

# ESD implementation in Estonia

**Economic crisis in Estonia has resulted in decreased energy demand and higher attention to energy efficiency policy that is often seen as one possibility for promotion of economic recovery. While budgetary revenues have decreased the government has adopted several instruments to enlarge investments to energy efficiency, especially in buildings. Also, measures to strengthen institutional capacity in the sustainable energy field are taken.**

## Legal context

There are a number of legal acts in Estonia that include elements for promotion of energy efficiency. Energy market legislation (District Heating Act, Electricity Market Act, Liquid Fuel Act, Natural Gas Act) include requirements for energy undertakings, the Building Act and the Energy Efficiency of Equipment Act sets the framework for requirements for buildings and appliances. Green procurements (incl procurement of energy efficient appliances and buildings) are promoted through Public Procurement Act. Energy statistics and data collection from the energy undertakings is organised by Statistics Estonia according to the Official Statistics Act and its subordinate regulations.

Indirect impact on energy efficiency through pricing of energy is determined by excise duties and environmental charges. These duties and charges are determined in:

- 1) Alcohol, Tobacco, Fuel and Electricity Excise Duty Act;
- 2) Environmental Charges Act.

Legislation is complemented by national programmes adopted by the government; besides the National Energy Efficiency Action Plan there are Governmental programmes for the development of energy technologies<sup>1</sup> and green procurements<sup>2</sup>. Energy efficiency projects are supported from environmental programme (financed from environmental charges), national budget (a part of energy excises are allocated to financing of energy efficiency

<sup>1</sup> *National Programme on Energy Technologies*, adopted in 2007

<sup>2</sup> *Estonian Priorities for Environmental and Sustainable Public Procurements for 2007-09*, adopted in 2007

activities), structural funds (primarily financed from European Regional Development Fund) and other budgetary revenues.

As the Government values simplification of legislation, new acts will be introduced only if the existing legal acts cannot be used for transposition of new directives. Therefore, the ESD requirements are transposed to national legal acts through revision of existing acts.

## **Status of the implementation**

Estonia has introduced all main requirements of the ESD in its legislation and continues the process to improve legislation focussed on energy efficiency improvements and energy conservation. Overview of adopted measures to fulfil the requirements set in main articles of the ESD is given below.

### **Article 4: General Target**

The Parliament has in the Government of the Republic Act designated Ministry of Economic Affairs and Communications as an authority responsible for the development and implementation of energy policy, including energy efficiency policy. In 2009, the Ministry of Economic Affairs and Communications reformed one of its subordinate agencies (Credit and Export Guarantee Fund KredEx) and established there a new unit of Climate and Energy. The unit will support the activities of the ministry in analysis, shaping and implementation of the energy policy, with particular focus on renewable energy and energy efficiency issues.

### **Article 5: Energy end-use efficiency in the public sector**

In its activities to increase energy end-use efficiency in the public sector, Estonia has concentrated on development of practices of green procurement and auditing of buildings. A step-by-step approach to the promotion of green procurement and purchase of energy efficient equipment or vehicles is applied. General description of green procurement and tenderer's rights are included in the Public Procurement Act. The Government has also approved a policy for the promotion of green procurement "Estonian Priorities for Environmental and Sustainable Public Procurements for 2007-09".

Furthermore, as of January 2010, new State Assets Act entered into force. The act includes requirements for buildings used by governmental institutions. There will be requirements on expenditure norms and requirements for monitoring of expenditures of public buildings. The administrator of state assets should also carry out auditing of its buildings every five years and there will be annual reporting of energy consumption data.

### **Article 6: Energy distributors, distribution system operators and retail energy sales companies**

Data collection on energy sector in Estonia is carried out by the Statistics Estonia. All the statistical data produced by the Statistics Estonia are published in its website and if necessary, Statistics Estonia can also deliver customised statistical data.

The supervision of the energy market is carried out by Estonian Competition Authority. The Competition Authority should ensure that energy distributors, distribution system operators and/or retail energy sales companies refrain from activities that might impede the demand or delivery of energy efficiency services or measures.

The ESD describes a number of ways the Member States may put requirements on energy distributors, distribution system operators and retail energy sales companies. Given the national circumstances, Estonia utilises existing legal framework for energy excises and pollution charges to ensure contributions by energy

distributors to funds and funding mechanisms targeted to financing of energy efficiency measures (option described in Article 6.2.a.(iii) of the ESD). Levels of the energy and fuel excises are exceeding minimum levels set in Council Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity, current levels of the excises are published in the homepage of the Ministry of Finance <http://www.fin.ee/doc.php?100991>.

