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**COMMISSION STAFF WORKING DOCUMENT**

**IMPACT ASSESSMENT**

*Accompanying the document*

**Proposal for a Regulation of the European Parliament and the Council**

**on the Governance of the Energy Union,**

**amending Directive 94/22/EC, Directive 98/70/EC, Directive 2009/31/EC,  
Regulation (EC) No 663/2009, Regulation (EC) No 715/2009, Directive 2009/73/EC,  
Council Directive 2009/119/EC, Directive 2010/31/EU, Directive 2012/27/EU, Directive  
2013/30/EU and Council Directive (EU) 2015/652 and repealing Regulation (EU) No  
525/2013**

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## **GLOSSARY**

ACER	Agency for the Cooperation of Energy Regulators
EEA	European Environment Agency
ENTSO-E	European Network of Transmission System Operators
ENTSO-G	European Network of Transmission System Operators for Gas
ESD	Effort Sharing Decision
ETS	Emissions Trading System
GHG	Greenhouse gas
IEA	International Energy Agency
JRC	Joint Research Centre
LULUCF	land use, land-use change and forestry
MMR	Monitoring Mechanism Regulation
OECD	Organisation for Economic Co-operation and Development
PCI	Project of Common Interest
REFIT	Regulatory Fitness Check
TSO	Transmission System Operator
UNFCCC	United Nations Framework Convention on Climate Change

## 1. INTRODUCTION

The objectives of the Energy Union Framework Strategy<sup>1</sup>, adopted in February 2015, can only be achieved through a combination of EU and national policies and measures which are implemented in a coherent way and in line with the overarching EU energy and climate policy goals of ensuring energy security, sustainability and competitiveness. This approach is reflected by the five interrelated dimensions of the Energy Union Framework Strategy.

After the endorsement of the European Parliament, the October 2014 European Council agreed to reduce domestically greenhouse gas (GHG) emissions by at least 40%, to be delivered collectively by the EU by 2030 in the most cost-effective manner possible. It asked for setting corresponding national reduction targets for the non-ETS sectors and for the land use, land-use change and forestry (LULUCF) sector to be included into the 2030 greenhouse gas mitigation framework. At the same time the European Council agreed on a target of at least 27% for the share of renewable energy consumed in the EU in 2030, binding at EU level, to be fulfilled through Member States contributions guided by the need to deliver collectively the EU target. It also set an indicative target at the EU level of at least 27% for improving energy efficiency in 2030 compared to projections of future energy consumption, which will be reviewed by 2020, having in mind an EU level of 30%. The European Council also called for all Member States to achieve interconnection of at least 10% of their installed electricity production capacity by 2020 and asked the Commission to report regularly to the European Council with the objective of arriving at a 15% target by 2030, as proposed by the Commission.

All these targets are interrelated. Renewable energy and energy efficiency play a key role in the transition towards a more competitive, secure and sustainable energy system and will also help to achieve the GHG emission reduction target. The GHG emission reduction target should equally encourage a greater share of renewable energy as well as energy savings in the EU. Renewable energy and energy efficiency are vital in ensuring energy security and competitiveness together with the further integration of the internal energy market, which in turn provide the basis for implementing the 2030 targets in a cost-effective manner. The Energy Union governance system that essentially builds on Member States' integrated energy and climate policies has a key role to play in achieving the interrelated Energy Union objectives and the EU 2030 energy and climate targets.

By the end of 2016, the Commission aims to propose the main legislative and non-legislative initiatives to implement the Energy Union Strategy across its five mutually-reinforcing and closely interrelated dimensions. This goes beyond the energy and climate field in the narrow sense by addressing also other policies which support and enable the implementation of the Energy Union, including inter alia investments, transport, regional, competition, research, innovation and other policies.

The purpose of these initiatives is to propose precise and ambitious measures at EU level while providing flexibility to Member States to implement the common objectives and EU

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<sup>1</sup> COM(2015) 80

legislation in a way that reflects national preferences and circumstances. At the same time, it is important to ensure that such flexibility is applied in a way that contributes to cost-effectiveness, is compatible with further market integration and increased competition, gives predictability and certainty for investment, and ensures the attainment of the Energy Union objectives.

The transition towards a more secure and sustainable energy system will require major investments in generation, networks and energy efficiency, estimated at some €200 billion annually in the next decade.<sup>2</sup> Coherent and reliable national policies complementing relevant EU legislation are crucial for ensuring investor certainty and transparency for consumers and citizens. This holds true notably with regard to the achievement of the EU 2030 targets for climate and energy, which include EU level targets for renewable energy and energy efficiency and therefore require collective efforts by Member States for their achievement.

For these reasons, the October 2014 European Council also agreed that a reliable and transparent governance system without any unnecessary administrative burden will be developed. It further specified that such governance system will build on existing building blocks and that separate planning and reporting strands will be streamlined and brought together. In November 2015, the Energy Council provided detailed conclusions on the governance system of the Energy Union<sup>3</sup> and called on the Commission to present, *inter alia*, proposals for streamlining existing planning and reporting obligations in order to reduce administrative burden and ensure coherence, simplification and consistency as well as prepare templates for Integrated National Energy and Climate Plans and respective progress reports.

In November 2015, the Commission presented the Guidance to Member States on National Energy and Climate Plans in the context of the State of the Energy Union 2015. This guidance proposed key elements of the Integrated National Energy and Climate Plans and main steps for a gradual process from 2015 until the finalisation of these plans by 2018, including the main tasks for both the Member States and the Commission.<sup>4</sup>

In December 2015, the European Parliament adopted an own initiative report "Towards a European Energy Union"<sup>5</sup> calling for the governance framework for the Energy Union to be ambitious, reliable, transparent, democratic and fully inclusive of the European Parliament and to ensure that the 2030 climate and energy targets are achieved. The report also asked the Commission to present swiftly to the European Parliament and the Council a legislative proposal taking into account the relevant Council conclusions and the Parliament's views.

Moreover, an effective implementation of the objectives of the Energy Union across its five dimensions needs robust reporting of progress made at national level and subsequent monitoring at EU level to evaluate progress made<sup>6</sup>, steer further policy action, and to enable a

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<sup>2</sup> COM(2015) 80

<sup>3</sup> Council of the European Union reference 14459/15

<sup>4</sup> COM(2015) 572

<sup>5</sup> European Parliament reference (2015/2113(INI))

<sup>6</sup> See Commission Staff Working Document "Monitoring progress towards the Energy Union objectives - Concept and first analysis of key indicators": <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1449767808781&uri=CELEX:52015SC0243>

structured dialogue between the EU and Member States as well as between the Commission and other EU institutions. The European Environment Agency (EEA) plays a prominent role in supporting the Commission in its current tasks relating to monitoring, reporting and verification. The EEA's as well as other relevant agencies' role could be enhanced in order to serve the purposes of the governance of the Energy Union.

A transparent monitoring system is also important to ensure affordability and energy security for European consumers, safeguard the competitiveness of European industries, and establish coherence with the Commission's agenda for jobs, growth and investment.

### *Scope of the initiative*

For the above goals to materialise, the Energy Union governance initiative as well as this Impact Assessment will therefore be based on two main pillars:

- *Streamlining of planning, reporting and monitoring obligations*: Integrated National Energy and Climate Plans (hereinafter: "**National Plans**"), subsequent Integrated National Energy and Climate Plans Progress Reports (hereinafter: "**Progress Reports**"), as well as integrated Commission monitoring at EU level;
- *A political governance process* between the Commission and Member States on the establishment and implementation of National Plans in order ensure the collective achievement of the objectives of the Energy Union.

The two main pillars are strongly connected and interrelated via the envisaged National Plans, Progress Reports and Commission monitoring.<sup>7</sup>

Streamlining of existing energy and climate planning, reporting and monitoring obligations is a key aim of the Governance initiative, reflecting Better Regulation principles and objectives. The streamlining pillar builds on a REFIT exercise that evaluated existing planning, reporting and monitoring obligations in the energy acquis as well as their interlinkages with the climate acquis (hereinafter "Fitness Check")<sup>8</sup>, carried out during the first half of 2016.

Defining the political process between Member States and the Commission is of equal importance in view of the need for a collective achievement of the Energy Union objectives, including the 2030 targets for climate and energy. The governance process pillar represents a new cooperation mechanism between Member States and the Commission aimed at ensuring the achievement of the Energy Union objectives.

An overview of the planning, reporting and monitoring obligations of the energy acquis is provided in Annex 6, as are the requirements of the Monitoring Mechanism Regulation

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<sup>7</sup> In order to achieve the streamlining of existing planning, reporting and monitoring obligations in the energy and climate acquis and to set up a Governance process between the Commission and Member States including Commission or Council recommendations, this Impact Assessment explores policy options encompassing a new legislative act and revisions of existing legal acts. Such initiatives require an Impact Assessment according to the Better Regulation principles.

<sup>8</sup> [Include reference to Fitness Check SWD once available.]



(MMR) in Annex 7. Further background on the planning, reporting and monitoring obligations is provided in Annex 8.

### *Context of the Governance initiative*

The European Council has called in October 2014 and March 2015 for the establishment of a Governance system for the 2030 Climate and Energy Framework and the Energy Union. A strong Governance system will be decisive notably for the delivery of the Union's 2030 targets on renewables and energy efficiency. In the same vein, the European Parliament called for an ambitious Energy Union Governance framework to ensure that the 2030 climate and energy targets are achieved. There is therefore substantial political support for the initiative and its implementation. However, close engagement with the Council, European Parliament and stakeholders is instrumental in order to further enhance political buy-in and support.

The Governance initiative builds on already existing building blocks and the lessons learnt from these, including from the European Semester:

- The Commission's Guidance to Member States on National Energy and Climate Plans of November 2015 sets out the main elements of the Governance system. It does this in a non-binding format that aims at a pragmatic approach to governance ensuring also an early start of the Governance process with Member States.
- Ongoing discussions with Member States in the Technical Working Group on National Plans since 2015 and in the Council formations have supported the emergence of a common view between Member States and the Commission on the way forward regarding the design of the Governance of the Energy Union.
- National Plans to be developed by Member States should ensure the involvement of stakeholders and contribute to public awareness. This will stimulate the public debate in the Member States on the five dimensions of the Energy Union, taking into consideration the relevant inter-linkages.
- To support administrative capacity building, the Commission is considering options for technical assistance to Member States for the development of National Plans before 2020. Also in the period from 2020 to 2030, technical support will continue to play an important role.
- With regard to the administrative set-up in the Member States, it is worth mentioning that under the MMR Member States are operating national inventory systems to estimate emissions and removals and national systems for reporting on policies and measures and projections of greenhouse gas emissions and removals. These systems include the relevant institutional, legal and procedural arrangements established for evaluating policy and making projections.

### *Links with other policy areas and the European Semester*

Links of this initiative to competitiveness and private sector innovation capabilities mainly relate to energy prices and costs for EU industries, investor certainty until the year 2030, and Member States' support for research and development. While the first issue is monitored by a biennial report from the Commission on energy prices and costs in Europe, the latter two issues are aimed to be addressed by the future National Plans. Currently, very few Member States have integrated National Plans for energy and climate and very few cover a time horizon of 2030 or beyond. National Plans for 2030 would therefore significantly enhance investor certainty and also provide a framework for Member States' support for research and development in the context of the Energy Union.

The Governance of the Energy Union should build on the European Semester and be complementary to it, such that the European Semester addresses macroeconomic and structural reform issues, whereas the Governance process would address energy and climate specific policy issues. Nevertheless, energy and climate issues could be addressed as part of the European Semester, if they have macroeconomic or structural reform relevance.

#### *Interlinkages with other upcoming Energy Union initiatives*

This Impact Assessment was closely coordinated with other Energy Union related impact assessments carried out in 2016<sup>9</sup>.

Concerning the market design initiative, interlinkages mainly concern the streamlining of reporting and monitoring obligations relating to the internal energy market. In particular, the Energy Union Governance initiative aims at streamlining relevant reporting obligations by Member States and the Commission presently enshrined in the Third Package, thereby contributing to ensure policy coherence and reduce administrative burden.

Concerning the initiatives on the revision of the Renewable Energy Directive and the Energy Efficiency Directive as well as the Energy Performance of Building Directive, the Governance initiative aims at streamlining planning (in terms of their integration into National Plans), reporting and monitoring obligations relating to renewable energy and energy efficiency. Furthermore, the governance process includes the assessment of National Plans and the monitoring of their implementation in view of the collective achievement of the renewable energy and energy efficiency targets for 2030. In case of insufficient collective action, necessary measures have to be taken. This could include the Commission proposing additional measures at EU-level or requesting Member States to take further actions to fill potential gaps to these targets. The process on how to detect and also prevent such gaps should be set out as part of the iterative process in the Governance initiative. The potential measures to be taken would also be anticipated in the Governance initiative, but would be set out in detail in the revised sectorial legislation. Therefore, the corresponding policy options are assessed in more detail in the impact assessments for the revisions of these Directives.

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<sup>9</sup> [Insert references once available.]

Examples of the streamlining of the Commission's monitoring obligations include the Energy Efficiency Progress Report and the Renewable Energy Progress Report. The latter is published by the Commission every two years and provides an overview of renewable energy policy developments in EU countries based on national reports about progress towards the EU's 2020 renewable energy goals. The Governance initiative aims to incorporate this Commission report into an integrated monitoring instrument that would cover the five dimensions of the Energy Union and thereby assess the inter-linkages of renewable energy developments with other policy areas such as energy efficiency or greenhouse gas emission reductions.

## **2. PROBLEM DESCRIPTION**

### **2.1. Context of the problem**

The Energy Union Framework Strategy, and in particular the 2030 energy and climate targets, is based on the collective achievement of its objectives by the Member States. In order for the EU to be able to annually report to the European Parliament and the Council on the state of the Energy Union, an appropriate planning, reporting and monitoring framework needs to be in place, going beyond 2020.

Member States currently do not have in place longer term planning frameworks. In their planning, Member States often do not look beyond their borders which can lead to conflicting energy policies with their neighbours and the non-achievement of EU-level targets as this has not been taken into account in the planning. As regards reporting, the existing reporting obligations can be found in almost every piece of EU legislation. These reporting obligations are often not coordinated as they have been adopted at different points in time, sometimes originating from (past) international obligations, and often also as part of a political compromise in the ordinary legislative procedure. This can lead to higher costs for the Member States or other reporting entities. This applies similarly to the Commission monitoring obligations. The varying periodicity across existing obligations that are suitable for integration into National Plans and Progress Reports is inconsistent with a governance process that aims to align the periodicity of integrated planning, reporting and monitoring obligations. In addition, many of the current obligations will end in 2020 as part of the existing energy and climate framework.

However, the system in place is not sufficiently conducive to allow for a better coordination of these activities. Member States have to collectively deliver on the Energy Union objectives across the 5 dimensions, which requires a closer cooperation among the Member States but also with the Commission. The 2030 Energy and Climate Framework also necessitates that Member States pledge ambitiously towards the achievement of the related targets and in view of the achievement of the European Union's domestic long-term objective to cut emissions by

at least 80% by 2050<sup>10</sup> and the long-term goal set by the Paris Agreement<sup>11</sup>. The European Semester process, which is in place and could in theory provide such a framework, is targeted on fiscal and structural report policies of the Member States as well as at issues of macroeconomic relevance.

## **2.2. Nature and extent of the problem**

### *2.2.1. Inconformity of existing planning, reporting and monitoring obligations with the principles of Better Regulation*

While appropriate requirements for planning, reporting and monitoring in the energy and climate fields should be ensured at the EU level, these should at the same time be proportionate and should not create an unnecessary administrative burden on Member States, the Commission and stakeholders (business and citizens). Such unwarranted administrative costs originate, inter alia, from redundancy, incoherence, differing periodicity and lack of coordination among the different obligations.

Most of the current planning, reporting and monitoring obligations provide benefits in terms of useful information on a specific policy area and support the implementation of specific policy objectives set out in sectorial legislation.<sup>12</sup> The obligations enable the preparation of policy strategies, the provision of information on policies and measures, provide investor certainty, enable assessing progress to targets and establish feedback mechanisms between Member States and the Commission. They aim to provide the Commission with the data and information needed to assess whether specific EU legislation has been implemented and whether it produced its intended effects. The current reporting obligations on the Commission ensure that the Commission informs the European Parliament, the Council and the general public about the results achieved by EU legislation. Furthermore, the obligations enable Member States and the Commission to share knowledge and learn about best practices. Some obligations stem from the EU's and its Member States' international treaty obligations.

This is confirmed by the Fitness Check, in which the majority of current obligations were found to be effective and to make a positive contribution towards achieving their objectives. The relevance of current obligations is generally considered good (if EU-added value is not considered), with only a relatively small number of obligations found to be irrelevant or not providing information that is actually used. Most of the information collected or produced through current obligations would not be available from other sources and gives to Member States and the Commission the possibility to measure progress at EU and national level and benefit from best practice examples.

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<sup>10</sup> In line with scientific findings of the International Panel on Climate Change (IPCC), the EU's climate objective is to reduce GHG emissions by 80-95% in 2050 compared to 1990, in the context of necessary reductions by developed countries as a group.

<sup>11</sup> The Paris Agreement includes a long-term goal to keep the global temperature increase well below 2°C above pre-industrial levels and to pursue efforts to keep it to below 1.5°C.

<sup>12</sup> This was confirmed by the Public Consultation, in which the majority of respondents recognize the importance of existing planning and reporting obligations (see also section 9.3).

Nevertheless, the Fitness Check showed that the current system of planning, reporting and monitoring obligations shows several shortcomings:

*Lack of suitability for 2030 targets and Energy Union objectives:* Parts of the existing planning, reporting and monitoring obligations serve to implement and monitor progress towards the 2020 energy and climate targets, which were set for each Member State. In the climate field, targets for 2030 will continue to be set for each Member State. However, the 2030 targets for renewable energy and energy efficiency are set at EU level as part of the 2030 Framework for Climate and Energy and the Energy Union. Therefore, some existing planning, reporting and monitoring obligations in the energy field are no longer fully suitable for implementing and monitoring progress towards the 2030 targets. Furthermore, the current obligations linked to existing sectorial policy objectives are not fully relevant to the revised and new objectives of the broader Energy Union Strategy and its five dimensions and thus not able to effectively support the implementation and monitoring of progress towards these objectives (e.g. for research, innovation and competitiveness).

*Lack of policy coherence among obligations in the energy field:* The various sector-specific legal acts existing in the energy acquis do not adequately address the relevant interactions and interdependencies among different policy areas of the Energy Union in the respective planning, reporting and monitoring obligations. This is on the one hand due to the adoption of the legal acts independently from each other at different points in time, and on the other due to the sector-specific focus of the obligations. Policy coherence of the different obligations cannot fully be ensured through a sectorial approach. This means that all aspects of the Energy Union Strategy are currently not adequately covered or not subject to any planning, reporting and monitoring obligations at EU level. Concerning periodicity, some existing legal acts currently provide for regular review of the planning requirements, while others do not. Concerning stringency, some existing obligations are mandatory in terms of submission and format, while others are not. This is confirmed by the Fitness Check, which found potential for improving the planning, reporting and monitoring obligations with regards to coherence in particular.

*Lack of consistency between the energy and climate fields:* The interactions, interdependencies and overlaps in planning, reporting and monitoring obligations between the energy and climate fields, as well as their heterogeneity, deserve particular attention. As illustrated by the Fitness Check, under the energy acquis and the MMR Member States report information with differing deadlines and periodicity, partly overlapping in substance (e.g. reports on policies and measures which contribute to decrease emissions under the MMR with reporting on policies and measures under the Energy Efficiency Directive, Energy Performance of Buildings Directive and Renewable Energy Directive). Furthermore, there are inconsistencies in the reports themselves (e.g. parameters related to renewable energy and energy efficiency used in national greenhouse gas emission projections are not consistent with parameters presented in energy reporting).

*Unnecessary administrative costs and inefficient energy regulation:* As illustrated by the Fitness Check, a non-negligible share of the current obligations in the energy field is not cost-effective and thus leads to a disproportionately high, unnecessary administrative burden. The

coexistence of a number of sector-specific legal acts has resulted in too extensive, heterogeneous and partly overlapping obligations both in timing and on substance.

*2.2.2. Inadequacy of the current policy framework between Member States and the Commission to achieve the Energy Union objectives and implement the Paris Agreement*

*Inadequacy of current policy framework to attain the EU 2030 energy targets:* By setting the 2030 targets for renewable energy and energy efficiency at the EU level, the process of attaining these targets provides more flexibility to Member States in deciding on national objectives, policies and measures. At the same time, Member States need to plan their policies and measures in the energy and climate fields in full coherence with the delivery of the Energy Union objectives across its five dimensions and need to enhance coordination and cooperation with other Member States. In the absence of nationally binding energy targets until 2030, the Commission also needs to assess whether Member States are collectively on track to achieve the EU level targets and to intervene in the case of insufficient progress made.

The current policy framework does not address these requirements, in particular due to the absence of a formalised process of coordinating energy policies across the EU in view of the Energy Union objectives, in particular the lack of policy recommendations from the Commission to Member States specific to energy and climate policies and the absence of a formalised process for Member States' consultations on national planning activities with a comprehensive regional scope along the five dimensions of the Energy Union

*Lack of synchronisation of planning and reporting obligations with the Paris Agreement:* The Paris Climate Agreement sets out a 5-year review cycle, which includes review processes to ensure the achievement of its goals. Starting from 2023<sup>13</sup>, every five years a global stocktake will take place, based on latest science and implementation progress, which is relevant for considering progressively more ambitious action by all Parties. All parties to the Paris Agreement are also invited to communicate by 2020 their mid-century, long-term low greenhouse gas emission development strategies. To make sure that the EU is ready to fully participate in the review processes under the Paris Agreement, planning and reporting obligations by Member States for the Energy Union should as far as possible be synchronised with the 5-year review cycle of the Paris Agreement.

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<sup>13</sup> A first 'facilitative dialogue' will be held in 2018 to take stock of the collective ambition, progress in implementing commitments and to inform the preparation of further contributions.

### **3. SUBSIDIARITY AND THE VARYING SITUATION OF MEMBER STATES**

#### **3.1. Legal basis**

The Treaty on the Functioning of the European Union (TFEU) provides the EU with an explicit competence in the energy field through its Article 194. This article states that the EU policy in the area of energy shall aim to ensure the functioning of the internal market, ensure security of supply, promote energy efficiency and the development of new and renewable forms of energy, and promote the interconnection of energy networks. Articles 191 to 193 TFEU specify EU competences in the area of climate change. The EURATOM Treaty is a *lex specialis* in relation to the TFEU, which applies to the nuclear energy sector.

This proposal pursues a legitimate objective within the scope of Article 191(1) TFEU, namely combating climate change, as well as the above mentioned energy policy objectives of Article 194 TFEU. The ordinary legislative procedure applies generally for the adoption of measures based in Article 192 (1) TFEU and in Article 194(2) of the TFEU. Nevertheless, each Member State maintains its right to *determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply* (Article 194(2) TFEU). The general division of responsibilities between the EU and Member States will not be affected by this proposal compared to the current situation.

This Impact Assessment also assesses options for the Commission to provide recommendations to Member States. Articles 192 and 194 provide the legal basis for the Commission to adopt a legislative initiative which foresees the adoption of recommendations. As to the recommendations themselves, the legal basis for the recommendations is Articles 192 and 194 TFEU. According to Article 288 TFEU, to exercise the Union's competence, the institutions can adopt regulations, directives, decisions, recommendations and opinions. Recommendations have no binding force, but allow the Commission to make its views known and suggest a line of action without imposing any legal obligation on those to whom it is addressed. In case a legislative proposal is pursued, the possibility for the Commission to provide recommendations and the process governing these recommendations will be laid down in the proposal. Once entered into force, this will provide the framework for the recommendations as well as for the follow up process.

