



# The Netherlands

## Long-Term Agreements on Energy Efficiency for non-ETS sectors



**Responsible authority: Ministry of Economic Affairs and Climate Policy**

**Managing authority: Netherlands Enterprise Agency**

### General information

The third generation of Long-Term Agreements on Energy Efficiency (LTAs) aim at improving energy efficiency and promote renewable energy use in large and medium-sized companies in the industry (non-ETS sectors), agriculture and service sectors.

Since 1992 LTAs are an important policy instrument in the Dutch energy policy. The third generation of LTAs entered into force in 2008 and will last until 2020.

The unit used to count the savings is primary energy savings per year (non-cumulative) but is reported cumulative compared to the reference year 2005, also distinguishing between process efficiency and chain efficiency improvements.

The target is to improve energy efficiency by 30% in the period 2005-2020 (20% from process efficiency and 10% from chain efficiency). The latest results from 2017 show that total efficiency improvements are 25.6% (22.7% from process efficiency and 2.9% from chain efficiency).

### Sectoral coverage

Around 1000 companies from 33 different sectors participate in the LTA3. Sectors include industry, service sector, agriculture, and transport. The energy use of these sectors amounted to 255 PJ in 2017, with the LTAs covering usually 70-80% of their sectoral energy use.

### Organization and MRV

The governmental authority responsible for the LTA policy is the Ministry of Economic Affairs and Climate Policy, with the Netherlands Enterprise Agency being implementing body. Sectoral organisations are responsible for drawing up sector-wide long term energy efficiency plans. Municipalities and Provinces are the Competent authorities, responsible for enforcing the Environmental Management Act.

Companies joining the LTAs are committed to draw up energy efficiency plans every four years, implement cost-effective energy saving measures, introduce an energy management system, and provide monitoring data on an annual basis. Since 1 July 2019, most LTA companies must also submit energy efficiency audit reports (ultimately before 31 December 2020); this is a rule in the framework of the EED (article 8) from which there were previously exempted. Companies joining and complying with the LTA are both largely exempted from the generic energy tax and granted compliance with energy-related provisions of the Environmental Management Act.

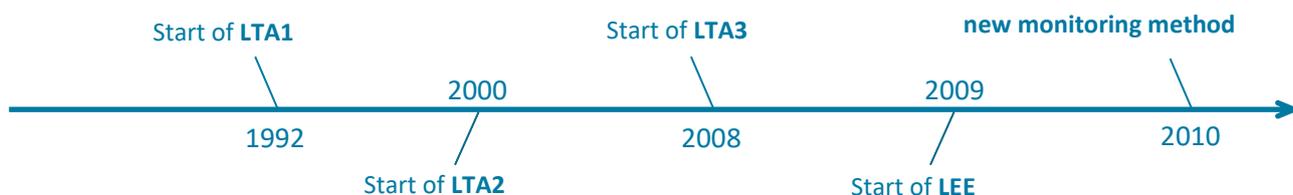
In 2010, a new monitoring methodology for reporting gross energy saving was introduced. Since then, companies have to report their energy efficiency improvements in their process or chain on the basis of bottom-up energy savings per energy efficiency project (for more details, see e.g., [EPATEE, 2018](#)). Other influential factors, like climate, production scale, or changed product specifications do not count towards energy efficiency improvements anymore.

### Costs and benefits

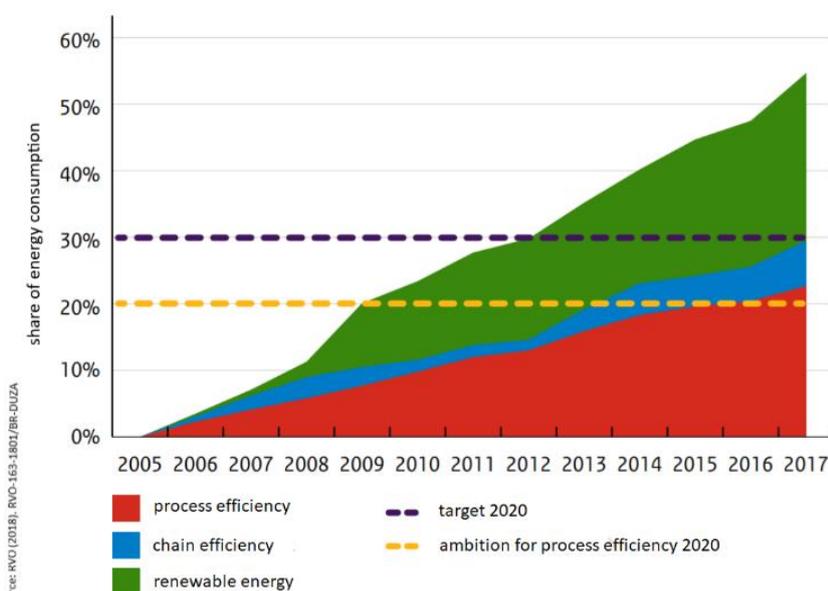
The average total annual costs for implementing the LTA3 and LEE covenants in the Netherlands was about 23.8 million euros in the period 2008 – 2012. These figures include an average of 15.3 million euros' government spending (Ministries and RVO) on human and supporting resources, which was primarily financed by the Ministry of Economic Affairs. Firms and industrial branches spent around 8.5 million euros on administrative and compliance (excluding any capital investments). The costs-effectiveness is estimated at 0.78 euro / PJ saved when using above mentioned costs, a 1% additional energy savings lasting 15 years and an average energy use 204 PJ in the period 2008-2011 ([Ecorys, 2013](#)). The governmental budgets allocated after 2012 to the LTAs have been significantly lower.



