

Evaluation Report on the implementation of Article 7

**19th November
2019**

Article 7 Obligations

- *A mandatory savings target of 0,7 % of annual sales to final consumer between 2017 and 2020*
- *Default implementation approach: through an Energy Efficiency Obligation Schemes (EEOs)*
- *Obligated parties designated by the CPs authorities from energy transportation, and/or distribution operators, and/or energy suppliers;*
- *The target may be also achieved by using alternative policies measures that would deliver an amount of end-use energy savings over the obligation period*
- *Or a combination of EEOs and Alternative policy measures.*

Baseline and Allowances



Baseline

- *The end-use energy savings target is based on the average annual final energy sales by volumes for the three years prior to 1 January 2016, namely 2013-2015*

Allowances

- *Excluding the energy consumption in transport*
- *Excluding from the calculation all or part of the sales, by volume, of energy used in industrial activities listed in Annex I to Directive 2003/87/EC - ETS; Nevertheless, this Directive is not implemented in the Energy Community and hence this allowance cannot be used*
- *Allowing savings achieved in transformation, transmission and distribution of energy as a result of the implementation of the requirements set out in Article 14 (4), point (b) of Article 14(5) and Article 15(1) to (6) and (9)*
- *Savings achieved from early actions newly implemented since 31 December 2008 that continue to have an impact in 2020 and that can be measured and verified*
- *Using a slow start, according to Article 7.2 (a) by carrying out the calculation by using values of 0,5% in 2017 and 2018; 0,7 % in 2019 and 2020.*

Notification on the implementation approach to ECS:



- *No Contracting Party sent a Notification to the Secretariat including their plans on how to implement Article 7*



- *Most Contracting Parties used other reports such as Annual Reports on the progress achieved to meeting the overall 2020 target, and National Energy Efficiency Plans to report on the calculation of the target and the implementation of Article 7.*



- *Serbia has fully prepared it with technical assistance during 2018/2019, but did not submit it*



- *Montenegro, has made early calculations on Article 7 target and how this could be covered by either alternative policy measures or Energy Efficiency Obligations were made with EU technical assistance, but no formal Notification was not sent to the Secretariat*



- *In Kosovo*, the calculation of the Article 7 target and modelling of various options to meet this was conducted in 2019 with EU technical assistance, but no Notification was sent to the Secretariat yet*

Targets and calculations

Contracting Parties	Baseline Consumption ktoe	Savings Target ktoe	Obligation Scheme	Alternative Policy Measures
Albania	1.172	61,5 (Consultant's calculation)	X* potentially an Obligation Scheme with large industry as Obligated party	
Bosnia and Herzegovina	2.914	77,33	X	
Georgia	1.299,8	323,8		X
Kosovo*	915	51,2		X
Moldova	1.746	36,68 (calculated only for 2019 and 2020)	X	Possibly
Montenegro	490	27,33		X
North Macedonia	1.258	70,4	Possibly	Possibly
Serbia	6.047	317,5		X
Ukraine	46.578	3.260		X

Baseline and Allowances



- ✓ A few Contracting Parties adopted or amended national laws to comply with the Directive in 2018 and 2019 (Kosovo*, Moldova, Montenegro, North Macedonia – approved by the Government), and many are still working on these (Albania, Bosnia and Herzegovina, Georgia, Serbia, Ukraine).
- ✓ The implementation of Article 7 has started a lot later than it should, and hence, it was practically impossible to design and implement a proper Energy Efficiency Obligation Scheme.
- ✓ Moreover, many Contracting Parties are quite small, and there are not many energy distributors or suppliers that can be nominated as obligated parties. In the absence of market competition, many governments feared that an EEO may trigger significant retail prices increase and this would be not affordable for large population segments.
- ✓ Therefore, the large majority of Contracting Parties opted for implementation through alternative policy measures.

- ✓ Using the Annual Report, or the NEEAP to calculate savings from alternative policy measures and attribute these to the Article 7 target is fine in principle. The caveat is, that this way is difficult to assess if all or partial measures are eligible in line with the criteria set by the Directive in Article 7 (10), and hence all or partial savings may be attributed.
- ✓ The calculation of the baseline consumption, the use of allowances and the calculation of the target in the cumulative way for the entire 4 years (2017-2020) in which Article 7 is implemented under the Directive 27/2012/EU appeared to be rather difficult, and hence the data presented in Table 1 may be either incomplete or simply not correct.
- ✓ Article 7 is continued until 2030 it is recommended that Contracting Parties start preparing also Energy Efficiency Obligation scheme for the implementation of Article 7.
- ✓ Alternative policy measures: eligibility check
- ✓ A combination of Energy Efficiency Obligation scheme and alternative policy measures will be needed to meet the target for 2030.
- ✓ ECS and EBRD published Policy Guidelines on EEOs



THANK YOU FOR YOUR ATTENTION

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