#### **3.2. Necessity of EU action**

Against the background of the October 2014 European Council conclusions, the Commission's 2015 Energy Union Framework Strategy and the Commission's first State of the Energy Union 2015 the legislative initiative on Energy Union Governance aims at streamlining existing planning, reporting and monitoring obligations and defining the governance process between Member States and the Commission, while ensuring synchronisation with the reporting cycle from the Paris Agreement. In line with the subsidiarity principle, any proposal explored in the context of this initiative will have to respect Member States' competences. There is necessity for EU action in the following areas:

First, having in mind that several elements of the Energy Union Strategy relate to objectives set at the EU level, action at EU level is needed to ensure the attainment of these objectives as well as coherence of energy and climate policies within the EU and across its Member States, while preserving flexibility for Member States. Moreover, the majority of the energy challenges facing the Union cannot be met through uncoordinated national action. The same holds true for climate change, which by its nature is a trans-boundary problem and cannot be solved by national or local action alone. Therefore, coordination of climate action at both European and global level is necessary. Consequently, EU action is justified to monitor the progress of implementation of energy and climate policies across the EU in line with the Energy Union objectives as well as the functioning of the internal energy market.

Second, because of the cross-border relevance of each dimension of the Energy Union, EU action is needed to further promote enhanced cooperation among Member States. None of the Energy Union dimensions could be effectively implemented in the absence of an EU governance process between Member States and the Commission ensuring a more regional approach to energy and climate policy. It is also necessary to create the enabling framework to ensure that the EU is ready to participate fully in the review processes under the Paris Agreement, ensuring maximum synchronisation and synergies.

Third, EU action is justified for the initiative's objective of streamlining existing planning, reporting and monitoring obligations, as existing EU legislation in the energy acquis as well as the Monitoring Mechanism Regulation can only be amended by means of legislative proposals in order to reduce the administrative burden for Member States and the Commission and enhance the coherence of planning and reporting as well as to ensure comparability of National Plans and Progress Reports.

### **3.3. EU added-value**

On the basis of the previous Section there are clear benefits from EU-level action over and above what could be achieved by the Member States acting alone. The establishment of a solid Energy Union governance system will help to ensure that the EU and its Member States collectively achieve the agreed objectives of the Energy Union and find coordinated and common solutions to common challenges in an effective and affordable manner. This is imperative in view of the considerable investment needs in the energy sector over the next decades. Addressing all dimensions of the Energy Union, including transport, regional policies, competition aspects, digital issues, innovation and others, in its governance system will also have a strong added value.

Furthermore, a streamlined planning, reporting and monitoring framework together with functional governance process between the Member States and the Commission is expected to create administrative and broader economic, social and environmental benefits for the Member States and the stakeholders.

Member States will benefit from a streamlined and simplified planning and reporting framework for their energy and climate policies. More efficient and coherent administrative procedures both within national authorities and between the Member States will enable a



more efficient development and implementation of energy and climate policies. The private sector will benefit from more transparent national regulatory frameworks as basis for investment decisions in the energy and climate fields and citizens from better information on the implementation of the Energy Union and its associated policies.

## 4. OBJECTIVES

In line with the agreement by the October 2014 European Council on a reliable and transparent governance system without any unnecessary administrative burden, which helps to ensure that the EU meets its energy policy goals and streamlines and integrates separate planning and reporting strands, the objectives of the initiative are presented below.<sup>14</sup>

### 4.1. General objectives

The general objectives of the initiative are the following:

- To ensure a coordinated and **coherent implementation of the Energy Union Strategy** across its five dimensions as well as the collective achievement of the Energy Union objectives through a combination of EU and national measures;
- To set up a functional (dynamic, reliable and transparent) **governance process** between the Commission and Member States;
- To **minimise administrative burden** and achieve a simplification and integration of planning, reporting and monitoring obligations for Member States and the Commission, while maintaining benefits of such obligations including their quality of information and transparency;
- To ensure the compliance of the EU with its **international climate obligations**, especially those deriving from the UNFCCC and the Paris Agreement.

### 4.2. Specific objectives

The specific objectives of the initiative are the following:

- To provide for a **timely implementation** and monitoring of the Energy Union objectives;
- To **streamline existing planning, reporting and monitoring obligations** of Member States and of the Commission in line with the Better Regulation principles of effectiveness, efficiency, EU added value, relevance and coherence;

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<sup>14</sup> In consistency with the published Roadmap "Energy Union Governance – Planning, Reporting and Monitoring obligations". Reference: [http://ec.europa.eu/smart-regulation/roadmaps/docs/2016\\_ener\\_029\\_energy\\_union\\_governance\\_planning\\_and\\_reporting\\_en.pdf](http://ec.europa.eu/smart-regulation/roadmaps/docs/2016_ener_029_energy_union_governance_planning_and_reporting_en.pdf)

- To **specify the governance process** in terms of the content and adequate periodicity of National Plans, Progress Reports and the monitoring by the Commission as well as the related iterative process between the Member States and the Commission and the relevant framework for regional coordination.

## 5. POLICY OPTIONS

### 5.1. Baseline scenario

The starting point for defining options is to define a baseline as "no policy change" scenario. A baseline serves according to the Better Regulation Guidelines to assess all relevant advantages and disadvantages of the retained policy options against it in a meaningful way.

The baseline scenario is defined as to represent the current legislative framework for planning, reporting and monitoring in the EU energy and climate acquis as well as the current governance process between the Commission and Member States.

A strictly legal interpretation of the "no policy change" scenario with regard to planning, reporting and monitoring obligations in place in the current EU energy and climate acquis would imply that some of these obligations expire (notably relating to the 2020 energy targets), while others continue post 2020 (most of the obligations contained in the Monitoring Mechanism Regulation).

Such a scenario would, however, be inconsistent with the policy context of this Impact Assessment: the new energy and climate policy targets for the period from 2021 to 2030 included in the Energy Union strategy, which build on the respective 2020 targets and are linked to continued EU energy and climate policies post 2020. These policies require for their implementation the continuation of the corresponding planning, reporting and monitoring obligations beyond 2020. By neglecting the existing planning, reporting and monitoring obligations that would be needed to implement these policy objectives, such a baseline scenario would not represent a suitable reference for the comparison of policy options for streamlining the existing planning, reporting and monitoring obligations post 2020.

Against this background, this Impact Assessment adopts a political interpretation of the "no policy change" scenario by assuming an *unchanged continuation* of existing planning, reporting and monitoring obligations in the energy and climate field post 2020, without the introduction of any new obligations, when assessing alternative options for streamlining.<sup>15</sup>

Consistently, the baseline scenario does not assume the availability of any *formalised* governance process between the Commission and Member States – including an iterative process on ambition or implementation of National Plans leading to specific recommendations from the Commission on national energy and climate policy planning across the Union, or

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<sup>15</sup> The existing obligations also include the current framework for Commission infringements in order to ensure the full implementation of the respective Directives by Member States.

Member States' consultations on national policy planning. However, it has to take into account the pragmatic approach which was established in 2015 and will continue until the current legislative proposal is in force. This includes a voluntary process mirroring elements of the European Semester, including bilateral discussions with Member States based on specific country factsheets or the annual Semester country reports, the provision of policy conclusions or recommendations in the State of the Energy Union as an existing monitoring tool (together with the key indicators report for the five dimensions of the Energy Union), the cooperation with Member States through the Technical Expert Group as well as the involvement of all Commission services and agencies in the provision of information. The Guidance to Member States on National Energy and Climate Plans<sup>16</sup> provides further information on these elements. As regards planning, reporting and monitoring obligations for the governance process, the existing obligations in sectorial legislation are part of the baseline scenario.

## **5.2. Options for streamlining of planning, reporting and monitoring obligations (S)**

In principle, streamlining of the existing planning, reporting and monitoring obligations in the EU energy and climate acquis post 2020 could be pursued by different levels of stringency, from a better alignment of the existing separate obligations (e.g. in terms of periodicity) to their full alignment (e.g. also in terms of content) and integration in one aggregate obligation.

For each of the existing planning, reporting and monitoring obligations in the energy acquis and the MMR, the Fitness Check assessed whether the obligation is suitable for:

- being integrated in National Plans, Progress Reports and integrated Commission monitoring (and at the same time being amended in or repealed from current sectorial legislation); or
- remaining a separate obligation in sectorial legislation, which will however be reflected in the National Plans, Progress Reports and integrated Commission monitoring; or
- remaining an entirely separate obligation in sectorial legislation (with possible amendments) without reflection in the National Plans and/or Progress Reports; or
- remaining a separate obligation from National Plans, Progress Reports and integrated Commission monitoring but, given its relation to obligations to be integrated in National Plans, Progress Reports and integrated Commission monitoring, linked to those obligations and to follow the legal destination of those obligations<sup>17</sup>; or
- being fully repealed from current sectorial legislation and thus removed from the EU energy and climate acquis.

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<sup>16</sup> Presented as Annex 2 to the Commission's State of the Energy Union in November 2015, COM(2015)572 final.

<sup>17</sup> For example, because the obligation supports the collection of data for the National Plans or because it improves the accuracy of such data. This category is only relevant for some obligations of the current MMR.

All obligations under the Fitness Check were classified accordingly (see Annexes 6 and 7 for an overview of obligations and their classification). The incorporation of the relevant obligations in National Plans and Progress Reports would be supported by means of templates for these plans and reports that cover the five dimensions of the Energy Union.

Building on these conclusions of the Fitness Check, the following sub-sections present policy options on both non-legislative and legislative *approaches* to streamline existing planning, reporting and monitoring obligations with the aim of achieving the above classification of obligations.

#### A. Streamlining obligations by soft guidance

##### *(1) Soft comprehensive guidance to Member States on planning, reporting and monitoring (S1)*

Member States would be invited to streamline and improve their planning, reporting and monitoring obligations on the basis of comprehensive non-binding Commission guidance, which would complement the already existing Guidance to Member States on National Energy and Climate Plans (which focussed on policy planning) by guidance related to reporting and monitoring. Any streamlining of existing planning, reporting and monitoring obligations would be undertaken by Member States and the Commission on a voluntary basis.

The soft Commission guidance to Member States would mean an unchanged continuation of existing planning, reporting and monitoring obligations without the introduction of new obligations.

Templates for the content of National Plans and respective Progress Reports would be provided by soft guidance.

#### B. Streamlining obligations by several legislative acts

##### *(2) Regulating planning, reporting and monitoring obligations in the energy and climate field through sector-specific EU energy and climate legislation (S2)*

The current planning, reporting and monitoring obligations for Member States and the Commission in the energy acquis identified in the Fitness Check as being relevant to the implementation of the Energy Union would be streamlined through revisions of the existing sectorial legislation.<sup>18</sup> The relevant provisions would remain in the existing sectorial legislation but they would be amended in order to be brought in line with the Energy Union objectives by being integrated, revised or fully repealed. The MMR would also be amended separately to replace the articles needing to be either repealed, revised in order to ensure consistency with the Paris Agreement or integrated with the energy parts.<sup>19</sup>

Templates for the content of National Plans and respective Progress Reports would be provided by soft Commission guidance.

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<sup>18</sup> See Annex 6 for an overview of obligations and their classification.

<sup>19</sup> See Annex 7 for an overview of obligations and their classification.

*(3) Regulating planning, reporting, monitoring and compliance obligations in the energy and climate field through two separate legislative acts for the energy and climate fields (S3)*

The current planning, reporting and monitoring obligations for Member States and the Commission identified in the Fitness Check as being relevant to the implementation of the Energy Union would be streamlined through two separate legislative acts: a new act on governance for the energy field that replaces the relevant parts of existing legislation in the energy acquis<sup>20</sup> and a separately amended MMR for the climate field that replaces the Articles needing to be repealed, revise the articles in order to ensure consistency with the Paris Agreement or to be integrated and streamlined with the energy parts.<sup>21</sup>

Templates for the content of National Plans and respective Progress Reports would be provided by soft Commission guidance.

C. Streamlining obligations by a single legislative act

*(4) Regulating planning, reporting, monitoring and compliance obligations in the energy and climate field by a single legislative act on Energy Union governance that replaces the relevant parts of existing legislation (S4)*

A single legislative act on Energy Union governance would be adopted that replaces the relevant existing obligations in the energy and climate acquis, while a "light" MMR would remain in force.

All planning, reporting and monitoring obligations for Member States and the Commission that are relevant to the Energy Union implementation and have been identified in the Fitness Check as suitable for being integrated will become part of one new single legislative act. The single act will also repeal all obligations that have been identified as being suitable for being fully repealed, and amend other obligations as identified in the Fitness Check for the energy acquis and in the MMR.<sup>22</sup> However, those provisions that relate primarily to the UNFCCC and do not have a direct link with the National Plans would remain in the MMR.<sup>23</sup>

Templates for the content of National Plans and respective Progress Reports would be provided as part of the single legislative act.

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<sup>20</sup> See Annex 6 for an overview of obligations and their classification.

<sup>21</sup> See Annex 7 for an overview of obligations and their classification.

<sup>22</sup> See Annex 6 for an overview of obligations and their classification.

<sup>23</sup> Climate obligations that would remain in the MMR in this option are: Article 4 MMR (Low Carbon Development Strategies), Article 11 MMR (Retirements of units under the Kyoto Protocol), Article 15 MMR (National adaptation actions), Article 16 MMR (Financial and technology support provided to developing countries), Article 18 MMR (Reporting of national communications and biennial reports), Article 22 MMR (True up period reports), Article 21 MMR (Reporting on Progress).

*(5) Regulating planning, reporting, monitoring and compliance obligations in the energy and climate field by a single legislative act on Energy Union governance (S5)*

A single legislative act on Energy Union governance would be adopted that replaces the relevant parts of existing legislation in the energy acquis and fully replaces the MMR.

All planning, reporting and monitoring obligations for Member States and the Commission that are relevant to the Energy Union implementation and have been identified in the Fitness Check as suitable for being integrated will become part of one new single legislative act. The single act will also repeal all obligations that have been identified as being suitable for being fully repealed, including the MMR in its entirety, and amend other obligations as identified in the Fitness Check for the energy acquis.<sup>24</sup>

Templates for the content of National Plans and respective Progress Reports would be provided as part of the single legislative act.

*(6) Regulating planning, reporting, monitoring and compliance obligations in the energy and climate field by a single legislative act that amends or replaces existing legislation for all actors and stakeholders (S6)*

A single legislative act would be adopted that integrates, repeals or amends existing planning, reporting and monitoring obligations for all actors and stakeholders (not only Member States and the Commission).

In the energy field, this would imply that also obligations for the following other actors and stakeholders would be regulated in the single act: obligations performed by the Agency for the Cooperation of Energy Regulators (ACER, two obligations), the European Network of Transmission System Operators for Electricity (ENTSO-E, one obligation), the European Network of Transmission System Operators for Gas (ENTSO-G, one obligation) and the national Transmission System Operators (TSOs, four obligations). In addition, further obligations that were outside the scope of the Fitness Check would be included in the single act, such as planning and reporting obligations for project promoters set out in Article 5(1) and 5(4) of Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure (the TEN-E Regulation) as well as obligations for energy market participants set out in Article 8 of Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (the Wholesale Energy Markets Regulation). As to the climate acquis, in this option the MMR is entirely included in the single legislative act and repealed from the existing climate acquis.

Templates for the content of National Plans and respective Progress Reports would be provided as part of the single legislative act.

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<sup>24</sup> See Annex 6 for an overview of obligations and their classification.

### **5.3. Options for elements of the Governance process**

This section presents policy options for the Governance process between Member States and the Commission as well as between Member States.

#### ***5.3.1. Periodicity of National Plans (NP)***

##### *(1) No update of National Plans in the period from 2021 to 2030 (NP1)*

After submission of the final National Plans by Member States to the Commission by 2018, no update of National Plans by Member States is foreseen in the period from 2021 to 2030, so that final National Plans would remain valid until 2030.

##### *(2) One update of National Plans in the period from 2021 to 2030 (NP2)*

After submission of the final National Plans by Member States to the Commission by 2018, Member States would be required to update the plans once, e.g. in 2023. The update would cover objectives, policies and measures and projections of the plans.

##### *(3) Biennial updates of National Plans (NP3)*

After submission of the final National Plans by Member States to the Commission by 2018, Member States would be required to biennially update the plans. The updates would cover objectives, policies and measures and projections of the plans.

##### *(4) Biennial updates of National Plans limited to policies and measures and projections (NP4)*

After submission of the final National Plans by Member States to the Commission by 2018, Member States would be required to biennially update the plans. However, the updates would be limited to policies and measures and projections of the plans.

##### *(5) Updates of National Plans every five years, and at Member States' discretion with regard to policies and measures and projections (NP5)*

After submission of the final National Plans by Member States to the Commission by 2018, Member States would be required to update the plans every five years, i.e. in 2023 and 2028, but going beyond that date in view of the 2050 horizon. National plans should also be informed by long-term strategies, e.g. the existing 2050 road maps or mid-century strategies.

If, in addition, Member States wish to update the National Plans with regard to their policies and measures and projections more frequently than the required updates every 5 years Member States would be required to report to the Commission the updated plan.

Note that for all of the options above, the timing and content of the updates of National Plans would have to be consistent with the timing and content of Progress Reports.

### **5.3.2. Periodicity of Progress Reports (PR)**

#### ***(1) Annual Progress Reports (PR1)***

Member States would submit annual Progress Reports on the implementation of National Plans, including on updates of policies and measures and updated projections. The first Progress Reports would be submitted in the early 2020s.

#### ***(2) Biennial Progress Reports (PR2)***

Member States would submit biennial Progress Reports on the implementation of National Plans, including on updates of policies and measures and updated projections. The first Progress Reports would be submitted in the early 2020s.

#### ***(3) Biennial comprehensive Progress Reports and limited Progress Reports every other two years (PR3)***

Member States would submit annual Progress Reports, of which every two years a comprehensive report on the implementation of National Plans, including on updates of policies and measures and updated projections, and every other two years a limited report containing the information required on an annual basis (for example GHG inventories and approximated inventories). The limited report could also contain updates of other information in case of substantial changes occurring as compared to the information submitted in the comprehensive report. The first comprehensive Progress Reports would be submitted in the early 2020s.

### **5.3.3. Periodicity of Commission monitoring of collective progress made (M)**

#### ***(1) Annual monitoring reports (M1)***

Annual integrated monitoring report by the Commission on EU-wide progress made towards the Energy Union objectives based on Member States Progress Reports and key energy and climate indicators as well as country-specific assessments.

#### ***(2) Biennial monitoring reports (M2)***

Biennial integrated monitoring report by the Commission on EU-wide progress made towards the Energy Union objectives based on Member States Progress Reports and key energy and climate indicators as well as country-specific assessments.

### **5.3.4. Iterative process with Member States including country-specific recommendations or decisions (IP)**

The achievement of the Energy Union objectives and in particular of the 2030 Energy and Climate Framework assumes an iterative process between the Member States and the Commission. This process should include country-specific recommendations as part of the State of the Energy Union. Such recommendations would be based on, inter alia, Member States' National Plans, their Progress Reports, and the assessment of key energy and climate indicators to monitor progress towards meeting the Energy Union objectives. They may also



concern more general or short-term energy and climate policy developments than those covered by National Plans or Progress Reports and could draw on complementary country analyses *inter alia* under the European Semester. The geographical scope of the overall Governance process as well as of the possibility to provide recommendations has to be further considered as regards non-EU countries, which are however participating e.g. in the achievement of the climate targets or which are closely linked, e.g. through the Energy Community Treaty.

This process would enable the Commission to evaluate whether the National Plans are ambitious enough to allow for the collective achievement of the Energy Union objectives, and in particular the 2030 targets, and to detect at an early stage whether the implementation of the National Plans is delivering on these objectives.

Should this not be the case, the Commission should propose additional measures at EU-level or request from Member States further measures in order to fill potential gaps to these targets and thereby ensure the achievement of these Energy Union objectives, in particular the 2030 targets for renewable energy and energy efficiency (thereby addressing the "What if" question").

In the policy options presented below, Member States would be asked to take recommendations or decisions into account (either as part of updates of National Plans or as part of their Progress Reports) and to report to the Commission on the consideration of these recommendations or decisions.

The options below on the iterative process on the one hand, and on the nature of subsequent country-specific recommendations or decisions on the other, are complementary.

*(1) Iterative process on ambition of draft National Plans including country-specific recommendations (IP1)*

Should the Commission's assessment of Member States' *draft* National Plans show insufficient ambition of National Plans, the Commission issues recommendations for potential revisions of the draft National Plans (see options IP5 to IP8). These recommendations concern the entire National Plans, including their national objectives (ambition), in view of collectively achieving the Energy Union objectives and in particular the 2030 targets for renewable energy and energy efficiency. Taking into account the Commission recommendations, Member States revise their draft National Plans before their finalisation.

*(2) Iterative process on the implementation of the National Plans including country-specific recommendations (IP2)*

Following the submission of *final* National Plans and based on an assessment of Member States' national Progress Reports, in case of insufficient delivery of the National Plans, the Commission issues recommendations for potential revisions of final National Plans (see options IP5 to IP8). These recommendations refer to the policies and measures of the National Plans in view of fully implementing (delivering) their national objectives. Taking into account these Commission recommendations, Member States revise policies and measures of their plans in the implementation phase.

*(3) Iterative process on ambition and implementation of the National Plans including country-specific recommendations (IP3)*

The iterative process would take place based on the ambition of the draft National Plans and the implementation of the National Plans (combination of the 2 previous options). Taking into account the Commission recommendations on the ambition of draft National Plans, Member States revise their National Plans in the drafting phase before their finalisation. Taking into account the Commission recommendations on the implementation of the National Plans, Member States revise National Plans in the implementation phase.

*(4) Iterative process on ambition and implementation of the National Plans including country-specific recommendations and measures (IP4)*

This option applies if, despite of the iterative process of the Commission on the ambition of draft National Plans and the implementation of final National Plans (option IP3), aggregate national objectives presented by Member States' in *final* National Plans persist to be insufficient to achieve the Energy Union objectives or if Member States collectively do not sufficiently deliver on their national objectives for renewable energy and energy efficiency (and in particular for the case of binding targets at EU level). In this case the Commission could propose additional measures at EU-level or request from Member States further national measures in order to fill potential gaps to these targets and thereby ensure the achievement of these Energy Union objectives. The process on how to detect and prevent such gaps should be set out as part of the iterative process in the Governance initiative. Potential measures to be taken would be anticipated in the Governance initiative but would be set out in detail in the revised sectorial legislation. For this reason, the corresponding policy options are assessed in more detail in the impact assessments for the revisions of these Directives.

*(5) Commission recommendations not set in legislation (IP5)*

The Commission provides recommendations specifically to energy and climate policy to Member States on their draft National Plans and the implementation of the National Plans as part of the State of the Energy Union, when appropriate, and without a process specified in a legal act.

