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ar son na hAeráide & Comhshaoil
Department of Communications,
Climate Action & Environment

Consultation on the Implementation of the EU's Clean Energy Package:

Article 7 of the Energy Efficiency Directive
2018

Increasing the level of renewable energy
used in the heat sector

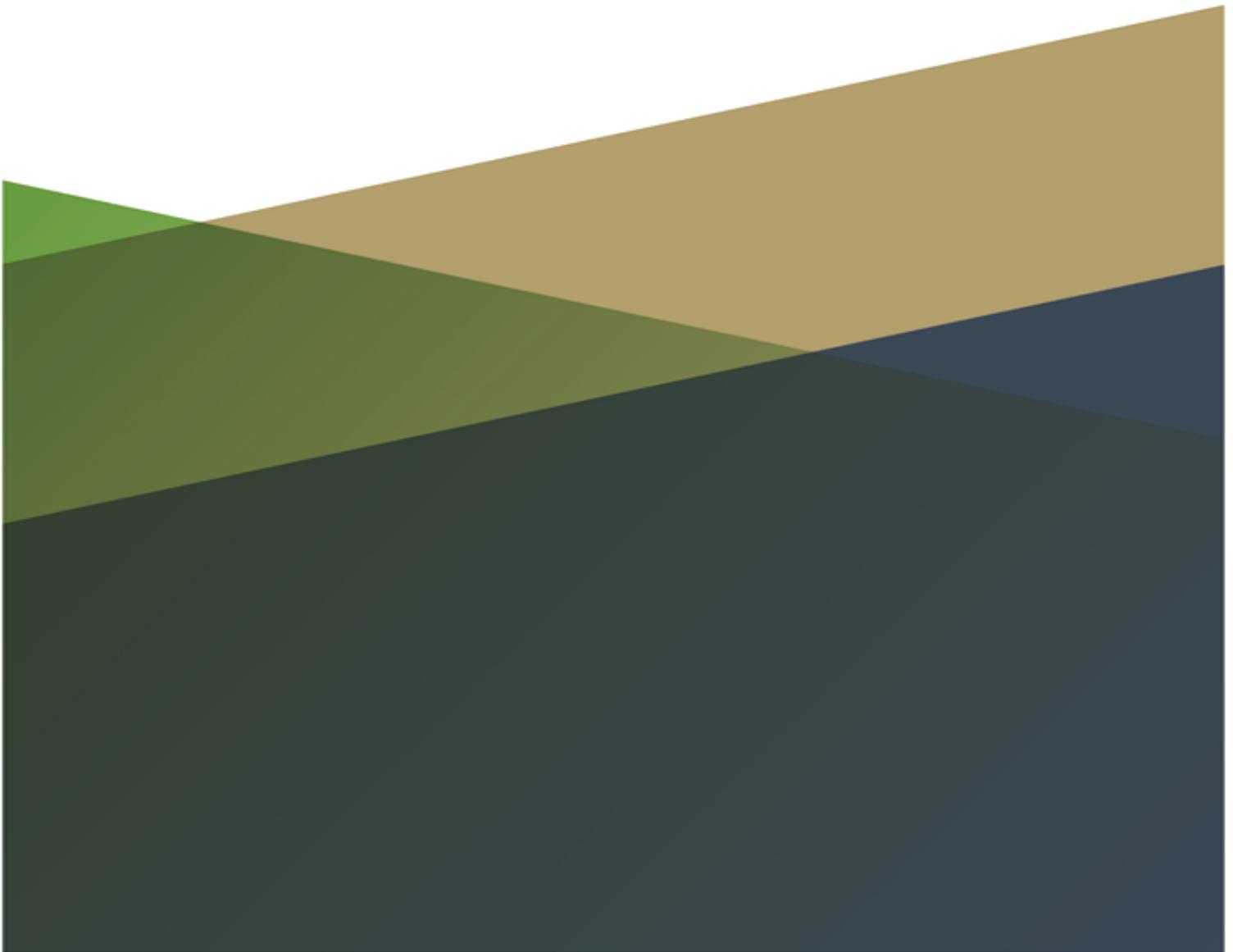


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Purpose of this Paper

The purpose of this paper is to seek views from interested parties on the approach that DCCAIE intends to take in meeting some of Ireland's Energy Efficiency Directive requirements for 2021-2030.

The EU's Energy Efficiency Directive 2018¹ sets Ireland targets to improve the energy efficiency of our economy over the 10 year period to 2030. To meet these requirements Government has to put policies and measures in place that will result in energy savings. The Directive provides some options on how to do this. As a first step to selecting the policies and measures that will be used, a number of high-level decisions on these options are required. The proposed approach is set out in Part 1.

