



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

17 DEC. 2010

Brussels,
D(2010)

Opinion

Title **DG ENER - Impact Assessment on Energy Efficiency Action Plan**

(16 November 2010)

(A) Context

The objective of increasing energy efficiency in the EU in order to reduce EU energy consumption by 20% compared to the projections for 2020, was expressed in the Commission Green paper (2005) and Energy efficiency action plan (2006). It was also endorsed by the 2007 Spring Council. Given that on the basis of current policies this target will not be met, the Commission plans to provide new impetus to energy efficiency and saving with a new action plan. This impact assessment accompanies the new plan.

The IAB scrutinised an earlier version of the IA report in 2009 (Ares(2009)256603 - 29/09/2009), and in its opinion asked for a resubmission. As the scope, certain policy objectives and options of the examined report have changed significantly the revised IA report is not considered as a resubmission.

(B) Overall assessment

While the IA report provides the necessary analysis to justify the need for additional EU action to achieve the 20% energy savings target by 2020, it should be improved on several important aspects. Firstly, it should strengthen the analysis concerning setting national energy efficiency targets, and should bring out more clearly their effectiveness and value added of the 20% EU target. Secondly, the report should make greater use of the results of the evaluation of both the current Energy Efficiency Action Plan and the Member States' national energy efficiency action plans. Thirdly, it should add an assessment of potential negative effects on energy efficiency resulting from subsidies or tax schemes. Fourthly, the impact of the 'rebound effect' on achieving the 20% target should be assessed. Fifthly, existing/planned policies under the baseline scenario need to be made more transparent, notably with regard to the set of initiatives planned on low carbon economy 2050 and the white paper on transport. Finally, the report should provide greater clarity on the costs and benefits of each measure and overall for each sector, should identify the groups who will incur/profit from them and should discuss the impact of the financial and economic crisis in more depth.

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(C) Main recommendations for improvements

(1) Improve the analysis on the general policy framework and on the setting of national energy efficiency targets. Rather than presenting an artificial choice between setting national/EU targets and a set of detailed EU policy instruments without such targets (section 4.2, p.23), the IA report should outline the general constraints resulting from existing policies in order to set the analytical framework for defining options in individual sectors. This should be complemented by a thorough discussion of the rationale for setting of national targets, their effectiveness and value added and consistency with other policy instruments.

(2) Strengthen the analysis of the problems to be addressed and make a greater use of the evaluation results of the existing action plan and national plans. The IA report should be more specific about the successes and failures of the current Energy Efficiency Action Plan with respect to the delivery of the 20% energy savings target. It should also provide a fuller discussion of the deficiencies of Member States' national energy efficiency action plans, by using illustrative examples at Member State or sector level. On that basis the report should provide greater clarity about how these deficiencies will be addressed through the policy options/specific measures envisaged. More consideration should also be given to the extent to which the crisis has affected the validity of the 20% energy saving target and the ability of Member States to achieve it. A discussion of possible negative effects on energy efficiency resulting from subsidy and tax schemes should be added.

(3) Make the baseline assumptions more transparent and analyse the rebound effect. The IA report should provide greater clarity about the policy initiatives (adopted or planned) that have been taken into account in the baseline, and to what extent the modelling work is coherent with that prepared for the forthcoming initiatives on low carbon economy 2050. The IA report should indicate the importance of the 'rebound effect', whereby savings through efficiency gains are counteracted by an increase in energy consumption. It should provide a fuller explanation on how this can be taken into account in the modelling exercise. Following this, the IA should assess what influence the rebound effect could have on the achievement of the 20% energy savings target and should address the rebound effect in the discussion of policy options.

(4) Present more clearly costs and benefits. The report should provide a clear and operational definition of 'cost-effectiveness'. It should clarify what the assumed duration ('lifetime') of respective measures is, for instance by indicating the payback time for investments in the sector where the energy savings are expected to be the greatest. The assessment of benefits should seek to also include large indirect benefits, such as the reduction in air pollution following reductions in energy consumption. In a similar vein, the IA should present more clearly the policy measures/sectors where the time gap between incurred costs and expected benefits is significant, or where there might be strong distributional effects. Finally, the IA report should provide an overview of the costs and benefits and the groups who will incur/profit from them as well as indicating the assumed level of ambition, for each measure and for each of the sectors analysed.

(5) Outline the role of transport sector. While policy initiatives for energy efficiency in the transport sector will be analysed in a separate impact assessment, this IA report should (i) bring out more clearly the assumed share of transport in overall energy

consumption, (ii) specify the contribution that transport is expected to make towards the 20% target and (iii) outline available broad policy options, even if they are in detailed analysed in a separate impact assessment.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

A clear explanation of the key concepts, such as 'cost-effective measure', 'energy efficiency market', etc. as well as the difference between reduction in energy consumption and energy efficiency should be presented at the beginning of the report and used in a consistent manner throughout the report.

(E) IAB scrutiny process

Reference number	2009/ENER/048
External expertise used	No
Date of Board Meeting	15 December 2010