 0 = bad; 1 = relatively OK*. In most cases even ‘relatively ok’ still means considerably below the European Parliament’s level of ambition (or below what’s needed to meet the -20% energy savings target by 2020). Scores are based on official comments that governments have submitted on the draft Directive, and discussions with government representatives.

It is **important to note that the scores relate to countries’ positions and behaviour in relation to the EED, and not on the quality and implementation of their policies on energy efficiency at national level**. Some countries with promising domestic policies have adopted a negative stance in the EED discussions, on the grounds that they do not “need” the EED. However, greater ambition is needed from *all* Member States if the EU is to meet its 20% target – and the EED is intended to drive this. Those countries that have already made a good start on energy efficiency could gain significant first-mover advantages if other EU Member States are required to do more.

Annex 1 gives more specifics on the scores and the role each country has played in the negotiations.

## **What can we conclude about the different countries from their rankings?**

**None of the six biggest EU Member States has been a champion during preparation of the EED.** Only Italy obtained a positive (“ok”) overall score (and only just).

- **Spain** has offered no constructive proposals at all, and has supported the worst ideas of other Member States to weaken the Directive. It is in complete denial of the boost the EED could give to its ailing economy.
- Despite not supporting every bad proposal that has been put forward, the **UK** and **Germany** have both played actively unhelpful roles. Germany has put forward confusing and distorting proposals on targets and, at the time this briefing was drafted is still failing to support recent Danish attempts to slightly improve the Council’s ambition. The UK, having led the charge to reduce the scope of the Directive to one particular provision (on energy companies), is now seeking to introduce last-minute changes that would greatly reduce the effectiveness of this measure.
- **France** and **Poland** have both been hostile to targets and responsible for pushing damaging proposals on energy company obligations. However, France’s attitude has started to shift since the election of President Hollande and needs to be encouraged. Poland has also recently adopted a more positive stance, which now needs to translate into its actual positioning.
- **Italy** was the only one of the six biggest countries to get a positive score. It has supported some positive elements on buildings and energy company obligations, although not especially vocally – and its position on targets remains poor.

We chose these six countries for the assessment because they have the biggest populations, and therefore carry the most weight in Council voting. A positive shift in their positions would have the biggest impact on the potential ambition of the final Directive. **But this is not to belittle the role of other, smaller countries that have also been particularly unhelpful during discussions - notably Austria, Finland and the Netherlands.** Environmental NGOs have also been disappointed at the Danish Presidency, which despite being very ambitious on energy efficiency at home, has been ready to accept almost all negative proposals put forward by the different Member States.

**In fact, a significant majority of EU governments have opposed the core content of this Directive.** The principal reasons given are the economic crisis (i.e. governments don’t want to have to provide upfront investment); administrative burden (especially if the Directive is perceived to cut across existing national policies), and concerns about capping economic growth. Yet as NGOs have repeatedly pointed out, a strong Directive would quickly generate net financial *savings* for governments; could allow Member States considerable

flexibility in its implementation, particularly if structured around the idea of overall targets.; and would be more likely to contribute positively to the economy than to limit it.

Countries deserving a special mention for their generally constructive stance on the EED include Belgium and Ireland. **Without having systematically scored all 27 Member States, it seems clear that Belgium would be the winner**, having taken positive positions on all three of the NGOs' key criteria.

## **Why does all of this matter?**

The EED is intended to put in place the targets and mechanisms to deliver energy efficiency right across the economy, from schools and homes to factories and power stations. But as things stand, even if a deal is reached on the Directive by the end of June, it looks as if the law will be extremely weak - and miss closing the gap to the EU's important 20% energy savings target by a large margin.

This is short-sighted in the extreme. Even just looking at the financial benefits, when shared proportionally across countries by population, the €200 billion annual net savings from meeting the 20% target could cover the entire budget deficits of five countries<sup>1</sup>, and wipe out at least half of the deficits of a further nine. The UK's share - €24 billion a year - could pay for at least 312,000 entry-level nurses or 306,000 entry-level teachers.

Environmental NGOs have been genuinely shocked at most governments' eagerness to destroy a Directive that is capable of delivering all these benefits – despite their frequent warm words about the importance of acting on energy efficiency. **But there is still a chance to bring the Council's level of ambition closer to that of the European Parliament... if enough of Europe's citizens show that they are watching, and are aware of what their governments may be denying them.**

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<sup>1</sup> Assuming the €200bn were shared out on a per capita basis, five Member States would be able to completely fix their current budget deficits (Germany, Finland, Bulgaria, Latvia and Romania). Nine more could cover 50-95% of their deficits. All the others could expect a real push towards budget stability.

