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EUROPEAN COMMISSION
DG Energy

Ref.: 360-40/2012-59

Date: 17 February 2014

Subject: EU PILOT 5931/13/ENER

[Formal opening]

Please find below the report on the implementation of Article 7 of the Energy Efficiency Directive.

Energy efficiency obligation scheme

Introduction

The provisions of Article 7 of Directive 2012/27/EU on energy efficiency state that each Member State must set up an energy efficiency obligation scheme that ensures that energy distributors and/or retail energy sales companies operating in an individual Member State's territory achieve a cumulative end-use energy savings target by 31 December 2020. The energy savings target is annual energy savings from 1 January 2014 to 31 December 2020 of 1.5 % of the annual energy sales to final customers of all energy distributors or all retail energy sales companies by volume, averaged over the most recent three-year period prior to 1 January 2013.

The Directive also lays down the conditions under which the energy savings target may be reduced, but with a maximum total reduction of 25 %, on the following grounds:

- the calculation may be carried out using values of 1 % in 2014 and 2015; 1.25 % in 2016 and 2017; and 1.5 % in 2018, 2019 and 2020;
- all or part of the sales of energy used in industrial activities listed in Annex I to Directive 2003/87/EC may be excluded from the calculation;
- energy savings achieved in the energy transformation, distribution and transmission sectors, including efficient district heating and cooling infrastructure, may be taken into account;
- energy savings resulting from individual measures newly implemented since 31 December 2008 that continue to have an impact in 2020 and that can be measured and verified may be taken into account.

In addition, Article 20 states that Member States may establish an energy efficiency national fund to support improvements in energy efficiency. The provisions of Article 20 of the Directive also permit the obligations set out in Article 7 to be fulfilled by obligated parties contributing annually to the Energy Efficiency National Fund the amount required to fulfil these obligations.

Transposition of Directive 2012/27/EU into national law

The new energy efficiency obligation scheme for energy sales companies (under which they will have to achieve a 1.5 % energy saving compared to average sales during the 2010–2012 period) is established by the new Energy Act (EZ-1), which is scheduled to enter into force in March 2014 (its currently in the final phase of adoption before the Slovenian parliament). Energy suppliers will be required to make energy savings among final customers by encouraging them to make use of a range of energy savings measures, e.g. replacement of old electrical household appliances, the use of energy-saving light bulbs and thermal insulation for buildings. The new scheme differs from the existing scheme in that the method of financing measures is not now defined. This means that the costs of implementing the scheme will be transferred to the energy sales companies themselves, since those companies have more flexibility in how they actually implement and finance measures to increase energy efficiency.

The new Energy Act maintains and upgrades other successful schemes to achieve the national objective of achieving greater energy efficiency, such as the financial contribution to increasing energy efficiency. This contribution will now be allocated in full to the promotion of greater energy efficiency in households and multi-apartment buildings in measures implemented by the Slovenian public environmental fund, Eco Fund (Eko sklad).

The new Energy Act requires Eco Fund to prepare and implement a national programme to improve energy efficiency, on the basis of which it will provide financial incentives for investment in efficient energy use measures. The programme also makes provisions for the funds required for its implementation; it too will be financed from the contributions for improving energy efficiency.. The Government will issue a decree defining the amount of that contribution so that there will be an equal charge for each kilowatt hour of energy, irrespective of the form in which the energy is provided. The total funds collected annually must be sufficient to implement the Eco Fund programme. The energy efficiency contribution is charged on district heating, electricity and solid, liquid and gaseous fuels. Final customers pay the contribution on top of the price of energy or fuel to the operator or supplier of energy or fuel, which pays the funds collected to Eco Fund.

Target – calculating the required energy savings

The basis for calculating savings at the national level in Slovenia is the annual average final energy consumption for 2010–2012, from which non-energy use and energy use in transport are excluded.

	2010	2011	2012
final consumption (GWh)	58 127	58 210	57 207
non-energy use (GWh)	1 213	510	510
use in transport (GWh)	21 091	22 669	22 929
final consumption excl. non-energy and transport use (GWh)	35 823	35 031	33 768
average 2010–2012 (GWh)	34 874		

Source: Statistical Office of the Republic of Slovenia (SURS), <http://pxweb.stat.si/pxweb/Database/Okolje/Okolje.asp>

The basis for calculating the obligation under Article 7 of the Directive on energy efficiency is therefore 34 874 GWh.

