



## Policy Brief No.4

# Policy recommendations based on concrete proposals for multilevel governance

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### Executive Summary

To reach the goal of 27% energy saving and 40% reduction of greenhouse gases by 2030, it is necessary to establish robust Governance by developing capacity at different levels – national – regional and local level. The basic energy efficiency obligation scheme is a very demanding one. It is therefore possible to choose alternatives. In the policy recommendations based on concrete proposal seven schemes are used in the proposals for concrete energy saving schemes. A number of concrete proposals have been prepared for each partner country to establish multilevel governance for energy efficiency. It has been assessed which alternatives together with energy efficiency housing schemes could contribute to the building of multilevel governance, partly through vertical integration and partly through horizontal integration.

Building a multilevel governance with a high degree of vertical and horizontal integration requires action at all levels. It is not possible to come up with a standard for energy savings, and it is also not possible to come up with a standard solution on building a multilevel governance system. It will depend on traditions and opportunities in each country.



## I Introduction

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There is a need to develop a new energy Union's governance, if the goal of 27% energy saving and 40% reduction of greenhouse gases is to be achieved by 2030. » ... These goals can only be achieved through a set of coherent and coordinated actions – legislative and non-legislative – at EU and national level. Designing and managing such a broad set of diverse actions requires the Energy Union to establish **robust** Governance«. <sup>1</sup>

The process for developing capacity at different levels - national - regional and local - is a central theme of the new EU regulation Governance of the Energy Union. Here is the focus on building »... necessary sufficient administrative capacity within Member States and to engage with various stakeholders such as non-state actors, civil society and business.« <sup>2</sup>

The aim is to build multilevel governance for energy efficiency. The two important conditions: The energy saving governance has to be **robust** and process oriented. Process orientation is about patience. A new energy governance system must be built step by step. The development of robust energy saving requires the application of adaptation-oriented schemes. It requires that you can work with and choose among several different alternative schemes.

**The main regulatory focus:** Energy efficiency obligation schemes, where the basic option is: All energy distributors or all retailers in the retail sector must achieve an annual savings of 1.5%. As an alternative to setting up an energy efficiency obligation scheme, member states may use alternative policy measures to achieve energy savings final customers (article 7).

**Alternatives:** This basic scheme is a very demanding scheme. It is therefore possible to choose alternatives. The directive mentions a number of alternative policy measures. »... The list [...] is not exhaustive and other policy measures may be applied. However, [...] Member States must explain in their notification to the Commission how an equivalent level of savings, monitoring and verification is achieved«. <sup>3</sup>

The following seven schemes are used in the proposals for concrete energy saving schemes:

1. The energy efficiency obligation schemes – the basic scheme (EU scheme).
2. The energy efficiency schemes of Covenant of Mayors (EU scheme).

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<sup>1</sup> »New Energy Union Governance til deliver Common Goals«, European Commission, Bruxelles 30 October 2016, p.1.

<sup>2</sup> »New Energy Union Governance til deliver Common Goals«, op.cit., p.1.

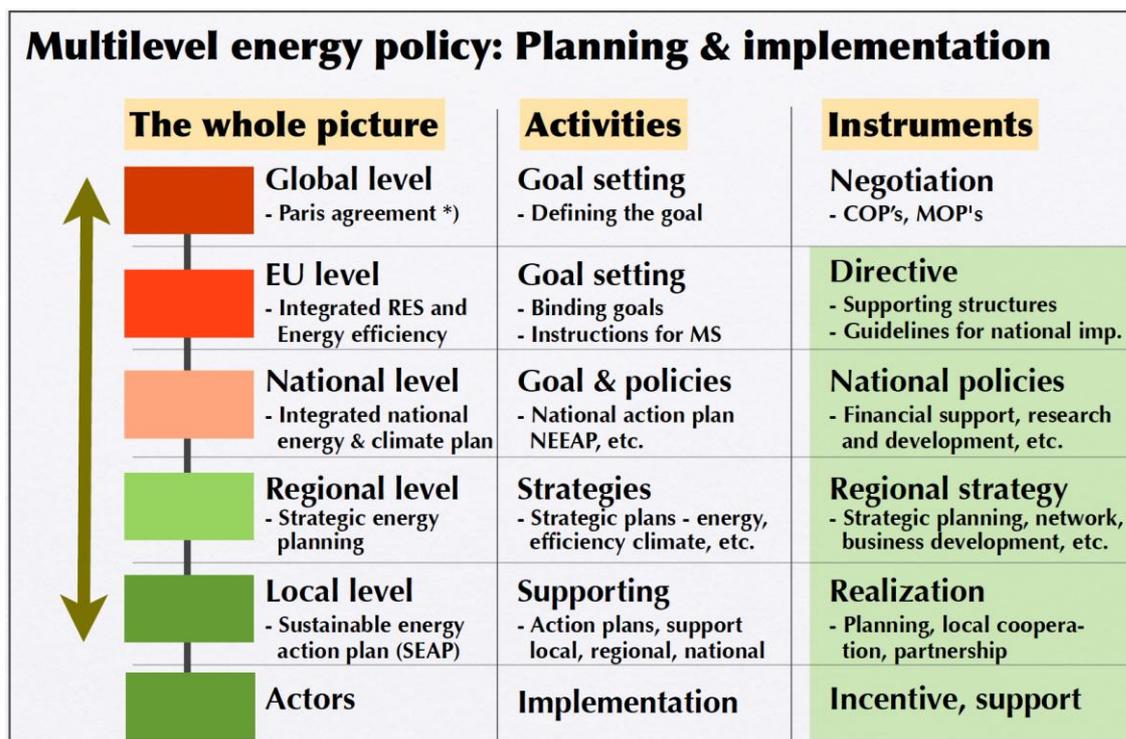
<sup>3</sup> See: »Guidance note on Directive 2012/27/EU on energy efficiency.« Article 7: Energy Efficiency obligation schemes; European Commission, Brussels, 6.11.2013, SWD (2013) 451 final, p. 12.