*(6) Commission recommendations set in legislation (IP6)*

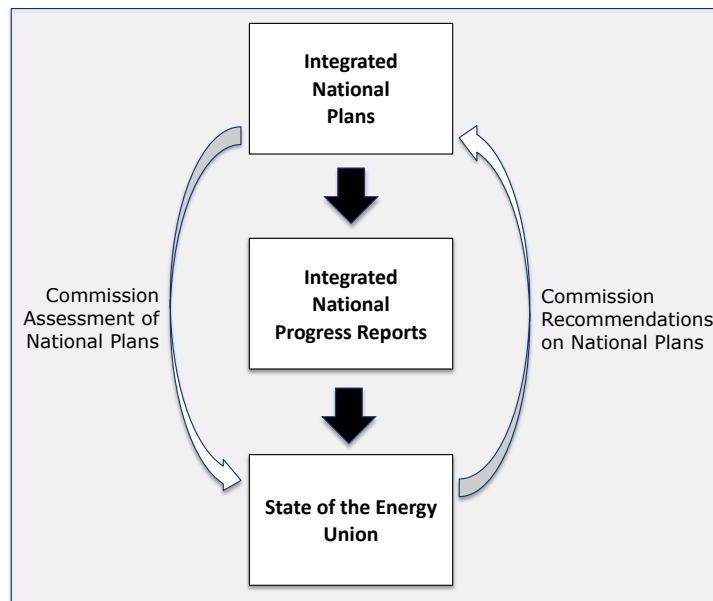
The Commission provides recommendations to Member States on their draft National Plans and the implementation of the National Plans on the basis of a process specified in a legal act.

*(7) Council recommendations set in legislation (IP7)*

The Commission proposes recommendations to Member States to be adopted by the Council on draft National Plans and the implementation of the National Plans on the basis of a process specified in a legal act.

*(8) Binding Commission Decisions (IP8)*

The Commission issues legally binding decisions addressed to the Member States on their draft National Plans and the implementation of the National Plans on the basis of a process specified in a legal act.



*Figure 1: Overview of planning, reporting and monitoring in the governance system*

### **5.3.5. Consultations of Member States on National Plans (C)**

Consultations with neighbouring and other relevant Member States on National Plans refer to an exchange of a Member State's plan with other Member States, publication of the draft plan as part of the consultation, comments by other Member States on the plan as well as consideration of such comments in the finalisation of the plan and subsequent revisions of the final plan. The options below address in particular the consultation process.

To establish coherent National Plans across Member States, draft National Plans would outline the initial objectives for the plans, the envisaged policies and measures to reach these objectives, and assess the anticipated impacts of these policies and measures on neighbouring and other relevant Member States. Subsequently, neighbouring and other relevant Member States would jointly assess options on where and how a coordinated approach would best contribute towards achieving the Energy Union objectives in the implementation of their National Plans. Against this background, regional cooperation can lead to enhanced energy market integration, strengthened security of supply, and a more cost-effective implementation of the Energy Union.

The consultations on National Plans can be undertaken within existing structures for regional cooperation or new regional structures to be created for such consultations or a new EU-wide coordination structure to be created for such consultations as part of the Governance initiative (or a combination of these structures). These alternative structures concern the institutional design of regional cooperation and are not further explored in this Impact Assessment.

*(1) Voluntary consultations on draft and final National Plans (C1)*

Member States undertake voluntary consultations with neighbouring and other Member States on objectives, policies and measures presented in the draft National Plans as well as the implementation of the National Plans, inter alia based on the Commission's Guidance to Member States on National Energy and Climate Plans as well as the forthcoming Commission Guidance on regional cooperation.

*(2) Mandatory consultations on draft National Plans only with regard to policies and measures (C2)*

Member States undertake legally mandatory consultations with neighbouring and other Member States only on policies and measures presented in draft National Plans.

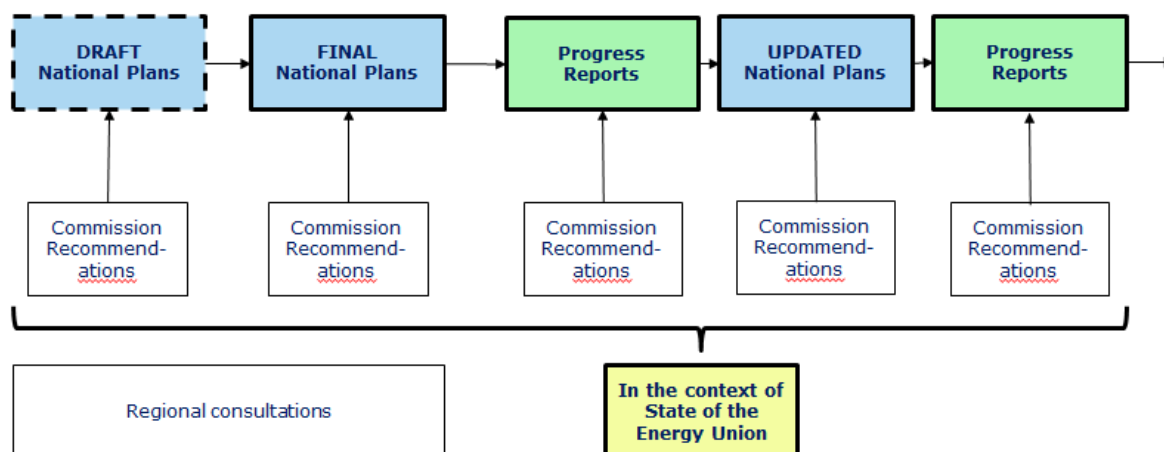
*(3) Mandatory consultations on draft National Plans (C3)*

Member States undertake legally mandatory consultations with neighbouring and other Member States on objectives, policies and measures presented in draft National Plans.

*(4) Mandatory consultations on draft and final National Plans (C4)*

Member States undertake legally mandatory consultations with neighbouring and other Member States on objectives, policies and measures presented in draft National Plans as well as the implementation of the National Plans.

Following the presentation of policy options in section 5.3, the figure below illustrates the main elements of the governance process.



*Figure 2: Flow-chart of the governance process*

## 6. ASSESSMENT OF THE IMPACTS OF THE VARIOUS POLICY OPTIONS

In this section, the impacts of the policy options set out in section 5 will be assessed with regard to the extent to which the policy options meet the specific objectives defined in section 4. In principle, all options are assessed with respect to three categories of impacts: economic, social and environmental impacts. However, as different options can trigger different changes and have different kind of impacts the specific assessment of policy options will be consistent with the nature of the proposed policy options.

### *Streamlining of obligations*

The impacts of policy options on alternative approaches to streamlining are based on two studies supporting this Impact Assessment: the Trinomics study and the Amec Foster Wheeler study (see section 9.4 for references). The methodology of the Trinomics study and the Amec Foster Wheeler study for assessing the policy options followed the Standard Cost Model defined by the Better Regulation toolbox. The underlying data on each indicator was derived from a comprehensive stakeholder survey as well as interviews with national and EU-level stakeholders.

The analysis of each policy option examined several categories of direct impacts based on quantitative indicators (such as costs of implementation, administrative and reporting costs, service outsourcing costs, and ICT/equipment costs for existing electronic reporting systems) and qualitative indicators (such as efficiency of planning, reporting and monitoring system, information quality, simplicity and coherence of planning, reporting and monitoring procedures, and specific costs and benefits for companies). Furthermore, indirect impacts on policy processes were examined by qualitative indicators (such as transparency of national and EU policies, quality of statistics, and quality of national energy and climate policy) to the extent possible, as were indirect impacts on the Energy Union objectives.

The main cost categories assessed are annual costs from planning, reporting and monitoring obligations and one-time implementation costs from legislative changes as well as their transposition and implementation. In particular, annual costs originate from administrative and reporting costs, ICT/equipment costs and service outsourcing costs. One-time implementation costs for the Commission relate to the legislative changes (revision or renewal of legislation, provision of templates, introduction of a new legislative act) that are needed to implement each option as well as the preparation of guidance. One-time implementation costs for Member States originate in particular from transposition and implementation of legislation and the adoption of National Plans. Further one-time implementation costs include ICT/ equipment costs as well as service outsourcing costs.

Against this background, the following impacts are assessed:

Economic impacts: For policy options on alternative non-legislative and legislative approaches to streamlining of planning, reporting and monitoring obligations, the most relevant economic impacts are impacts in terms of the associated administrative costs (in terms of ongoing costs from obligations and implementation costs) and benefits (in terms of

simplification of obligations, a more coordinated and coherent implementation of the Energy Union strategy and compliance with international climate obligations) for Member States and the Commission relating to these options. Based on the mapping of obligations in the Fitness Check, the administrative costs and benefits of the policy options to be assessed will show variations depending on the corresponding prospects of arriving at such streamlining as well as the legislative processes involved. Furthermore, due to the focus on planning, reporting and monitoring obligations for Member States and the Commission, the initiative will not affect the nature of information obligations placed on industry in general and SMEs in particular, and will not impose direct or indirect planning, reporting and monitoring requirements on business in general and SMEs in particular. Likewise, significant direct impacts on the competitiveness of traditional industrial sectors are not expected. However, positive impacts on industry in general and SMEs in particular are expected in terms of enhanced investor certainty by means of streamlined obligations.

Social impacts are relevant in terms of better informing citizens about the Energy Union implementation by means of streamlined and thus more transparent planning, reporting and monitoring obligations for Member States and the Commission.

Environmental impacts: The Fitness Check identified a lack of coherence between planning, reporting and evaluation obligations in the energy field with the climate field. Correcting such incoherencies will increase the EU's performance regarding climate change, improve quality and completeness of data and compliance with international commitments under the UNFCCC and Paris Agreement which are intrinsically linked with the EU system.

### *Governance process*

For policy options on the governance process between Member States and the Commission the assessment of impacts will primarily relate to the general implications of these options for a functional (dynamic, reliable and transparent) governance system that will be essential to implement the objectives of the Energy Union. Besides, there are more specific impacts that will be assessed in a qualitative manner:

Economic impacts are relevant with regard to general economic impacts of a functional governance process; the associated administrative costs and benefits for Member States and the Commission; and impacts on SMEs and industry in terms of investor certainty by means of a transparent governance process.<sup>25</sup>

Social impacts are relevant in terms of better informing citizens in the Energy Union implementation as well as in terms of jobs and growth by means of a functional governance process.

Environmental impacts are relevant in terms of increasing the EU's performance regarding climate change as well as compliance with international commitments.

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<sup>25</sup> Due to the aim of the initiative to establish a governance process between Member States and the Commission, significant direct impacts on competitiveness of traditional industrial sectors are not expected.

In line with the procedural nature of policy options on the governance process, the assessment is undertaken in relation to and structured along the objectives that are relevant to all categories of options: achieving a dynamic, reliable and transparent governance process; facilitating a timely implementation and monitoring of Energy Union objectives; minimising administrative burden; and enabling the EU to comply with international climate obligations.

In the following sub-sections, impacts will be quantified and monetised as far as possible (notably for policy options on alternative non-legislative and legislative approaches to streamlining of planning, reporting and monitoring obligations). For those policy options where quantification is not possible due to the procedural nature of options (notably for options on the governance process) the impacts of policy options will be assessed qualitatively in comparison to the baseline scenario. Results of the public consultation have also been used in the assessment.

As a conclusion of the assessment of impacts, the extent that the policy options contribute to meeting the relevant objectives presented in section 4 will be identified.

#### *Broader benefits of the Energy Union Governance*

Not all aspects of the Energy Union Strategy are currently adequately covered or subject to planning, reporting and monitoring obligations at EU level. This is due to the broad nature of the Energy Union Strategy and its five dimensions. As regards some elements of the Energy Union Strategy, for example research, innovation and competitiveness, existing legislation does not provide for any planning, reporting and monitoring obligations and these components are therefore insufficiently covered to effectively support the implementation and monitoring of progress towards the Energy Union objectives,.

Besides the streamlining and simplification of existing planning and reporting obligations (which is expected to generate cost savings), the initiative also aims at the establishment of planning and reporting obligations on some of these issues as part of the integrated National Plans and the integrated progress reports. This will make the planning, reporting and monitoring framework fit for the post-2020 period, covering the Energy Union's five dimensions. Such additional planning obligations might limit the cost savings from streamlining, but will at the same time generate substantial benefits of integrated policy planning and ensuring investor certainty until the year 2030. National Plans are instrumental for the implementation of the Energy Union. The same holds true for the new integrated monitoring system by the Commission, which will be key to assess the Union's progress towards the implementation of the Energy Union.

Greater coherence between various planning, reporting and monitoring obligations will enhance transparency. Consistency between the energy and climate fields is expected to be improved. This will bring benefits as Member States will not report information that is partly overlapping in substance or containing inconsistencies. For example, under the MMR Member States currently report on policies and measures which contribute to decreasing emissions, which overlap with reporting on policies and measures under the Energy Efficiency Directive, Energy Performance of Buildings Directive and Renewable Energy

Directive. Through the submission of an integrated Progress Report covering all five dimensions, the information currently reported under several different channels would be streamlined and only submitted once, thus contributing to cutting administrative costs in Member States. Another example is that parameters related to renewable energy and energy efficiency used in national greenhouse gas emission projections are not consistent with parameters reported in the energy sector. Improved consistency will lead to better data quality, transparency, and an integrated approach to energy and climate policy planning.

Improved data availability is expected to bring wider benefits as Member States and stakeholders will have access to the data and information. A better picture will be available of policy developments in the Member States. Furthermore, research institutions will be able to use the data and information for their research. Experience in the climate field where for instance data on greenhouse gas emissions and removals is available to all has shown that this information can be a valuable source.

The broader perspective should also be kept in mind. The transition towards a more secure and sustainable energy system is estimated to require some EUR 200 billion annual investments in the next decade. Therefore, general environmental, economic and social benefits from the implementation of the Energy Union can be expected from a more streamlined energy and climate acquis and in particular from a functional, reliable and transparent Governance process that supports the achievement of the Energy Union objectives including the 2030 climate and energy targets. The Energy Union Governance will allow for the necessary certainty and predictability to facilitate such investments as part of the implementation of the Energy Union and make them more efficient.

In summary, the initiative is expected to generate substantial new benefits. These include an integrated approach to energy and climate policy planning, the reduction of policy overlaps and interactions, improved transparency and availability of information, improvements in the quality of information, enhanced predictability and investor certainty until the year 2030. Put together, this is expected to lead to a substantially more cost-effective planning and reporting system.

## **6.1. Impacts of the Baseline Scenario**

The baseline scenario will serve as a reference for the assessment of the impacts of the proposed policy options in both areas of this Impact Assessment.

### *Impacts of the baseline for streamlining obligations*

For the area of streamlining obligations, impacts of the baseline scenario reflect implications of an unchanged continuation of existing planning, reporting and monitoring obligations post 2020. The following impacts are derived for the baseline scenario.

**Economic impacts** for Member States and the Commission are expected as follows:



- Total cumulative costs for Member States in the period 2021-2030 of 222.7 million EUR. This includes both one-time implementation cost and annual costs (the latter multiplied by 10, to cover the 10 years period).
- One time implementation costs are due to legislative changes ensuring the continuation of existing obligations beyond 2020. Implementation costs occur in the baseline scenario due to the legislative procedure of prolonging the respective legal provisions that would otherwise expire in 2020. Implementation costs include costs for transposition and implementation by Member States. An overview of one time implementation costs in the baseline scenario is presented in Annex 9. The relevant legislation that would be affected by prolongation due to expiry in 2020 includes:
  - Directive 2009/28/EC (Renewable Energy Directive)
  - Directive 2010/31/EU (Energy Performance of Buildings Directive)
  - Directive 2012/27/EU (Energy Efficiency Directive)
  - Directive 2013/30/EU (Safety of Offshore Oil and Gas Operations Directive)
  - Regulation (EU) No 1316/2013 (Establishing the Connecting Europe Facility)
- The total figure also includes annual administrative and reporting costs (for planning and reporting activities), ICT/equipment costs (for equipment and ICT system installation, maintenance and use) and service outsourcing costs (for outsourcing of planning and reporting services to external consultants) for Member States. This represents an unchanged administrative burden from existing planning and reporting obligations (except for inflation correction).<sup>26</sup> An overview of annual costs for Member States in the baseline scenario is presented in Annex 9.
- No administrative benefits in terms of simplification as well as in terms of a more coordinated and coherent implementation of Energy Union strategy across its five dimensions from more streamlined and integrated planning, reporting and monitoring due to an unchanged continuation of existing obligations post 2020.
- No impacts on SMEs and industry are expected due to unchanged specific costs and benefits for companies from an unchanged continuation of existing planning, reporting and monitoring obligations post 2020.
- No general economic impacts are expected from the unchanged continuation of the existing planning, reporting and monitoring obligations relevant for the achievement of the Energy Union objectives.

No **environmental impacts** are expected in terms of achieving the Energy Union objectives due to unchanged efficiency of planning, reporting and monitoring system, information quality, simplicity and coherence of planning, reporting and monitoring procedures. The single framework approach established by the MMR incorporates planning and reporting requirements from EU law (ESD, ETS and LULUCF) and international origin (UNFCCC, Paris Agreement) in one act, thereby helping to ensure compliance by the Union with its

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<sup>26</sup> Cost estimates are based on the associated cost of planning, reporting and monitoring obligations in energy field presented in the Fitness Check.

international climate obligations and to enable the EU to monitor consistency and progress of its international and EU obligations in an integrated way.

No **social impacts** are expected in terms of informing citizens about the Energy Union implementation due to unchanged information quality from an unchanged continuation of existing planning, reporting and monitoring obligations post 2020.

#### *Impacts of the baseline for the governance process*

For the area of the governance process impacts of the baseline scenario correspond to implications of the absence of a *formalised* process between Member States and the Commission. It however takes into account the pragmatic approach established in 2015.

With regard to the periodicity of existing planning, reporting and monitoring obligations the baseline scenario is based on the existing obligations in the sectorial legislation, which either do not include an explicit requirement to update plans or foresee different periodicity. The same applies for reporting and monitoring obligations, where the majority of legislative provisions, however, provide for annual or biennial reporting and monitoring. Therefore, the Impact Assessment assumes that planning obligations for Member States are either updated every three years or can be updated when necessary and that reporting obligations for Member States are either annual or biennial. Such varying periodicity across existing obligations that are suitable for integration into National Plans and Progress Reports is inconsistent with a governance process that aims to align the periodicity of integrated planning, reporting and monitoring obligations. As regards the monitoring obligations, the State of the Energy Union is intended to be an annual report assessing progress made and steering the further policy debate. This is part of the baseline.

The pragmatic approach established in 2015 provides for a voluntary process mirroring elements of the European Semester. In 2015, bilateral meetings were held with all Member States based on sector-specific factsheets. The interaction with the Member States provided the basis for the evaluation of progress made which fed into the 2015 State of the Energy Union. As this was the first edition, policy conclusions were made on European, regional and national level, but not yet country-specific. This process should be developed further in a pragmatic way until the Energy Union governance legislation is in force. This includes bilateral discussions with Member States based on specific country factsheets or – in the absence of such factsheets in a given year (like in 2016) – the annual Semester country reports. These bilateral discussions form the basis of developing, as of 2016, country-specific policy conclusions or recommendations.

However, the baseline scenario does not include formalised country-specific recommendations on energy and climate policies across the Union. These are aimed to be included into the Commission's integrated monitoring report and should be developed further over time to more detailed country-specific recommendations once the Governance system is in place and/or the draft National Plans are available to the Commission. This procedure does not foresee a role for the Council and the European Parliament on the European level. However, the specific recommendations on energy and climate policies included in the State

of the Energy Union would feed into the European Semester process. They could also become a Commission recommendation with a role for the Council in the context of the European Semester if they are linked to fiscal and structural policies or issues of macroeconomic relevance. Nevertheless, a lack of a formalised political process between the EU institutions and Member States, including on the finalisation of the draft plans and their subsequent implementation, is expected to result in collective national efforts that are insufficient for achieving the Energy Union objectives, in particular with regard to the 2030 targets for renewable energy and energy efficiency, together with an uncertain implementation of the National Plans over time.

For Member States' consultations on national policy planning, the baseline scenario provides for no formalised consultations on National Plans. However, the baseline scenario includes the cooperation with Member States through the existing Technical Working Group on National Energy and Climate Plans, where Member States are already encouraged to exchange information. Existing regional initiatives and fora, which could also be used for consulting the draft National Plans, are also part of the baseline scenario. However, such informal process might put at risk the achievement of the objectives of the Energy Union (in particular the 2030 targets for renewable energy and the energy efficiency) due to the non-coordinated approach and the fact that the process is based on voluntary participation. Investor certainty for SMEs and industry or information for citizens would not be enhanced by the absence of a transparent governance process.

The impacts of policy options will subsequently be assessed qualitatively in comparison to this baseline.

## **6.2. Impacts of options for streamlining of planning, reporting and monitoring obligations (S)**

In this section, the impacts of policy options for streamlining obligations will be assessed against the reference of the baseline scenario, which assumed an unchanged continuation of existing planning, reporting and monitoring obligations post 2020.

For this area of policy options, in the Public Consultation supporting this Impact Assessment (see section 9.3) a broad consensus emerged among respondents on the need to better streamline, align and integrate existing planning and reporting obligations to avoid gaps, duplications and inconsistencies. This view is notably also shared by all Member States that replied to the Public Consultation. Concerning the approach to streamlining, a vast majority of respondents considered a single legislative act as the preferred option for streamlining of planning and reporting obligations in the energy and climate field post 2020.<sup>27</sup>

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<sup>27</sup> This approach was supported by 31% of respondents, and by 7 out of 15 Member States having replied to the consultation. An absolute majority of stakeholders (51%) saw several benefits deriving from the adoption of a new legislative act. The option of streamlining obligations by revisions of sectorial legislation received support from 21% of stakeholders but not a single Member State expressed explicit preference for this option. The option of non-binding Commission guidance received support from only 15% of stakeholders (which however included

### Total cumulative costs for Member States in the period 2021-2030

Table 1 below presents the total cumulative costs for Member States in the period 2021-2030. The figures include both one time implementation cost and annual administrative costs (the latter multiplied by 10, to cover the 10 years of the period). One-time implementation costs for Member States originate in particular from transposition and implementation of legislation and the adoption of National Plans. Further one-time implementation costs include ICT/equipment costs as well as service outsourcing costs. Annual costs include administrative and reporting costs, annual ICT/equipment costs and annual service outsourcing costs. An overview of one-time implementation costs and annual administrative costs for Member States across policy scenarios is presented in Annex 9.

*Table 1: Total cumulative costs for Member States in the period 2021-2030 in million EUR*

Policy option	Total cumulative costs
<i>Baseline</i>	222.7
Option S1 (soft guidance)	244.5
Option S2 (sector-specific legislation)	330.1
Option S3 (two legislative acts replacing relevant parts of energy acquis and MMR)	n.a.
Option S4 (single act replacing relevant parts of energy acquis and MMR)	219.3
Option S5 (single act replacing relevant parts of energy acquis and fully replacing MMR)	219.3
Option S6 (single act for all actors and stakeholders)	243.6

*n.a.* = not available as this policy option was not evaluated by the external expertise; impacts for this option are therefore assessed qualitatively.

*NB: As regards option S4, as a partial MMR remains, some of the complexity related to implementation of separate acts remains which may increase costs and decrease the savings under this option. As regards option S5, due to cost savings of fully integrating the MMR, the total costs for Member States of this option are expected to be lower.*

As regards policy options for streamlining of obligations, the studies supporting this Impact Assessment (see section 9.4 for references) assumed an unchanged periodicity of planning, reporting and monitoring obligations in relation to existing legislation. Actual annual administrative cost savings from streamlining of these obligations are expected to be higher due to an alignment of the periodicity of planning, reporting and monitoring obligations which will reduce administrative costs (see also sections 6.3 and 7.2 for an assessment and comparison of options on the Governance process).

