



**Ministry of Economic Affairs and
Communications**

**Estonia's measures to meet the
energy efficiency obligation**

*Estonia's notification to the European
Commission under Article 7(9) and
point 4 of Annex V of Directive
2012/27/EU*

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1 INTRODUCTION

This notification has been drawn up in accordance with the notification obligation of Estonia as a Member State of the European Union under the Energy Efficiency Directive 2012/27/EU (hereinafter referred to as the 'Directive'). Pursuant to Article 7(9) of the Directive, Estonia must notify the following to the European Commission by 5 December 2013:

1. the amount of energy savings to be achieved during the obligation period and the method of calculating the amount. An explanation as to whether the options set out in Article 7(2) are used may be included in the notification;
2. proposed methodology for the operation of energy efficiency obligation schemes and for compliance with Article 7(9) and Article 20(6). The notification must be based on the data specified in point 4 of Annex V;
3. the policy measures to be taken for the purposes of the last subparagraph of Article 7(9) and Article 20(6), following the framework provided in point 4 of Annex V and showing how the required amount of savings would be achieved. In the case of the policy measures referred to in the second subparagraph of paragraph 9 and in Article 20(6), the notification must demonstrate how the criteria in Article 7(10) are met. In the case of policy measures other than those referred to in the second subparagraph or in Article 20(6), the Member State must explain how an equivalent level of savings, monitoring and verification is achieved.

To compile the information, the Ministry of Economic Affairs and Communications as the authority responsible for the implementation of the Directive in Estonia organised the study titled 'Analysis of the options of implementing Energy Efficiency Directive 2012/27/EU' (hereinafter referred to as the 'Study'). The Study was conducted in accordance with the draft guidance document of the European Commission on the implementation of Article 7¹ (hereinafter referred to as the 'Guidance Document'). In addition, the Study looked at the issues for which an analysis was deemed necessary based on the situation in Estonia. The information presented in this notification is based on the work carried out in connection with the Study and on the Study Report.

Certain sections and subsections of the Study are included in this notification by reference.

2 THE AMOUNT OF ENERGY SAVINGS TO BE ACHIEVED OVER THE OBLIGATION PERIOD

The amount of energy savings to be achieved over the obligation period (from 1 January 2014 to 31 December 2020) was calculated in accordance with Section B1 of the Guidance Document. As the official Eurostat figures for energy consumption in Estonia in 2012 were not yet available at the time of compiling the notification, the data for 2012 were not taken into account in determining the average amount of energy sales. The transport sector was not taken into account in determining the amount of energy sales either.

Estonia is planning to use the options set out in Article 7(2). **The estimated amount of energy savings to be achieved over the obligation period in Estonia is 7140 GWh.**

The calculation of the energy savings to be achieved over the obligation period and the results of the calculation are described in more detail in section 1 of the Study.

¹ 'Interpretative note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC – Article 7: Energy efficiency obligation schemes', communicated to Member States on 8 May 2013

3 METHODOLOGY FOR OPERATION OF ENERGY EFFICIENCY OBLIGATION SCHEMES AND FOR COMPLIANCE WITH ARTICLE 7(9) AND ARTICLE 20(6)

An overview of the proposed methodology for operation of energy efficiency obligation schemes is given in the following two tables. The information presented in the tables is tentative, i.e. it concerns the policy measures which have been proposed and which could be changed or not be realised at all.

Table 1. Financing schemes and the energy efficiency obligation scheme: consistency with the requirements laid down in point 4 of Annex V to the Directive