The Department is also seeking views in relation to increasing the level of renewable energy used in the heat sector. The Renewable Energy Directive 2018² sets out the need to increase the level of renewable energy in the heat sector by 1.3% per annum. This Directive also includes the potential to implement an obligation scheme in the heat sector to help meet this target. This is set out in Part 2.

The Department has previously made a commitment in relation to the transition between the existing Energy Efficiency Obligation Scheme and any future obligation scheme on the existing obligated parties. This is outlined in Appendix 1.

The Department of Communications, Climate Action and Environment (DCCAIE) is committed to engaging with stakeholders in a clear, open and transparent manner.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550595208224&uri=CELEX:32018L2002>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001&from=EN>

How to Respond

The public consultation process will run until **Friday, 1st November 2019**. Responses must be received in full by the Department no later than 5pm on that date.

It is not necessary to provide responses to all the questions. Respondents are asked to follow the response template. Respondents are also invited to supplement their responses with any relevant information, reports and/or analysis.

Responses to this consultation are subject to the provisions of the Freedom of Information Act 2014 and Access to Information on the Environment Regulations 2007-2014.

Confidential or commercially sensitive information should be clearly identified in your submission, however parties should also note that any or all responses to the consultation are subject in their entirety to the provisions of the FOI Acts and are likely to be published on the website of the Department of Communications, Climate Action and Environment.

Responses should be returned via email (in a searchable format) or in hard copy format. Responses should be sent via email or by post/courier to the address set out below.

The response and any additional documentation you may be submitting as part of this consultation must be in a web optimised version (i.e. 5mb).

All responses to this consultation should be clearly marked: “Article 7 - Consultation on the Implementation of the Energy Efficiency Directive 2018’ – Name of Respondent” and sent to:

energy_efficiency@dccae.gov.ie

and/or

Energy Efficiency and Affordability Division
Department of Communications, Climate Action and Environment
29-31 Adelaide Road
Dublin 2
Ireland
D02 X285

By responding to the consultation, respondents consent to their name being published online with the submission. The Department will redact personal addresses and personal email

addresses prior to publication. We would draw your attention to the Department's privacy statement:

The Department of Communications, Climate Action and the Environment requires respondents to provide certain personal data in order to provide services and carry out the functions of the Department. Your personal data may be exchanged with other Government Departments and Agencies in certain circumstances, where lawful. Full details can be found in our Data Privacy Notice which is available [here](#) or in hard copy on request.

Next Steps

Following the consultation, DCCAE will consider all responses received and make a submission to the Minister. The Minister will then decide on the high level approach, which will be published on DCCAE's website.

This is the first step in the consultation process. Following the publication of the decision paper it is DCCAE's intention to continue with the next phase of transposing the Energy Efficiency Directive, namely the design of the measures to be notified for compliance with Article 7. This will involve a further public consultation to be published in Q4 2019.

Part 1 – Article 7 of the Energy Efficiency Directive

Background

The European Commission's Clean Energy Package³, launched in November 2016, sets out the Commission's vision for energy efficiency, stating that energy efficiency should be the "first principle" of any future energy policies. This is an opportunity to further drive efficiencies across all sectors. One of the core components of the Clean Energy Package was a revised Energy Efficiency Directive, which was published in 2018.

Article 7 of the revised Energy Efficiency Directive (2018) sets a binding target for Member States to make new annual energy savings equivalent to 0.8% of their final energy consumption each year to meet a cumulative target by 2030.

The new Directive places a requirement on each Member State to specify their contribution to this reduction, and the measures to be taken to achieve that contribution, in a National Energy and Climate Plan (NECP). The details of this requirement as set out in Article 7 of the Directive can be found [here](#).

In order for Ireland to comply with the Directive a number of high level decisions are required.

They are:

1. How to set Ireland's overall Article 7 target (which calculation method to use), and
2. The mix of measures to be notified to meet the target,
3. The metric to be used for setting targets and reporting savings in an obligation scheme.

SEAI have commissioned independent analysis of these options on the Department's behalf. This work has been carried out by Ricardo Energy and Environment and is available at the links below:

- [Energy Efficiency Directive: Article 7 Options Analysis Task 1](#)
- [Energy Efficiency Directive: Article 7 Options Analysis Task 2](#)

DCCAIE is now seeking views on the proposed approach to these decisions.

The sections below set out the Department's proposed approach and seek your views on them.