Ongoing administrative and reporting costs for the European Commission (all obligations related monitoring costs) have not been monetised by the Trinomics study. However, as for Member States these administrative and reporting costs are expected to be lower as regards

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5 Member States) and was considered by 61% of overall respondents as not sufficient to ensure effective and efficient streamlining and the creation of a stable legislative framework guaranteeing stability for investors.

annual monitoring than in the baseline scenario for all options, reflecting cost savings from streamlined obligations. At the same time, the integrated Commission monitoring of the National Plans and Progress Reports will also incur new administrative costs (mainly in terms of human resources and external technical support). In total, annual monitoring costs for the Commission are expected to decrease compared to the baseline for policy options S4 and S5.

### Administrative benefits

Overall, all options will lead to higher administrative benefits in terms of simplification of planning, reporting and monitoring – in particular between the energy and climate fields – and therefore a more coordinated and coherent implementation of the Energy Union Strategy across its five dimensions. The closer an option gets to the streamlining into a single legislative act without creating unnecessary complexity, the higher the administrative benefits are. Therefore, the highest administrative benefits can be expected from option S5 followed by option S4, with the lowest benefits for option S1.

The following additional considerations have to be taken into account when looking into the administrative benefits of some of the options:

- As regards option S1, there is a risk that the benefits might not be achieved as the guidance is voluntary and may not be followed.
- As regards option S2, the complex legislative process of revising the various sector-specific acts and the risk of inconsistent interpretations leads to a corresponding risk that the streamlining and integration would not be fully achieved and that these benefits would not materialise.
- As regards option S3, the two separate legislative process of introducing a new legislative act for the energy field and revising the MMR for the climate field and the risk of inconsistent interpretations leads to a corresponding risk that these benefits – in particular from the integration between the energy and climate field – would not be fully achieved and would not materialise.
- As regards option S6, this option risks introducing unnecessary complexity in the overall reporting system given the large scope of stakeholders that would be covered. The level of integration and efficiency would be affected.

### Impacts on SMEs and industry

The streamlining of planning, reporting and monitoring obligations is intended only for Member States and the Commission, except for option S6 which also foresees the streamlining of obligations of other actors and stakeholders (ACER, ENTSO-E, ENTSO-G and TSOs). Therefore, the impact on industry and in particular on SMEs is – compared to the baseline scenario – positive but minor. Potential benefits for companies in terms of investor certainty could result from potentially more integrated energy and climate policies (especially by the use of templates by Member States). However, option S4 might have mixed impacts as

the discontinuation of a single framework related to planning, reporting and monitoring in the climate field might entail negative impacts in this regard.

### Integration between energy and climate policies

The integrated planning, reporting and monitoring would lead to more integrated energy and climate policies and improvements of quality and completeness of reported data because of the introduction of harmonised templates for National Plans and Progress Reports. The most optimal integration and increased coherence would be achieved mainly by option S5 through a single legislative act covering planning, reporting and monitoring obligations for Member States and the Commission in the energy and climate field. However, the benefit is different based on the applied option:

- As regards option S1, this benefit is considered as only potential as there is a risk that the voluntary guidance will not be followed.
- As regards option S2, the complex legislative process of revising the various sector-specific acts and the risk of inconsistent interpretations leads to the risk that the streamlining and integration would not be fully achieved and that these benefits would not materialise.
- As regards option S3, this entails a risk of inconsistent interpretations of provisions that should be read together. The fact that two acts would have to be adopted leads to a corresponding risk that the streamlining – in particular the integration between the energy and climate field – will not be fully achieved and that these benefits would not materialise.
- As regards option S4, obligations that are part of the plans linking the international context with the EU would be lacking in the single legislative act (for example low carbon development strategies or reports on national adaptation actions with which the plans should be coherent and consistent) due to the light MMR remaining. On the other hand, option S4 would result in a shorter legislative act by integrating only those planning, reporting and monitoring obligations from the energy and climate field that are most relevant for the Energy Union.
- As regards option S5, it should be mentioned that it would lead to higher quality of national energy and climate policy (as the new legislative act would be a strong push factor for this), much higher efficiency of the reporting system (as it would lead to a more integrated vision and reduce risks of overlaps, duplications and redundancies), improved information quality (due to improved requirements and streamlined coherence across Member States), simpler and more coherent reporting procedures (as all changes are devoted to streamlining, improving comparability and congruence of requirements) It would ensure the highest consistency in planning, reporting and monitoring between EU and international climate policies due to integration of all obligations from the MMR.
- As regards option S6, due to the creation of complexities and the risk of time consuming data collection, the overall reporting system may become less efficient

which would also have negative impacts on the level of integration and the quality of the information. There are also risks related to the quality of statistics as it might be hard to provide comparable statistics for all obligations due to specific circumstances and data collection methodologies applicable.

### Ensuring the compliance by the Union with its international climate obligations

All options contribute to ensuring compliance with the Union and Member States' commitments and obligations under international climate change agreements to a different extent. They ensure easy access to climate data and consistency and credibility of information reported to the Commission and internationally. They (except for option S4) enable the EU to continue its approach on monitoring progress on the implementation of its international commitments in a single integrated monitoring report which could be used to demonstrate internationally what climate action the EU is taking and to show progress towards the commitments the EU has made internationally at UNFCCC Climate Conferences.

Option S1, S2, S3 and S4 contribute in the same way as the baseline to this objective. Option S5, due to the single legislative act, contributes best to this objective. Option S4 would contribute less to this objective due to the split of obligations from EU or international origin into two different legislative acts and subsequently two different monitoring procedures.

### Social impacts

Option S1 has similar social impacts to the baseline since it is expected that the citizens would be informed about the Energy Union implementation in the same way. Potential social benefits could result from higher information quality due to the more integrated energy and climate policies introduced by the voluntary templates for National Plans and Progress Reports.

Positive social impacts are expected from options S2, S3 and S5 in terms of informing citizens about the Energy Union implementation due to higher information quality from improvements of data quality and completeness as a result from more coherent planning, reporting and monitoring based on more streamlined and integrated obligations.

Mixed social impacts are expected from option S4 as benefits are expected due to better information of citizens about Energy Union implementation due to more transparent and more streamlined planning, reporting and monitoring obligations and to better quality of statistics and of the information reported. However, the discontinuation of the single framework for planning, reporting and monitoring in the climate field would impact negatively on the manner in which citizens would be informed about climate issues.

Negative social impacts are expected from option S6 as citizens would be less informed given the overly complex system and because there would be also a risk that important details are missed because of the heavy amount of information to be covered.

### **6.3. Impacts of options for elements of the Governance process**

In this section, the impacts of policy options for the Governance process will be assessed against the reference of the baseline scenario, which assumed the absence of any *formalised* governance process between the Commission and Member States.

For this area of policy options, in the Public Consultation supporting this Impact Assessment (see section 9.3) five Member States emphasised the necessity to find the right balance between the principle of investment certainty and the possibility to adapt national plans to changing circumstances. Furthermore, there was a widespread consensus that the new governance system should facilitate the coordination of national energy policies and foster regional cooperation. There was also wide support for the principle that Member States' consultations could play a role in the political process leading to the definition of national plans.

In the following, due to the procedural nature of policy options for the Governance process as well as the lack of quantitative data on impacts of these options, the assessment is pursued in a qualitative manner. Instead, more emphasis is put on the results from the Public Consultation, where appropriate.

#### **6.3.1. Periodicity of National Plans (NP)**

The Commission set out in its Guidance document in November 2015 that it expects the first National Plans to be submitted by 2018 in order to have the plans available in good time before the post-2020 framework comes into force. The options below consider different options for updating the National Plans. It should be added that the new Governance system for the Energy Union should be set up with a long-term time horizon, even if the main focus of the first plans will be the period from 2021 to 2030 in line with the 2030 Energy and Climate Framework.

Dynamic, reliable and transparent governance process: The different options lead to different dynamics of the governance process. Whereas in the case of no update of National Plans in the period from 2021 to 2030 (option NP1) the plans would remain static until the end of the 2030-period, the other options allow for a more dynamic process with different possibilities for updates, from one update (option NP2) to updates in regular intervals (biennial in options NP3 and NP4, every five years in option NP5). The options also differ on the contents of National Plans for which updates are possible. Several options (options NP2, NP3 and NP5) provide for complete updates of the National Plans themselves, including their objectives and targets. Option NP4 only focusses on updates of the policies, measures and projections, with option NP5 leaving this opportunity to the Member States discretion in addition to the regular updating. Leaving the objectives of National Plans for at least the 2030-targets untouched or updated only once (as foreseen by options NP1, NP2, NP4) or twice (as foreseen by option NP5) over this period would contribute to more stable objectives for the period from 2021 and 2030, thereby also providing for investor certainty for industry and SMEs and consequentially having beneficial impacts on jobs and growth. Therefore, the longer the interval between the updates is, the more stability it provides. However, the downside of such periodicity is that



long planning intervals allow to a lesser extent for the possibility to adjust the targets upwards, i.e. to make them more ambitious, and to update policies and measures and projections, which could prevent their full implementation or at least lead to outdated plans which could in turn lead to negative impacts on jobs and growth. This could be partly alleviated by at least providing the option to update the policies, measures and projections on a more regular basis (as foreseen by options NP3, NP4 and NP5).

Administrative burden and economic impacts: The costs for this option increase by the number of updates of the National Plans, i.e. the more often the plans can or have to be updated the higher the costs would be. Therefore, option NP1 would have the lowest administrative (planning) costs of all options, including the baseline scenario. The highest administrative costs would apply to option NP3 due to the biennial updates of the National Plans. The costs for the other options lie between these two options. However, the lower the frequency of updates, the lower is also the monitoring benefit for the Commission from the National Plans, and *vice versa*.<sup>28</sup> The lower the periodicity of updates of National Plans, the higher is the risk of having outdated National Plans in place, which would lead to misinformation of investors and the citizens as well as lead to policies and measures not reflecting long term needs and policy objectives.

Timely implementation and monitoring of the Energy Union objectives: More frequent updates of the National Plans or at least of their policies, measures and projections would allow for the possibility to better react to changing circumstances in the implementation of the energy transition which is the basis for achieving the Energy Union. Except for option NP1, all options will contribute to different extents to the achievement of these objectives. In addition, in order to properly provide European decision-makers but in particular citizens with up-to-date information, updates of the National Plans are needed, also to avoid outdated plans and risks to the full implementation of the Energy Union.

Ensuring compliance by the Union with its international climate obligations: In order to comply with the Union's international obligations from the Paris Agreement, and in particular the 5-year review cycle and the review processes, the plans should allow for updates when relevant. The planning (and reporting) periodicity of the Energy Union governance system should therefore be synchronised with these cycles. Following the facilitative dialogue in 2018, global stocktaking will take place in 2023, 2028 and every five years thereafter. Therefore, the closer the National Planning cycle comes to these points in time (as foreseen by option NP5), the better the information can be taken into account in the global stocktakes. Option NP5 would lead to full synchronisation.<sup>29</sup> In this context it would be important to allow for increasing the ambition and implementation of the National Plans based on developments in the energy system. If this is not the case, this could lead to potential losses in

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<sup>28</sup> It should, however, be noted that the monitoring benefits for the Commission would to a large extent come also from the Progress Reports.

<sup>29</sup> Option NP5 entails updates of the National Plans in 2023 and 2028 which implies that the National Plans would be available as an input to the global stocktakes at both dates. Option NP1 leads to no synchronisation, options NP2, NP3 and NP4 to limited synchronisation, as the National Plans would only be available as an input into the global stocktake in 2023, not in 2028.

terms of achieving environmental benefits as well as to putting at risk the achievement of the Energy Union objectives and in particular the 2030 targets.

The frequency of updates to ensure a reliable governance system, the timely implementation of the Energy Union and in particular the 2030 targets as well as the compliance with our international climate commitments has to be balanced with the need for having a stable regulatory framework leading to investor certainty and for not increasing the administrative burden on the Member States and the Commission.

### **6.3.2. *Periodicity of Progress Reports (PR)***

These options imply different points in time and contents of national Progress Reports that Member States prepare on the implementation of their National Plans. These Progress Reports form the basis for the subsequent Commission monitoring.

- Dynamic, reliable and transparent governance process: While annual Progress Reports (PR1) would provide for a more dynamic reporting process between Member States and the Commission than the baseline, the frequency of reporting would be lower in the case of biennial Progress Reports (PR2) and similar for the intermediate option of biennial comprehensive Progress Reports and limited Progress Reports every other two years (PR3). Reporting on progress made in implementing the National Plans is important as it enables the Member States and the Commission to be informed on the progress in achieving the objectives of the Energy Union. Thus, the objective of ensuring a dynamic, reliable and transparent governance process is most served by an annual reporting rhythm, which is covered by options PR1 and PR3.
- Administrative burden and economic impacts: Option PR1 would imply only moderately higher costs as compared to the baseline scenario as parts of the information required for the compilation of National Plans is already reported on an annual basis under the current legislation. PR2 would lead to certain savings due to the fact that the information that is currently required annually would be submitted only every other year, although Member States would still need to compile information annually for purposes of other EU legislation or for international purposes. Option PR3 would entail similar administrative burden on Member States. On the benefit side, all options would lead to compiled information that currently is required under different pieces of legislation, thus eliminating the overlaps and inconsistencies. While PR1 would also lead to higher general economic benefits and to higher investor certainty for SMEs and industry and higher prospects for creating jobs and growth by means of a more functional governance process, PR2 would lower investor certainty due to a lower frequency of reporting and thus transparency on policy progress and PR3 would leave the baseline situation unchanged.
- Timely implementation and monitoring of the Energy Union objectives: By closely tracking their own progress, Member States and the Commission have in place an early warning system that informs them of possible underachievement of the 2030 targets and enables them to take additional actions to get back on track. Annual

reporting on GHG inventories is one of the key obligations under the UNFCCC. Annual Progress Reports from Member States (as foreseen by option PR1) also support the Commission's work of compiling this information into the integrated monitoring report. Biennial Progress Reports (option PR2) would be suboptimal at least in the context of energy efficiency and decarbonisation. In contrast, a biennial reporting cycle under the Energy Union would fail to integrate the tracking of progress with the targets under the decarbonisation component which would need to continue on a separate annual track. Option PR3 would enable Member States and the Commission to track progress with the objectives of the Energy Union in a flexible manner. It would allow for the information that changes less frequently to be submitted on a biennial basis while still ensuring that the information necessary for tracking progress annually is available. While option PR1 would enable citizens and industry to be informed in a timely and accurate manner of the state of the climate and of the business environment, option PR2 would lead to a lower level of information on the Energy Union implementation and option PR3 would maintain the information level of the baseline. This option would lead to a higher level of information for citizens on the Energy Union implementation.

- Ensure the compliance by the Union with its international climate obligations: In order for the EU as a Party to the UNFCCC to comply with its international obligations, timely, accurate, consistent and complete GHG inventories need to be reported by the Member States to the Commission every year by 15<sup>th</sup> of January (as foreseen in option PR1). This deadline is important because it enables the work of the Commission of aggregating the data submitted by the Member States and producing the Union GHG inventory in time for the submission deadline under the UNFCCC (15<sup>th</sup> of April). Without this information submitted annually (option PR2), the EU would not be able to comply with its international obligations. Also option PR3 would ensure that the information required for the compliance of the EU with its international obligations under the UNFCCC is submitted by the Member States to the Commission at the optimum frequency and in time to ensure compliance of the EU.

### **6.3.3. *Periodicity of Commission monitoring of collective progress made (M)***

These options imply different frequencies of the regular Commission monitoring report on EU-wide progress made towards the Energy Union objectives that is based on Member States' Progress Reports and the Commission's key indicators report.

- Dynamic, reliable and transparent governance process: Only an annual monitoring report by the Commission (option M1) would lead to a more dynamic monitoring process between Member States and the Commission than the baseline. Likewise, only for option M1 there would be a higher level of information for the European Parliament and the Council on the Energy Union implementation and more frequent possibilities for a political debate with these institutions.

- Administrative burden and economic impacts: Compared to the baseline, option M1 would entail higher administrative costs due to the increase in frequency of the compilation of some information that is currently done on a less frequent basis in sectorial progress reporting. In contrast, option M2 would lower administrative burden compared to the baseline due to the lower frequency of monitoring, but would also generate lower administrative (monitoring) benefits as regards the decarbonisation dimension due to the lower frequency of data reporting on greenhouse gas emission reductions. Option M1 would also lead to higher investor certainty for SMEs and industry due to an annual monitoring report by the Commission on EU-wide progress made towards the Energy Union objectives as well as the regulatory environment. Higher prospects for creating jobs by a more dynamic monitoring process and growth would better be ensured by option M1.
- Timely implementation and monitoring of the Energy Union objectives: Annual tracking of progress (option M1) towards the 2030 targets for greenhouse gas emission reductions is paramount in order to ensure that Member States are in line with their annual obligations under the Effort Sharing Regulation. A less frequent monitoring report (option M2) would, however, be sufficient in order to assess Member States' progress for the other Energy Union dimensions. At the same time, annual compilation by the Commission of a monitoring report (option M1) would enable the Commission to detect cases of possible underachievement at an early stage. Higher level of information for citizens on the Energy Union implementation due to a more dynamic monitoring process would be ensured by option M1.
- Ensure the compliance by the Union with its international climate obligations: Annual compilation of a monitoring report (option M1) would enable the EU to demonstrate internationally, at the annual UNFCCC Climate Conferences, what action the EU is taking in the climate and energy field and to show progress towards its international commitments. A biennial report from the Commission (option M2) would not be adequate to achieve this objective.

In the Public Consultation, stakeholders underlined the importance of the Commission pursuing subsequent monitoring and assessment of progress made by Member States. The Commission's role was seen as "very relevant" by 61% of overall stakeholders, including 42% of public authorities, 63% of private companies and industry associations and 93% of NGOs.

#### ***6.3.4. Iterative process with Member States including country-specific recommendations or decisions (IP)***

The first set of options implies an **iterative process** between Member States and the Commission that would include recommendations or decisions (see below), which Member States would take into account by a revision of their National Plans. The iterative process can be complemented by additional measures in order to fill potential gaps to the EU-level 2030 targets.

- Dynamic, reliable and transparent governance process: An iterative process only on draft National Plans (option IP1) or final National Plans (option IP2) can contribute to a more reliable governance process either on the ambition or the implementation of National Plans. In contrast, an iterative process that covers both the drafting and the finalisation phase of policy planning (option IP3) can address both the ambition and delivery of National Plans and thus contribute more comprehensively to a sufficient level of collective contributions by Member States to the EU-level 2030 targets for renewable energy and energy efficiency as part of their National Plans and a full implementation of these plans. Complementing the comprehensive iterative process of option IP3, EU-level measures or a request by the Commission for further national measures by Member States (option IP4) can fill potential gaps to the EU-level 2030 targets and thereby ensure the most reliable governance process as a basis for the achievement of these Energy Union objectives.
- Administrative burden and economic impacts: Option IP1 and IP2 would each entail higher administrative (planning) costs for Member States than the baseline due to potential revisions of draft or final National Plans and higher administrative (monitoring) costs for the Commission due to an assessment of and recommendations on draft National Plans or Progress Reports. Option IP3 would entail higher costs than IP1 and IP2 in this regard due to its coverage of the drafting and the finalisation phase of policy planning. The highest administrative costs result from option IP4 due to the additional efforts needed for the design and implementation of measures at EU or Member States' level. At the same time, options IP1 to IP3 generate higher (monitoring) benefits for the Commission due to an assessment of draft National Plans (IP1), Progress Reports (IP2), or both (IP3 yielding the highest benefits). Investor certainty for SMEs and industry is enhanced by options IP1 to IP3 compared to the baseline due to a dedicated process ensuring the collective ambition (IP1), delivery (IP2) or both (IP3) of the Energy Union objectives and in particular the 2030 targets for renewable energy and energy efficiency. Investor certainty is enhanced most by option IP4 due to the highest prospects for achieving these 2030 targets. All options would increase the prospects for creating jobs and growth by different degrees due to their contribution to a more reliable governance process as set out above.
- Timely implementation and monitoring of Energy Union objectives: Options IP1 to IP3 provide higher possibilities of either increasing the ambition (IP1) or delivery (IP2) of National Plans or both (IP3) leading to potential gains in terms of achieving environmental benefits. These expected benefits are highest in option IP4 due to the highest prospects for achieving these 2030 targets by complementing EU or national measures. Likewise, options IP1 to IP3 ensure a higher level of information for citizens on the Energy Union implementation due to Commission assessment of draft National Plans (IP1), Progress Reports (IP2) or both (IP3) and recommendations on National Plans.
- Ensure the compliance by the Union with its international climate obligations: In particular the iterative process entailing higher possibilities of increasing the ambition

and improving the delivery of National Plans (IP3), if necessary complemented by EU or national measures (IP4), is expected to lead to more ambitious and solid plans which may help the Union to ensure compliance with its international obligations.

In the Public Consultation, respondents confirmed that the Commission should play a crucial role in the Governance process notably by reviewing National Plans prepared by Member States and engage in an iterative dialogue that should be conducive to higher level of collective ambition of National Plans.<sup>30</sup> In addition, respondents emphasised that the Commission should be able to introduce EU-level measures supporting Member States in the attainment of the objectives of the Energy.<sup>31</sup>

As part of the iterative process above, country-specific **recommendations or decisions** would be issued on Member States' National Plans. The options below concern the nature of such recommendations or decisions, which Member States take into account by a revision of their National Plans.

- Dynamic, reliable and transparent governance process: Country-specific recommendations on National Plans that are specific to national energy and climate policy planning across the Union result in a more reliable governance process between Member States and the Commission that contributes to achieving the Energy Union objectives. This holds true in particular for a process on recommendations or decisions set in legislation (options IP6 to IP8), while the effects would remain uncertain without a process set in legislation (option IP5).
- Administrative burden and economic impacts: Options IP6 and IP7 would entail higher administrative (planning) costs for the Commission Member States than the baseline due to a process set in legislation for recommendations that are specific to national energy and climate policy planning across the Union. A process involving the Council (option S6) would entail an even higher administrative burden and could create potential overlaps with the European Semester. For option IP5 these costs would remain uncertain, depending on the extent of recommendations.
- Timely implementation and monitoring of Energy Union objectives: If the process for recommendations is not set in legislation (option IP5) it would be left to the discretion of the Commission whether to issue these. In addition, the lack of a process set in legislation adopted by both Council and Parliament could reduce their legitimacy and effectiveness (i.e. the extent to which Member States take the recommendations into account). In contrast, binding Commission decisions (option IP8) would provide the highest prospects for their implementation. Option IP6 would ensure systematic recommendations from the Commission to Member States based on a procedure agreed in co-decision by Council and Parliament, which would enjoy high legitimacy

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<sup>30</sup> The Commission's role in this context was perceived as "very relevant" by 54% of all stakeholders, including 27% of public authorities, 58% of private companies and industry associations and 93% of NGOs.

<sup>31</sup> The Commission's role in this context was perceived as "very relevant" by 52% of all stakeholders, including 37% of public authorities, 48% of private companies and industry associations and 93% of NGOs.

and would ensure effectiveness. For Council recommendations set in legislation (option IP7) these prospects are similar to those of option IP6, with the difference that it would ensure Member States' support for the recommendations from the outset, and thereby further increase the prospects for their implementation. Flexibility for Member States with respect to their national planning processes would be ensured in options IP5 to IP7, while option IP8 would substantially limit such flexibility.<sup>32</sup>

- Ensure the compliance by the Union with its international climate obligations: In particular for a process on recommendations or decisions set in legislation (options IP6 to IP8), the assessment of and recommendations on draft National Plans and their subsequent implementation may lead to more ambitious and robust plans which may help the Union to ensure compliance with its international obligations.

