How to make Member States set ambitious national contributions to EU targets on energy efficiency and renewable sources of energy?

Different options for improving the Commission proposal for the Governance Regulation

29.05.2017

In order to make sure that Member States set ambitious national contributions to EU energy efficiency and renewable energy targets, ClientEarth recommends:

- Setting in the EU Governance Regulation (EUGR) and/or the Energy Efficiency Directive (the EED) and Renewable Energy Directive (RES Directive) binding national targets on renewable energies and energy efficiency
  OR, in case such national targets are not set in the EU law,
- Setting (in the EUGR) national reference values (benchmarks) for renewable energy and energy efficiency. Reference values would serve as a reference for MSs when setting their national contributions and be used by the Commission when evaluating draft and final NECPs. They would also be used as a reference when deciding on amounts of money to be allocated to MSs from EU funds;
- High ambition by MSs should be reflected in their EU funds allocations. Appropriate provisions should be included in the EUGR;
- Updates of NECPs should include updates on the planned use of EU funds (to reflect decisions of the new Multiannual Financial Framework (MFF);
- The EUGR should include a commitment to provide sufficient technical assistance to help MSs prepare reliable plans reflecting national potentials and high commitment;
- European Environmental Agency should be involved in the NECP drafting process;
- There should be more clarity on what the Commission will be able/intends to do exactly in case a MSs does not comply with the Commission’s recommendations without valid reason. Adoption of new legislation could be one option while financial measures should also be envisaged.

Summary:

National binding targets on energy efficiency and renewable energies enshrined in EU legislation would be a powerful instrument supporting EU in achieving its various Energy Union objectives (e.g. implementation of energy efficiency targets contributes not only to energy savings but also to improvement of energy security or decarbonisation). Moreover, they would provide a strong signal to investors allowing them to project on and plan future investments. In consequence, national binding targets would contribute to the economic growth of the EU.

National binding targets enshrined in EU legislation would be an excellent and reliable way to ensure that the EU 2030 targets are effectively achieved in the spirit of EU solidarity, with all MSs making
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Proportionate efforts. Moreover, national binding targets enshrined in EU legislation are the only way to allow an effective EU enforcement system in case a Member State (MS) does not comply with its commitments.

National binding targets should be accompanied by binding national mid-term 2023 and 2028 targets as well as, ideally, corrective measures which would aim at helping MSs to get back on track.

However, in case there is no agreement to have national binding targets set in EU legislation, alternative ways should be considered.

One of such alternative ways of ensuring high national pledges to EU targets would be to link high ambition in the NECPs with high EU funds allocations. A commitment to link the targets ambition with EU funding allocations should be mentioned in the preamble to the EU Governance Regulation (EUGR)\(^1\) and be reflected in Art. 7 EUGR\(^2\) as well as in a new separate Article. The new Article would provide details on how this system would work. For example:

- certain (minimum) ambition could be an ex-ante condition under EU regional policy (similar to the ex-ante conditions under the current EU regional funds instruments),
- high ambition could be a condition for obtaining money from a certain EU fund (incl. under the EU regional policy);
- ‘ambitious’ MSs could get exclusive right to compete for projects financed by a specific fund (e.g. it could be EIB managed) or a right to get financing for projects for a certain amount (amount reserved for these countries or an amount higher than other countries),
- an ‘ambitious’ MS could be rewarded by getting extra funding from a special performance reserve\(^3\) similar to the already existing performance reserve under the current EU regional policy instruments\(^4\),
- a special poll could be reserved for ‘ambitious’ MSs within the EU regional funding for low-carbon economy projects (currently under ERDF certain amount of resources must be channelled specifically towards low-carbon economy projects: More developed regions: 20%; Transition regions: 15%; and Less developed regions: 12% - a system rewarding high ambition could be inspired by this model).

Ambition of national commitments could be assessed by comparing them with reference values (benchmarks). MSs which commit to national contributions towards EU energy efficiency and renewable energies targets corresponding to or going beyond reference values would receive (special) support from EU Funds.

