



Danish Ministry
of Energy, Utilities
and Climate

Denmark's response to the European Commission's public consultation with regard to the review of the energy efficiency directive (EED)

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This paper sets out Denmark's provisional stance on the revision of the energy efficiency directive (EED). The final Danish position will be determined on the basis of the Commission's impact assessment and the proposal for a revised directive. This response replaces the approach of filling out the European Commission's electronic questionnaire.

1. General remarks

The Danish government welcomes the Commission's consultation on the Energy Efficiency Directive.

Denmark has as its long term goal to become independent of fossil fuels by 2050, producing sufficient renewable energy to cover the total Danish energy consumption. Increased energy efficiency is a key element in achieving this goal.

As a general remark, the Danish Government finds it important to ensure a cost-effective transition of the European energy system towards a future low carbon society. As part of a cost-effective transition, it is important to ensure fulfilment of the indicative target at the EU level of at least 27 pct. improved energy efficiency in 2030 (having in mind the possibility of an EU level of 30 pct.) set by the European Council in October 2014. The 27 pct. target sets out the overall level of ambition for the upcoming revision of the EED and will require amendments of the current directive.

The Danish Government acknowledges the EED as a strong policy instrument to ensure broad energy efficiency progress at Member State level as well as enabling that the EU as a whole reaches the target on energy efficiency.

EU policies and measures are needed as a cost-effective way to tap into the large potential for increased, profitable energy efficiency. Increased energy efficiency drives a number of benefits to society, including a reduction of the EU's energy dependency, lower energy costs for businesses and consumers, an increase in productivity, and improved competitiveness.

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In an upcoming revision, the Danish Government finds it essential that the EED continuously allows the Member States sufficient flexibility and room for manoeuvre, in view of their very different national energy systems. By introducing flexibility, the EED will enable deployment of the most cost-effective solutions.

A revised directive must be based on a thorough analysis of the possible consequences of the upcoming proposal making sure that the most cost-effective instruments with the highest impacts will be prioritised. Thus, the Danish Government looks forward to the Commission's impact assessment on the revision of the EED, which includes the articles covered in the public consultation. The impact assessment should also assess the cost-effectiveness of other articles, such as article 5 on public buildings and article 8 on energy audits.

2. Specific remarks

Article 3: Energy efficiency target

In the current EED, the 2020 target is defined as a specified amount of energy. This definition should be extended for 2030 as this is an essential instrument for both Member States and the Commission to ensure target fulfilment.

Furthermore, the Member States should be obliged to report their expected energy consumption for 2030, based on national projections. A continued effort until 2030 in the EED is essential if the EU is to reach the agreed 2030 target on energy efficiency.

Article 7: Energy efficiency obligation schemes

Article 7 provides approximately two thirds of the total energy savings in the EED, and will as such be an important instrument for fulfilment of the 2030 target. The Danish Government thus supports an extension of the energy savings requirements of article 7 beyond 2020.

However, the specific level of ambition in article 7 should depend on the Commission's impact assessment on the revision of the EED, which can provide thorough insight with regard to the cost-effectiveness of the energy savings obligation.

The flexibility mechanisms in the current article 7 should be extended beyond 2020. The flexibility, defined as the Member States' opportunity to use exemptions



and alternative measures to reach the annual energy savings, makes the obligation suitable for today's diversified energy systems. In that way, Member States will continuously be able to employ the most cost-effective solutions towards reaching an annual energy savings target.

Denmark has implemented its article 7 obligations solely through the energy efficiency obligation scheme for the energy utility companies. This approach has led to additional and cost efficient energy savings. However, the marginal costs of energy savings are gradually increasing as the amount of "quick win" (i.e. comparatively low-cost) energy savings projects is declining.

Article 10-11: Billing information

The Danish Government regards the requirements on metering and billing in the EED as important in helping consumers make conscious choices about their energy consumption and thus contributing to energy savings. Nevertheless, it has seemed difficult to interpret the notion of "economic justification" with regard to the requirement of frequent billing information. Preliminary Danish assessments seem to indicate that frequent billing has a positive impact on energy savings, but is at the same time associated with considerable costs to energy companies and building owners.

The Danish Government agrees with the need to maintain a cost-effectiveness criterion in order to account for sectoral differences and differences among Member States. However, Denmark would welcome more clarity regarding the implementation of the criterion of "economic justification" where the costs for providing frequent billing information should be compared to the potential for energy savings. The Danish Government welcomes the Commission's work on a guidance document which will cover this and other issues related to economic efficiency and technical feasibility conditions in Articles 10-11 of the EED. If it is possible it should be considered in the context of the revision of the directive to introduce a clearer framework for determining cost justification in the EED itself.

Article 20: Financing of energy efficiency

The Danish Government welcomes the Commission's focus on providing financing for energy efficiency in this consultation as well as in the communication on "The State of the Energy Union". The Danish Government acknowledges the fact that the energy efficiency investment market is still relatively small in scale compared to its potential and in view of the investments needed to meet the 2030 target. That remains a substantial challenge along with a lack of expertise and awareness about good business cases for investments in energy efficiency.



The Danish Government encourages the Commission to focus more on available energy efficiency financing funds and in this context to take cost efficient allocation of funding into consideration. Generally, EU financing could to a larger extend be directed towards energy efficiency both when it comes to the structural funds and the European Investment Bank in addition to the specific funds such as the European Energy Efficiency Fund.

The European Energy Efficiency Fund has high requirements for the applicants, which mostly enables the bigger actors to participate. The Danish Government encourages the Commission to provide an easily accessible overview of funds available for energy efficiency projects as well as better guidance for the Member States and private actors in order to open up the EU financing for energy efficiency for a wider range of actors.

Article 24: Review and monitoring of implementation

The Energy Union Strategy foresees an integrated governance framework for EU energy and climate policies to ensure that agreed climate and energy targets are reached and to enable Member States to better coordinate their policies at a regional level.

The Danish Government is of the opinion that the current EED sets a good framework for governance on energy efficiency progress and policies at the Member State level. The reporting and notification obligations in the EED enable the Commission to follow up on all Member States' actions regarding their obligations in the different articles of the EED. The Danish Government emphasises the importance of reporting obligations to remain binding, but is open minded as to whether this reporting should be included in the governance framework for the Energy Union or remain as a part of the EED.

Article 5: Exemplary role of public bodies' buildings

The Danish Government notes that article 5 is not part of the Commission hearing and fully understands the ambition to limit the scope of the revision in view of the relative recent agreement on the current directive. Nevertheless, we would like to signal that the ongoing implementation of article 5 regarding the exemplary role of public bodies' buildings poses a number of challenges. Specifically, there is a need to clarify the scope of the article when applying the alternative method and a need for clearer guidance on the implementation methods for target setting and monitoring. Furthermore, clearer guidance is requested on how to interpret the article regarding the scope of buildings included, and how to correctly calculate the energy savings. There is a risk that the aforementioned challenges can lead to suboptimal energy efficiency investments. In order to remedy these difficulties, the Danish Government



would encourage the Commission to initiate a process with the aim of clarifying implementation issues through guidance papers and follow-ups on progress.

Furthermore, the Danish Government urges the Commission to perform an impact assessment of article 5 as part of the general impact assessment ahead of the proposal on a revised EED. The assessment should in particular explore whether the energy savings requirements in article 5 are delivered in a cost-effective manner and whether the requirements are sufficiently focused. In this context it should be borne in mind that there are significant variations between Member States with regard to energy savings potential in state owned and occupied buildings and that the share of state owned and occupied buildings of the total building mass and the nature of these buildings also vary from one member state to another.