In this area, a majority of respondents of the Public Consultation confirmed that the Commission should play an important role by issuing policy recommendations on National Plans.<sup>33</sup>

#### **6.3.5. Consultations of Member States on National Plans (C)**

Consultations with neighbouring and other Member States on National Plans can be undertaken either on parts of the plans or on entire plans, both in the drafting phase or in the implementation phase, and could result in revisions of National Plans.

- Dynamic, reliable and transparent governance process: The presented options lead to a different extent to a more reliable governance process among Member States: While voluntary consultations on National Plans (option C1) this contribution remains uncertain, mandatory consultations on draft National Plans only with regard to policies and measures (option C2) contribute to more reliable and regionally coordinated final National Plans. In case mandatory consultations also cover the objectives of draft National Plans (option C3), they would further contribute to generating ambitious collective national efforts for achieving the Energy Union objectives. If draft and final National Plans are consulted among Member States mandatory (option C4), also the implementation of National Plans as well as regional cooperation thereon would be enhanced.
- Administrative burden and economic impacts: Consultations would entail higher administrative (planning) costs for Member States than the baseline due to potential revisions of draft and final National Plans based on consultations and due to the consultation process, combined with higher benefits for Member States in terms of higher transparency of other Member States' National Plans. These would be lowest

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<sup>32</sup> As option IP8 could raise concerns with regard to the Member States' rights in the energy and climate fields under the TFEU due to its binding nature, this policy option is expected to lack political feasibility and is not further assessed in this Impact Assessment.

<sup>33</sup> The Commission's role in this context was perceived as "very relevant" by 45% of all stakeholders, including 32% of public authorities, 40% of private companies and industry associations and 93% of NGOs.

for voluntary consultations (option C1) and highest for mandatory consultations on draft and final National Plans (option C4). At the same time, option C4 would ensure the highest investor certainty for SMEs and industry due to more reliable National Plans that were consulted with other Member States also with regard to their objectives as well as in their implementation phase.

- Timely implementation and monitoring of Energy Union objectives: By contributing to a different extent to a reliable governance process (see above), each option on consultations enhances the prospects for achieving the Energy Union objectives to a different extent (highest prospects for option C4, lowest for option C1). At the same time, the larger the scope of consultations, the higher the possibilities for Member States to increase ambition (in options C1, C3 and C4) and also improving the delivery of National Plans (in options C1 and C4), which leads to enhanced environmental benefits. Likewise, the level of information for citizens on the Energy Union implementation due to potential revisions of draft and final National Plans based on consultations is most increased by option C4.
- Ensure the compliance by the Union with its international climate obligations: While the targets set in the Effort Sharing Regulation implement the EU commitment under the Paris Agreement and constitute the GHG emission reduction objectives under the Energy Union, in particular mandatory consultations (options C2 to C4) entailing higher possibilities of increasing the ambition (C3) and improving the delivery (C4) of National Plans may lead to more ambitious and solid plans which may help the Union to ensure compliance with its international obligations in a cost-efficient manner. In option C2 mandatory consultations could lead to more coordinated policies and measures in between Member States, consequently achieving the international commitments in a more cost efficient way.

In the Public Consultation, 61% of all stakeholders agreed that strengthening regional integration and cooperation in the Energy Union domains is an "important" or "very important" objective. In particular, there was a widespread consensus on the importance that Member States' consultations have in the political process leading to the definition of National Plans.<sup>34</sup>

## 7. COMPARISON OF THE OPTIONS

On the basis of the assessment of the impacts of the individual policy options in section 6, this section provides a comparison of the options and a summary analysis covering the key elements of the assessment through trade-offs between the options in terms of effectiveness, efficiency and coherence, where relevant through the combination of options. The comparison

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<sup>34</sup> In particular, 58% of all stakeholders consider consultations of other Member States in the preparation of the plans as "important" or "very important" In the same vein, 42% of all respondents agree that National Plans should adequately illustrate how the principles of regional integration and cooperation were taken into account in the preparation of National Plans.



presents a multi-criteria analysis for the identified policy options based on quantitative information where possible, in particular the related administrative costs of the options on approaches to streamlining, and qualitative analysis for other impacts as well as for options on the governance process. The following criteria have been used for the comparison of the options: a) effectiveness of the option in achieving the objectives, b) efficiency of the option in achieving the objectives (benefits versus costs) and c) coherence of the option with the overarching objectives, strategies and priorities of EU policies, in particular the Energy Union.

### **7.1. Comparing approaches to streamlining of planning, reporting and monitoring obligations**

In this section the policy options on streamlining of planning, reporting and monitoring obligations are compared. The comparison is undertaken in relation to the relevant objectives of minimising administrative costs; achieving a simplification of planning, reporting and monitoring obligations; ensuring a coordinated and coherent implementation of Energy Union strategy across its five dimensions; and enabling the EU to comply with its international climate obligations deriving from the Paris Agreement.

*Effectiveness in achieving the objectives:* All policy options with a legislative approach to streamlining (options S2 to S6) would contribute to achieving the objective of a simplification of planning, reporting and monitoring obligations and to ensure a coordinated and coherent implementation of the Energy Union strategy. The reason is that only a legislative approach is capable of amending or repealing the corresponding existing legislation. The options involving a single legislative act (S4 to S6) will result in a more integrated planning, reporting and monitoring system across the five dimensions of the Energy Union, reducing the risk of overlaps, duplications and redundancies, and thus be more effective than the options involving several legislative acts (options S2 and S3). However, option S4 (single act replacing relevant parts of energy acquis and MMR) will lead to a lower integration of obligations within the climate field and thus introduces risks of overlaps and duplications in this area. The effectiveness of policy option S3 (two legislative acts replacing relevant parts of energy acquis and MMR) is expected to be in between S2 and S4, as two legislative acts represent a more ambitious approach to streamlining than revised sector-specific legislation but a less ambitious approach than a new single legislative act. Policy option S1 (soft guidance) is not expected to be effective in achieving these objectives due to its voluntary nature.

*Efficiency in achieving the objectives:* Option S2 (sector-specific legislation) is the most costly option due to comprehensive revisions that are necessary in different pieces of legislation following different processes as well as coordination needed between them. It also implies a high risk of not achieving an effective streamlining. Options S4 (single act replacing relevant parts of energy acquis and MMR) and S5 (single act replacing relevant parts of energy acquis and fully replacing MMR) are the least costly options in terms of annual costs, while generating higher administrative benefits in terms of simplification of planning,

reporting and monitoring. At the same time, options S4 and S5 generate only slightly higher implementation costs than those of the least ambitious option S1, but would result in much higher administrative benefits in terms of simplification and a more coordinated and coherent implementation of the Energy Union strategy. The cost difference between option S6 (single act for all actors and stakeholders) and S4 as well as S5 is due to additional administrative burden imposed by the legislative procedure for integrating all obligations under a single act, including the revision and transposition of a higher number of pieces of legislation and a more complex single legislative act in option S6.

*Coherence with overarching Energy Union objectives:* Policy option S1 (soft guidance) is not expected to improve coherence significantly, since the obligations in the legislation will remain unchanged. All other options (S2 to S6) represent legislative approaches that will to different extents streamline and improve coherence within the energy field and between the energy and climate field. However, considerable uncertainties for the extent of streamlining are attached to options S2 (sector-specific legislation) and S3 (two legislative acts replacing relevant parts of energy acquis and MMR) as, especially in option S2, many legislative processes would need to be followed and they may not lead to the same result. These two options present also risks of inconsistencies in interpretation and implementation as these acts that should be read together. The options involving a single legislative act (S4 to S6) have the highest potential in ensuring a greater extent of streamlining and integration as well as coherence with the overarching strategy of the Energy Union. However, option S4 entails a risk of inconsistencies in planning, reporting and monitoring between EU and international climate policies due to the split obligations of the MMR, which would be eliminated by option S5. In contrast, option S6 would entail the risk of creating complexities in the overall planning, reporting and monitoring system, which could affect the level of integration and coherence of obligations.

*Table 2: Comparison of policy options for streamlining*

Policy Option	Effectiveness	Efficiency	Coherence
Baseline	=	=	=
Option S1 (soft guidance)	L	L	L
Option S2 (sector-specific legislation)	L/M	L	L/M
Option S3 (two legislative acts replacing relevant parts of energy acquis and MMR)	M	M	M
Option S4 (single act replacing relevant parts of energy acquis and MMR)	H	H	L
Option S5 (single act replacing relevant parts of energy acquis and fully replacing MMR)	H	H	H
Option S6 (single act for all actors and stakeholders)	H	M	M

*Ratings: no effect (=), low (L), medium (M), and high (H) effects*

In conclusion of the comparison of policy options, a single act replacing relevant parts of energy acquis and fully replacing MMR (option S5) as the preferred option. Alternatively a single act replacing the relevant parts of the MMR (option S4) could be considered as coming close in terms of costs and benefits.

## **7.2. Comparing and combining options for elements of the Governance process**

The following sections compare the policy options on elements of the governance process between Member States and the Commission. Where appropriate, policy options are combined in order to take into account relevant synergies between the options. In order to ensure consistency with the assessment of options in section 6 across different categories, the comparison of options is undertaken in relation the following objectives that are relevant to all categories: achieving a dynamic, reliable and transparent governance process; facilitating a timely implementation and monitoring of Energy Union objectives; minimising administrative burden; and (where appropriate) enabling the EU to comply with international climate obligations.

### ***7.2.1. Comparing options for the periodicity of National Plans***

*Effectiveness in achieving the objectives:* Options which entail no or limited updates of the plans in the period 2021-2030 (options NP1 and NP2) are effective in minimising administrative burden, but are not effective in achieving the general objective of a dynamic, reliable and transparent governance process and the specific objective of a timely implementation and monitoring of the Energy Union objectives. The options which entail more frequent updates (options NP3 and NP4) would better attain these objectives but at the same time would generate a comparably higher administrative burden or might only partially enable the EU to comply with its international climate obligations. The option of updates every five years and at Member States' discretion with regard to policies and measures (option NP5) contributes to the specific objective of a timely implementation and monitoring of the Energy Union objectives and also enables the EU to comply with its international climate obligations deriving from the Paris Agreement.

*Table 3: Periodicity of National Plans – Overview of impacts with regard to objectives*

Policy Option	Dynamic, reliable and transparent governance process	Timely implementation and monitoring of Energy Union objectives	Minimising administrative burden	Enabling the EU to comply with international climate obligations
Baseline	=	=	=	=
Option NP1 (no update)	---	---	++	---
Option NP2 (one update)	-	-	+	--
Option NP3 (biennial updates)	+	+	-	--
Option NP4 (biennial updates of policies and measures and projections)	+	+	=	--
Option NP5 (updates every five years and at Member States' discretion)	=	+	=	+++

*Ratings: + is used to denote a positive impact, – to denote a negative impact, = signifies no impact, +/- low impact, ++/-- medium impact, +++/-- high impact.*

*Efficiency in achieving the objectives:* While the policy options that entail no or a single update of the plan (option NP1 and NP2) lead to comparably lower administrative (planning) costs for Member States, they also lead to less administrative (monitoring) benefits for the Commission and do not contribute to establishing a more dynamic planning process. Despite the fact that these options lead to comparably higher investor certainty through more stable objectives, citizens would be less informed, less flexibility would be granted to Member States in their planning processes, synchronisation with the Paris Agreement's 5-year review cycle would not be achieved and environmental benefits would be comparably lower. Therefore, even though these options lead to the least administrative costs for Member States, they are not the most efficient. Of the policy options that entail more frequent updates (options NP3, NP4 and NP5), policy option NP3 (biennial updates of the plans) leads to an increase in administrative costs compared to the baseline and is thus not efficient despite of its contribution to other objectives. The option of updates every five years and at Member States' discretion with regard to policies and measures (option NP5) best balances the contribution to the policy objectives with the objective of not increasing administrative burden.

*Coherence with overarching Energy Union objectives and the Paris Agreement:* All options will improve coherence of policy planning for implementing the Energy Union compared to the baseline, as all options lead to an aligned periodicity of the planning obligations across its

five dimensions as part of National Plans. The policy option of updates every five years and at Member States' discretion (option NP5) is the policy option that best ensures coherence with objectives of the Paris Agreement.

*Table 4: Periodicity of National Plans – Comparison of policy options*

Policy Option	Effectiveness	Efficiency	Coherence
Baseline	=	=	=
Option NP1 (no update)	L	L	M
Option NP2 (one update)	L	L	M
Option NP3 (biennial updates plans)	M	L	M
Option NP4 (biennial updates of policies and measures and projections)	M	M	M
Option NP5 (updates every five years and at Member States' discretion)	H	M	H

Ratings: no effect (=), low (L), medium (M), and high (H) effects

In conclusion, policy option NP5 on updates of National Plans every five years and at Member States' discretion is proposed as the preferred option.

#### **7.2.2. Comparing options for the periodicity of Progress Reports**

*Effectiveness in achieving the objectives:* While the policy option of annual Progress Reports (option PR1) is the most effective in meeting the objectives of a dynamic, reliable and transparent governance process, timely implementation and monitoring of Energy Union objectives and enabling the EU to comply with its international climate obligations, it does entail higher administrative costs compared to the baseline scenario. Policy options PR2 (biennial Progress Reports) and PR 3 (biennial comprehensive Progress Reports and limited Progress Reports every other two years) would not increase administrative burden compared to the baseline. However, option PR3 attains the objectives of a dynamic, reliable and transparent governance process, timely implementation and monitoring of Energy Union objectives and enabling the EU to comply with its international climate obligations to a large extent, while option PR2 does not meet these objectives.

*Table 5: Periodicity of national Progress Reports – Overview of impacts with regard to objectives*

Policy Option	Dynamic, reliable and transparent governance process	Timely implementation and monitoring of Energy Union objectives	Minimising administrative burden	Enabling the EU to comply with international climate obligations
Baseline				
PR1 (annual Progress Reports)	+++	+++	--	+++
PR2 (biennial Progress Reports)	-	-	+	---
PR3 (biennial comprehensive Progress Reports and limited Progress Reports every other two years)	++	++	=	+++

Ratings: + is used to denote a positive impact, – to denote a negative impact, = signifies no impact, +/- low impact, ++/-- medium impact, +++/--- high impact.

*Efficiency in achieving the objectives:* The policy option of annual Progress Reports (option PR1) leads to the highest benefits with regard to the objectives of a more dynamic, reliable and transparent governance process, a timely implementation and monitoring of Energy Union objectives, and enabling the EU to comply with its international climate obligations, but is also the only option that leads to an increase in administrative burden compared to the baseline and is thus not efficient. The policy option of biennial comprehensive Progress Reports and limited Progress Reports every other two years (option PR3) is slightly less effective in reaching the objectives than the policy option of annual Progress Reports (option PR1), but it manages to attain these objectives without an increase of administrative burden. In comparison to option PR3, option PR2 is less efficient as it does neither contribute to a more dynamic, reliable and transparent governance process, nor to a timely implementation and monitoring of Energy Union objectives, nor does it enable the EU to comply with its international climate obligations.

*Coherence with overarching Energy Union objectives and compliance with international obligations:* With regard to coherence of the policy options on periodicity of Progress Reports with the overarching strategy of the Energy Union and its five dimensions, all options will improve coherence of the reporting obligations for the Energy Union implementation compared to the baseline, as all options lead to an aligned periodicity of progress reporting in its five dimensions as part of Progress Reports. Both the policy option of annual Progress Reports (option PR1) and the policy option of biennial comprehensive Progress Reports and limited Progress Reports every other two years (PR3) ensure coherence with the objectives of the UNFCCC and the Paris Agreement.

*Table 6: Periodicity of national Progress Reports – Comparison of policy options*

Policy Option	Effectiveness	Efficiency	Coherence
Baseline	=	=	=
PR1 (annual Progress Reports)	H	M	H
PR2 (biennial Progress Reports)	L	L	M
PR3 (biennial comprehensive Progress Reports and limited Progress Reports every other two years)	H	H	H

Ratings: no effect (=), low (L), medium (M), and high (H) effects

In conclusion, biennial comprehensive Progress Reports and limited Progress Reports every other two years (option PR3) are proposed as the preferred option.

### **7.2.3. Comparing options for the periodicity of Commission monitoring of collective progress made**

*Effectiveness in achieving the objectives:* The policy option of annual monitoring reports by the Commission (option M1) leads to a higher level of information for the European Parliament, the Council and citizens on Energy Union implementation and more frequent possibilities for a political debate than the policy option of biennial monitoring (option M2). Annual monitoring (option M1) also leads to higher investor certainty for SMEs and industry than biennial monitoring (option M2) and allows the Commission better to detect possible problems at an early stage and to propose possible solutions to ensure that Member States and the EU are on track to meet their objectives. Furthermore, annual monitoring (option M1) is in line with the annual periodicity of UNFCCC Climate Conferences contrary to the biennial monitoring reports (option M2).

*Table 7: Periodicity of Commission monitoring – Overview of impacts with regard to objectives*

Policy Option	Dynamic, reliable and transparent governance process	Timely implementation and monitoring of Energy Union objectives	Minimising administrative burden	Enabling the EU to comply with international climate obligations
Baseline	=	=	=	=
M1 (annual monitoring reports)	+++	+++	=	+++
M2 (biennial monitoring reports)	--	--	++	--

Ratings: + is used to denote a positive impact, – to denote a negative impact, = signifies no impact, +/- low impact, ++/-- medium impact, +++/--- high impact.

*Efficiency in achieving the objectives:* The policy option of annual monitoring (option M1) entails higher administrative costs than the option of biennial monitoring (option M2) due to a higher frequency of monitoring. The option of biennial monitoring (M2) would lower administrative burden and would be sufficient to reach the objectives in most Energy Union dimensions, but does not reach the objectives envisaged in the decarbonisation dimension. This is because annual tracking of progress towards the 2030 target for greenhouse gas emission reductions is paramount in order to ensure that Member States are in line with their annual obligations under the effort sharing, as well as to enable the EU to demonstrate internationally what action the EU is taking, and also to show progress towards this international commitment. The option of annual monitoring (M1) is contributing to all objectives, but is at the same time increasing administrative burden compared to the baseline.

*Coherence with overarching Energy Union objectives and compliance with international obligations:* With regard to coherence of the policy options on periodicity of Commission monitoring of collective progress made with the overarching strategy of the Energy Union and its five dimensions, both options will improve coherence of monitoring obligations for the Energy Union implementation compared to the baseline, as both options lead to aligned periodicity of monitoring across the five dimensions as part of an integrated Commission monitoring. However, only the policy option of annual monitoring reports (option M1) ensures coherence with the EU objectives for the international UNFCCC process, under which the EU demonstrates progress in achieving its international obligations at the annual UNFCCC Climate Conferences.

*Table 8: Periodicity of Commission monitoring – Comparison of policy options*

Policy Option	Effectiveness	Efficiency	Coherence
Baseline	=	=	=
M1 (annual monitoring)	H	M	H
M2 (biennial monitoring)	M	M	M

Ratings: no effect (=), low (L), medium (M), and high (H) effects

In conclusion of the comparison of policy options, annual Commission monitoring (option M1) is proposed as the preferred option.

#### ***7.2.4. Comparing options for an iterative process with Member States including country-specific recommendations or decisions***

*Effectiveness in achieving the objectives:* All presented policy options lead to a more reliable governance process between Member States and the Commission on the finalisation of the draft plans and their subsequent implementation, a higher level of information for citizens on the Energy Union implementation as well as higher investor certainty compared to the baseline. To this end all options would also contribute to the specific objective of a timely implementation and monitoring of the Energy Union.



In the case of an iterative process between Member States and the Commission limited either to the ambition of draft National Plans (option IP1) or to the implementation of the National Plans (option IP2) the effectiveness in achieving the above mentioned objectives is limited as regards ensuring a sufficient level of collective contributions to the EU-level 2030 targets for renewable energy and energy efficiency. Thus, a more effective iterative process covers both the ambition and implementation of the National Plans (option IP3). The effectiveness of the iterative process can be maximised if it is complemented through EU-level or national measures (option IP4), in particular to ensure the achievement of EU-level 2030 targets for renewable energy and energy efficiency. In the case of Commission recommendations not set in legislation option (IP5), the benefits mentioned above remain uncertain, implying a low effectiveness in this regard. In contrast, Commission or Council recommendations set in legislation (options IP6 and IP7) both contribute to a more reliable governance process and a timely implementation and monitoring of the Energy Union. However, not involving the Council in the process might lead to a lower buy-in by the Member States and the political decisions-makers to the Energy Union Governance process.

None of the presented options are effective in achieving the objective of minimising administrative burden as the baseline scenario does not feature dedicated recommendations on National Plans.

*Table 9: Process for an iterative process with Member States including country-specific recommendations or decisions – Overview of impacts with regard to objectives*

Policy Option	Dynamic, reliable and transparent governance process	Timely implementation and monitoring of Energy Union objectives	Minimising administrative burden	Enabling the EU to comply with international climate obligations
Baseline	=	=	=	=
IP1 (Iterative process on ambition of draft plans)	+	+	-	+
IP2 (Iterative process on implementation of plans)	+	+	-	+
IP3 (Iterative process on ambition and implementation of plans)	++	++	--	++
IP4 (Iterative process on ambition and implementation of plans with measures)	+++	+++	---	+++
IP5 (Commission recommendations not set in legislation)	=/+	=/+	=/-	=/+
IP6 (Commission recommendations set in legislation)	++	++	-	++
IP7 (Council recommendations set in legislation)	++	++	--	++

Ratings: + is used to denote a positive impact, – to denote a negative impact, = signifies no impact, +/- low impact, ++/-- medium impact, +++/--- high impact.

*Efficiency in achieving the objectives:* All presented policy options involve higher administrative (planning or implementing) costs for Member States due to the iterative process, combined with higher monitoring benefits compared to the baseline. The administrative burden is lowest for the iterative process limited to either the ambition or the implementation of National Plans (options IP1 and IP2), but higher for a comprehensive iterative process (option IP3), and highest if such a process is complemented by EU or national measures (option IP4). As regards the country-specific recommendations, higher administrative (monitoring) costs will be incurred for the Commission, combined with higher monitoring benefits compared to the baseline. The administrative burden is lowest for Commission recommendations not set in legislation (option IP5), with lowest effectiveness implying medium efficiency for this option. Between Commission and Council recommendations set in legislation (options IP6 and IP7), option IP6 is more efficient as it generates lower administrative burden for a comparable effectiveness.

*Coherence with overarching Energy Union objectives:* All presented options would improve coherence due to a more reliable governance process between Member States compared to the baseline. However, option IP4 would best ensure coherence with the overarching Energy Union strategy and its objectives. As regards country-specific recommendations, all presented options set in legislation (options IP6 and IP7) would improve coherence due to a more functional governance process between Member States and the Commission compared to the baseline together with enhanced Member States' flexibility.