In addition some other provisions on EU funding should be incorporated into the EUGR: a requirement to provide updates on EU funds use should be included in Art. 13 EUGR; Art. 7 EUGR should be amended in line with Annex I to the EUGR to mention explicitly EU funds and a new provision in the EUGR should provide that technical assistance from EU funds will be available for MSs to help them prepare reliable plans reflecting national potentials and high commitment.

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2 Art. 7 EUGR describes in general terms the content of NECPs; it mentions, among other elements, financing (‘Member States shall describe, in accordance with Annex I, in their integrated national energy and climate plan, the main existing (implemented and adopted) and planned policies and measures to achieve in particular the objectives set out in the national plan, including measures to ensure regional cooperation and appropriate financing at national and regional level.’)

3 See also relevant documents on this subject by CAN-E.

4 Under the current performance reserve 6% funding allocated in 2019 to programmes and priorities which have achieved 85% of their milestones.
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National reference values for energy efficiency and renewable energies could be an alternative to targets. They could be set in an Annex to the EUGR. The EUGR could also integrate explicit exceptions that have to occur to allow a MS not to comply with its reference values. Instead of setting reference values in the EUGR, it could be stated in the EUGR that reference values will be set outside the EUGR according to a specific methodology (however, taking into account very short delays for preparing national plans, this option would be difficult to put into practice). One of the main shortcomings of a reference values system is the difficulty to force MSs to implement their self-commitments based on reference values. In spite of the shortcomings of a reference values system, it would be an extremely useful and powerful (while 'soft') tool.

Other possible options (which would require further technical analysis) are:

- improved criteria for targets setting by MSs (through amending Art. 5 and 6 EUGR),
- more details or a methodology on what the Commission’s assessment of NECPs would consist of (in a new separate Annex to the EUGR and in addition to Art. 9.2 and 12 EUGR).

Moreover, the EUGR should enlarge and strengthen the involvement of the European Environmental Agency in the NECPs assessments. In addition, the EUGR could provide that the Agency will set analysis criteria in a transparent manner and that all analysis carried out under the EUGR and their results will be publicly available.

It should also be clarified what the Commission will do if MSs’ efforts are not sufficient to achieve the 2030 objectives. ‘Measures at EU level’ should be specified and explained in the EUGR. They should not be understood only as new legislation. Financing measures should also be considered to be one of ‘measures at EU level’.

ClientEarth recognises merits of a mechanism involving the authority of the Council in case national commitments on energy efficiency or renewable energies do not add up to the EU targets. However, we are not sure that in this case a purely political instrument would necessarily provide a solution, while it could lead to political tensions if the issue is not solved in the Council and comes back to the Commission.

Moreover (in addition to and on the top of what is discussed above):

- Setting national contributions in national legislation of a relevant MS (in addition to setting them in the NEAP) would facilitate implementation, incl. access to justice at national level.
- In relation to energy efficiency when the Commission proposes additional measures at Union level, the level of ambition of contributions by Member States to the Union’s 2030 target should be taken into account (the same as for renewable energy, even though this provision is not very precise).
- It is advisable that for energy efficiency MSs take as a starting point their national 2020 contributions (as in case of renewable energy). This has to be agreed in the legislative process.

1 National binding 2030 targets & mid-term targets - the first option

National binding targets on energy efficiency and renewable energies enshrined in EU legislation would be an excellent and reliable way to ensure that the EU 2030 targets are effectively achieved in the

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5 Recital 35 EUGR: ‘(...)Member States’ national renewable energy targets for 2020 should serve as baseline shares of renewable energy from 2021 onwards. (...), Art. 3.3 of the proposal for recast of the Renewables Directive: ‘From 1 January 2021 onwards, the share of energy from renewable sources in each Member State’s gross final consumption of energy shall not be lower than that shown in the third column of the table in part A of Annex I. Member States shall take the necessary measures to ensure compliance with this baseline.’
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spirit of EU solidarity, with all MSs making proportionate efforts. National binding targets enshrined in EU legislation are the only way to allow an effective EU enforcement system in case a Member State (MS) does not comply with its commitments.