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The timeline shows the evolution of the various LTA schemes in the Netherlands. The first generation of LTAs started in 1992. These LTAs primarily focussed on energy saving via improving process efficiency. In 2000, the less energy intensive industries agreed upon renewal of the second generation LTA, focussing on both energy savings via process efficiency, chain efficiency, and on renewable energy. The energy-intensive sectors concluded the Benchmarking agreement on energy efficiency. The LTA3, signed in 2008, marked a further continuation, broadening and intensification of the agreements on energy efficiency. In 2009 the LEE covenant (Long-term agreement on energy efficiency in ETS companies) followed up the Benchmarking agreement. An important marker was the introduction of a new monitoring methodology for the LTAs in 2010. **The LTAs will not be renewed after 2020.**



This figure shows that the ambition level for process efficiency (20% in 2005-2020) has already been achieved in the year 2017. The target for process and chain efficiency (30% in 2005-2020) has not been achieved yet.

## Overview of the policy mix reported by The Netherlands for article 7

### Transversal / cross-cutting

Fiscal incentive: **Energy Investment Allowance (EIA)**. EIA is a fiscal measure that offers an additional allowance on taxable profit for entrepreneurs. EIA applications can be made for the purchase of designated energy efficient equipment.

### Residential

Policy package of measures targeting residential sector

### Services

**Voluntary agreements:** Long-term agreements with service sectors (**LTA3**)

**Policy package** of measures targeting service sector

### Industry

**Voluntary agreements:** Long-term agreements with industry (**LTA3**)

**Voluntary agreements:** Long-term agreements with industry under EU-ETS (**LEE**)

There is a variety of alternative measure in the Dutch policy mix for article 7. Voluntary agreements are a frequently used policy instrument. The policy package of measures targeting the residential sector yields the largest amounts of energy savings compared to the other policy instruments / packages.

# Interview with Harry Vreuls

Expert in monitoring and reporting energy efficiency and climate change  
Netherlands Enterprise Agency (RVO)

## **1) What have been the main changes and lessons learnt since 2017?**

Although the LTAs on energy efficiency have gradually evolved since their first introduction in 1992, the key elements of the LTAs are still in place: sectoral energy efficiency targets, company energy efficiency plans, and proper monitoring and verification in combination with a set of supporting policy measures. The last change to the scheme (2013) was the introduction of the annual progress statement in order to be eligible for an energy tax refund. Participating companies will only receive this annual progress statement from the Netherlands Enterprise Agency if the planned energy-saving measures have been sufficiently implemented.

## **2) And more specifically about monitoring, verification and controls?**

Companies participating in the LTA scheme must monitor energy efficiency based on primary energy data, as opposed to the Energy Efficiency Directive, which requires the reporting of energy savings based on final energy consumption figures. This means that the existing monitoring data & information requires further processing for the correct reporting for the EED. Another topic is double counting: how can energy savings be properly attributed to different interacting policy instruments (for example, Long-Term Agreements and Energy Investment Allowance)? As a solution, the gross energy savings of each policy instrument are still reported, while the total amount of double-counted energy savings is communicated separately. The last topic is the development of baseline scenarios. Baseline scenarios are new in the EED, but have never been an issue in the existing monitoring and verification programmes. So, we are now working on developing such scenarios for the various policy instruments and underlying measures.

## **3) What are the main interactions with other policies?**

The LTAs are a policy package of several interacting policies, consisting of the energy covenant itself, and the supporting measures such as the energy efficiency planning & monitoring / verification, the Energy Investment Allowance, tax relief schemes for environmentally friendly investments and the Environmental Management Act. The co-existence of separate climate policies is getting more and more important.

## **4) Are there challenges or changes foreseen for the coming years? (especially after 2020)**

Since a couple of years climate policies aiming at the reduction of greenhouse gas emission are emerging in the Netherlands (Nationaal Klimaatakkoord). Energy efficiency policies will therefore play a less prominent role in the future, which is already evident from the discontinuation of the LTA scheme after 2020. The future availability of energy saving data needed for the EED reporting (currently available via LTA monitoring and reporting) is therefore depending on the inclusion of energy savings data in the monitoring of climate change policies. The major challenge is therefore to keep energy efficiency monitoring on the agenda, particularly as new alternative measures will be included.

## **5) If you could go back in time, what would you do differently?**

Involving the people responsible for the monitoring of the separate alternative measures (e.g. LTA) in the broader EED reporting process proved very challenging. Creating a solid support base for EED monitoring is something we would have given more attention to.