



**PKEE**

Polski Komitet Energii Elektrycznej  
Polish Electricity Association

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## **The position of the Polish Electricity Association on the result of the negotiations concerning the Regulation on the Governance of the Energy Union and the Directive on Energy Efficiency**

On 20<sup>th</sup> of June 2018, an agreement was reached as to the wording of the provisions of the **Regulation on the Governance of the Energy Union** (the “EU Governance”), which shall define the way of preparation of the Integrated National Energy and Climate Plans for 2021-2030, as well as of monitoring and reporting by the Member States of their fulfilment of the European Union’s energy and climate targets until 2030. The achieved compromise also concerns the Energy Efficiency Directive (the “EED”), which sets the targets concerning the improvement of the energy efficiency and achieving the savings of the energy consumed by the final consumers. Reaching the compromises on the EU Governance Regulation and on the new wording of the RES Directive and the EED means that the legislative package presented in November 2016 is at the final stage of agreement. Thus, the Austrian Presidency commencing on 1 July 2018 will be conducting the negotiations aimed at agreeing on the final wording of the Directive and the Regulation on the internal electricity market, the ACER Regulation and the Regulation on risk-preparedness in the electricity sector. The compromise reached concerning the EU Governance Regulation, the EED Directive and the RES Directive significantly facilitates fulfilment of this task, most likely meaning the completion of the negotiations of the entire package even before the end of 2018. In consideration of the above, the Polish Electricity Association (“PKEE”) wishes to present its position on the key solutions adopted in the EU Governance Regulation and the Energy Efficiency Directive.

### ***The Energy Efficiency Directive***

The Energy Efficiency Directive introduces a **non-binding Europe-wide target for improvement of the energy efficiency by 32.5% with respect to 2007 consumption forecasts**. Importantly, to the best knowledge of the PKEE, flexibility will be preserved for the Member States in selecting whether they will be meeting the target with respect to consumption of the primary or the final energy. Moreover, the Member States will be autonomously declaring achievable energy consumption reductions and putting forward their national contributions to the EU wide target, in line with the provisions of the negotiated EU Governance Regulation.

During the negotiations, it was furthermore agreed that the **level of annual savings of the energy sold to final consumers** defined in Article 7 of the EED **will amount to 0.80 %**. This value was defined at a level lower than indicated in the initial positions of the Council and the Parliament; however, the agreements finally reached include a reduction in flexibilities allowing the Member States to decrease this target in practice. Without these flexibilities, the negotiated target level has gained a more tangible nature.



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The EU Governance Regulation introduces the tools that are intended to allow the **coordination of individual measures by the individual Member States so as to allow the achievement of the targets set at the EU level until 2030**, namely:

- 32% share of energy from the renewable sources in the gross final energy consumption according to the result of the negotiations in the trilogues concerning the Directive on the promotion of the use of energy from renewable sources, and
- 32.5% of the target regarding the energy efficiency according to the result of the negotiations in the trilogues concerning the Energy Efficiency Directive.

Due to the lack of national targets in the new RES Directive, the EU Governance Regulation introduces the **obligation for every Member State to submit by the end of 2018 a draft of the first Integrated National Energy and Climate Plan (“NECP”)** containing among others the **declared national share of the RES in the final energy consumption in 2030, constituting the contribution towards the EU target**. The European Commission will be evaluating the drafts and then shall finally approve the text of the plans submitted finally and will be monitoring their execution.

In the opinion of the PKEE, the above solutions i.e. lack of national targets and possibility to independently declare the level of contributions will allow **preserving an appropriate level of flexibility by the Member States**. The PKEE fully supports the decision according to which the Member States will be individually setting their achievable share of the RES taking into account their economic situation, the need to assure the stability of their electricity systems, available potential including the cost of technologies and the acceptable level of burden on consumers.

However, we point out the fact that according to the provisions of the Regulation, the **flexibility of the Member States is subjected to certain limitations** in the form of definition of the RES development trajectory, the minimum share of the RES, the target calculation formula based on objective criteria and the possibility for the European Commission to issue recommendations. The Member States will be required to assure that the **increase of the share of the RES will be spread evenly over the 10-year period**. For this purpose, a RES development trajectory was foreseen assuming that not only achievement of the finally declared share for 2030 will be of significance, but also **achieving the earlier stages – the milestones**. The adopted trajectory assumes that at the EU level at the first milestone, i.e. **2022, 18% of the required growth will be achieved**, in **2025 – 43%**, and in **2027 – 65%**.

Moreover, the adopted solutions provide for a formula used for calculating the percentage fair national contributions. The formula will be used only when as a result of the assessment of the draft plans submitted by the Member States the European Commission will come to the conclusion that the voluntarily declared national contributions will not assure the achievement of the Union-wide



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Member States will most likely be given non-mandatory **recommendations** **on raising their contributions towards the Union-wide RES target based on the calculations resulting from the formula.**

According to our best knowledge, the **European Commission has not obtained pursuant to the Regulation any further hard measures for enforcing the targets on the Member States**, which will justify not observing the recommendations. According to the available sources, the role of the European Commission was limited to pointing out and criticising the countries declaring insufficient ambitions – however, the final confirmation of the nature of powers vested in the Commission will be possible after the publication of the agreed text of the Regulation.

### *Summary*

In our opinion, the compromise reached concerning the EED to a significant extent allows taking into account the specifics of the Member States; however, the general target was set at a very ambitious level. At the same time, we point attention to the fact that the mechanism provided for in Article 7, constituting a significant contribution towards the achievement of reduction of energy consumption imposes a significant burden on energy suppliers to the final consumers and poses a significant challenge to the national power sector that is facing capital intensive modernisation investments.

The EU Governance Regulation introduces the tools increasing the capacity of the European Commission to interfere with the energy policies of the Member States. Positive recognition should be given to the ability to reflect when setting the national contributions towards the achievement of the EU-wide target, the **specifics of individual EU Member States**, while at the same time not restraining the ambitions of those Member States that intend to grow the RES to a higher extent. Such an approach in our opinion assures the correct **balance between respecting the specifics of the Member States plus the necessary flexibility and the aspiration for collectively achieving the targets at the EU level**. Moreover, it will be important that the European Commission will be abiding by the flexibility discussed above in the process of agreeing on the NECPs and thus providing the Member States with the ability to set their contributions towards the achievement of the targets at the levels not excessively burdening their economies.