Even more importantly, national binding targets would be a powerful instrument supporting EU in achieving various Energy Union objectives (e.g. implementation of energy efficiency targets contributes to improvement of energy security). Moreover, they would provide a strong signal to investors allowing them to project on and plan future investments. In consequence, national binding targets would contribute to the economic growth of the EU.

ClientEarth considers that national energy efficiency and renewable energy targets (per country) should be established in Annexes to the EED and the RES Directive and/or to the EUGR. In addition, national energy efficiency targets should be referred to in Article 6 EUGR and renewable energy ones in Art. 5 EUGR.

Setting national binding 2030 targets might not be sufficient for ensuring that 2030 targets will indeed be realised. 2030 national binding targets have to be achieved by 2030, while, in case of problems, it will be already too late then to make a MS achieve its target. If 2030 national energy efficiency binding targets are set in the EU legislation, ClientEarth recommends accompanying them by binding national mid-term 2023 and 2028 targets. National mid-term 2023 and 2028 targets would allow putting a MS back on track in case it is not making sufficient efforts in view of achieving its goal. Proposed dates (2023 and 2028), although not the most appropriate for assessing the mid-term progress in the 2021-2030 perspective, correspond to the Paris Agreement milestones ('global stocktake') and the EUGR assessment of MSs' progress on energy efficiency and renewable energies (Art. 27.4-5 EUGR). Mid-term targets could be set in the same Annex to the EED or the EUGR as the 2030 national targets. These mid-term targets could constitute binding milestones of the national trajectories.

Additional corrective measures aiming to help MSs getting back on track should also be envisaged. Such mid-term 'helping tool' could be, if properly designed, effective in making relevant Member States correct their actions and in consequence comply with their commitments.

2 If the EU legislation does not set national binding targets – what then?

In case national binding targets are not set in EU law, an alternative system should be considered. The below analysis present different ideas of such alternative systems.

2.1 Incentives for MSs to pledge high and use of EU funding

One of the most effective ways to make MSs pledge high is to provide relevant incentives. These could be based on EU funds. For example high pledges could be linked to the Structural Funds allocations or be reflected in the EFSI allocation of money.

For the time being there is no link in the EUGR between the level of national pledges and EU funds allocation.

At the same time, EU funds are not a completely new element in the climate and energy governance and the EUGR. According to the EUGR, MSs may use EU funds for implementing their planned policies, measures and programmes. In that respect Art.7 EUGR requires MSs to include in their plans information on 'appropriate financing at national and regional level' which MSs intend to use for achieving objectives of their plans. Information on support from EU funds is explicitly requested in the
NECP template (Annex I to the EUGR). The EUGR also mentions EU funding as one of elements to be reported on.

One of the greatest challenges in integrating further provisions on EU funds allocation into the EUGR comes from the fact that the post-2020 EU Multiannual Financial Framework (MFF) has not been decided yet (the discussions have not even properly started). It does not mean though that certain provisions relevant to the EU funds spending under the post-2020 MFF may not be included already now in the EUGR. On the contrary, they should. On the other hand, the EUGR would not set exact allocations of and figures related to EU funding as these will have to be decided at a later stage, within the framework of the MFF negotiations.

The EUGR could announce in its preamble a commitment to link the targets ambition with EU funding allocations. This commitment would be repeated in an additional new Article. The new Article would provide details on how this system would work. For example:

- certain (minimum) ambition could be an ex-ante condition under EU regional policy (similar to the ex-ante conditions under the current EU regional funds instruments),
- high ambition could be a condition for obtaining money from a certain EU fund (incl. under the EU regional policy),
- 'ambitious' MSs could get exclusive right to compete for projects financed by a specific fund (e.g. it could be EIB managed) or a right to get financing for projects for a certain amount (amount reserved for these countries or an amount higher than other countries),
- an 'ambitious' MS could be rewarded by getting extra funding from a special performance reserve similar to the already existing performance reserve under the current EU regional policy instruments,
- a special poll could be reserved for 'ambitious' MSs within the EU regional funding for low-carbon economy projects (currently under ERDF certain amount of resources must be channelled specifically towards low-carbon economy projects: More developed regions: 20%; Transition regions: 15%; and Less developed regions: 12% - a system rewarding high ambition could be inspired by this model).