Estonia has also some practice with application of the voluntary agreements (option described in Article 6.2.b). The voluntary agreements (VAs) have been concluded between the Ministry of Environment, as one party (partner), and an industrial enterprise, as the other party. In some cases, instead of an enterprise some associations of enterprises in a branch have concluded VAs. The Ministry of Environment has also a mandate to substitute obligation to pay environmental charges by an obligation to finance environmental protection measures or activities, the criteria for the activities are set in the Pollution Charges Act.

#### **Article 8: Availability of qualification, accreditation and certification schemes**

Estonia has established system for qualification of energy auditors. The energy auditors should pass specialised courses; the pre-requisite to attend the courses is to have Masters Degree or compliant degree in engineering (civil, electricity or thermal engineering) or architecture. An energy auditor having the degree can be a responsible person in providing energy auditing service; according to the Building Act these companies need responsible person and registration in state register (Register of Economic Activities). As of May 2010, there are nearly 100 registered companies having the right to provide energy audits.

#### **Article 11: Funds and funding mechanisms**

Estonia has developed a number of measures financed from public funds and having objective to increase energy efficiency. These public funds receive their income from energy excises, pollution charges, EU structural funds and bilateral aid schemes<sup>3</sup>. Sales of AAUs<sup>4</sup> have been very successful in international carbon markets and majority of the revenues from AAU sales are allocated to funding of energy efficiency measures. The most notable energy efficiency measures benefitting from public funds are:

- grants for energy efficient renovation of residential buildings (multi-apartment buildings);
- renovation programme of public buildings owned by central government and municipalities;
- grants for upgrading public transport fleet (trains, trams);
- support to provision of energy audits, the development of building design documentation for a full renovation and building supervision in multi-apartment buildings;
- grants for the reconstruction of district heating infrastructure (boilerhouses and networks).

In 2010, a support scheme was launched for construction of new public low-energy buildings or renovation of existing buildings with aim to meet low-energy building standards after the renovation.

In some areas, particularly in renovation of buildings, application of energy efficiency measures is hindered by lack of workforce (builders, engineers) in 2011 and particularly in 2012.

<sup>3</sup> European Economic Area, Norwegian and Swiss financial mechanisms

<sup>4</sup> Assigned Amount Unit, the unit of carbon trade under Emissions Trading scheme under Kyoto Protocol of UNFCCC

## Article 13: Metering and informative billing of energy consumption

A big share of energy is sold to final customers through networks. While electricity has been measured on individual customer level for decades and domestic hot water measurement is also a general practice, district heating and natural gas are measured on a consumer group or building level. Although installation of heat allocators on radiators is becoming widespread during the renovation of common heating system existing multi-apartment buildings, existing building regulation "Minimum energy performance requirements" was revised to ensure installation of individual meters in new buildings or after major renovation.

In electricity sector, a large number of consumers have energy meters with distant reading feature, but there are plans to use smart metering technologies in near future.

## Additional efforts

Besides the measures described in the National Energy Efficiency Action Plan there are some measures which are not described in the ESD or in any other national policy document, but that have effect from energy consumption aspect and are delivering energy savings, eg.

- tax relief to interest paid for home renovation loans. This instrument is targeted to private persons. When private persons renovate their homes and take a loan from the bank, the interests paid to the bank may be deducted from income declared in their income tax declaration. The instrument has helped to renew existing individual houses and it has also supported construction of new apartment buildings;
- tax relief for reinvested profit in businesses. All businesses may deduct reinvested profit from their income in their income tax declaration. Businesses reinvest their profit to new equipment, that is often more energy efficient than the old one.

## Future planning

In 2011, the Ministry of Economic Affairs and Communications has focused on following activities in sustainable energy field:

- application and promotion of energy efficiency measures targeted to buildings;
- development of the criteria for low-energy buildings and nearly zero energy buildings;
- transposition of the buildings directive 2010/31/EC into national laws.

Estonia is currently preparing the 2<sup>nd</sup> National Energy Efficiency Action Plan.

## Relevant information

More information regarding the situation in Estonia can be found at the following websites:

National Energy Efficiency Action Plan: [http://ec.europa.eu/energy/efficiency/end-use\\_en.htm](http://ec.europa.eu/energy/efficiency/end-use_en.htm)

Ministry of Economic Affairs and Communications: <http://www.mkm.ee>