*Table 10: Iterative process with Member States including country-specific recommendations or decisions – Comparison of policy options*

Policy Option	Effectiveness	Efficiency	Coherence
Baseline	=	=	=
IP1 (Iterative process on ambition of draft plans)	L	M	L
IP2 (Iterative process on implementation of plans)	L	M	L
IP3 (Iterative process on ambition and implementation of plans)	M	M	M
IP4 (Iterative process on ambition and implementation of plans with measures)	H	M	H
IP5 (Commission recommendations not set in legislation)	L	M	L
IP6 (Commission recommendations set in legislation)	M	H	M
IP7 (Council recommendations set in legislation)	M	L	M

Ratings: no effect (=), low (L), medium (M), and high (H) effects

In conclusion of the comparison of policy options, a combination of an iterative process on ambition and implementation of the National Plans complemented through EU or national measures (option IP4) with Commission recommendations set in legislation (option IP6), with a role for the Council and the European Parliament still to be defined, are proposed as the preferred option.

#### **7.2.5. Comparing options for consultations of Member States on National Plans**

*Effectiveness in achieving the objectives:* All presented policy options lead to a more reliable governance process between Member States and the Commission on the finalisation of the draft plans and their subsequent implementation, a higher level of information for citizens on the Energy Union implementation as well as higher investor certainty compared to the baseline. To this end all options would also contribute to the specific objective of a timely implementation and monitoring of the Energy Union, including the identification of areas for

regional cooperation and the avoidance of energy and climate policies that would have unintended impacts on other Member States.

In the case of voluntary consultations on National Plans (option C1) these benefits remain uncertain, implying a low effectiveness in this regard. Mandatory consultations on draft plans, either only on policies and measures (option C2) or also on objectives (option C3) would be more effective than voluntary consultations, with option C3 being more effective than option C2 due to the inclusion of objectives of draft plans in the consultations, but would still only cover the drafting phase of the planning process. The effectiveness is highest for mandatory consultations on draft and final plans (option C4), as in this case also the implementation phase of the planning process would be consulted with other Member States, thereby ensuring regional cooperation among Member States in the implementation of National Plans.

*Table 11: Consultations – Overview of impacts with regard to objectives*

Policy Option	Dynamic, reliable and transparent governance process	Timely implementation and monitoring of Energy Union objectives	Minimising administrative burden	Enabling the EU to comply with international climate obligations
Baseline	=	=	=	=
C1 (Voluntary consultations)	=/+	=/+	=/-	=/+
C2 (Mandatory consultations on policies and measures of draft plans)	+	+	-	=
C3 (Mandatory consultations on draft plans)	++	++	-	+
C4 (Mandatory consultations on draft and final plans)	+++	+++	--	++

Ratings: + is used to denote a positive impact, – to denote a negative impact, = signifies no impact, +/- low impact, ++/-- medium impact, +++/--- high impact.

*Efficiency in achieving the objectives:* All presented policy options involve higher administrative (planning) costs for Member States due to the consultation process, combined with higher benefits for the Commission in terms of higher transparency of other Member States' National Plans compared to the baseline. Administrative burden is lowest for voluntary consultations (option C1) and highest for mandatory consultations on draft and final plans (option C4) – with lowest and highest effectiveness, respectively, implying medium efficiency for both options. Due to their higher effectiveness but similar administrative burden, mandatory consultations on comprehensive draft plans (option C3) are more efficient than

mandatory consultations only on policies and measures of draft plans (option C2), but similarly efficient as options C1 and C4.

*Coherence with overarching Energy Union objectives and compliance with international obligations:* With regard to coherence of the policy options with the overarching strategy of the Energy Union and its five dimensions, all presented options with mandatory consultations (options C2 to C4) would improve coherence due to a more reliable governance process between Member States compared to the baseline. However, option C4 would best ensure coherence with the overarching Energy Union strategy, as consultations would cover the entire planning process and thus fully ensure regional coordination and cooperation among Member States in the implementation of National Plans.

*Table 12: Consultations – Comparison of policy options*

Policy Option	Effectiveness	Efficiency	Coherence
Baseline	=	=	=
C1 (Voluntary consultations)	L	M	L
C2 (Mandatory consultations on policies and measures of draft plans)	M	L	M
C3 (Mandatory consultations on draft plans)	M	M	M
C4 (Mandatory consultations on draft and final plans)	H	M	H

Ratings: no effect (=), low (L), medium (M), and high (H) effects

In conclusion of the comparison of policy options, mandatory consultations on draft and final National Plans (option C4) are proposed as the preferred option.

#### **7.2.6. Overview of preferred policy options**

As a summary of the comparison of policy options, this Impact Assessment proposes a package of preferred options on both streamlining of planning, reporting and monitoring obligations and on the elements of the governance process between Member States and the Commission.

As regards streamlining of planning, reporting and monitoring obligations in the energy and climate field, the evaluation shows a preference for a single legislative act on Energy Union governance that replaces the *relevant parts* of the energy acquis and *fully replaces* the MMR. A single legislative act on Energy Union governance that replaces the *relevant parts* of the energy acquis and the *relevant parts* of the MMR comes close in terms of costs and benefits. This single legislative act would also specify the integration and reflection of the relevant existing obligations in the energy acquis and the MMR into National Plans, Progress Reports and integrated Commission monitoring.

While streamlining of the energy acquis and the MMR is a key aim of the Governance initiative, defining the political process between Member States and the Commission is of equal importance in view of the need for a collective achievement of the Energy Union objectives, including the 2030 targets for climate and energy.

Concerning the periodicity of planning, reporting and monitoring, Member States would submit their final National Plans to the Commission in 2018 and would be requested to update these plans every five years thereafter. In addition, National Plans may be updated at Member States' discretion with regard to policies and measures and projections. Member States would report on the implementation of National Plans biennially in the period from 2021 to 2030 by means of comprehensive Progress Reports and report every other two years by means of limited Progress Reports. The Commission would monitor collective progress made towards the Energy Union objectives by annual monitoring reports with alternating foci on the different Energy Union dimensions and thereby also inform the European Parliament, the Council, stakeholders and the general public.

As regards the iterative governance process between Member States and the Commission, this process should cover both the ambition and delivery of National Plans, and should be complemented by EU or national measures in case of insufficient collective action. This process would be the basis for the Commission to issue recommendations on National Plans on the basis of Member States' Progress Reports in the context of State of the Energy Union based on a process set in legislation. The role of the Council and the European Parliament has to be further defined. Among Member States mandatory consultations on draft and final National Plans would be undertaken in order to ensure coordination of national planning processes.

Table 13 presents an overview of all preferred options by category of policy options.

Table 13: Overview of preferred options

Category of options	Preferred option
Streamlining of planning, reporting and monitoring obligations Legislative and non-legislative approaches to streamlining (S)	<i>Regulating planning, reporting, monitoring and compliance obligations in the energy and climate field by a single legislative act on Energy Union governance that replaces the relevant parts of the energy acquis and fully replaces the MMR (S5) or alternatively</i> <i>Regulating planning, reporting, monitoring and compliance obligations in the energy and climate field by a single legislative act on Energy Union governance that replaces the relevant parts of existing legislation (S4)</i>
Periodicity of National Plans (NP)	<i>Updates of National Plans every five years, and at Member States' discretion with regard to policies and measures and projections(NP5)</i>
Periodicity of Progress Reports (PR)	<i>Biennial comprehensive Progress Reports and limited Progress Reports every other two years (PR3)</i>
Periodicity of Commission monitoring of collective progress made (M)	<i>Annual monitoring reports (M1)</i>
Process for an iterative process with Member States including country-specific recommendations or decisions (IP)	<i>Iterative process on ambition and delivery of National Plans complemented by measures (IP4)</i> <i>Commission recommendations set in legislation, with a role for the Council and the European Parliament (IP6)</i>
Consultations of Member States on National Plans (C)	<i>Mandatory consultations on draft and final National Plans (C3)</i>

## 8. MONITORING AND EVALUATION

The planning, reporting and monitoring obligations in the energy and climate field that formed the subject of this Impact Assessment will also provide the tools to track progress towards implementing the Energy Union – and thus the effectiveness of the initiative on Energy Union Governance. Together with the establishment of an iterative process between Member States and the Commission, they will establish a comprehensive governance system of the Energy Union. The Member States' Progress Reports will be central in this regard as they will provide the information needed to monitor the implementation of the National Plans and the Energy Union objectives. Besides, the administrative burden related to planning, reporting and monitoring obligations needs to be evaluated in the course of the implementation of the Energy Union.

The Member States' Progress Reports will be assessed by the Commission, assisted notably by the EEA. In its annual monitoring reports, the Commission will monitor the implementation and overall progress made at EU level towards the Energy Union objectives and inform the European Parliament and the Council as well as stakeholders and the general public. While such tracking of progress is not legally binding for the Member States, it provides the means to convey early warning signals in case Member States are lagging behind, and also for naming and shaming.

The process with recommendations by the Commission on specific climate and energy issues and/or comments from neighbouring Member States also offers possibilities for early warnings in case Member States are not on track or if the objectives do not seem accurate.

In addition to the monitoring at EU level of the reports prepared by Member States under this initiative, some information contained in the reports will also be assessed at international level. This concerns mainly climate-related information which is provided in the context of the UNFCCC and in the future implementation of the Paris Agreement. These international assessments are conducted by external experts with the goal to identify areas for further improvement of the reports and to assess compliance.

In addition to the Member States' Progress Reports, indicators are also paramount for a transparent monitoring system. The Commission's monitoring in its annual reports will therefore also build on the assessment of key indicators for the five dimensions of the Energy Union. In its 2015 State of the Energy Union<sup>35</sup>, the Commission showed progress made since the Energy Union Framework Strategy was adopted to bring about the transition to a low-carbon, secure and competitive economy. In that Communication, the Commission proposed a methodology on key indicators as a first step towards measuring and monitoring the delivery of the Energy Union<sup>36</sup>. Under this initiative, key indicators will continue to be used to measure and monitor the delivery of the Energy Union. The selection of indicators can further evolve in the future to take account of better indicators being made available due to the enhancement of energy statistical data collection or suggested to address the issues at hand. A dialogue between the Commission and the Member States is taking place at expert level<sup>37</sup> in this regard.

In order to monitor the effectiveness of this initiative beyond the implementation of the Energy Union and to specifically evaluate the administrative burden related to planning, reporting and monitoring obligations in the course of the implementation of the Energy Union, the following indicators (or criteria) are relevant:

- Coherence and consistency of obligations both within the energy acquis as well as of obligations between the energy and climate acquis.
- Relevance of obligations in the energy acquis and climate acquis with regard to evolving EU policy priorities.

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<sup>35</sup> COM(2015)572.

<sup>36</sup> SWD(2015)243.

<sup>37</sup> In the Technical Working Group on National Energy and Climate Plans.



- Cost-effectiveness of obligations in the energy and climate acquis in terms of administrative and implementation costs as well as administrative benefits.
- Number of non-compliance cases identified at EU level or internationally (UNFCCC/ Paris Agreement);
- Number of reports submitted on time to the Commission and/or internationally (UNFCCC/ Paris Agreement);
- Consistency of the EU level reports with those submitted by EU Member States as evidenced through review of the information at international level (UNFCCC/ Paris Agreement);
- Consistency of the information in the plans and reports as evidenced through EU assessment and international (UNFCCC/ Paris Agreement) reviews compared to the existing situation;
- Extent to which Member States apply a common methodology compared to the existing situation;
- Extent of completeness of Member States reports when compared to the existing situation;
- Availability of data and information in areas targeted by the initiative compared to the existing situation.

The results of both the EU monitoring and international assessment will also be used to evaluate administrative burden and most effectively direct improvement efforts and capacity building activities at EU and Member States' level. The Commission has been organising regular meetings of the Technical Working Group on National Energy and Climate Plans in which technical discussions on National Plans take place. In this Technical Working Group experts covering both energy and climate issues participate. Experiences are shared and a discussion around technical elements of the National Plans takes place, including on the role the Commission could play in supporting Member States.

In the climate field, Working Group 1 on annual inventories and Working Group 2 on projections, policies and measures and implementation of the ESD under the Climate Change Committee have played a crucial role for bringing about improvements and capacity building. The networks held by the EEA have proven to provide significant opportunities for capacity building with and between the Member States, as has the continued dialogue on data quality. In the future, similar mechanisms will continue to play a crucial role in this regard and will continue to be the main instruments to exchange best practices and promote lessons learned among the EU and the Member States. The Commission is also looking into possibilities for capacity building support to Member States in the development of the National Plans.

In alignment with the review cycle agreed under the Paris Agreement, updates of National Plans are foreseen at least in 2023 and 2028. Comprehensive Progress Reports by Member States will be submitted biennially, including in 2023 and 2027), and limited Progress Reports every other two years. While 2023 will be too early to draw any conclusions on the implementation of the initiative (as Member States' Progress Reports would be submitted

from the early 2020s onwards only) an evaluation of the implementation of the initiative should be done by the mid-2020s.

Furthermore, the Commission will regularly review the conformity of the provisions of this initiative with future decisions relating to the UNFCCC and Paris Agreement. The Commission will also regularly assess whether developments within the framework of the UNFCCC and Paris Agreement give rise to a situation where requirements in this initiative are no longer necessary or need adjusting for example because of inconsistencies.

## **ANNEXES**

### **ANNEX 1: PROCEDURAL INFO**

## **9. PROCEDURE**

### **9.1. Identification**

Lead DGs: Energy (ENER). Climate Action (CLIMA), Secretariat General (SG)

Agenda planning reference: "Energy Union Governance – Planning, Reporting and Monitoring obligations" (ENER/2016/029)

### **9.2. Organisation and timing**

The preparations of the Impact Assessment on Energy Union Governance formally started in November 2015 with the Commission's first State of the Energy Union, announcing a proposal on streamlining of planning and reporting requirements related to climate and energy actions for Member States and the Commission to reduce as soon as possible unnecessary administrative burden in line with the better regulation agenda and to align planning and reporting requirements with the Energy Union Framework Strategy. However, the Impact Assessment builds on earlier calls for a Governance system, in particular by the October 2014 European Council, as well as earlier concepts on the Governance system such as those contained in the 2030 Framework for Climate and Energy in January 2014 and the Energy Union Framework Strategy in February 2015.

An inter-service group on the Fitness Check steered the Public Consultation for the initiative (see section 9.3) as well as the external expertise supporting this Impact Assessment (see section 9.4) as of November 2015. An inter-service group on the Governance of the Energy Union was established in May 2016 in view of steering the work on the Impact Assessment. Participating services are SG, ENER, CLIMA, ENV, SJ, JUST, JRC, GROW, ECFIN, REGIO, AGRI, BUDG, RTD, MOVE, EPSC, and ESTAT. Two meetings of the ISG were held on 23 May and 15 July. The final draft of the Impact Assessment was submitted to the ISG on 11 July 2014.

The draft Impact Assessment was submitted to the Regulatory Scrutiny Board (RSB) on 28 July and was discussed at the RSB hearing on 14 September 2016, following which the RSB issued a positive opinion on the Impact Assessment. As the RSB provided recommendations to further improve the draft, the Impact Assessment was amended as follows.

The scope and the broader context of the Governance initiative were better explained, including links to other policy strands. The links to and synergies with other policy areas and the European Semester were assessed in more detail. Furthermore, inter-linkages with other upcoming Energy Union initiatives such as the Market Design Initiative and the Renewable Energy Directive were elaborated on, the latter including the question of EU and national measures. Finally, the broader benefits of the Energy Union Governance were assessed more explicitly and the legal basis for recommendations to Member States was clarified.

### 9.3. Consultation and expertise

A public consultation was launched on 11 January 2016 to collect views and input from stakeholders and citizens ahead of the forthcoming proposal on the Governance system of the Energy Union. The consultation period lasted over 12 weeks and closed on 22 April 2016. The online survey received a total of 103 submissions. The functional email inbox received an additional 35 documents, either in complement to or in lieu of online submissions. Most contributions were submitted by Industry Associations and private companies (46%), National Public Authorities (either central or local government) (18%) and NGOs (14%). The Commission received contributions from national public authorities from 15 Member States: Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, Latvia, Lithuania, Malta, The Netherlands, Poland, Slovakia and Sweden. Norway also replied to the consultation.

The consultation focused on: i) how current planning and reporting obligations in the energy and climate field could be better streamlined to better serve the objectives of the Energy Union; ii) how to best proceed to develop integrated planning, reporting and monitoring tools and; iii) how to set up a Governance process conducive to the attainment of the objectives of the Energy Union. The responses to this public consultation fed into the Commission's Fitness Check of existing planning and reporting obligations in the Energy Acquis as well as into this Impact Assessment.

While the full synthesis reports can be found as Annex 2 of this Impact Assessment, a summary of the main views related to the policy options considered in the context of this Impact Assessment can be found below.

#### *Responses on streamlining of planning, reporting and monitoring obligations*

While the vast majority of respondents recognize the importance of existing planning and reporting obligations, a broad consensus emerges on the need to better streamline, align and integrate existing planning and reporting obligations to avoid gaps, duplications and inconsistencies. This view is notably shared by all Member States having replied to the public consultation.

Concerning the approach to streamlining, a vast majority of respondents consider that a single legislative act should be the Commission preferred option for streamlining planning and reporting obligations in the energy and climate field post 2020. This option (corresponding to policy options S4 to S6 of this Impact Assessment) is supported by 31% of respondents and by 7 out of 15 Member States having replied to the consultation. An absolute majority of stakeholders (51%) see several benefits deriving from the adoption of a new legislative act, notably in reducing administrative burden and ensuring more consistent approach. More particularly, according to stakeholders this option would i) increase the coherence of planning instruments ('improvement' or 'considerable improvement' for 52% of overall respondents); ii) improve the monitoring phase ('improvement' or 'considerable improvement' for 47% of overall respondents); facilitate the achievement of the Energy Union targets ('improvement' or 'considerable improvement' for 44 % of overall respondents) while ensuring iv) the

effective implementation of the legislation ("improvement" or "considerable improvement" for 43 % of overall respondents).

The two other options on the approach to streamlining subject to consultation received minor support. The option of streamlining obligations by sectorial legislation (corresponding to policy option S2 of this Impact Assessment) received support from 21% of stakeholders but not a single Member State expressed explicit preference for this option. The non-binding guidance option (corresponding to policy option S1 of this Impact Assessment) received support from only 15% of stakeholders but including 5 Member States. The non-binding guidance option is nonetheless considered by 61% of overall respondent as not sufficient to ensure effective and efficient streamlining and the creation of a stable legislative framework guaranteeing stability for investors. More specifically, according to stakeholders this option would: i) negatively affect the possibility to properly implement EU legislation (37% of stakeholders anticipate a "significant deterioration") ii) reduce the possibility to attain EU energy and climate targets (37% of stakeholders anticipate a "significant deterioration") and iii) reduce the possibility to adequately monitor progress and trends (according to 36% this option would bring a "significant deterioration"). As a consequence, this option is also considered by a majority of respondents as entailing direct negative impacts on investment certainty (here again, 38% of stakeholders anticipate a "significant deterioration").

On the structure of National Plans, respondents are generally of the opinion that these National Plans should reflect the five dimensions of the Energy Union and should be produced on the basis of a detailed template. This view is notably supported by 6 Member States out of 15 having replied to the consultation.

According to an absolute majority of stakeholders, including 6 Member States, while reflecting the five dimensions of the Energy Union, National Plans should focus on the areas with quantified EU targets. According to stakeholders, National Plans should give more prominence to the areas covered by the 2030 energy and climate framework and notably greenhouse-gas emission reductions (element considered by 53% of the respondents as "very important"), energy efficiency (53% of the respondents consider it as "very important") and renewables ("very important" to the eyes of 50% of the stakeholders). According to 6 Member States and some stakeholders, the new plan should not include new obligations that might bring new administrative burden or additional costs.

An absolute majority (52%) of stakeholders that replied to the consultation, including 3 Member States, are suggesting to maintain a high level of detail in future planning instruments in order not to lose important information. 4 Member States nonetheless openly express preference for short strategic planning documents with a high level of aggregation.

Despite the absence of dedicated question, about one third of stakeholders (32%, of overall replies, including 3 Member States) advocate for the inclusion of standardized or binding templates. Those respondents equally advise on the necessity of standardised reporting templates mirroring the structure of the new planning instruments.

Concerning the achievement of the 2030 energy targets, 38% of stakeholders, including 6 Member States, are asking for the introduction of benchmark, trajectories or "corridors",

notably for renewables and energy efficiency in order to track each single Member States' progress against the overall EU targets. Several stakeholders (34 % of respondents, including 2 Member States) also voice the necessity, for the new planning instruments, to factor in a long term vision until 2050.

#### *Responses on the governance process*

On the political process governing the finalisation and review of National Plans, several respondents (41% of overall replies) advocate for a transparent and participatory planning process to create investor confidence and public acceptance. According to the majority of respondents, national administrations as well as national stakeholders and national Parliaments will have a key role to play in the preparation of National Plans. From the replies received, a clear agreement emerges on the centrality of national administrations (considered "very relevant" for 70% of the respondents), as well as the involvement of national stakeholders ("very relevant" for 55% of the respondents) and of the national Parliaments ("very relevant" for 43% of the respondents).

It is also held by a number of respondents that the Commission should play an important role to i) provide templates and technical support to Member States in the preparation phase of National Plans; ii) to assess National Plans and review the progress made (notably via the State of the Energy Union) and iii) to introduce additional measures in view of ensuring delivery of the EU-level objectives. The role of the Commission in this process is considered as "very relevant" for 47% of the overall respondents, and is also fully acknowledged by 12 Member States.

Concerning the revision of National Plans, 5 Member States are highlighting the necessity to find a right balance between on the one hand the principle of investment certainty and on the other the possibility to adapt National Plans to changing circumstances. It is also widely recognised that obsolete National Plans could undermine the reliability and transparency of future planning for investors and other stakeholders.

Finally, there is widespread consensus that the new Governance system should facilitate the coordination of national energy policies and foster regional cooperation. 61% of stakeholders, including 5 Member States, agree that strengthening regional integration and cooperation in the Energy Union domains is an "important" or "very important" objective. There is also widespread belief in the principle that Member States' consultations could play a role in the political process leading to the definition of the National Plans. More concretely, 58% of stakeholders consider consultations of other Member States in the preparation of National Plans as "important" or "very important". Stakeholders finally agree that the Commission should play an important role in guiding Member States and setting up process defining regional cooperation. 50% of stakeholders consider the definition of a Commission guidance on regional cooperation as "important" or "very important".

#### **9.4. External expertise**

Study commissioned by the European Commission, DG Energy ("Trinomics Study"):

- Framework contract ENER/A4/516-2014 (Reference: ENER/A1/2015-643)
- Title: 1) Preparatory study for the Commission's Fitness Check Evaluation of Planning and Reporting Obligations in the EU Energy acquis. 2) Support for an Impact Assessment in view of legislative proposals on streamlining of Planning, Reporting and Monitoring for the Energy Union (Energy Union Governance)
- Presented by a consortium led by: Trinomics B.V., Westersingel 32A, 3014 GS, Rotterdam, The Netherlands (with participation of Technopolis Group and Ludwig Bölkow Systemtechnik)
- Timeframe of contract: 31 December 2015 until 30 June 2016.

Study commissioned by the European Commission, DG Climate Action ("Amec Foster Wheeler Study"):

- Framework contract CLIMA.A3/FRA/2011/0027
- Title: Possible streamlining of climate and energy reporting requirements in areas with interlinkages
- Presented by a consortium led by: Amec Foster Wheeler Environment & Infrastructure UK Limited Booths Park, Chelford Road, Knutsford, Cheshire WA16 8QZ, England (in association with Öko-Institut and Bio by Deloitte)
- Timeframe of contract: 31 December 2015 until 24 June 2016.

## **ANNEX 2: STAKEHOLDER CONSULTATION**

Please see Annex IV of the Fitness Check for the detailed report on the Public Consultation.