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## ANNEX 1: National Scores and Roles

### Methodology and Scoring

Environmental NGOs consider that the three most vital elements needed in the EED to ensure it elicits effective economy-wide energy savings are:

- A binding 20% energy savings target, with a trajectory showing the reduction in energy consumption towards 2020;
- Obligations for energy companies to invest in energy efficiency measures that will deliver at least 1.5% cumulative energy savings per year;
- Policies to ensure deep or staged renovation of buildings and households.

For each aspect, countries were given a score out of 3, where *-1 = terrible; 0 = bad; 1 = relatively OK*. Scores are based on official comments that governments have submitted on the draft Directive, and discussions with government representatives.

On binding targets (Article 3), the question was simply whether the government supported them or not. We also looked at whether it supported the expression of indicative national targets in terms of energy consumption (best), savings or intensity (worst). On energy company obligations (Article 6), we considered the extent to which the government has sought to weaken (or strengthen) the impact of the 1.5% target (e.g. by including or excluding energy sold to industry covered by the EU Emissions Trading System) – and also their recent support of a Danish proposal to at least marginally increase the current low level of Council ambition.

For buildings, two areas were considered. First, we examined Member States' attempts to limit the scope of a proposed requirement (Article 4) to increase the renovation rate of public buildings to 3% per year (which the Commission suggested should cover all buildings owned by public bodies, but which many governments preferred to restrict to only central government buildings). Second, we looked at governments' support (or not) for Parliament's proposal for national roadmaps for the reduction of energy consumption of all buildings by 2050 (Article 3a).

Please note that these scores relate to countries' positions and behaviour throughout the preparation of the Council's position on the EED, and during the negotiations with the European Parliament – **not** on the quality and implementation of their policies at national level.

The results were as follows:

Country	Overall Targets	Buildings	Utility Obligations	TOTAL	RANK (1=worst)
Germany	-1	0	-1	-2	2 (tied)
France	0	-1	0	-1	3 (tied)
UK	0	-1	-1	-2	2 (tied)
Italy	0	0	1	1	4
Spain	-1	-1	-1	-3	1
Poland	0	-1	0	-1	3 (tied)

**In contrast**, Belgium – the best-performing government throughout the negotiations – scored as follows:

Country	Overall Targets	Buildings	Utility Obligations	TOTAL	RANK (1=worst)
Belgium	1	1	1	3	27

### Justification

#### **27: Belgium**

<i>Targets</i>	<i>1</i>	<i>Belgium initially supported binding targets.</i>
<i>Buildings</i>	<i>1</i>	<i>Belgium initially supported the concept and the definition of deep renovation of buildings and the scope of Art.4 as set out in the original Commission proposal. It also re-inserted a proposal for the reduction of energy consumption of the existing building stock in the long term.</i>
<i>Obligation schemes</i>	<i>1</i>	<i>Belgium supports the concept of cumulative savings and the inclusion of energy sold to ETS-covered industry in Article 6. Belgium also supports the inclusion of transport in art. 6.</i>

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## 1. Spain

Spain is stubbornly ignoring the economic and social benefits that an ambitious EED could bring. It is also failing to recognise how energy company obligations could generate the financing mechanisms needed to cover upfront capital costs of energy efficiency investments. It has taken a negative position on every aspect of the Directive, made no constructive proposals to improve it, and opposed the most recent attempt by the Danish presidency to improve the Council's position.

Overall Targets	-1	Spain does not support binding overall targets and would like to express the target in energy intensity.
Buildings	-1	Spain supports the reduced scope of Art.4 (only Central Government buildings) and firmly opposes long-term roadmaps for renovation of existing buildings.
Obligation Schemes	-1	Spain supports lowering the overall ambition of Art.6 and supports most of the exemptions that would reduce the impact of the 1.,5%.  It opposed the latest "compromise" proposal by the Danish Presidency on this point at the time this briefing was prepared

## 2/3: Germany

Germany was difficult to assess because it has spent most of the negotiations arguing between its Environment and Economics Ministries. It attempted to blur the already delicate issue of energy savings targets even further by proposing to introduce energy intensity targets as an alternative to savings or consumption targets. On buildings, Germany preferred to cover all public buildings, but with only a 2% renovation rate. On energy company obligations and the 1.5% target, Germany confused the issue with a very odd proposal to re-frame the target in terms of energy intensity. In the last weeks they have also tried to gather a blocking minority in the Council against the Danish Presidency's already weak proposal for a negotiating mandate.

Overall Targets	-1	Germany does not support binding targets. It attempted to blur the issue even further by proposing to introduce alternative energy intensity targets.
Buildings	0	Germany wanted to reduce the renovation rate for public buildings to 2%, but agreed to maintain the initial scope of the Commission proposal (all buildings owned by public bodies). Germany also supports long-term roadmaps for building renovations, but with a considerably lower level of ambition than Parliament.

