



ENERGY SAVING CERTIFICATES:

A system in need of reform because it is complex and costly,
with uncertain results

Communication to the French national Assembly's committee on
finance, the general economy and budgetary control

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Summary report

Reducing greenhouse gas emissions and achieving carbon neutrality is the central challenge of France's energy and climate policy between now and 2050. Nevertheless, controlling energy consumption is important both to support this objective and to contribute to balancing energy supply and demand, particularly for electricity.

As part of the "Fit for 55" package presented by the European Commission, in 2023 France proposed to step up its efforts to reduce its final energy consumption by 30 % by 2030 compared with 2012, i.e. a reduction of around 400 TWh compared to the current situation, thereby meeting the objectives of the EU Energy Efficiency Directive (EED), revised in 2023. The Energy Saving Certificates (EEC) scheme is the main tool in this energy efficiency policy, which aims to reduce energy consumption.

Created by the programme law of 13 July 2005 setting out energy policy guidelines, this system is governed by Article 8 of EU directive 2023/1791 on energy efficiency¹ and by Articles L. 221-1 et seq. of the French Energy Code. Through a market-based mechanism, energy suppliers and motor fuel sellers - the "obligated parties" - are obliged to support energy-saving initiatives, in order to achieve an overall multi-year target that is shared between them according to their sales volume to private individuals and tertiary sector businesses.

The energy efficiency projects financed may be carried out by the energy suppliers themselves or by the end consumers, and may concern all the energy-consuming sectors of activity: residential housing, tertiary buildings, transport, agriculture, industry and networks.

Energy saving certificates use a specific unit of account to value not the cost of an operation but the final energy saving that it is intended to achieve. This decentralised market mechanism aims to prioritise the most efficient operations at the lowest cost.

A simplified presentation of how the ESC scheme works

Each energy supplier (electricity, gas, heating oil, heating and cooling) and motor fuel retailer is given a multi-year "period" in which to meet an energy savings target, on pain of a financial penalty. The obligated parties are free to choose the means they use to meet their energy savings obligation:

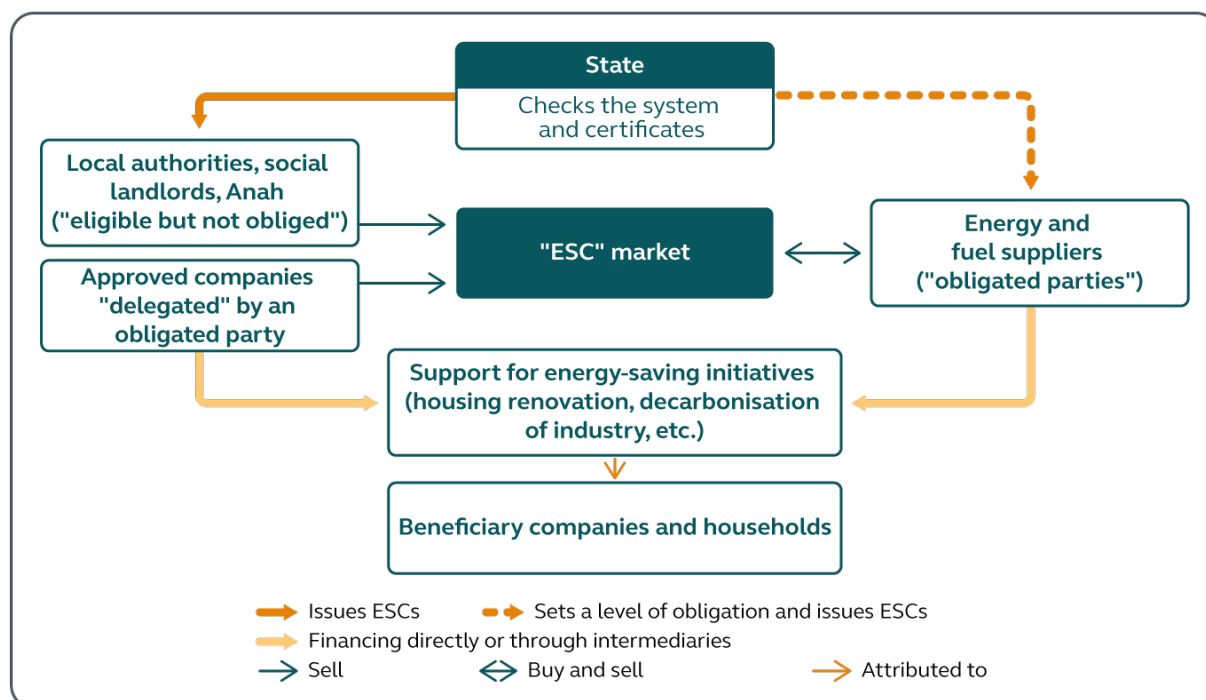
- carry out energy-saving operations themselves or by encouraging consumers to do so (individuals, businesses, public authorities), whether or not they are their customers, through special support or financial aid. Savings are valued either on a flat-rate basis using "standardised operation sheets" for the most common actions (e.g. installing a heat pump), or on a case-by-case basis for "specific operations" that have no equivalent (very common in industry, for example);
- finance programmes to reduce energy consumption (user information, training for professionals, etc.);
- buy certificates directly on an over-the-counter "secondary market", since certificates are negotiable movable assets that can be traded.

