

FIT FOR 55 - EU SHIFTS TACTICS FOR PROPOSED ENERGY EFFICIENCY DIRECTIVE

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Legal Briefings

We assess EU plans to wring more carbon savings from energy efficiency policy. Does the playbook match Brussels' rhetoric?

On 14 July 2021, the European Commission published its "Fit for 55" package providing a set of measures aimed at reaching the target of a 55% reduction in greenhouse gas emissions by 2030 (compared to 1990 thresholds). Such legislative proposals represent a pragmatic response to the European Green Deal, presented on 11 December 2019, which aims to make Europe the first climate-neutral continent by 2050.

The "Fit for 55" package impacts on a variety of policy areas, including energy efficiency and renewables.

THE PROPOSAL FOR AMENDMENTS TO THE ENERGY EFFICIENCY DIRECTIVE

By proposing amendments to the energy efficiency directive (**EED**), the European Commission acknowledges the fundamental role played by energy efficiency in achieving the full decarbonisation of Europe by 2050 and it recognises that, although the EED strengthened the EU energy efficiency policy framework, it still has some significant weaknesses and, therefore, further efforts are needed.

In light of this, the Commission proposed to amend the EED so as to exploit potential energy savings, which still remains large in a multitude of sectors such as transport, buildings, information and communication technology, industry and households. An increase in energy efficiency and a reduction in energy use can be achieved by reference to the abovementioned sectors by means of concrete actions, to be carried out at Member State level.

The amendments proposed by the Commission are also considered being the most effective solution to alleviate energy poverty levels across Member States (which are continuously increasing due to raising energy costs and unemployment within the European Union).

BACKGROUND

The Commission's amending proposal represents a recognition that the existing legislation is insufficient to the roadmap towards climate neutrality. Public consultations launched by the Commission have highlighted that the majority of stakeholders support the necessity of implementing further energy efficiency measures. In particular, 86% of respondents – among business associations, companies and NGOs – expressed views that energy efficiency should be a significant tool so as to achieve the ambitious climate targets for 2030 as well as the European Union's carbon neutrality by 2050.

Before presenting the package of proposals, the Commission conducted an extensive impact assessment in order to evaluate the opportunities and costs of the green transition and has identified specific measures in order to make it just and fair. The main impact of these proposals will be a decrease in energy use in the European Union, resulting in an enhancement of human health, due to the reduction of the emissions of air pollutants, and an increase of environmental benefits stemming from reduced need for fuel supply, reduced infrastructure needs and lower emissions to water. At the same time, the improvement in energy efficiency will give raise to higher investments in energy savings and transition performance, so that the capital costs are expected to return in a few years.

Additionally, the proposal sets out measures specifically aimed at balancing any possible detrimental impact on those economies that may be significantly affected by changes in industrial structure or employment as a result of the energy transition towards decarbonisation.

In the context of the European framework, Member States will be required to define their own levels, so that, *de facto*, they will retain the same level of flexibility in terms of selecting their policy mix, sectors and the approach to achieve the required energy savings by 2030.

KEY AMENDMENTS

Alignment of efficiency targets

Efficiency targets are adjusted and aligned with the new energy efficiency target for 2030. The European Union targets are set in terms of the level of final and primary energy consumption to be achieved in 2030. National contributions remain indicative. However, benchmarks and new delivery mechanism are proposed.

Energy efficiency first

A new provision on the Energy Efficiency First principle is introduced. It includes an obligation to consider energy efficiency solutions in policy and investment decisions in both energy and non-energy sectors, including social housing.

Lower public energy consumption

The public sector is obliged to reduce its energy consumption for public services and installations of public bodies. Other subsectors affected by this obligation are transport, public buildings, spatial planning, and water and waste management.

Renovation obligation

The scope of the renovation obligation is broadened, being applied to all public bodies and all administration levels in all public activities sectors (including healthcare, education and public housing). The alternatives that allowed Member States to reach similar energy savings through other measures than renovations have been removed.

Public procurement

Public procurement provisions are strengthened by extending the obligation to take into account the energy efficiency requirements by all public administration levels, and by removing conditionalities with regard to cost-effectiveness, and technical and economic feasibility. Member States may require public bodies to consider where appropriate circular economy aspects and green public procurement criteria in public procurement practices.

Global warming potential

Contracting authorities may require that tenders disclose a Global Warming Potential of new buildings, in particular for new buildings over 2,000 square metres.

Energy savings obligation and energy poverty

Annual energy savings obligations are increased up to 1.5% for all Member States, which are required to implement policy measures as a priority among vulnerable customers, people affected by energy poverty and people living in social housing, enabling funding and financial tools. The national policy mix must ensure that people affected by energy poverty will be not jeopardised by energy savings.

Consumer protection

Consumer protection is strengthened by introducing basic contractual rights for district heating, cooling and domestic hot water in line with the provisions set out under Directive 2019/944 (the Energy Directive). In particular, Member States are required to establish the concept of vulnerable customers by also taking into account final users who have no direct or individual contract with energy suppliers. Obligations towards consumers are also strengthened, providing for, among other things, out-of-court mechanisms for the settlement of disputes.

Certifications

New and different qualification, accreditation and certification schemes are set out for different energy services providers, energy auditors, energy managers and installers. Member States will be required to update these schemes every four years starting as of December 2024.

Energy efficiency investments

Member States are required to report on energy efficiency investments (including on energy performance contracts executed) and to set out project development assistance mechanism at national, regional and local levels to promote investments to help reaching the higher energy efficiency targets.

MORE ON THE FIT FOR 55 SUITE OF PROPOSALS

For more, see also our [Decarbonisation Hub](#) where you can also access our full series of posts - [Fit for 55: A greener transition for Europe](#).

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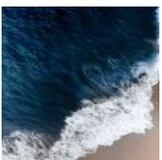


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KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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