Ambition of national commitments could be assessed by comparing them with reference values. (Special) support from EU Funds would be given to MSs which commit to national contributions towards EU energy efficiency and renewable energies targets corresponding to or higher than reference values.

Including in the EUGR provisions on a 'reward system' for high national commitments is key to encourage MSs to make more efforts and create their confidence that the system will work.

There are three other elements concerning the use of EU funds (although not directly related to the ambition of national contributions), which should be included in the EUGR:

- taking into account that many decisions related to EU financing will be taken only in future (within the context of the MFF), it can be expected that information provided by MSs in their NECPs on the use of EU funds may not be complete. Therefore, updates of NEAPs (Art. 13 EUGR) should contain reviewed information on the use of EU funds,
- Art. 7 EUGR should be amended in line with Annex I to the EUGR to mention EU funds. Art. 7 EUGR requires MSs to include in their plans information on 'appropriate financing at national and regional level' but does not mention explicitly the EU funds,
• Art. 35 EUGR should provide that technical assistance from EU funds will be available for MSs to help them in establishing high commitments and achieving them. This technical assistance should also aim to help MSs to allocate and use EU funds for achieving EU climate and energy goals and relevant national commitments.

2.2 2030 reference values per Member State

To assess whether a contribution of a particular MS is sufficiently ambitious, the Commission must be able to rely on reference values set in advance. Reference values would not be equal to national targets. They would serve as guidance for Member States and help the European Commission to assess Member States’ ambition in setting their national contributions. They would not be binding.

National 2030 reference values should be set in the Annex to the EUGR. In addition, Art.6 (for energy efficiency) and Art.5 (for renewable energy) should state that national contributions shall be set in line with 2030 reference values. This would mean that MSs should take national 2030 reference values into account when setting their national contributions but would not be bound by them. On the other hand, MSs should be required to explain in their draft and final plans the reasons for not complying with 2030 reference values. Reference values would serve the Commission to assess national contributions and final plans.

A 2030 reference values system may also integrate explicit exceptions that have to occur to allow a MS not to comply with its 2030 reference value. Relevant Articles of the EUGR could indicate that MSs' pledges should be in line with 2030 reference values/take 2030 reference values into account, unless certain circumstances or conditions occur. In these particular situations, MSs would be allowed to deviate from their reference value.

Alternatively, if 2030 reference values are not set in the Annex to the EUGR, the EUGR could state that reference values will be set according to a specific methodology (in this case, relevant methodologies should be included in the EUGR) by the European Environmental Agency (EEA), other (independent) scientific body or together by Member States and the Commission (in the latter case that could be done, e.g. via an implementing act). However, taking into account a tight timeline of the EUGR for setting NECPs by MSs (draft NECPs are to be submitted to the Commission by 1 January 2018, final NECPs by 1 January 2019), postponing the adoption of reference values for a later stage would not make much sense. Even if this timeline is pushed back, the time frame will most probably remain tight. Postponing reference values setting to a later stage would not be the most effective solution as it may delay considerably the whole planning process.

An important shortcoming of a reference values system is the difficulty to base an EU enforcement system on national pledges based on a non binding guidance. It is difficult to imagine that the Commission would be able to open an infringement procedure in case a MS does not comply with a reference value. Reference values system would be a soft measure contrary to national binding targets.

