

## Directive (EU) 2023/1791 (revised Energy Efficiency Directive)

### Introduction

First adopted in 2012, the Energy Efficiency Directive (EED) was updated in 2018 and then again in 2023 with Directive (EU) 2023/1791.<sup>1</sup> The latest update was done to ensure that the EU's 2030 target of reducing greenhouse gas (GHG) emissions by at least 55% (compared to 1990 levels) can be met, proving that energy efficiency plays a key role in reducing energy consumption. It must be noted that Member States failed to meet the voluntary energy efficiency targets from the last revision, to this end, several elements of the revised EED are no longer voluntary, but obligatory.

The EED lays down rules designed to implement energy efficiency as a priority across all sectors, as well as providing indicative national energy efficiency contributions for 2030. As all EU legislation, the EED lays down minimum requirements, Member States are therefore not prevented from introducing more stringent measures.

In addition, the EED introduces the concept of "Energy Efficiency First" (EEF principle), whereby Member States must ensure that demand-side resources and system flexibilities are assessed in the planning, policy, and major investment decisions that cost over €100 million. In applying the EEF principle, Member States must develop cost-effective methodologies that assess energy efficiency solutions, address the impact on energy poverty, identify the entities responsible for monitoring the application of the EEF principle, and report to the Commission how such principle is taken into account in national, regional and local planning through their National Energy and Climate Plans (NECPs).

Moreover, according to the EED requirements, Member States must collectively ensure a reduction of energy consumption of at least 11.7% in 2030.<sup>2</sup> Each Member State must set an indicative national energy efficiency contribution based on final energy consumption to meet the collective target. This must be achieved by leading by example, therefore the total final energy consumption of all national public bodies (combined) must be reduced by 1.9%/year (compared to 2021). In addition, they must renovate 3% of the total

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<sup>1</sup> Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast), available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOL\\_2023\\_231\\_R\\_0001&qid=1695186598766](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOL_2023_231_R_0001&qid=1695186598766)

<sup>2</sup> Article 4 of the Revised EED.

floor area for heating and cooling in public buildings per year, to transform them into a Zero Emission Building (ZEB).

The Commission assesses whether each Member States' plan adequately contributes to the collective energy reduction target. If a Member State contribution is deemed insufficient, the Commission will set a corrective national energy efficiency contribution, known as the "gap avoiding mechanism".

Regarding heating and cooling (H&C), every district heating and cooling system must equip final customers with a competitively priced meter that reflects their energy consumption.<sup>3</sup> This billing and consumption information must be reliable, accurate, based on actual consumption, and available to the customer.

## Summary of REScoop.eu Recommendations

- Member States should consider and promote the role of energy communities to achieve the required energy savings by 2030.
- Member States should prioritise energy savings among vulnerable households, as they are in dire need of energy efficiency measures, but lack the means to carry them out.
- Member States need to facilitate the development of cooperative One-Stop-Shops, by citizens and for citizens, in order to adequately inform people about energy efficiency measures and their financing, and to ensure that this information reaches most municipalities.
- Member States should include energy communities in the national, regional, and local planning of energy efficiency measures. This citizen participation will likely increase the social acceptance of the proposed energy efficiency measures.
- Member States should unlock private financing for energy communities through the creation of guarantees for citizen-led projects, and green and low-interest loans.
- Member States should ensure up-front financing support for energy efficiency measures by vulnerable households, while using existing EU funds for energy communities who often work with them. Public money is limited, and so it should be used wisely, by prioritising energy poor households and market actors who work with them, such as energy communities.
- The European Commission should adopt guidance on energy communities to help Member States further develop energy efficiency measures such as Community-led Heating and Cooling (CH&C) and Citizen-led Renovations (CLR). Such guidance should remind Member States of the bottom-up, citizen-led nature of energy communities and make sure that their unique characteristics are taken into account in the design of the relevant policies.

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<sup>3</sup> Article 14 Revised EED

# Analysis of relevant provisions for energy communities

## 1. The Energy Savings Obligation

Article 8 states that Member States must achieve cumulative end-use energy savings equivalent to 0.8% of annual final energy consumption from 1 January 2021 to 31 December 2023, averaged over the most recent three-year period preceding 1 January 2019. This 0.8% target will increase to 1.3% by December 2025, 1.5% by December 2027, and will end with 1.9% energy savings from annual final energy consumption by 31st December 2030.<sup>4</sup>

To achieve this, Member States must set out “energy efficiency obligation schemes” as a priority among people affected by energy poverty, vulnerable customers, people in low-income households and people living in social housing. Furthermore, for the purpose of achieving these energy savings, Member States must consider and promote the role of renewable energy communities (RECs) and citizen energy communities (CECs).