The obligation to achieve a cumulative end-use energy savings target of 1.5 % of new annual savings over the period from 2010 to 2012 means that Slovenia would have to achieve 523 GWh of new savings every year over the period from 1 January 2014 to 31 December 2020. Any measures taken to achieve these savings must last until at least 2020, so that the cumulative savings over the 2014–2020 period would total 14 647 GWh.

Taking into account the exceptions referred to in Article 7(2) and the restrictions set out in paragraph (3), Slovenia will reduce that target by 25 %.

Reduction of target by 25 %

Article 7(2) sets out the conditions under which the energy saving may be reduced.

Slovenia will reduce the savings target by applying the provisions of indents (a) and (c), i.e. by using the reduced values during the first five years, and by implementing measures in the energy transformation, distribution and transmission sectors, including efficient district heating and cooling infrastructure. Measures to promote the efficient cogeneration of heat and power will be allowed along with improvements to district heating systems, including improvements to heating plants.

The energy savings target obligation achieved in individual years will therefore grow gradually from 1 % in 2014 to 1.5 % in 2020:

- 1 % in 2014 and 2015
- 1.25 % in 2016 and 2017;
- 1.5 % in 2018 to 2020.

Taking into account these exceptions, the energy saving obligations by individual year will be as follows:

GWh	2014	2015	2016	2017	2018	2019	2020	Total
	349	349	349	349	349	349	349	
	349		349	349	349	349	349	
			436	436	436	436	436	
				436	436	436	436	
					523	523	523	
						523	523	
							523	
Total	349	697	1 133	1 569	2 092	2 616	3 139	11 596

The total savings in 2020 will be 3 319 GWh, and the cumulative savings from 2014 to 2020 will be 11 596 GWh.

Obligation on energy suppliers

Parties obligated to achieve savings (hereinafter: obligated parties), which must achieve energy savings among final customers are all suppliers of electricity, heat, gas and liquid and solid fuels to final customers.

In place of actual energy savings, the obligated parties may fulfil their obligations by making a payment to Eco Fund in an amount equal to the product of: the savings they were required to achieve among final customers; and the specific costs of achieving the Eko Fund energy savings.

The act provides the legal basis for the Government to define the following by means of a decree:

- the period and level of end-use energy savings that obligated parties have to achieve over the period
- the method of calculating the level of savings
- the phasing of savings by individual year of the set period
- the method and deadlines for fulfilment of obligations by the obligated parties.

Since the suppliers' market shares are changing and new players are appearing on the market, the savings to be achieved by individual obligated parties will be expressed as a proportion of the energy they have sold in the past year.

In the decree the Government may define exceptions, i.e. by permitting primary energy savings achieved in the energy transformation, distribution and transmission sectors, including efficient district heating and cooling infrastructure to be counted in the end-use energy savings. This will allow improvements to district heating systems and the efficiency of gas-powered cogeneration in the industry and service sector to be included as eligible measures.

Definition of alternative measures

Slovenia will select the collection of funds to promote energy efficiency measures as an alternative measure to fulfil obligations from Article 7 of the Directive; these will be collected within the Energy Efficiency National Fund, managed by Eco Fund, Slovenia's public environmental fund. Eco Fund will use the funds to cofinance measures to increase energy efficiency across a range of sectors.

Money to implement the Eco Fund programme will come from the energy efficiency contribution based on energy consumption, which is charged on district heating, electricity and solid, liquid and gaseous fuels. All final customers of network electricity and gas pay the energy efficiency contribution to the operator, while all final customers of network heat and solid, liquid and gaseous fuels pay the energy supplier. Operators and suppliers of network heat and solid, liquid and gaseous fuels pay the funds from the contribution to Eco Fund.