In spite of these shortcomings, reference values could be a useful tool for assessing ambition of individual MSs and their efforts compared to potentials. They are also the only way to evaluate how solidar MSs are in their respective efforts. Moreover, if an incentives system based on EU funds (as described above) is set, reference values could constitute bases for decisions on EU funds allocations. Comparing reference values with actual national commitments would allow

\[ \text{References:} \]


For a proposal concerning reference values/benchmarks methodology and calculations for energy efficiency see a document by Stefan Scheuer consultancy.
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evaluating the national ambition. Money could be allocated based on percentage values of how close a MS is to its reference value.

2.3 More detailed criteria on what a MS has to take into account when setting its national contribution

In order to make national contributions sufficiently robust, more details could also be added into Art. 5 and 6 of the EUGR on criteria/elements that need to be taken into account by MSs when setting their national contributions.

Criteria set out in Art. 5 and 6 EUGR should be sufficiently detailed and measureable to allow the Commission to ask a MS to improve not only the content but also the quality of its NECP. This may be quite difficult to do in practice and may require further assessment on what (i) additional criteria and/or (ii) further detail on existing criteria could be proposed in this case. These additional requirements would have to be very precise to enable the Commission make a MS amend its NECP in case the NECP is of poor quality.

2.4 Assessment of draft and final NECPs (incl. assessment of national contributions)

Pursuant to the EUGR, the Commission assesses both draft and final NECPs (as well as their updates). According to Art.9.2 EUGR, the Commission may issue recommendations to a MS on a draft NECP. These recommendations shall set out in particular the level of ambition of objectives, targets and contributions in view of collectively achieving the Energy Union objectives (…), policies and measures relating to MSs and Union level objectives and other policies and measure of potential cross-border relevance, as well as interactions between and consistency of policies and measures. A verification of whether the Commission's recommendations on a draft plan were taken into account by a MS is part of the Commission's assessment of the final plan.

According to Art.12 EUGR, the Commission carries out a separate evaluation of the final NECP. It consists in particular of an assessment of whether the targets, objectives and contributions are sufficient for the collective achievement of Energy Union objectives and the EU 2030 targets and, as mentioned above, whether the plan complies with the Commission recommendations issued on a draft NECP.

There are no consequences for a MS which does not comply with the Commission's recommendations.\(^\text{11}\)

The elements to be assessed by the Commission are described in the EUGR only in general terms, without any methodology. It could be particularly useful to provide a detailed methodology or a set of criteria in addition to Art. 9.2 and 12 EUGR on how the Commission will assess whether MSs' contributions are sufficient. These additional methodology/criteria could be an alternative to national targets or reference values. Such additional detailed requirements would be set in a separate Annex to the EUGR.

This solution would require additional technical analysis of feasibility of such detailed methodology or criteria. This should be followed by proposals of what such detailed methodology/criteria would consist of.

There is also an issue of technical expertise necessary for the assessment of the draft and final NECPs and the role of the European Environmental Agency. The EUGR provides that the

\(^{10}\) To be read in conjunction with Art.9.2 and 12

\(^{11}\) More on this issue is provided under point 2.5 of this document.
Commission will be assisted by the European Environmental Agency in some technical analysis. The EUGR should also ensure the Agency’s involvement in the process of the NECPs drafting.

The Agency should be involved into assessments of draft and final NECPs (respectively Art. 9.2 and 12 EUGR), which is currently not the case under Art. 35 EUGR which talks about the role of the Agency. The EUGR could also provide that the EU Environmental Agency will provide, in transparent manner, its additional analysis criteria and that all its analysis carried out under the EUGR and their results will be publicly available.

2.5 Powers of the Commission in case a MS does not take into account Commission’s recommendations without valid reasons

According to Art. 27.1 EUGR, the Commission shall take measures at Union level if it considers that national targets, objectives and contributions are insufficient for the collective achievement of the Energy Union objectives and 2030 targets. The Commission’s action is targeting the overall EU objectives and not potentials of individual MSs.

The EUGR does not provide for any action at the stage of NECPs drafting against a particulate MS in case this MS does not take Commission's recommendations into account.

It is not clear what the Commission will do if MSs' efforts are not ambitious enough and not sufficient to achieve the 2030 objectives. 'Measures at EU level' may be understood in different ways. The EUGR should be more precise and explain what this term means and implies in practice.