Obligation Schemes	-1	<p>Germany was the country that suggested the inclusion of the opt-out clause (Art 6.9) to the Commission before the original EED proposal was published – which would allow countries to fulfill the 1.5% target by means other than setting up energy company obligation schemes.</p> <p>Regarding the 1.5% target, it made a confusing proposal based on energy intensity.</p> <p>At the time of writing Germany does not support the latest “compromise” proposal by the Presidency on this point</p>
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### 2/3: UK

The UK has been historically very negative - and vocally so - on overall targets. This is in blatant contradiction to its progressive position on the EU’s greenhouse gas emission reduction target (which requires strong action on energy savings in order to be feasible). The new Energy Minister, Ed Davey, privately speaks in support of binding targets but has done nothing to change the UK’s negotiating position. The UK spearheaded the restriction of the public building renovation provisions to central government buildings, and opposes national roadmaps. Although it appeared to be constructive in defending the European Commission’s level of ambition on energy company obligations, it has always expected a high price for this in terms of concessions on other points – and very recently has sought to introduce new text that would completely undermine the impact of the obligations provision for countries which already had schemes prior to the Directive’s implementation.

Energy Saving Target	0	UK does not support binding targets and has been very vocal about this.
Buildings	-1	UK is a very strong supporter of limiting the scope of Art. 4 from buildings owned by public bodies to buildings owned by central governments. It strongly opposes long-term roadmaps for renovation of existing buildings.
Obligation Schemes	-1	UK was constructive regarding the expression of cumulative savings and agreed with including energy sold to ETS covered companies in Art. 6. However there is an important issue with the UK’s position the calculation of lifetime savings, and in the last few weeks it has sought the introduction of new text which may mean countries that already had energy company obligation schemes have to do very little new action between 2014 and 2020. The UK supported the latest proposal on Art.6 of the Presidency, but with conditions.

#### 4/5: Poland

Poland has recently started to convey a positive attitude towards the Directive and the Danish Presidency's (weak) proposals, in particular by supporting the granting of a mandate to the Danish Presidency's latest text. However its position on the detailed provisions throughout the negotiations had been poor on most aspects, including buildings, targets and the scope of energy company obligations. Its newfound warm words have not (yet) translated into enough increase in ambition to compensate for the damage done to the EED during its own Presidency in the second half of 2011.

Energy Saving Target	0	Poland does not supporting binding targets. It would like to express its indicative target in primary <u>or</u> final energy.
Buildings	-1	Poland supports the reduced scope of Art.4 (only central Government buildings). Poland believes that the building sector should only be addressed under the (very weak) Energy Performance of Buildings Directive, i.e. it opposes the inclusion of national roadmaps within the EED.
Obligation Schemes	0	Poland has pushed for the inclusion of the energy transformation sector and supported the exclusion of energy sold to ETS-covered companies from Art. 6. But it did support the Presidency's latest compromise proposal on Art.6.

#### 4/5: France

France has played a very negative role throughout the negotiations, largely driven by a desire to protect its nuclear interests. It has been hostile on targets and vocal about it. On buildings, it has opposed national renovation roadmaps and supported the restriction of public building renovation targets to central government, even though its own local authorities support strong measures. It has sought to weaken energy company obligations by proposing to exclude ETS sectors from the obligation.

However, there is hope following the French Presidential elections. François Hollande's priority of stimulating Europe's competitiveness and moving beyond austerity measures must quickly translate into support for an ambitious EED, and his pledge to renovate 600,000 homes per year must lead France to support a strengthening of the Council position on buildings.

Energy Saving Target	0	France does not support binding overall targets, and pushed hard to be allowed to express the indicative targets in final energy.
Buildings	-1	France supports the reduced scope of Art.4 (only Central

		Government buildings) and opposes long-term roadmaps for renovation of existing buildings.
Energy Saving Obligation Schemes	0	France pushed for excluding energy sold to ETS covered companies from Art. 6. It supported the latest proposal on Art.6 of the Presidency.

## 6: Italy

Italy has not been especially vocal or negative in the negotiations. On the other hand, it has not put much forward in a constructive fashion. It seems OK on energy company obligations, supporting the inclusion of the transport sector, although it also supports the inclusion of early actions (i.e. counting measures that were already carried out in the past). On buildings, it gave in to the idea of restriction to central government buildings only, but supported the general idea of roadmaps. Italy has been as bad as the other countries on binding overall targets.

Energy Saving Target	0	Italy does not support binding targets.
Buildings	0	Italy supports the reduced scope of Art.4 (only central Government buildings) but does not object to the long-term roadmaps for renovation of existing buildings.
Energy Saving Obligation Schemes	1	A generally positive attitude towards Art.6, as Italy already has an energy saving obligation scheme in place. It supported the Presidency's recent compromise proposal.