## **ANNEX 3: WHO IS AFFECTED AND HOW**

Member States will be affected by streamlining of planning, reporting and monitoring obligations in general and by developing and implementing National Plans in particular in terms of the associated administrative costs and benefits. Furthermore, Member States will be affected by the governance process with the Commission in terms of recommendations on National Plans and by the governance process among each other in terms of consultations on National Plans. The proposed initiative primarily addresses Member States as institutional actors and this mostly affects their national administrations.

Local and regional actors will also be affected by their involvement in Member States' development and implementation of National Plans. This might imply additional administrative costs for coordination between governmental levels, but also entail additional benefits by ensuring that local and regional authorities as well as the general public are involved from the start in the development of national energy and climate policies until the year 2030. EU policy work to empower the local actors is important in this context.

While the initiative will not affect the nature of planning, reporting and information requirements on industry in general and SMEs in particular, investor certainty for businesses is expected to improve by a reliable and transparent governance process for the period from 2021 to 2030 as well as by means of streamlined obligations on Member States and the Commission.

Citizens will be affected in terms of better information about the Energy Union implementation by means of streamlined and thus more transparent planning, reporting and monitoring obligations for Member States and the Commission.

## **ANNEX 4: ANALYTICAL MODELS**

No analytical models were used to support this Impact Assessment.

## **ANNEX 5: OUTCOME OF THE EVALUATION**

Please see the Fitness Check for a detailed evaluation of the existing planning, reporting and monitoring obligations in the energy acquis as well as their interlinkages with the climate acquis, supporting this Impact Assessment.



## ANNEX 6: OVERVIEW OF CLASSIFICATION OF OBLIGATIONS IN THE ENERGY ACQUIS (FITNESS CHECK)

Name of obligation	Legal basis	Art.	Description of obligation	Type of obligation	Frequency	Entity targeted by the obligation	Recommendation for obligation	Destination of provision
ACER Regulation	Regulation (EC) 713/2009	11	ACER Annual Report internal markets in electricity and natural gas (market monitoring report)	Reporting	Annual	ACER	Keep separate	Sectorial legislation
ACER Regulation	Regulation (EC) 713/2009	13 (12)	Annual ACER activity report	Reporting	Annual	ACER	Keep separate	Sectorial legislation
ACER Regulation	Regulation (EC) 713/2009	34	Evaluation report on ACER	Monitoring	Every 4 years	EC	Keep separate	Sectorial legislation
Connecting Europe Facility Regulation	Regulation (EU) No 1316/2013	22	Report on progress and investments made in projects of common interest	Reporting	Annual	MS	Repeal	
Crude Oil Imports Regulation	Regulation 2964/95/EC	8	COM to analyse information and communicate it to MS	Monitoring	Monthly	EC	Keep separate	Sectorial legislation

Crude Oil Imports Regulation	Regulation 2964/95/EC	2, 7	Report at regular intervals on the conditions under which the oil imports or deliveries have taken place	Reporting	Monthly	MS	Keep separate	Sectorial legislation
Electricity Directive	Directive 2009/72/EC	4	Monitoring of security of supply by MS, with possibility to delegate to NRA	Reporting	Every 2 years, by 31 July	MS	Repeal	
Electricity Directive	Directive 2009/72/EC	22	Submit a national ten-year network development plan based on existing and forecast supply and demand, containing efficient measures in order to guarantee the adequacy of the system and the security of supply	Planning	Annual	TSOs	Keep separate and reflect	Governance act and sectorial legislation
Electricity Directive	Directive 2009/72/EC	37(1) ( e )	National Regulatory Authority annual report	Reporting	Annual	NRA	Keep separate	Sectorial legislation
Electricity Directive	Directive 2009/72/EC	47	Overall progress report on internal market of electricity; should include MS measures for improving competition +/- recommendations	Monitoring	Annual	EC	Integrate	Governance act
Energy Efficiency Directive	Directive 2012/27/EU	3	Member State shall set an indicative national energy efficiency target	Planning	Every 3 years	MS	Integrate	Governance act and sectorial legislation
Energy Efficiency Directive	Directive 2012/27/EU	24(2), Annex XIV Part 2	NEEAPs	Planning	Every 3 years	MS	Integrate	Governance act

Energy Efficiency Directive	Directive 2012/27/EU	4	Long-term strategy for mobilising investment in the renovation of the national building stock	Planning	Every 3 years	MS	Integrate	Governance act and sectorial legislation
Energy Efficiency Directive	Directive 2012/27/EU	7(9)	one-off notification of planned alternative measures to energy efficiency obligation schemes	Planning	one-off	MS	Keep separate and reflect	Governance act and sectorial legislation
Energy Efficiency Directive	Directive 2012/27/EU	14(1)	Comprehensive assessment of the potential of cogeneration and district heating and cooling	Planning	Every 5 years	MS	Keep separate and reflect	Governance act and sectorial legislation
Energy Efficiency Directive	Directive 2012/27/EU	Annex VIII	Potential of cogeneration and district heating and cooling	Planning	Every 5 years	MS	Keep separate and reflect	Governance act and sectorial legislation
Energy Efficiency Directive	Directive 2012/27/EU	24(1), Annex XIV Part 1	Progress report	Reporting	Annual	MS	Integrate	Governance act
Energy Efficiency Directive	Directive 2012/27/EU	24(3)	Evaluation of annual reports and NEEAPs	Monitoring	Other	EC	Integrate	Governance act
Energy Efficiency Directive	Directive 2012/27/EU	24(4)	Monitor impact of implementing the EED on the ETS Directive, the RES Directive, the EPBD Directive, the Effort-sharing Decision and industry sectors (carbon leakage sectors)	Monitoring	Other	EC	Repeal	

Energy Efficiency Directive	Directive 2012/27/EU	24(5)	review of continued need for exemptions set out in Article 14(6)	Monitoring	Other	EC	Keep separate	Sectorial legislation
Energy Efficiency Directive	Directive 2012/27/EU	24(6)	Statistics on production from high and low efficiency cogeneration, capacities and fuels for cogeneration, and on district heating and cooling in relation to total heat and electricity production and capacities	reporting	Annually	MS	Keep separate	Sectorial legislation
Energy Efficiency Directive	Directive 2012/27/EU	24(11)	publication of reports referred to in Article 24(1) and (2)	Monitoring	As in para 1 and 2 (annually and every three years respectively)	EC	Repeal	
Energy Labelling Directive	Directive 2010/30/EU	3(3)	Enforcement activities and level of compliance	Reporting	Every 4 years	MS	Repeal	
Energy Labelling Directive	Directive 2010/30/EU	3(4)	Synthetic report of MS 4 years reporting	Monitoring	Every 4 years	EC	Repeal	
Energy Performance of Buildings Directive	Directive 2010/31/EU	5,2	Report all input data and assumptions used for cost-optimal calculations and their results	Reporting	Every 5 years	MS	Integrate	Governance act
Energy Performance of Buildings Directive	Directive 2010/31/EU	5(4)	Report on the progress of the Member States in reaching cost-optimal levels of minimum energy performance requirements.	Monitoring		EC	Keep separate	Sectorial legislation

Energy Performance of Buildings Directive	Directive 2010/31/EU	9.1	Planning requirement on minimum energy performance requirements (plans NZEB)	Planning	Every 5 years	MS	Integrate	Governance act
Energy Performance of Buildings Directive	Directive 2010/31/EU	9.5	Report on progress of MS in increasing the number of nearly zero energy buildings	Monitoring	Every 3 years	EC	Integrate	Governance act
Energy Performance of Buildings	Directive 2010/31/EU	10.2	List of existing measures and instruments, including financial	Reporting	Every 3 years	MS	Integrate	Governance act
Energy Performance of Buildings Directive	Directive 2010/31/EU	10.3	Examination (monitoring) of the effectiveness of the measures and instruments, including financial, listed by MS pursuant to Art.10.2	Monitoring	Not specified	EC	Integrate	Governance act
Energy Statistics Regulation	REGULATION (EC) No 1099/2008	4.1(a)	Transmit national statistics (annual)	Reporting	Annual	MS	Keep separate	Sectorial legislation
Energy Statistics Regulation	REGULATION (EC) No 1099/2008	4.1(b)	Transmit national statistics (monthly)	Reporting	Monthly	MS	Keep separate	Sectorial legislation
Energy Statistics Regulation	REGULATION (EC) No 1099/2008	4.1(c)	Transmit national statistics (short-term monthly)	Reporting	Monthly	MS	Keep separate	Sectorial legislation

Energy Statistics Regulation	REGULATION (EC) No 1099/2008	5(5)	The Commission (Eurostat) shall disseminate yearly energy statistics by 31 January of the second year following the reported period.	Monitoring	Annual	EC	Keep separate	Sectorial legislation
Energy Statistics Regulation	REGULATION (EC) No 1099/2008	6,4	Every five years, Member States shall provide the Commission (Eurostat) with a report on the quality of the data transmitted as well as on any methodological changes that have been made.	Reporting	Every 5 years	MS	Keep separate	Sectorial legislation
Euratom Supply Agency Statues Council Decision	Council Decision 2008/114/Euratom	3	Report on the activities of the Agency in the previous year and a work programme for the next year	Reporting	Annual	ESA	Keep separate	Sectorial legislation
Financial Assistance in the Field of Energy Regulation	Regulation No 663/2009, as amended by regulation 1233/2010	28	Report on implementation of financial assistance to projects in the field of energy	Monitoring	Annual	EC	Repeal	
Gas Directive	Directive 2009/73/EC	5	Monitoring of security of gas supply by MS, with possibility to delegate to NRA	Reporting	Annual, by 31 July	MS	Repeal	
Gas Directive	Directive 2009/73/EC	22	Submit a national ten-year network development plan based on existing and forecast supply and demand, containing efficient measures in order to guarantee the adequacy of the system and the security of supply	Planning	Annual	TSOs	Keep separate and reflect	Governance act and sectorial legislation
Gas Directive	Directive 2009/73/EC	41(1) e	NRA annual report	Reporting	Annual	NRA	Keep separate	Sectorial legislation

Gas Directive	Directive 2009/73/EC	52	Overall progress report on internal market of gas; should include MS measures for improving competition +/- recommendations	Monitoring	Annual	EC	Integrate	Governance act
Hydrocarbons Directive	Directive 94/22/EC	8(2)	Report on the conditions for granting and using authorization for the prospection, exploration and production of hydrocarbons - on the situation of entities in third countries and on the state of any negotiations undertaken with those countries or in the framework of international organizations	Monitoring	Other	EC	Repeal	Governance act
Hydrocarbons Directive	Directive 94/22/EC	9	Annual report on prospecting, exploration and production	Reporting	Annual	MS	Repeal	Governance act
Infrastructure Regulation	Regulation No 256/2014	3 and 5	Reporting on investment projects in energy infrastructure within the European Union	Reporting	Every 2 years	MS	Repeal	
Infrastructure Regulation	Regulation No 256/2014	10	Cross-sector analysis of the structural evolution and perspectives of the Union's energy system	Monitoring	Every 2 years	EC	Repeal	
Intergovernmental Agreements Decision	Decision 994/2012/EU	8	Report on information exchange mechanism with regard to intergovernmental agreements (IGA) between Member States and third countries in the field of Energy	Monitoring	Every 3 years	EC	Keep separate and reflect	Governance act and sectorial legislation
Network Access for Cross-Border Electricity Exchanges Regulation	Regulation 714/2009	8	Adopt a non-binding Community-wide ten-year network development plan, (Community-wide network development plan), including the modelling of the integrated network, scenario development, a European	Planning	Every two year	ENTSO-E	Keep separate and reflect	Governance act and sectorial legislation

			generation adequacy outlook and an assessment of the resilience of the system					
Network Access for Cross-Border Electricity Exchanges Regulation	Regulation 714/2009	12(1)	publish a regional investment plan	Planning	Every two year	TSOs	Keep separate and reflect	Governance act and sectorial legislation
Network Access for Cross-Border Electricity Exchanges Regulation	Regulation 714/2009	24	Regulation implementation monitoring and reporting by COM, including preparation of the report "Progress towards completing the Internal Energy Market"	Monitoring		EC	Repeal	
Network Access for Natural Gas Transmission Regulation	Regulation 715/2009	8	Adopt a non-binding Community-wide ten-year network development plan, (Community-wide network development plan), including the modelling of the integrated network, scenario development, a European generation adequacy outlook and an assessment of the resilience of the system	Planning	Every two year	ENTSO-G	Keep separate and reflect	Governance act and sectorial legislation
Network Access for Natural Gas Transmission Regulation	Regulation 715/2009	12(1)	publish a regional investment plan	Planning	Every two year	TSOs	Keep separate and reflect	Governance act and sectorial legislation
Network Access for Natural Gas Transmission Regulation	Regulation 715/2009	29	Regulation implementation monitoring and reporting by COM, including preparation of the report "Progress towards completing the Internal Energy Market"	Monitoring		EC	Repeal	
Nuclear Decommissioning Assistance in Bulgaria and Slovakia Regulation and Nuclear	Council Regulation 1368/2013 & Council Regulation 1369/2013	6(1) and 6(2)	Annual work programme	Planning	Annual	EC	Keep separate	Sectorial legislation



Decommissioning Assistance in Lithuania Regulation								
Nuclear Decommissioning Assistance in Bulgaria and Slovakia Regulation and Nuclear Decommissioning Assistance in Lithuania Regulation	Council Regulation 1368/2013 & Council Regulation 1369/2013	6(2)	Progress report	Monitoring	Annual	EC	Keep separate	Sectorial legislation
Nuclear Safety Directive	Council Directive 2009/71/Euratom, as amended by Council Directive 2014/87/Euratom	8e(1)	Self-assessment and international peer review	Reporting	Ad hoc but at least every 10 years	MS	Keep separate	Sectorial legislation
Nuclear Safety Directive	Council Directive 2009/71/Euratom, as amended by Council Directive 2014/87/Euratom	8e(2&3)	Topical peer review	Reporting	Ad hoc but at least every 6 years	MS	Keep separate	Sectorial legislation
Nuclear Safety Directive	Council Directive 2009/71/Euratom, as amended by Council Directive 2014/87/Euratom	9(1)	Report on progress made with the implementation of this Directive	Reporting	Every 6 years	MS	Keep separate	Sectorial legislation
Nuclear Safety Directive	Council Directive 2009/71/Euratom, as amended by Council Directive 2014/87/Euratom	9(2)	Report on progress made with the implementation of this Directive	Monitoring	Every 6 years	EC	Keep separate	Sectorial legislation

Offshore Safety Directive	Directive 2013/30/EU	25(1), Annex IX point 3	Annual report on oil and gas installations and their safety	Reporting	Annual (starting end of 2017)	MS	Keep separate	Sectorial legislation
Offshore Safety Directive	Directive 2013/30/EU	25(3)	Annual report based on the information reported by MS to the EC	Monitoring	Annual	EC	Integrate	Governance act
Oil Stocks Directive	Directive 2009/119/EC	6(2)	Annual summary copy of the stock register	Reporting	Annual	MS	Keep separate and reflect	Governance act and sectorial legislation
Oil Stocks Directive	Directive 2009/119/EC	9(4) and 9(5)	Annual summary copy of the stock register	Reporting	Annual (9(5))	MS	Keep separate (9(4)) and reflect (9(5))	Governance act and sectorial legislation
Oil Stocks Directive	Directive 2009/119/EC	12	Monthly statistical summaries of emergency stocks	Reporting	Monthly	MS	Keep separate	Sectorial legislation
Oil Stocks Directive	Directive 2009/119/EC	13	Monthly statistical summaries of specific stocks	Reporting	Monthly	MS	Keep separate	Sectorial legislation
Oil Stocks Directive	Directive 2009/119/EC	14	Monthly statistical summaries of commercial stocks	Reporting	Monthly	MS	Keep separate	Sectorial legislation

Petrol Products Consumer Prices and Crude Oil Supply Costs Council Decision	Council Decision 1999/280 (and its implementing acts provided in Commission Implementing Regulation (EU) No 1348/2014)	3.1	MS shall communicate to the COM: a) crude oil supply cost cif, b) the consumer prices of petroleum products net of duties and taxes and inclusive of all taxes in force	Reporting	Monthly	MS	Keep separate	Sectorial legislation
Petrol Products Consumer Prices and Crude Oil Supply Costs Council Decision	Council Decision 1999/280 (and its implementing acts provided in Commission Implementing Regulation (EU) No 1348/2014)	3.2	MS shall communicate to the COM: Consumer prices of petroleum products net of duties and taxes in force	Reporting	Weekly	MS	Keep separate	Sectorial legislation
Petrol Products Consumer Prices and Crude Oil Supply Costs Council Decision	Council Decision 1999/280 (and its implementing acts provided in Commission Implementing Regulation (EU) No 1348/2014)	4	COM to publish crude oil supply cost cif (and the consumer prices of petroleum products net of duties and taxes and inclusive of duties and taxes charged)	Monitoring	Monthly	EC	Keep separate	Sectorial legislation
Petrol Products Consumer Prices and Crude Oil Supply Costs Council Decision	Council Decision 1999/280 (and its implementing acts provided in Commission Implementing Regulation (EU) No 1348/2014)	4	COM to publish consumer prices of petroleum products net of duties and taxes charged (weekly Oil Bulletin)	Monitoring	Weekly	EC	Keep separate	Sectorial legislation
PINC	Euratom treaty	40	EC to publish periodically illustrative programmes indication in particular nuclear energy production targets and all types of investment required for their attainment	Monitoring	Irregular	EC	Integrate	Governance act and sectorial legislation

Radioactive Waste Council Directive	Council Directive 2011/70/Euratom	14(1)	Report on the measures it has taken to implement the obligations of the Convention	Reporting	Every 3 years	MS	Keep separate	Sectorial legislation
Radioactive Waste Council Directive	Council Directive 2011/70/Euratom	14(2)	Report on progress (implementation) + summary report to EP, C and EESC + inventory of radioactive waste and spent fuel and future prospects	Monitoring	Every 3 years	EC	Keep separate	Sectorial legislation
Radioactive Waste Council Directive	Council Directive 2011/70/Euratom	14(3)	Self-assessments and international peer reviews	Reporting	ad hoc, but at least every 10 years	MS	Keep separate	Sectorial legislation
Renewable Energy Directive	Directive 2009/28/EC as amended by Directive (EU) 2015/1513	4 + Annex VI	National Renewable Energy Action Plan (NREAP)	Planning	once	MS	Integrate	Governance act
Renewable Energy Directive	Directive 2009/28/EC as amended by Directive (EU) 2015/1513	22	MS Progress Report on NREAPs	Reporting	Every 2 years	MS	Integrate	Governance act
Renewable Energy Directive	Directive 2009/28/EC as amended by Directive (EU) 2015/1513	17(7) + 23(3)	Progress report	Monitoring	Every 2 years	EC	Integrate	Governance act
Renewable Energy Directive	Directive 2009/28/EC as amended by Directive (EU) 2015/1513	19(5)	Report on typical and default values of biofuels and bioliquids emissions	Monitoring	Every 2 years	EC	Keep separate	Sectorial legislation

Renewable Energy Directive	Directive 2009/28/EC as amended by Directive (EU) 2015/1513	24	Making relevant information public on the transparency platform	Monitoring	Irregular	EC	Integrate	Governance act
Security of Electricity Supply Directive	Directive 2005/89/EC	7 (1-4)	Report on overall adequacy of the electricity system to supply current and projected demands for electricity	Reporting	Every 2 years	MS	Repeal	Sectorial legislation
Security of Electricity Supply Directive	Directive 2005/89/EC	7 (5)	Report on investments planned and their contribution to the objectives	Monitoring		EC	Repeal	
Security of Gas Supply Regulation	Regulation 994/2010	4 and 5	Preventive Action Plans and Emergency Plans	Planning	every 2 years	MS	Keep separate and reflect	Governance act and sectorial legislation
Security of Gas Supply Regulation	Regulation 994/2010	9	Risk assessment	Planning	Every 2 years	MS	Keep separate and reflect	Governance act and sectorial legislation
Security of Gas Supply Regulation	Regulation 994/2010	14	Report on the security of gas supply to be included in annual reporting in Directive 2009/73/EC	Monitoring	Every 2 years	EC	Keep separate and reflect	Governance act and sectorial legislation
Shipments of Radioactive Waste Council Directive	Council Directive 2006/117/Euratom	16(1c)	Inform the Commission and the Advisory Committee on a yearly basis on shipments of radioactive waste and spent fuel to third countries that, in the opinion of the competent authorities of the MS of origin, meet the exports requirements	Reporting	Ad hoc	MS	Keep separate	Sectorial legislation

Shipments of Radioactive Waste Council Directive	Council Directive 2006/117/Euratom	20(1)	Report on implementation of the directive	Reporting	Every 3 years	MS	Keep separate	Sectorial legislation
Shipments of Radioactive Waste Council Directive	Council Directive 2006/117/Euratom	20(2)	Summary report on the implementation of the Directive with particular attention for art. 4	Monitoring	Every 3 years	EC	Keep separate	Sectorial legislation
TEN-E Directive	Regulation (EU) No 347/2013	5(5)	Consolidated Report: Evaluation of progress achieved, recommendations, evaluation of consistent implementation of the Union-wide consistent implementation of the Union-wide network development plans with regard to the energy infrastructure priority corridors and areas	Reporting	Annual	ACER	Keep separate	Sectorial legislation
Transparency of Gas and Electricity Prices Directive	Directive 2008/92/EC	1, Annex I	Annex I: Gas prices reports	Reporting	Other	MS	Repeal	
Transparency of Gas and Electricity Prices Directive	Directive 2008/92/EC	1, Annex II	Annex II: Electricity prices report	Reporting	Other	MS	Repeal	
Transparency of Gas and Electricity Prices Directive	Directive 2008/92/EC	8	Report on the transparency of gas and electricity prices charged to industrial end-users	Monitoring	Annual	EC	Repeal	

\* Legend for the column "Recommendation for Obligation": **Integrate** means the obligation is integrated in National Plans, Progress Reports and integrated Commission monitoring; **Keep separate** means the obligation remains an entirely separate obligation in sectorial legislation (with possible amendments); or **Keep separate and reflect** means the obligation remains a separate obligation in sectorial legislation, which will however be reflected in the National Plans, Progress Reports and integrated Commission monitoring; **Repeal** means the obligation is fully repealed from current sectorial legislation and thus removed from the EU energy and climate acquis.