The overall target of 1.5 % annually, or 1 % in 2014 and 2015 and 1.25 % from 2016 to 2018, will be divided between energy suppliers and Eco Fund by a Government act. The obligation will be divided by assigning half of the 1.5% target to Eco Fund, while not reducing the savings target that Eco Fund must achieve in the initial years. The Eco Fund target for individual years over the 2014–2020 period will therefore be 0.75 % per year, which given the average consumption for 2010–2012 will be 262 GWh per year. The savings achieved by Eco Fund with measures implemented over the entire 2014–2020 period will total 1 831 GWh and the cumulative savings over the entire period will be 7 336 GWh.

Based on the provisions of the Energy Act, the Government will define the amount of the energy efficiency contribution so that there is an equal charge for all energy, irrespective of type.

The Energy Act states that once a year on its website, Eco Fund will publish a report on programme implementation, energy savings achieved, amount of funds used to implement the programme and specific costs for achieving savings.

Definition of measures

The type of measures that energy suppliers and Eco Fund will be able to implement will be defined by legislation (decree), based on the Energy Act. The main measures are:

- efficient energy use measures and greater use of renewables in heat generation in the public and service sectors and for industry and households
- efficient energy use measures in buildings
- efficient energy use measures in transport
- measures to increase the efficiency of district heating systems
- energy survey programmes.

Eligible measures will only include those that exceed the lower efficiency threshold defined in the implementing regulations based on Directive

2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products.

Measures that in addition to lower energy consumption also make a relatively large reduction in primary energy use will be given greater weight. These measures are primarily reducing electricity consumption, producing electricity from renewables for own use and cogeneration of heat and power. Energy savings from these measures will be counted in accordance with Annex IV to Directive 2012/27/EU. The decree will state that individual implementing measures can only be credited to one obligated party. If an implemented measure is financed by two obligated parties, methods to divide the savings between the two parties will be defined.

The decree and individual mechanisms to promote measures to increase energy efficiency will focus on the high quality implementation of measures and national and international quality standards will apply to equipment fitted and the installers.

There will not be a defined method of implementing or financing measures implemented by obligated parties (subsidy, loan, third-party financing, etc.).

Measures may be implemented by obligated parties in all sectors, including the transport and Emission Trading System (ETS) sectors.

Eco Fund will implement measures by awarding grants alongside investments.

We do not anticipate the use of alternative measures, as defined in Article 7(9) of the Directive.

Life span of measures

Measures that obligated parties and Eco Fund can implement to fulfil their obligations must function up until and including 2020. The life span of individual measures will be defined in the Rules on methods for defining end-use energy savings.

Calculation of savings

The Rules on methods for defining end-use energy savings lay down the methods used to determine savings achieved by individual measures to improve energy efficiency used in the preparation, implementation and evaluation of programmes to improve energy efficiency. The Rules also define the method for determining the use of renewables and CO₂ emission reductions for individual measures.

The Rules define the methods for determining energy savings achieved by individual measures and the method for determining the use of renewables and CO₂ emission reductions for individual measures. They also define the life span/duration of the impact of individual measures.

The calculation of savings achieved by measures to improve the energy efficiency of buildings does not take into account temperature differences between regions; Slovenia is taken as a single region for the purposes of the savings calculations.

Monitoring and reporting on savings

The Energy Act states that the Slovenian Energy Agency is responsible for reporting and verifying energy savings.

Obligated parties will send the Energy Agency a report on the achievement of targets for the previous year once a year (by 31 March). The relevant minister will issue rules defining the form and content of the report. Based on these reports, the Energy Agency will publish – by 30 April – all energy savings achieved by each obligated party in the previous year.

The Energy Agency will verify at least a statistically significant proportion and representative sample of measures to improve energy efficiency implemented by obligated parties. For this purpose, no more than once a year at the Energy Agency's request obligated parties will submit aggregate statistical data on their final customers (also describing significant changes compared to the previous data set) and current data on end-use.

Penalties

The Energy Act defines penalties for obligated parties that do not achieve savings or fail to make payments for implementation of the Eco Fund programme to increase energy efficiency. The Act also defines penalties for obligated parties that fail to report to the Energy Agency in accordance with the Act.

The penalties cover a range that enable them to be weighted according to the seriousness of the infringement.

Yours faithfully,

(stamp)

Danijel Levičar
DIRECTOR