



Executive summary of the public audit report

ACHIEVEMENT OF ENERGY EFFICIENCY TARGETS

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SUMMARY

Importance of the Audit

Energy use reduction becoming a priority, the EU leaders have set a target in 2007 to reduce the EU used energy amount at 20 percent by 2020. Energy efficiency increase measures are increasingly considered not only as ensuring sustainable energy supply and its safety, reducing greenhouse gas emissions and import expenses but also encouraging the EU competitiveness.

Energy use per unit of GDP in Lithuania is 1.88 times greater than the EU average. By preliminary evaluations, without taking any additional measures for energy efficiency increase and remaining at similar growth rates (around 2 percent annually) final energy needs in Lithuania would increase approximately by 13 percent - from 54.9 terawatt hours (further – TWH) in 2012 up to 60–62 TWH in 2020.

Lithuania, in order to comply with the EU requirements has set a goal to save 11.67¹ final energy within 2014–2020 period. The Ministry of Energy has envisaged the policy measures to increase the energy efficiency to achieve the desired savings. However, at a mid-term of the implementation period only 3.9 TWH i.e. 33.7 percent were saved using 0.5 billion Eur for it.

In order to save 100 percent of the required energy amount and to fulfil the commitments to the EU, Lithuania should properly plan and timely implement energy efficiency increase measures that would allow not only to reduce energy usage but also avoid the EU sanctions of not fulfilling the commitments.

Audit goal and scope

During the audit, we aimed to evaluate whether the planned measures and the process of their implementation ensure that the energy efficiency increase target was achieved – saving 11.67 TWH of the final energy by 2020.

The main audit questions:

- Are the necessary legal acts being adopted, the planned measures goals and their implementation terms being agreed in order to achieve the national energy efficiency targets;
- Whether the chosen energy saving measures will ensure the achievement of the energy efficiency increase targets.

The Ministry of Energy was chosen as the audited entity because it forms the government policy in the area of the energy efficiency increase and ensures the implementation of this policy. Additionally, the information was gathered from the Ministry of Economy, Ministry of Environment and the Ministry of Finance as well as from the Energy agency and Housing Energy Saving Agency.

The time period audited – 2014–2017 years. To evaluate changes and compare the data, 2007–2013 data was used in some cases.

¹ 11.67 TWH savings in the period between 2014–2020 are calculated by using sum total calculation method, i.e. by summing up each year savings.

The audit was performed based on the Public Auditing Requirements and International Standards of Supreme Audit Institutions. The scope of the audit and applied approach are described more explicitly in the Annex 2 "The scope and approach of the audit".

Main audit results

During the audit, we considered that the saving target of 11.67 TWH of the final energy by 2020 will be achieved if the implementation of the measures chosen based on the calculations of the Ministry of Energy will be ensured while generating the planned savings.

When evaluating the process of target achievement, it was established that at a mid-term of the energy efficiency increase measures implementation period only 3.9 TWH i.e. 33.7 percent were saved. Based on auditors' calculations, if the Government does not take any additional actions, the saving target of 11.67 TWH of the final energy by 2020 will not be achieved.

1. Delay in adoption of the related legal acts and uncoordinated implementation of the measures decrease the possibility of achieving the energy planned savings

As a result of delay in agreement the provisions of the law on energy efficiency increase, the law was adopted with a delay of two years and only after the European Commission had launched an infringement procedure against Lithuania. The implementation of the measures defined in the law that had to generate significant energy savings which should amount to 48 percent of all planned savings was 4 years after, i.e. more than a half of the time period envisaged in the Directive, therefore, the duration of the measure implementation has decreased and, thus, the planned savings of about 28 percent will not be achieved.

When preparing the action plan for energy efficiency increase and its measures the Ministry of Energy did not agree their goals and implementation terms with other responsible ministries – the Ministry of Environment and the Ministry of Economy. Without coordinating the goals of the measures and their implementation terms among the Ministries, the saving goals set for the measures will not be achieved, because their implementation terms differ as well as they are not focussed on the goal of the energy saving that the Ministry of Energy is aiming for.

2. Four (out of seven) energy saving measures do not generate the planned savings

Seven energy saving measures were included in the Energy efficiency increase action plan that is implemented by the Ministries of Energy, Environment, and Economy. Specific measures generating the amount of the energy saving are calculated by the Ministry of Energy.

The implementation of the measure *Energy usage audits in the industrial companies* had to generate 1 TWH energy savings, however 0 TWH was saved by 31 December 2017. The Ministry of Energy has included the measure implemented by the Ministry of Economy into the Action plan which is not primarily focussed on specific energy savings that the Ministry of Energy is aiming for, rather into actions that indirectly contribute to the energy efficiency increase that have to be implemented by 2023². Without coordination of the goals with the responsible Ministries, the

² The Ministry of Economy measure goals: energy use intensity in industry will decrease from 192.59 to 152.9 (kg of oil equivalent per 1000 EUR); 35 percent of energy efficiency increase measures will be introduced in industry; 57 enterprises will get subsidies to introduce energy efficiency increase measures; private investments into energy efficiency increase measures in industry will increase up to 0.6 million EUR.

Ministry of Energy will not be able to use the measure outcomes when calculating the achieved savings.

The implementation of the measure *Taxes and excises for petrol* had to generate 2.7 TWH of the energy savings, however 1.45 TWH savings were declared by 31 December 2016. By applying the experience of other countries, the Ministry of Energy planned that the measures should encourage consumers to reduce petrol usage that contributes to the final energy saving. However, during 2014–2016 an increase of petrol usage and CO₂ emissions was observed, therefore, there are doubts concerning the impact of this measure, i.e. decrease of final energy use achieved due top savings do not compensate petrol usage growth.

Apartment Blocks renovation programme, that had to generate 2.67 TWH of the energy savings, has saved 2.1 TWH by 31 December 2016, i.e. most out of all energy saving measures, however, in order to reduce the difference between the actual use and the calculated use, it is necessary to take measures that would change the behaviour of consumers.

513 million EUR were already invested for the implementation of this programme in 2014–2017. In the *Apartment blocks renovation programme* 87.8 million Eur was left by 31 December 2017, thus, it is likely that there will not be enough funding when implementing the goal laid out in the Government's programme to renovate 500 apartment blocks every year as based on the number of received applications the demand for funding is 150 million EUR every year.

When implementing the measure *Public buildings' renovation programme*, that has to renovate every year at least 3 percent of the total floor area of state-owned public buildings and to generate 0.4 TWH of energy savings, not a single building was renovated by 31 December 2017. By 19 May 2018 there was no obligation to state-owned buildings managers to update the appropriate floor area, besides without giving subsidies for the long renovation time period payback, the managers of public buildings had no interest in the renovations.

The measures *Agreements about educating and consulting consumers* and *Agreements with energy companies about energy savings*, that had to generate 2.44 TWH and 3 TWH of energy savings respectively, reported no savings by 31 December 2017. Delay in adoption of the necessary legal acts resulted in delay to sign the agreements with the companies and start implementing them, therefore, the implementation time period for the measures have shortened and not all planned savings will be achieved.

Recommendations

For the Ministry of Energy alongside with the Ministry of Finance

In order to achieve the planned targets, set in the Energy Efficiency Directive in time, it is recommended that:

1. Additional measures were envisaged and created conditions for their implementation (the first main result of the audit);
2. When granting the funding to the maintenance and renewal of public sector buildings to foresee energy saving indicators increasing energy efficiency (the second main result of the audit).

The measures and terms for fulfilling the recommendations are given in the report's part "Plan for implementation of recommendations".