## ANNEX 7: OVERVIEW OF CLASSIFICATION OF OBLIGATIONS IN THE MMR

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	4	updates every 2 years	Obligation to prepare a LCDS, to report on the status of implementation and to make it available to the public	Planning / Reporting	MS and EC	Linked	Integrate in governance act	The Article is relevant for planning in the climate field with a long term perspective. While the national plans are focussed on the Energy Union's objectives for 2030, the LCDS cover a longer time frame. Consistency of the national plans should be ensured with the low-carbon development strategies or similar future strategic planning obligations of the EU, e.g. mid-century strategies under the Paris Agreement. However given the different time perspective and objectives of the two documents, it is not possible to be fully streamlined. The Article is suitable to be integrated in the new legislative initiative on governance. There are linkages to plans, targets and measures reported in NEEAPs and NREAPS under energy legislation. The Article is to be revised to reflect the new text in the Paris Agreement.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	5	updates every 2 years	Requirements for Member States' national inventory systems	Other/reporting	MS	Linked	Integrate in governance act	The obligations regarding national inventory systems are part of the 'environment' of the integrated national energy and climate plans as they support the implementation of the EU objectives by enabling the collection of data at Member State level in an integrated way. There are linkages to energy legislation related to responsibilities for the reporting of energy data and information in particular to access to data reported under the Energy Statistics Regulation. The Article is also important for ensuring compliance with international obligations. The Article includes references to the Energy Statistics Regulation. Closely linked with Article 7 MMR and to follow that Article. This article would need to be integrated in the new legislative initiative on governance

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	6	N/A	Union inventory system	Other/rep orting	EC	Linked	Integrate in governance act	As the Article establishes the Union inventory system, it is linked to the Union inventory of GHG emissions, which includes the data on the EU's GHG emissions and shows where the EU - overall- stands. Though it does not contain a planning or reporting obligation for Member States, and therefore cannot be integrated in Member States' plans or progress reports, the Article is important as it supports the implementation of EU objectives as it ensures the timeliness, transparency, accuracy, consistency, comparability and completeness of national inventories and the Union inventory. In this way, it contributes to enabling the assessment of progress towards the EU's international climate action commitments, which are linked to the EU's domestic targets to reduce GHG emissions and is therefore also important for the Energy Union. The Article is also important for ensuring compliance with international obligations. Closely linked to Article 7 MMR and to follow that Article. Consequently, this article would need to be integrated in the new legislative initiative on governance



Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	7	annual	Reporting obligations on Member States' greenhouse gas inventories and obligation for the Commission to compile the Union greenhouse gas inventory	Reporting	MS and EC	Integrate (in National Plans and Progress Reports)	Integrate in governance act	The Article is important for providing data to assess compliance with the ESD targets and for ensuring compliance with international obligations. It is linked to integrated national energy and climate plans and reporting on progress on the delivery of the plans and suitable to be integrated in the legislative initiative on governance. It supports the implementation of the EU objectives as it enables the collection of data at Member State level in an integrated way. There are linkages with Energy Statistics Regulation and data reported under that Regulation to Eurostat and inconsistencies between inventory data and the data reported under the Energy Statistics Regulation that derive from differences in definitions applied and timelines for reporting and updating data. Also linkages with indicators used in the energy sector reporting. To be streamlined taking into account the work on indicators done in the framework of the Energy Union. Annex I to the MMR, which includes a list of GHG Member States have to report in their GHG inventories, is to follow Article 7. The list of indicators in Annex III to the MMR, is to be updated and streamlined taking into consideration the work on indicators done in the framework of the Energy Union and to follow Article 7 MMR. This article needs to be integrated in the plans and progress report after possible revision to streamline it with the energy acquis (especially Energy Statistics Regulation).

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	8	annual	Requires Member States to report approximated greenhouse gas inventories	Reporting	MS	Integrate (in National Plans and Progress Reports)	Integrate in governance act	Article important for tracking annual progress with GHG emissions targets, as it provides approximated data for the year x-1 as compared to the inventories which contain data on GHG emission with two years lag (relating to the year x-2). Relevant for the Energy Union as it provides data to track progress to ESD targets and -linked- international targets. Therefore also linked to the integrated national energy and climate plans and the reporting on progress towards the targets, objectives and trajectories laid down in these plans. To follow Article 7 MMR. This article needs to be integrated in the plans and progress reports.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	9	N/A	Procedures for completing emission estimates to compile the Union inventory (gap filling)	Other	MS and EC	Linked	Integrate in governance act	Article important for ensuring compliance with internal and international obligations. It sets modalities and procedures in case Member States do not report their GHG inventories within the required deadlines. It is important for tracking progress towards ESD GHG emission reduction targets, as it allows the Commission to fill in the missing GHG emissions data in case Member States do not submit it. Therefore it is also important in the context of assessing the direction the EU is going with regard to its 2030 climate target. To follow Article 7 MMR. This article would need to be integrated in the new legislative initiative on governance.

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	10	N/A	Establishment and operation of registries (for Kyoto Protocol units)	Other	MS and EC	Linked	Integrate in governance act	Article important for ensuring compliance with international obligations (UNFCCC) and the ESD targets. The Union Registry enables the use of flexibilities under the ESD. The information contained in the registry will be paramount for an accurate tracking of progress with the ESD targets. To be revised in light of the outcome of negotiations on the further detailed rules for implementation of the Paris Agreement. Establishment and operation of registries is a precondition for the retirement of units (Article 11 MMR) and reports on the additional period for fulfilling commitments under the Kyoto Protocol (Article 22 MMR). This article needs to be integrated in the new legislative initiative on governance after revision to take in consideration the developments under the Paris agreement and to delete the parts relating to the Kyoto Protocol.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	11	N/A	Retirement of units under the Kyoto Protocol	Other	MS	Linked	Integrate in governance act	Article important for ensuring compliance with international obligations (UNFCCC). Though the Kyoto Protocol second commitment period runs until the end of 2020, retirement of units needs to take place after the additional period for fulfilling commitments, in 2023. This Article needs to be included in the new legislative initiative on governance after deletion of the parts referring to the first commitment period of the Kyoto Protocol. Linked to Article 11 and Article 22 MMR.

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	12	updates every two years	National systems of policies and measures and projections	Other/reporting	MS and EC	Linked	Integrate in governance act	Article important for reporting on progress with the national plans. It supports the implementation of EU objectives as it ensures systems for reporting are in place and continuously improved, and it ensures the timeliness, transparency, accuracy, consistency, comparability and completeness of the information reported. The scope of the national systems should be broadened to include integration between energy and climate enabling the compilation of coordinated progress reports. This Article needs to be integrated in the new legislative initiative on governance after streamlining with ENER acquis.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	13	every two years	Reporting obligations for Member States related to reporting on policies and measures relevant for climate action	Reporting	MS	Integrate (in National Plans and Progress Reports)	Integrate in governance act	Article important with regard to policies and measures in the context of the integrated national energy and climate plans. Linkages with energy legislation (reporting of policies and measures under EED, RED), where streamlining could take place to avoid double reporting of policies and measures. Suitable to be integrated to reduce overlaps, incoherence and inconsistencies. Also important for ensuring compliance with international obligations. This Article needs to be integrated in the plans and progress reports after streamlining with ENER acquis.

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	14	every two years	Reporting obligations for Member States related to projections of greenhouse gas emissions	Reporting	MS	Integrate (in National Plans and Progress Reports)	Integrate in governance act	Article important with regard to projections in the context of the integrated national energy and climate plans. Linkages with energy legislation where also reporting on projected information takes place. Suitable to be streamlined to come to a single set of integrated climate and energy projections. Also important for ensuring compliance with international obligations. This Article needs to be integrated in the plans and progress reports after streamlining with ENER acquis.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	15	every 4 years	Member States' reporting of information on national adaptation planning and strategies	Reporting	MS	Linked	Integrate in governance act	Indirect link with the integrated national energy and climate plans, as information on adaptation is also included in the integrated national energy and climate plans which are to be coherent and consistent with the national adaptation actions plans. It is suitable to be integrated in the legislative initiative on governance. Relates to UNFCCC. This Article needs to be included in the new legislative initiative on governance after revision in light of the Paris Agreement.

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	16	annual	Member States' reporting related to financial and technology support provided to developing countries	Reporting	MS	Linked	Integrate in governance act	In the context of the UNFCCC and Paris Agreement, the EU and its Member States are committed to scaling up the mobilisation of climate finance in the context of meaningful mitigation actions and transparency of implementation, in order to contribute their share of the developed countries' goal to jointly mobilise USD 100 billion per year by 2020 from a wide variety of sources. The EU needs to support finance commitments with concrete data and information. Integration of reporting of this information in the legislative initiative on governance is important in order to ensure that all the reporting obligations relating to the implementation of the UNFCCC are included in a single legal act. This Article needs to be included in the new legislative initiative on governance after revision in light of the Paris Agreement.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	17	annual	Reporting on revenues from the auctioning of emission allowances under the EU emissions trading system and on the use of project credits from the ESD	Reporting	MS	Integrate (in National Plans and Progress Reports)	Integrate in governance act	Reporting on the use of revenues from the auctioning of emission allowances under the EU emissions trading system suitable to be integrated as it is expected that parts of these sums will be underpinning the financing component of the plans since MS are expected to use 50% of these revenues for climate purposes. Article also important for implementation of the ESD as it relates to the use of flexible mechanisms under this decision. Suitable to be integrated as it will be an integral part of the analysis under the decarbonisation component of the integrated national energy and climate plans. This article needs to be included partly in the plans, partly in the reporting on progress with the plans.

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	18	every four years	Union and Member States' submission of National Communications and Biennial Reports to the UNFCCC and copies to the Commission	Reporting	MS and EC	Linked	Integrate in governance act	Relates to the UNFCCC; 4 yearly national communications (international requirement) require reporting on a country's national circumstances, actual emissions, policies and measures, projected emissions, financial and technology support provided to developing countries, adaptation, research and systematic observation and education. The MMR includes all reporting requirements related to this. Keeping international reporting of national communications and biennial reports together with reporting obligations linked to international reports (e.g. projected emissions, policies and measures) enables easier access to data, and leads to more consistency and higher credibility of information reported to the Commission and internationally. No direct link with the national plans, but the reporting under the national plans needs to be consistent with the reporting of National Communications and Biennial Reports. Suitable to be integrated in the new legislative initiative on governance in light of the Paris Agreement.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	19	annual	Review of GHG inventories for ESD purposes	Other	EC	Linked	Integrate in governance act	Article important for ESD implementation. This Article should be integrated in the legislative initiative on governance as the provision on the ESD review forms part of the "environment" of the plans and supports the implementation of the EU objectives by making the information more accurate. Needs redrafting to apply to the new ESD. This Article needs to be included in the new legislative initiative on governance after revision in light of the Effort Sharing Regulation proposal of the Commission.

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	20	N/A	Addressing the effects of recalculations in the ESD	Other	EC	Repeal	Governance act to repeal the obligation	The provision on addressing the effect of recalculations in the ESD is not needed for the Effort Sharing Decision post 2020 and can be deleted. Annex II to the MMR (Formula to calculate the sum of the effects of the recalculated GHG emissions for each MS) is to follow Article 20(1) of the MMR.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	21	annual	Commission reporting on progress towards international and ESD targets	Reporting	EC	Integrate (in the Commission's monitoring Report)	Integrate in governance act	Commission report on progress towards EU targets and international commitments. Report submitted to the European Parliament and the Council and also used internationally to demonstrate at the annual Climate Conferences, what action the EU is taking in the climate field and to show progress towards its international commitments. Suitable to be integrated with the Commission's report in the context of the governance of the Energy Union.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	22	in 2023	Union and Member States to submit report to the UNFCCC on the additional period for fulfilling commitments under the Kyoto Protocol	Reporting	EC and MS	Linked	Integrate in governance act	Relates to the UNFCCC/ Kyoto Protocol. Relevant for the second commitment period of the Kyoto Protocol after expiry at the end of 2020, as it deals with reports that are to be drawn up after the expiration of the second commitment period. No direct link to the national climate and energy plans. However, this Article should be integrated in the new legislative initiative on governance after revision.



Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	23	N/A	Cooperation between Member States and the Union	Other	EC and MS	Linked	Integrate in governance act	Full cooperation and coordination between the Member States and the Commission is paramount, for example in the context of inventory reviews. Full cooperation and coordination will also be important in the context of the governance of the Energy Union. Article linked to Article 7 MMR. Needs to follow Article 7 of the MMR. This Article needs to be integrated in the new legislative initiative on governance.
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	24	N/A	Role of the European Environment Agency	Other	EEA	Linked	Integrate in governance act	The EEA assists the Commission in its work to comply with various Articles of the MMR , including tasks that are very relevant in the context of the Energy Union, such as compiling the information reported by Member States on policies and measures and projections, performing quality assurance and quality control procedures on the information reported by Member States on projections and policies and measures, preparing estimates for data on projections not reported by the Member States (gap filling) and compiling data as required for the annual report to the European Parliament and the Council prepared by the Commission (Climate Action Progress Report).As there are streamlining opportunities as regards projections and policies and measures, this streamlining also entails consequences as to the role of the EEA. To be included in the new legislative initiative on governance,

Name of obligation	Legal basis	Article	Frequency	Description of obligation	Type (planning / reporting / evaluation)	Entity targeted by the obligation	Recommendation in relation to National Plans, Progress Reports, Commission Monitoring	Recommendation in relation to legislative initiative	Short Reasoning
Monitoring Mechanism Regulation	Regulation (EU) No 525/2013	25	N/A	Climate Change Committee to assist the Commission	Other	N.a.	Linked	Integrate in governance act	The Climate Change Committee is relevant for all the climate acquis (EU ETS, ESD, transport) and has a role as committee in the meaning of Regulation (EU)182/2011. For the purposes of the Energy Union the role of the Committee may have to be updated in the context of future implementing powers under the legislative initiative on governance. To be integrated in the new legislative initiative on governance.

\* Legend for the column "Recommendation in relation to National Plans, Progress Reports, Commission Monitoring": **Integrate** means the obligation is integrated in National Plans, Progress Reports and integrated Commission monitoring (and at the same time being amended in or repealed from current sectorial legislation); **Linked** means the obligation is remaining a separate obligation from National Plans, Progress Reports and integrated Commission monitoring but, given its relation to obligations to be integrated in National Plans, Progress Reports and integrated Commission monitoring, linked to those obligations and to follow the legal destination of those obligations; **Repeal** means the obligation is fully repealed from current sectorial legislation and thus removed from the EU energy and climate acquis.

## **ANNEX 8: BACKGROUND ON PLANNING, REPORTING AND MONITORING OBLIGATIONS**

As examined by the Fitness Check, the current EU energy and climate acquis relating to the Energy Union includes a large number of planning, reporting and monitoring obligations for Member States, the Commission and also private entities. In the energy field there are 91 obligations, of which 17 are planning obligations and 42 are reporting obligations for Member States, in addition to 32 monitoring obligations for the Commission. In the climate field, the Monitoring Mechanism Regulation (MMR) establishes a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change, and already represents the result of a previous streamlining exercise.

Examples for relevant planning obligations include Member States' National Renewable Energy Action Plans that are provided once and amended in case of insufficient progress made (Article 4 of the Renewable Energy Directive 2009/28/EC), National Energy Efficiency Action Plans provided every three years (Article 24 of the Energy Efficiency Directive 2012/27/EU), long-term strategies for mobilising investment in the renovation of the national buildings stock provided every three years (Article 4 of the Energy Efficiency Directive 2012/27/EU) and national plans for increasing the number of nearly zero-energy buildings provided once (Article 9 of the Energy Performance of Buildings Directive 2010/31/EU). Other important examples of Member States' planning obligations are Preventive Action Plans and Emergency Plans for security of gas supply (Article 4 of the Gas Security of Supply Regulation (EU) No 994/2010). As concerns other entities, under Article 5 of the Regulation on Guidelines for Trans-European Energy Infrastructure ((EU) No 347/2013), project promoters are obliged to draw up an implementation plan for Projects of Common Interest (PCIs). In the climate field, Member States are required to prepare low-carbon development strategies once and to inform the Commission on updates (Article 4 of the Monitoring Mechanism Regulation MMR (EU) No 525/2013).

Many of the planning obligations require a corresponding reporting component, or are due to international obligations by the EU and Member States. For example, under the energy acquis Member States submit progress reports on the promotion and use of renewable energy to the Commission every two years (Article 22 of the Renewable Energy Directive) and annual progress reports on the achievement towards national energy efficiency targets (Article 24 of the Energy Efficiency Directive). Other important examples of Member States' reporting obligations include the monitoring of security of gas supply based on Article 5 of Directive 2009/73/EC on common rules for the internal market in natural gas. As concerns other entities, under Article 5 of the Regulation on Guidelines for Trans-European Energy Infrastructure ((EU) No 347/2013), project promoters are due to, inter alia, report on progress achieved in the development, construction and commissioning of the infrastructure projects. In addition, in the energy acquis there are other legislative acts with reporting obligations that do not mirror a planning obligation, for example the Directive 2009/72/EC on common rules for the internal market in electricity and Directive 2005/89/EC on measures to safeguard

security of electricity supply. In the climate field, under the MMR Member States provide on an annual or biennial basis information to the Commission related to progress to targets (GHG emissions, projections, and policies and measures to reduce GHG emissions), but also other climate-related information such as on adaptation to climate change, EU ETS auctioning revenues and climate finance.<sup>38</sup> Under the MMR Member States report once to the Commission on the status of implementation of their low-carbon development strategy and provide the Commission with updates on progress in its implementation biennially, as well as communicate substantial changes.

On the basis of reports by Member States or other relevant sources of information, the Commission is monitoring progress at EU level. For example, the Commission reports on Member States' progress on the promotion and use of renewable energy every two years (Article 23 of the Renewable Energy Directive). The Commission also annually assesses Member States' progress towards the achievement of the national energy efficiency targets (Article 24 of the Energy Efficiency Directive) and reports on the progress of Member States in increasing the number of nearly zero-energy buildings every three years (Article 9 of the Energy Performance of Buildings Directive). A Commission report on the security of gas supply is requested by Article 14 of the Gas Security of Supply Regulation (EU) No 994/2010). Under Article 17 of the Regulation on Guidelines for Trans-European Energy Infrastructure ((EU) No 347/2013) the Commission shall report on the implementation of Projects of Common Interest and evaluate the implementation of the regulation by the year 2017. In the climate field, the Commission annually reports on progress to the international (Kyoto Protocol related) and the EU targets, covering historic GHG emissions and projected future GHG emissions for every Member State, and also information on EU policies and measures, climate finance and adaptation (Article 21 of the MMR). The MMR therefore provides a single framework to ensure compliance with the Union and Member States' commitments and obligations. In addition, the MMR also implements reporting and review requirements related to the current Effort Sharing Decision (ESD)<sup>39</sup> and the EU ETS Directive.<sup>40</sup>

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<sup>38</sup> The Monitoring Mechanism Regulation (MMR) largely follows from the EU's and its Member States' obligations under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol and enables the implementation of respective international requirements on reporting in the climate field.

<sup>39</sup> Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020. The ESD lays down for each Member State binding annual targets for the period 2013-2020 for greenhouse gas emissions outside the scope of the EU Emissions Trading System. The Commission presented its legislative proposals for an Effort-Sharing Regulation and on land use, land use change and forestry (LULUCF) in July 2016 to implement the agreed 2030 regulatory framework in a fair and cost-efficient manner. The MMR establishes a review and compliance cycle under the ESD; it ensures that solid information is available to allow annual determination of compliance with the ESD.

<sup>40</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC. In 2015 the Commission presented a legislative proposal to amend the ETS for the period after 2020. The MMR incorporates the reporting requirements for the use of revenues from the auctioning of emission allowances to see for which purposes they are used.

## **ANNEX 9: POLICY OPTIONS ON STREAMLINING PLANNING, REPORTING AND MONITORING OBLIGATIONS: ANNUAL COSTS FOR MEMBER STATES AND ONE-TIME IMPLEMENTATION COSTS**

### *Impacts of the baseline scenario*

Annual costs including administrative and reporting costs (for planning and reporting activities), ICT/equipment costs (for equipment and ICT system installation, maintenance and use) and service outsourcing costs (for outsourcing of planning and reporting services to external consultants) for Member States amount to approximately €21.2 million (annual costs), with administrative and reporting costs amounting to €4.2 million (annual costs). This represents an unchanged administrative burden from existing planning and reporting obligations (except for inflation correction).<sup>41</sup>

Implementation costs due to legislative changes ensuring the continuation of existing obligations beyond 2020 amount to approximately €13.8 million (one-time costs). Implementation costs occur in the baseline scenario due to the legislative procedure of prolonging the respective legal provisions that would otherwise expire in 2020. Therefore, implementation costs include costs both for revision or renewal of existing legislation for the Commission (€3.1 million) and for transposition and implementation by Member States (€10.7 million).

### *Impacts of policy options for streamlining obligations*

Annual costs for planning, reporting and monitoring obligations originate from administrative and reporting costs, ICT/equipment costs and service outsourcing costs. When comparing the annual costs to the baseline, it shows that the total costs for Member States are higher than in the baseline scenario for options S1, S2 and S6, but lower for options S4 and S5. For S3, costs are estimated to be in between S2 and S4. As regards the annual costs for planning and reporting, these are lower than in the baseline scenario for all options, reflecting cost savings from streamlined obligations (except for S1 for which the costs remain the same). The costs for integrated planning and reporting by the new National Plans and Progress Reports are new administrative costs, as integrated planning and reporting is part of the Governance initiative. An overview of annual administrative costs for Member States for each policy option is presented in Table 14.

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<sup>41</sup> Cost estimates are based on the associated cost of planning, reporting and monitoring obligations in energy field presented in the Fitness Check.

*Table 14: Annual costs for Member States in million EUR*

Policy option	Total costs	Planning and reporting costs	Costs for integrated planning and reporting
<i>Baseline</i>	21.2	4.2	--
Option S1 (soft guidance)	22.7	4.2	1.5
Option S2 (sector-specific legislation)	29.4	3.6	5.5
Option S3 (2 legislative acts replacing parts of energy acquis and MMR)	n.a.	n.a.	n.a.
Option S4 (single act replacing relevant parts of energy acquis and MMR)	20.1	3.0	3.7
Option S5 (single act replacing relevant parts of energy acquis and full MMR)	20.1	3.0	3.7
Option S6 (single act for all actors and stakeholders)	21.9	2.0	7.4

*n.a.* = not available as this policy option was not evaluated by the external expertise; impacts for this option are therefore assessed qualitatively.

*The total costs include administrative and reporting costs, ICT/equipment costs and service outsourcing costs. Planning and reporting costs as well as costs for integrated planning and reporting are sub-components of administrative and reporting costs.*

For the Commission, one-time implementation costs relate to the legislative changes (revision or renewal of legislation, provision of templates, introduction of a new legislative act) that are needed to implement each option as well as the preparation of guidance. One-time implementation costs for Member States originate in particular from transposition and implementation of legislation and the adoption of National Plans. Further one-time implementation costs include ICT/ equipment costs as well as service outsourcing costs. When comparing the one-time implementation costs to the baseline, it shows that the total implementation costs are higher for all options than the baseline, but highest for option S2. Given the fact that all options imply that the Commission adopts additional measures (legislative or guidance) and Member States implement adopting additional legislation and prepare National Plans that are not existent in the baseline, one time implementation cost for all options are higher than in the baseline scenario. In addition, all options necessitate a certain amount of implementation costs. An overview of one time implementation costs for each policy option is presented in Table 15.

*Table 15: One-time implementation costs for Member States and the Commission in million EUR*

Policy option	Total implementation costs	Member States costs	Commission costs
<i>Baseline</i>	<i>13.8</i>	<i>10.7</i>	<i>3.1</i>
Option S1 (soft guidance)	20.6	17.5	3.2
Option S2 (sector-specific legislation)	45.1	36.1	9.0
Option S3 (two legislative acts replacing relevant parts of energy acquis and MMR)	n.a.	n.a.	n.a.
Option S4 (single act replacing relevant parts of energy acquis and MMR)	22.0	18.3	3.6
Option S5 (single act replacing relevant parts of energy acquis and fully replacing MMR)	22.0	18.3	3.6
Option S6 (single act for all actors and stakeholders)	30.0	24.6	5.4

*n.a.* = not available as this policy option was not quantitatively evaluated by the external expertise; impacts for this option are therefore assessed qualitatively. The costs for option S3 are estimated to be between options S2 and S4.

*Commission costs* = costs for the revision of the existing legislation as well as for preparing templates for National Plans and Progress Reports. *Member States costs* = costs of transposition and implementation of legislation as well as for the adoption of their National Plans.