| Requirement in point 4 of Annex V of the Directive | Financing schemes | Energy efficiency obligation scheme |
|--|---|---|
| (a) Obligated, participating or entrusted parties, or implementing public authorities | KredEx Credit and Export Guarantee Fund (implementing public authority), Environmental Investment Centre (implementing public authority) | Energy distributors or retail energy sales companies (obligated parties) in gas, electricity and district heating sectors, whose annual amount of energy supplied or sold exceeds GWh/yr |
| (b) Target sectors | Apartment buildings, street lighting, industry | All end-use sectors, and energy transformation, distribution and transmission sectors |
| (c) Level of the energy saving target or expected savings to be achieved over the whole and intermediate periods | Level of the energy saving target: 1721 GWh (over the entire obligation period) | Level of the energy saving target: up to 1200 GWh (over the entire obligation period) |
| (d) Duration of the obligation period and intermediate periods | Obligation period: 01.01.2014 to 31.12.2020 First intermediate period: 01.01.2014 to 31.12.2016 Second intermediate period: 01.01.2017 to 31.12.2018 | |
| (e) Eligible measure categories | Investments and investment support for energy savings in all end-use sectors, and energy transformation, distribution and transmission sectors; financing instruments | Investments and investment support for energy savings in all end-use sectors, and energy transformation, distribution and transmission sectors; contributions to the Energy Efficiency National Fund; information activities; introduction of standards, norms and energy labelling schemes |

| | | |
|--|--|--|
| <p>(f) Calculation methodology, including how additionality and materiality are to be determined and which methodologies and benchmarks are used for engineering estimates</p> | <p>Calculation methodology: the calculation methods used in subsection 3.1.2 or described in section 4 of the Study and other relevant and applicable calculation methods will be applied</p> <p>The manner of determining additionality and materiality: based on the explanation in section 33 of the final Guidance Document [SWD(2013) 451 final]</p> <p>Methodologies and benchmarks for engineering estimates: the methods and benchmarks to be used are based on the best available studies and methods used therein, for example, 'Improving the energy efficiency of the building stock – energy savings, unit costs and volumes'²</p> | <p>Calculation methodology: the calculation methods used in subsection 3.1.2 or described in section 4 of the Study, and other relevant and applicable calculation methods will be applied</p> <p>The manner of determining additionality and materiality: based on the explanation in section 33 of the final Guidance Document [SWD(2013) 451 final]</p> <p>Methodologies and benchmarks for engineering estimates: the methods and benchmarks to be used are based on the best available studies and methods used therein</p> |
| <p>(g) Lifetimes of measures</p> | <p>Mostly over 7 years</p> | <p>Mostly over 7 years</p> |
| <p>(h) Approach taken to address climatic variations within the Member State</p> | <p>Climatic differences will not be taken into account</p> | <p>Climatic differences will not be taken into account</p> |
| <p>(i) Quality standards</p> | <p>Quality standards will be applied subject to their availability and appropriateness, including:</p> <ul style="list-style-type: none"> - construction and reconstruction-related quality standards laid down in the Building Act³ and in the legislation established on the basis thereof, such as the 'Minimum energy performance requirements for buildings';⁴ - in the absence of national quality standards, the relevant international quality standards are likely to be applied. | <p>Quality standards will be applied subject to their availability and appropriateness, including:</p> <ul style="list-style-type: none"> - construction and reconstruction-related quality standards laid down in the Building Act⁵ and in the legislation established on the basis thereof, such as the 'Minimum energy performance requirements for buildings';⁶ - in the absence of national quality standards, the relevant international quality standards are likely to be applied. |

²http://www.energiatalgud.ee/img_auth.php/c/c1/ENMAK-Hoonete-uuring-20.09.2013.pdf