3. ECO-budget schemes – energy management for communities (voluntary scheme)
4. Taxation and subsidy (national scheme)
5. Technology support – ETAP, SET-Plan, etc. (EU scheme).
6. ECO-labeling (EU scheme).
7. IED /IPPC – Industrial energy efficiency (EU regulation).

A number of concrete proposals have been prepared for each partner country to establish multilevel governance for energy efficiency. It has been assessed which alternatives together with energy efficiency housing schemes could contribute to the building of multilevel governance, partly through vertical integration and partly through horizontal integration.

## II Multilevel energy efficiency governance system

The multilevel energy efficiency governance (multEE) can be described in more detail with the figure below, which shows the decision levels in the whole governance system:



\*) Energy efficiency is of major importance for the implementation of the climate targets, and thus also for the implementation of the Paris agreement on maximum permissible temperature rises as part of

the UN Climate Convention. Energy efficiency, however, also affects a number of other factors, for example security of supply, which points at the international cooperation in the International Energy Agency (IEA).

Global agreements and EU directives has to be transferred to the national (federal) level, and passed on to the relevant decision-making level in each country. It may be at the state level, the regional or the local level. Multilevel governance for energy efficiency is therefore about the efficiency of **vertical coordination**. It is crucial to ensure involvement and division of labor between the different levels.

The conditions in each country vary considerably, both in terms of governance structure and the extent to which the Energy efficiency directive is implemented.

This means that there is no standard approach for building the multi-level governance of energy efficiency. It depends on existing efforts and, as mentioned, how successful vertical integration already has been developed.

Following the rules in the *Energy Efficiency Directive* the member state has to set up a measurement, control and verification systems to verify the savings put in place either with the Energy Efficiency Obligation Schemes (the basic scheme, shortened: EEOS) or with the selected alternatives.

We can observe two major patterns:

- **First case:** A country has built up a M/V system (measurement and verification system) and has started to implement the basic system, but apparently has problems making the necessary vertical integration, understood as 'flow' from the national level to decision making and action level.
- **Second case:** A country has chosen alternative approaches, for example Covenant of Mayors (SEAP) or similar voluntary system. Energy savings are included, but the accuracy of the measurement and the verification of energy savings is lacking. The savings cannot be validly reported.

The solution of the two situations is completely different. In the **first case**, the connection lacks to the actor level. This can be established, for example by combining basic schemes, the EEOS, with the schemes of Covenant of Mayors Scheme (SEAP). The voluntary systems are very often closely connected to the actors, but lack the specific M/V system, that is the measurement and verification of energy savings.

In this case combination of EEOS and the voluntary systems can thus help building a coherent multilevel energy efficiency governance system.

In the **second case** the energy saving actors are involved, but they have no connections to the national level and thus no connections to goal fulfillment, measurement, control and verification. In this case, the establishment of EEOS can contribute to the development of goals and means in the voluntary systems.

It is no coincidence that the mayor's pact is used as an example of an alternative scheme. At European level, this scheme has been a great success. In a number of

EU countries there are other similar systems that may also contribute to creating a coherent multi-level efficiency governance system.

### III Recommendations – the future effort

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**Vertical coordination:** The energy efficiency obligation schemes – the basic scheme - does not in itself guarantee an integrated or multilevel governance system. A number of alternatives can help through an ongoing process to create a vertical coherent system. There are significant differences from country to country. It is therefore necessary to maintain and create the widest possible flexibility in building and development of the multilevel energy efficiency governance system.

**Horizontal coordination:** The horizontal integration appears as a problem and a challenge at all levels in the multilevel governance system. It should be noted that, apart from the ECO budget schemes, all seven schemes, previously mentioned, have a direct or indirect origin in EU directives and therefore apply to all member states. It's hardly a good idea to put them all because they have widely different purposes. However, the development of a horizontal integration could be initiated by using the same methodology and the same tools for measurement and verification in the different directives and schemes - if relevant.

Energy-saving measures will have many different impacts, for example macro-economic development, industrial productivity, employment, impact on transition to renewable energy, security of supply, resource management, energy prices, greenhouse gas emission, etc. It is an issue for the horizontal coordination to incorporate these or some of these aspects as issues in national, regional or local horizontal coordination.

**Who is responsible:** Building a multilevel governance with a high degree of vertical and horizontal integration requires action at all levels, as outlined in the previously shown figure. Just as it is not possible to come up with a standard for energy savings, it is also not possible to come up with a standard solution on building a multilevel governance system. It will depend on traditions and opportunities in each country.

### IV Further Reading

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MultEE Report: D3.2 Development of concrete proposals for multilevel governance coordination.

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### Definition of a data collection process for bottom-up monitoring

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