In line with this, Article 24 for the first time focuses on alleviating energy poverty, empower vulnerable consumers, and the actions that Member States must take to achieve this. Member States may use revenues from the Social Climate Fund to this end.

### Analysis

The Commission, Parliament and Council are recognising the role that energy communities play in achieving energy savings obligations by specifically referring to energy communities in the provisions highlighting the ways to achieve the necessary energy savings. This essentially opens up the market of energy efficiency measures to RECs and CECs.

## Recommendations for national and EU action

### National Recommendations

- Member States should prioritise energy savings among vulnerable households, as they are the social group that suffers the consequences of poorly insulated homes the most, while being the ones that are the least able to afford energy efficiency measures. Energy Communities oftentimes include vulnerable households in their activities, as they have a social aim, rather than profit maximisation. Prioritising vulnerable households and the energy communities that work with them will ensure a transition that leaves no one behind.
- Member States should consider and promote the role of energy communities to achieve the required energy savings by 2030. This can be done by supporting the development of citizen-led renovation (CLR) or community-led heating and

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<sup>4</sup> Malta and Cyprus have a derogation on this obligation.

cooling programmes (CH&C)<sup>5</sup> to accelerate the transition, while sharing its benefits at the local level.

### **EU-Level Recommendations**

- The Commission's analysis (including the Ambition Gap Mechanism) should look into whether Member States effectively supported bottom-up and citizen-led initiatives, such as energy communities, in achieving the energy savings obligation.

## **2. One-Stop-Shops**

Article 21 states that Member States, in cooperation with regional and local authorities, must ensure that the information on available energy efficiency improvement measures is transparent and accessible to all relevant market actors, including energy communities. Furthermore, Member States must take appropriate measures to promote and facilitate an efficient use of energy by final users. This should promote behavioural changes such as fiscal incentives (access to vouchers, grants, or subsidies), targeted advisory services -in particular for people in energy poverty- exemplary projects, digital tools and so on. This information must be provided in accessible form to people with disabilities.

To this end, Article 21 recommends the creation of a supportive framework for the development of One-Stop-Shops (OSS) or similar for the provision of technical, administrative and financial advice on energy efficiency. This includes information on energy checks, renovations, or replacement of old H&C systems for renewable alternatives. These facilities must advise with streamlined information on technical and financial possibilities and solutions for households, small and medium enterprises (SMEs), microenterprises and public bodies. It must provide advice on energy consumption behaviour, and holistic support to all households, with a particular focus on energy poor households and worst-performing buildings.

In order to have a harmonised approach to OSS throughout the EU, the Commission will create guidelines to develop such OSS. These guidelines must encourage the cooperation of public bodies, energy agencies, and community-led initiatives.

Furthermore, Member States must take the necessary measures to remove split incentives between owners and tenants, to make sure that these parties are not deterred from making energy efficiency improvements.

### **Analysis**

The creation of One-Stop-Shops is a major development in energy efficiency policy, as it will centralise all relevant information regarding energy efficiency for consumers, making it easy for them to access such measures. The fact that the Commission's guidelines must encourage the cooperation of public bodies with community-led initiatives is an encouraging sign that the EU sees energy communities as a pillar of OSS.

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<sup>5</sup> For policy recommendations related to CH&C, kindly refer to REScoop.eu's Position Paper: <https://www.rescoop.eu/toolbox/community-heating-and-cooling-the-road-to-energy-democracy>

## Recommendations for national action

- Member States should develop One-Stop-Shops that can inform citizens free of charge about measures to achieve energy savings, such as heating and cooling replacements, or building renovations (citizen-led renovations). Great examples of such cooperative one-stop-shops by citizens and for citizens can be found in the OSR-Coop Project.<sup>6</sup>
- Member States should pay special attention to the Commission's guidelines, in particular regarding the governance of OSS and their connection with energy communities.
- Member States should prioritise vulnerable households and remove barriers in split incentives between owners and tenants.

### 3. Heating and Cooling planning obligation

As part of the integrated NECPs, Member States shall submit to the Commission a comprehensive heating and cooling assessment. In doing so, Member States should make sure that the stakeholders affected by this assessment are given the opportunity to participate in the preparation of these plans. The point of these plans will be to identify the most resource and cost-efficient solutions to meeting our local H&C needs (taking into account the EEF Principle).

Where such an assessment finds that the potential and benefits for cogeneration or efficient district heating and cooling exceed the cost, Member States must take measures to develop these systems, including through the utilisation of waste heat and renewable energy. Annex X of the EED sets out the elements that must be included in the assessment. These assessments/plans should at least assess the role of energy communities and consumer-led initiatives in contributing to the implementation of local heating and cooling projects.

These assessments must be carried out by every municipality exceeding 45.000 inhabitants. To this end, each country should support regional and local authorities *"to the utmost extent possible, including financial support and technical support schemes"*. Article 26 defined the limits of what can be considered an *"efficient district heating and cooling system"*.