³<https://www.riigiteataja.ee/akt/104072013008>

⁴<https://www.riigiteataja.ee/akt/105092012004>

⁵<https://www.riigiteataja.ee/akt/104072013008>

⁶<https://www.riigiteataja.ee/akt/105092012004>

| | | |
|--|---|---|
| <p>(j) Monitoring and verification protocols and how the independence of these from the obligated, participating or entrusted parties is ensured</p> | <p>No additional monitoring of implementing public authorities will be arranged, because these authorities will be audited within the EU cohesion policy implementation framework.</p> | <p>Monitoring and verification protocols: in arranging the monitoring and verification the authorities will be guided by the Administrative Procedure Act⁷.</p> <p>Ensuring independence: the criteria laid down in Section 10 of the Administrative Procedure Act will be used to ensure independence.</p> |
| <p>(k) Audit protocols</p> | <p>No additional monitoring of implementing public authorities will be arranged, because these authorities will be audited within the EU cohesion policy implementation framework.</p> | <p>Audit protocols will include at least the following:</p> <ul style="list-style-type: none"> - information on the person/authority conducting the audit and on the obligated party; - information on the audited measure; - information on sampling and on the audited activities carried out under the measure in question; - assessment of the effectiveness of the audited measure; - report (conclusion) of the person/authority conducting the audit. |
| <p>(l) How the need to fulfil the requirement in the second subparagraph of Article 7(1) is taken into account</p> | <p>The requirement in the second subparagraph of Article 7(1) (implementation of measures with specific results during the obligation period) will be taken into account when planning financing schemes and evaluating the impact of financing schemes achieved in intermediate periods.</p> | <p>The requirement in the second subparagraph of Article 7(1) will be taken into account when deciding on the implementation of an energy efficiency obligation scheme and evaluating the results of its implementation. The results of implementation of the energy efficiency obligation scheme will be evaluated separately for each year in which the scheme was implemented.</p> |

⁷<https://www.riigiteataja.ee/akt/123022011008>

Table 2. Energy and CO₂ taxes: consistency with the requirements laid down in point 4 of Annex V to the Directive

| Requirement in point 4 of Annex V of the Directive | Energy and CO ₂ taxes |
|--|--|
| (a) Target sectors and segment of taxpayers | All end-use sectors, and energy transformation, distribution and transmission sectors. The segment of taxpayers is defined in the Alcohol, Tobacco, Fuel and Electricity Excise Duty Act ⁸ . |
| (b) Implementing public authority | Tax and Customs Board |
| (c) Expected savings to be achieved | 4758 GWh (over the entire obligation period) |
| (d) Duration of the taxation measure and intermediate periods | Obligation period: 01.01.2014 to 31.12.2020 First intermediate period: 01.01.2014 to 31.12.2016 Second intermediate period: 01.01.2017 to 31.12.2018 |
| (e) Calculation methodology, including which price elasticities are used | The method for calculating tax effects, and the price elasticities used are described in subsection 3.1.1 of the Study. The energy savings achieved as a result of tax effects are not regarded as cumulative savings in the calculation method, i.e. the lifetime of a tax effect is one year. |

4 OVERVIEW OF ALTERNATIVE POLICY MEASURES TO BE IMPLEMENTED IN ESTONIA DURING THE OBLIGATION PERIOD

4.1 *Alternative policy measures to be implemented in Estonia during the obligation period*

The following alternative policy measures will be implemented in Estonia during the obligation period:

1. Energy and CO₂ taxes
2. Financing schemes

The expected contribution of the alternative policy measures to the fulfilment of the requirements laid down in the second subparagraph of Article 7(1) of the Directive is described in the following table.

Table 3. Estimated energy savings through alternative policy measures over the entire the obligation period

| Policy measures | Estimated energy savings over the entire obligation period, GWh |
|-------------------------------------|---|
| 1. Energy and CO ₂ taxes | |

⁸<https://www.riigiteataja.ee/akt/105112013009>

| | |
|--|-------|
| Excise duty and VAT on natural gas | 512 |
| Excise duty and VAT on electricity | 1585 |
| Excise duty and VAT on fuels used for district heating | 940 |
| Excise duty and VAT on petrol | 547 |
| Excise duty and VAT on light fuel oil and diesel fuel | 1174 |
| Excise duty and VAT on natural gas | 512 |
| 2. Financing schemes | |
| Renovation of street lighting | 211 |
| Energy and resource efficiency of companies | 459 |
| Reconstruction of apartment buildings | 1051 |
| | |
| Total for all measures | 6 479 |

The table indicates that the proposed alternative policy measures will not cover the entire obligation required under Article 7(1), considering the options and restrictions in Article 7(2) and (3). To cover the part that falls short of the target (7140 GWh for the entire obligation period), the following options are considered:

- 1) implementation of additional financing schemes;
- 2) modification of energy and CO₂ taxes;
- 3) introduction of the energy efficiency obligation scheme in Estonia.

4.2 Consistency of alternative policy measures with the requirements laid down in Article 7(10)

An overview of the consistency of alternative policy measures with the requirements laid down in Article 7(10) is provided in the table below.