³ <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans>

Consultation Questions

1. How to set Ireland's overall Article 7 target

- Calculation of the required amount of energy savings

Member States must make new annual energy savings equivalent to **0.8%** of their final energy consumption⁴ each year over the period 2021-2030 to meet a cumulative target by 2030.

Article 7(2) of the Energy Efficiency Directive provides for some flexibilities in how the target is calculated. However it is important to note that such flexibilities cannot be used to reduce a Member State's energy savings requirement.

Decision required:

Whether to use any flexibilities in calculating our target or not.

Proposed approach:

DCCAIE's current intention is not to use the flexibilities and instead to use the straightforward approach to calculate the target.

Rationale:

- Using the approach with flexibilities would result in a cumbersome energy savings calculation method, the Commission's proposed approach is simpler;
- The approach with flexibilities cannot be used to lower the energy savings target;
- Using the approach with flexibilities would result in more cumbersome reporting requirements.

Question

Do you agree with the proposed approach:

Yes No Don't Know

If you have any comments to support your response please provide them below:

⁴ https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Final_energy_consumption

2. The mix of measures to be notified

- How to meet the target

Member States have the option of: (i) using an obligation scheme on energy suppliers and distributors; (ii) alternative policy measures; or (iii) a combination of both, to achieve their Article 7 target savings.

This is set out in Article 7 of the Energy Efficiency Directive.

Decision required:

Whether to use an obligation scheme, alternative measures, or a combination of both.

Proposed approach:

DCCAIE's current intention is to use both an obligation scheme and alternative measures to meet the target.

Rationale:

- Including both an obligation scheme and alternative measures in the implementation of Article 7 would likely allow Ireland the maximum flexibility over the 10 year period to 2030;
- This approach would allow the cost of compliance to be divided between Exchequer funding and obligated parties' contributions;
- Ireland has used this approach successfully⁵ in the 2014-2020 period.

Question

Do you agree with the proposed approach:

Yes No Don't Know

If you have any comments to support your response please provide them below:

⁵ with scope for improvements

3. Target metric for an obligation scheme

- *how to set the target (expressing savings in final or primary energy) for an obligation scheme*

Under Article 7 of the 2018 Directive, the amount of savings required to be achieved must be reported in final energy⁶. The energy savings required within a national obligation scheme may be set in either primary⁷ or final energy.

Decision required:

Whether to set the target for an obligation scheme in final or primary energy.

Proposed approach:

DCCAE's current intention is to set targets for the 2021-2030 obligation scheme in final energy.

Rationale:

- Member states must report their overall savings in final energy. If the obligation scheme target is in primary energy and converted into final energy, the overall savings could be lower than expected. This could mean that targets would need to be increased to make up for shortfall. Therefore setting the scheme in final energy gives Ireland more certainty in what will be achieved and suppliers more certainty on their long term targets;
- The use of a final energy metric for the obligation scheme is expected to be better aligned with Ireland's wider goals under the Climate Action Plan of electrifying heat and transport, where possible. It should also continue to drive reductions in fossil fuel consumption.

Question

Do you agree with the proposed approach:

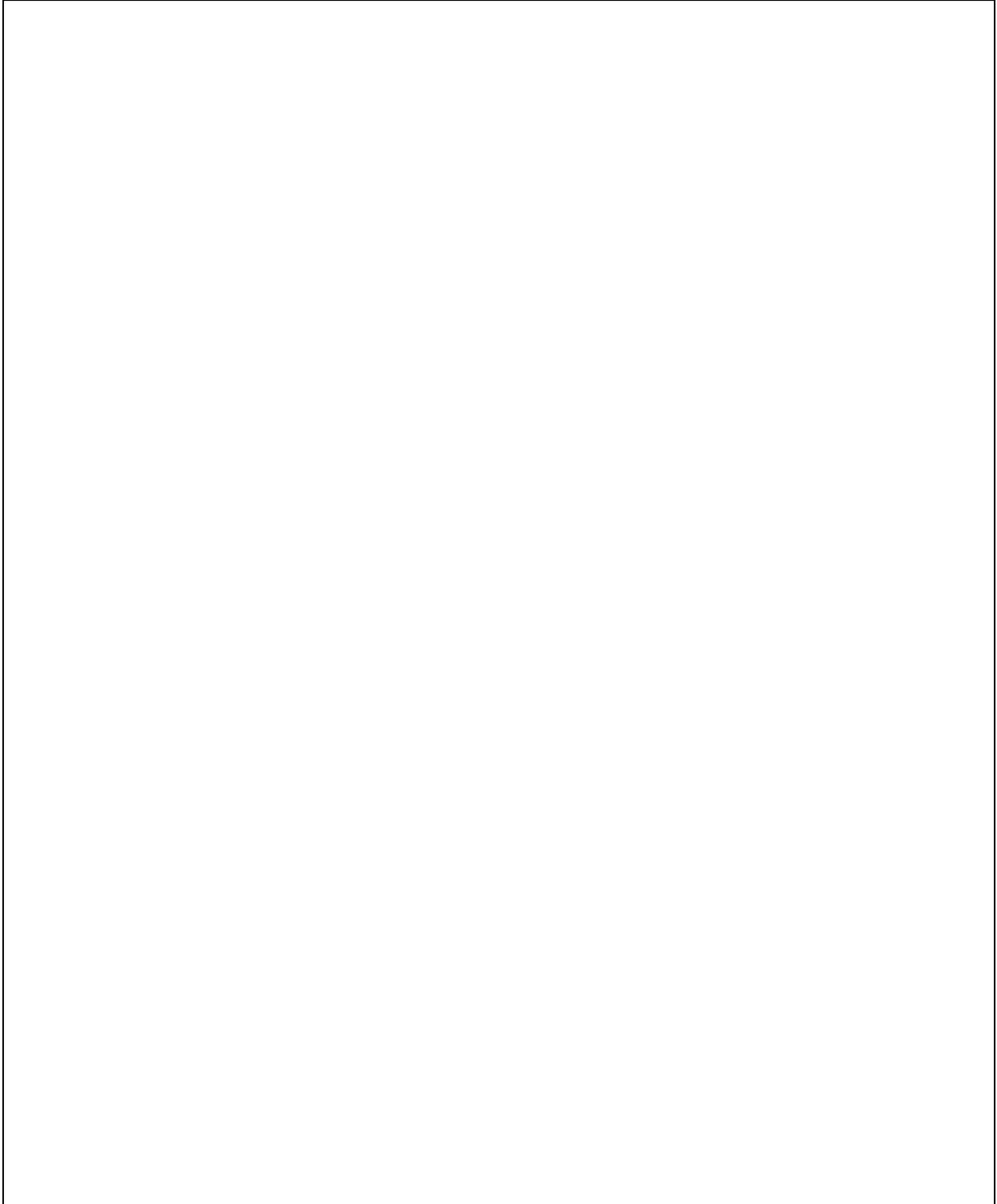
Yes No Don't Know

If you have any comments to support your response please provide them below:

⁶ https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Final_energy_consumption

⁷ https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Primary_energy_consumption

If there are any other comments that you would like to make on the above questions, please include them below.

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Part 2 - Increasing the level of renewable energy used in the heat sector

One of the aims of the Renewable Energy Directive 20188 is to promote the use of renewable energy in the heating and cooling sector. Article 23 of the Directive (see Appendix 2) requires all Member States to endeavour to increase the share of renewable energy in the heat sector by 1.1 to 1.3 percentage points per year from 2021 to 2030.

The Renewable Energy Directive allows Member States to identify and oblige entities (such as fuel suppliers) to make a contribution towards the annual increase. Member States may use the structures established under national energy savings obligations (i.e. the Energy Efficiency Obligation Scheme) to implement such an obligation.

The Department is considering how best to ensure the increase set out in Article 23 is met. One method being considered is an obligation scheme as provided for under Article 23 Renewable Energy Directive. This would operate similar to the Energy Efficiency Obligation Scheme or the Biofuels Obligation Scheme, for example. Such an obligation could be placed on the heat sector (e.g. suppliers of oil, gas etc.). Should such an obligation be implemented, key considerations would include what proportion of the annual increase should be met by such an obligation and who should be the relevant obligated parties.

The Department invites views in relation to how best to meet the requirements to increase renewable energy in the heat sector and, in particular, the potential implementation of an obligation scheme in the heat sector.

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001&from=EN>

Consultation Questions

- The implementation of a renewable energy obligation on the heat sector could contribute to meeting Ireland's renewable heat targets set out in the Renewable Energy Directive 2018. Is this an appropriate measure to implement and, if not, what alternative measures would be preferred?
- If a renewable energy obligation on the heat sector was implemented, what should the key attributes of such an obligation be – e.g. proportion of the 1.1 to 1.3 percentage point annual increase that would be met by the obligation, what entities should be the obligation parties (e.g. oil suppliers, gas suppliers)?