#### Analysis

The H&C obligation means that almost every municipality in the EU will need to carry out a H&C plan, which should include information on how to transition the local H&C infrastructure into a renewable one. The fact that these plans must include the role of energy communities is positively evaluated, as it opens up the heating and cooling market for energy communities and showcases the great potential they have to contribute to the decarbonisation of the heating and cooling system.

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<sup>6</sup> <https://osr-coop.rescoop.eu/>

## Recommendations for national and EU action

### National Recommendations

- Member States should support the development of energy communities, starting with community building activities (such as informational campaigns and so on) and making sure that the legal provisions on RECs and CECs are in place to ensure citizen participation and thus increase the acceptance of renewable H&C projects in their municipalities.
- Local authorities should include the development of energy communities in the Sustainable Energy and Climate Action Plans (SECAP) of municipalities.<sup>7</sup>
- H&C upgrades should be included in larger energy projects. Including citizen-led initiatives during the planning, such as citizen-led renovations or community-led heating and cooling, would lead to higher energy efficiency yields, accelerate the transition, and increase social acceptance of building renovations and renewable H&C installations.

### EU-Level Recommendations:

- The Commission should further develop the enabling framework for Community Heating and Cooling projects through the creation of Guidelines for Member States. In order to avoid unfair market advantages and corporate capture, these guidelines should remind the Member States of the citizen-led, bottom-up nature of energy communities and their H&C projects.

## 4. Financing and technical support

Article 30 establishes that Member States should facilitate the establishment of financing facilities (or use existing ones) for energy efficiency improvements, both for renovations and for district heating and cooling, through a combination of grants, financial instruments and technical assistance. Priority should be given to vulnerable households.

These measures should include energy efficiency lending products, such as green mortgages, green loans, on-bill and on-tax financing schemes, and ensure that these are offered widely and in a non-discriminatory manner by financial institutions. Furthermore, they will need to be visible and accessible to consumers.

If they wish, Member States may set up a national energy efficiency fund, which could be financed with revenues from the EU Emissions Trading Scheme (ETS) on buildings and transport.

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<sup>7</sup> <https://www.rescoop.eu/toolbox/its-better-when-were-together-briefing-for-municipalities-and-social-housing-providers-on-community-heating-and-cooling>

## Analysis

The inclusion of financing mechanisms and wording on their wide availability is an indication that the EU recognises that to meet the ambitious targets, we need to scale up energy efficiency measures fast.

REScoop.eu has analysed the Recovery and Resilience Plans, Cohesion and Regional Development operational programmes, and the Modernisation Funds of the EU-27, and found that many mention support for energy communities.<sup>8</sup> In certain cases, including Spain and Portugal, energy communities are explicitly linked with home renovations and broader energy efficiency measures. However, in most cases public funding support is provided exclusively in the form of grants to support the start-up costs (from feasibility studies to installations) of production and self-consumption projects. While this is a welcome step to increasing citizen participation in the energy transition, we observe a lack of funding instruments, and associated open calls, for energy communities to engage in energy efficiency measures.

## Recommendations for national action

- Member States need to provide financial, up-front support for low-income households and at-risk communities that want to join a citizen-led energy efficiency project, such as citizen-led renovations (CLR) or community-led heating and cooling (CH&C). The investment could be paid back through energy savings, on-tax, or on-bill schemes, or upon changing the name of the property.
- Member States could create rules so that rent may not increase above citizens' savings on the energy bill, in order to avoid renovations.
- Member States should use EU, national, and regional funds to support the development of citizen-led energy efficiency projects by energy communities, such as CLR and CH&C.<sup>9</sup>
- Member States need to unlock private financing for energy communities by providing them with investment guarantees. This will make it easier for citizen-led projects to access financing from lenders.
- We encourage Member States to design tenders to provide grant support to energy communities who could utilize this as bridge funding to assist in energy efficiency measures such as Community-owned Heating and Cooling (CH&C) or citizen-led renovation projects for their members.<sup>10</sup> Similarly, green and low interest loans should be developed by Member States and lending institutions, specifically targeting energy communities who could then create an economy of scale to procure the necessary home renovation services, such as bulk buying of energy efficient equipment, at a lower price for their members.

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<sup>8</sup> <https://www.rescoop.eu/financing-tracker>

<sup>9</sup> The Regulation on the Regional Development and Cohesion Funds explicitly recognises energy communities under Policy Priority Objective 2: "Greener Europe" (RCOg7), PO5 "Europe Closer to its Citizens", PO1 "competitive/smarter Europe", and PO4 "more social/inclusive Europe".

<sup>10</sup> <https://www.fi-compass.eu/library/market-analysis/implementing-energy-efficiency-projects-energy-performance-contracting>