Table 4. Consistency of alternative policy measures with the requirements laid down in Article 7(10)

| Policy measures | Relevant articles | Energy and CO ₂ taxes | Financing schemes |
|---|------------------------------------|---|--|
| Criteria for policy measures | | | |
| Relevant articles | | <i>Art. 7(9)(a)</i> | <i>Art. 7(9)(b), (d), (e), (f) and Art. 20(6)</i> |
| Achievement of the level of ambition according to Article 7(1) | <i>Art. 7(1) and Art. 7(10)(a)</i> | Described in section 4.1 of this notification | Described in section 4.1 of this notification |
| At least two intermediate periods are provided for | <i>Art. 7(10)(a)</i> | Described in Table 2 (line (d)) | Described in Table 1 (line (d)) |
| Clear definition of the responsibilities of each obligated party, entrusted party, participating party or implementing public authority | <i>Art. 7(10)(b)</i> | The responsibility of the implementing public authority is defined in the Alcohol, Tobacco, Fuel and Electricity Excise Duty Act ⁹ . | The responsibility of the implementing public authority will be defined in the 2014–2020 Structural Assistance Act (being drafted ¹⁰) and in the relevant terms and conditions governing the grant of support under financing schemes. |
| The energy savings to be achieved are determined in a transparent manner | <i>Art. 7(10)(c)</i> | The energy savings to be achieved were calculated in accordance with the methodology set out in subsection 3.1.1 of the Study. | The energy savings to be achieved were calculated in accordance with the methodology set out in subsection 3.1.2 of the Study. |
| The amount of energy savings is expressed in either final or primary energy consumption, | <i>Art. 7(10)(d)</i> | The amount of energy savings is expressed | The amount of energy savings is expressed |

⁹ <https://www.riigiteataja.ee/akt/105112013009>

¹⁰ The draft has been published in the draft legislation information system <https://eelnoud.valitsus.ee/main/mount/docList/06e71ef2-27e6-46eb-b87e-83ffb3332515>

| | | | |
|--|----------------------|---|---|
| using the conversion factors set out in Annex IV | | in final energy consumption. | in final energy consumption. |
| Energy savings are calculated using the methods and principles provided in points 1 and 2 of Annex V | <i>Art. 7(10)(e)</i> | X | The requirements laid down in the Directive have been taken into account when conducting the Study and will be applied when drafting the legislation transposing the Directive. |
| Energy savings are calculated using the methods and principles provided in point 3 of Annex V | <i>Art. 7(10)(f)</i> | The requirements laid down in the Directive have been taken into account when conducting the Study and will be applied when drafting the legislation transposing the Directive. | X |
| Participating parties submit an annual report | <i>Art. 7(10)(g)</i> | X | X |
| Obligated parties publish data on an annual basis | <i>Art. 7(8)</i> | X | X |
| Monitoring of the results | <i>Art. 7(10)(h)</i> | The requirements laid down in the Directive will be applied when drafting the legislation transposing the Directive. | The requirements laid down in the Directive will be applied when drafting the legislation transposing the Directive. |
| Control system | <i>Art. 7(10)(i)</i> | The requirements laid down in the Directive will be applied when drafting the legislation transposing the Directive. | The requirements laid down in the Directive will be applied when drafting the legislation transposing the Directive. |
| Data on the annual trend of energy savings are published annually | <i>Art. 7(10)(j)</i> | The requirements laid down in the Directive will be applied when drafting the legislation transposing the Directive. | The requirements laid down in the Directive will be applied when drafting the legislation transposing the Directive. |

√ – the criterion is mandatory for the given policy measure; X – the criterion is not mandatory for the given policy measure.

4.3 Consistency of alternative policy measures with the requirements laid down in point 4 of Annex V

An overview of the consistency of alternative policy measures with the requirements laid down in point 4 of Annex V to the Directive is provided in section 3 of this notification.

4.4 Achievement of the expected amount of energy savings through other alternative policy measures

Estonia is not planning to implement any alternative policy measures, which are not listed in the second subparagraph of Article 7(9).

5 MATERIALS USED OR REFERRED TO WHEN PREPARING THE NOTIFICATION

1. 'Interpretative note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC – Article 7: Energy efficiency obligation schemes', communicated to Member States on 8 May 2013