Appendix 1

Statement regarding carryover of savings

It is the Department's intention that all parties who are currently obligated under Ireland's Energy Efficiency Obligation Scheme (2014-2020) who become obligated under any future obligation scheme (in the period 2021-2030) will be provided with a mechanism to carry over surplus credits they have made in excess of their 2014-2020 targets to any new obligation scheme.

Until it is known with certainty whether a new obligation scheme will be implemented for the Article 7 compliance period 2021-2030 it will not be possible to set out the specific nature of how the surplus credits will be accommodated. However, SEAI can provide hypothetical examples of how this could work.

Subject to a new obligation scheme being implemented further engagement on the mechanism will be facilitated between the currently obligated parties and SEAI, as administrators of the scheme, at future meetings of the EEOS Governance Group or workshops on Article 7.

Any underachievement will not be carried over, but will be subject to the usual sanctions as set out in the Guidance document for the current scheme.

Appendix 3

Article 23 of the 2018 Renewable Energy Directive

Mainstreaming renewable energy in heating and cooling

1. 1. In order to promote the use of renewable energy in the heating and cooling sector, each Member State shall endeavour to increase the share of renewable energy in that sector by an indicative 1,3 percentage points as an annual average calculated for the periods 2021 to 2025 and 2026 to 2030, starting from the share of renewable energy in the heating and cooling sector in 2020, expressed in terms of national share of final energy consumption and calculated in accordance with the methodology set out in Article 7, without prejudice to paragraph 2 of this Article. That increase shall be limited to an indicative 1,1 percentage points for Member States where waste heat and cold is not used. Member States shall, where appropriate, prioritise the best available technologies.
2. 2. For the purposes of paragraph 1, when calculating its share of renewable energy in the heating and cooling sector and its average annual increase in accordance with that paragraph, each Member State:
 - (a) may count waste heat and cold, subject to a limit of 40 % of the average annual increase;
 - (b) where its share of renewable energy in the heating and cooling sector is above 60 %, may count any such share as fulfilling the average annual increase; and
 - (c) where its share of renewable energy in the heating and cooling sector is above 50 % and up to 60 %, may count any such share as fulfilling half of the average annual increase.

When deciding which measures to adopt for the purposes of deploying energy from renewable sources in the heating and cooling sector, Member States may take into account cost-effectiveness reflecting structural barriers arising from the high share of natural gas or cooling, or from a dispersed settlement structure with low population density. Where those measures would result in a lower average annual increase than that referred to in paragraph 1 of this Article, Member States shall make it public, for instance by the means of their integrated national energy and climate progress reports pursuant to Article 20 of Regulation (EU) 2018/1999, and provide the Commission with reasons, including of choice of measures as referred to the second subparagraph of this paragraph.

3. 3. On the basis of objective and non-discriminatory criteria, Member States may establish and make public a list of measures and may designate and make public the implementing entities, such as fuel suppliers, public or professional bodies, which are to contribute to the average annual increase referred to in paragraph 1.
4. 4. Member States may implement the average annual increase referred to in paragraph 1 by means, *inter alia*, of one or more of the following options:
 - (a) physical incorporation of renewable energy or waste heat and cold in the energy and energy fuel supplied for heating and cooling;
 - (b) direct mitigation measures such as the installation of highly efficient renewable heating and cooling systems in buildings, or the use of renewable energy or waste heat and cold in industrial heating and cooling processes;
 - (c) indirect mitigation measures covered by tradable certificates proving compliance with the obligation laid down in paragraph 1 through support to indirect mitigation measures, carried out by another economic

operator such as an independent renewable technology installer or energy service company providing renewable installation services;

(d) other policy measures, with an equivalent effect, to reach the average annual increase referred to in paragraph 1, including fiscal measures or other financial incentives.

When adopting and implementing the measures referred to in the first subparagraph, Member States shall aim to ensure the accessibility of measures to all consumers, in particular those in low-income or vulnerable households, who would not otherwise possess sufficient up-front capital to benefit.

5. 5. Member States may use the structures established under the national energy savings obligations set out in Article 7 of Directive 2012/27/EU to implement and monitor the measures referred to in paragraph 3 of this Article.

6. 6. Where entities are designated under paragraph 3, Member States shall ensure that the contribution by those designated entities is measurable and verifiable and that the designated entities report annually on:

(a) the total amount of energy supplied for heating and cooling;

(b) the total amount of renewable energy supplied for heating and cooling;

(c) the amount of waste heat and cold supplied for heating and cooling;

(d) the share of renewable energy and waste heat and cold in the total amount of energy supplied for heating and cooling; and

(e) the type of renewable energy source.