In that respect, the EUGR should either set one specific measure that will/may be applied by the Commission or establish a list of such possible measures, e.g. adoption of new EU legislation or implementing/delegated acts, financial measures to be adopted/applied. In case a list of measures is set, the Commission would be able to choose at a later stage the measure it considers the most appropriate.

It is also worth mentioning that ‘measures at Union level’ can be proposed by the European Commission not only as a remedy to insufficient national pledges at the planning stage but also at different stages of NECP’s implementation (based on national reports). EU legislation (new acts or amendments to existing laws) should not be considered to be the only possible measure whenever it is stated that the Commission shall/may adopted ‘measures at Union level’. ClientEarth recommends that at least in certain cases ‘EU measures at Union level’ are defined as/include financing measures.

2.6 Relying on the Council?

Another mechanism that could potentially help increasing national commitments towards the EU energy efficiency and renewable energy targets could be a mechanism involving the authority of the Council. In case national commitments on energy efficiency or renewable energies do not add up to the EU targets, further discussion and final decision on national allocations would be sent to the Council. However, this approach is quite politicised (while the preferred approach would be rather to rely on a scientific knowledge) and does not guarantee expected results. If MSs do not find an agreement (which is possible), the issue would either remain unsolved or would need to be transferred back to the Commission for a final decision. In the latter case, the Commission would be put in a difficult situation which could lead to political tensions as currently taking place in relation to implementing acts.

12 On the other hand, the Environmental Agency is involved into the assessment of reports.
13 Although implementation, reporting and mechanisms aiming at ensuring that MSs deliver on their commitments are not subject of this memo.
3 Other (additional) recommended amendments

3.1 Setting contributions in national legislation

Setting national contributions in national legislation of a relevant MS (in addition to setting them in the NEAP) would facilitate implementation, incl. access to justice at national level. It would also promote transparency through better involvement of the public. In a long term it could lead to the improvement of plans and further developments as corresponding to public expectations.

3.2 In case additional measures are proposed by the Commission at Union level, ambition of Member States' energy efficiency contributions should be taken into consideration

In relation to renewable energy when the Commission proposes additional measures at Union level,' such measures shall take into consideration the level of ambition of contributions to the Union’s 2030 target by Member States set out in the national plans and their updates.' The same approach should apply to energy efficiency. It must be noted though that this provision is quite vague and could be made more precise.

3.3 Starting point for calculating energy efficiency national contributions

MSs should take as a starting point for their energy efficiency 2030 pledges, their national 2020 contributions (contributions as promised in the 2020 NEEAPs\(^\text{14}\)). However, this has to be agreed by Member States (and the European Parliament) in the legislative process. There are no legal grounds for forcing MSs to do so (contrary to national renewable energy contributions). If there is an agreement for setting the same system for energy efficiency and renewable energy, further alignment in relation to the two areas would be useful.

4 Final note

This briefing discusses how to ensure already at the NECPs drafting stage that national contributions to the EU energy efficiency and renewable energies targets are sufficiently ambitious to achieve EU objectives. Only if national contributions are properly designed from the very beginning, the achievement of EU 2030 objectives will be possible. Otherwise, there is a serious risk that their achievement may be seriously delayed. Therefore, waiting with action until 2023 should not be an option. National targets or at least reference values are necessary for the system to be transparent, understandable, measurable and solidar.

Note: In addition to documents referenced in various footnotes and bilateral discussions carried out with different organisations, a number of other notes and analysis were used when preparing this memo (in particular analysis written by ClientEarth, ecologic, iddri, CAN-E).

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\(^{14}\) National Energy Efficiency Action Plans (see: Directive 2012/27/EU on energy efficiency)
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ClientEarth is a non-profit environmental law organisation based in London, Brussels and Warsaw. We are activist lawyers working at the interface of law, science and policy. Using the power of the law, we develop legal strategies and tools to address major environmental issues.

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