¹ Directive (EU) 2023/1791 of 13 September 2023, which replaces Directive 2012/27 of 25 October 2012.

Obligated parties may subcontract the implementation of energy-saving actions to an agent, or even entrust all or part of their obligation to a "delegatee".

The certificates are issued by the National Energy Saving Certificate Centre, a national service under the aegis of the General Directorate for Energy and Climate (DGEC), and recorded in a national register, "Emmy", which is currently kept by the company EEX under a public service delegation agreement. Local authorities and their groupings, the National Housing Agency (Anah), social landlords and certain semi-public companies that are considered "eligible" can also obtain certificates for operations carried out on their property in order to sell them to partially finance these operations.

Simplified diagram of how the ESC scheme works



Source: Court of Accounts

An atypical scheme for which the French government attributes savings equivalent to 6.5 % of 2020 energy consumption

This mechanism can be used to finance energy-saving measures taken by households, businesses or institutions, such as insulating the roofs or walls of homes, acquiring automated building management systems or recovering the heat produced by industrial facilities.

As the Court pointed out in 2013 in an initial investigation into the ESC scheme², carried out at the request of the Prime Minister, ESCs are thus *"mixed tools that combine a regulatory obligation with a target set by the public authorities [and] market forces to fulfil the obligation, leaving obligated parties to choose the form of their actions"*.

Thanks to this mechanism, more than one million energy-saving projects have been financed each year since 2021, demonstrating the ability of this special scheme to support initiatives, often of a modest size, in the small-scale sectors, and to cover the "last kilometre" to households and businesses. This is particularly noticeable in the energy renovation of buildings sector, which attracts three quarters of the funding, while the transport sector receives little support. In total, the energy-saving operations supported between 2014 and

² Cour des Comptes, *Energy Saving Certificates, Communication to the Prime minister*, October 2013.

2020 are estimated to have reduced France's final energy consumption by 106 TWh in 2020, equivalent to 6.5 % of final consumption in that year, and the operations undertaken are estimated to have saved an additional 20 TWh per year since that date, according to the Directorate-General for Energy and Climate.

A tool that has been radically transformed since its creation, with obligations increasing 3.5-fold since 2015

The level of obligation imposed on companies subject to the scheme is determined by the volume of energy they sell. As not all sectors of activity and not all companies are subject to the ESC obligation: only 62 % of final energy consumption is covered.

The level of obligation has grown considerably, increasing more than 3.5-fold since 2015. The Government is considering doubling the current obligation for the next period, from 2026 to 2030, in order to achieve the energy savings targets set for 2030.

In addition to the initial market logic, based on supporting the most profitable energy savings at the lowest cost, many other objectives have been added. An additional obligation has been created to give priority support to households in precarious situations (*ESC précarité*), "programmes" have been introduced to promote innovation, support and training, and "bonuses" have been allocated to certain operations such as changing boilers or loft insulation, in order to specifically target their implementation.

As a result of the many changes that have been made, the ESC scheme is now based on differentiated and particularly complex provisions and mechanisms, whether in terms of the scope of the energies and suppliers concerned, the precise determination of the level of the obligation for each obligated party, the procedures for counting and valuing energy savings or the procedures for checking applications.

An unstable system, costly for households and whose real impact remains unknown

However, the findings of the Court's work are all the more severe given that many of the shortcomings identified were established years ago, in particular in the Ademe assessments of 2019 and the general inspections of 2020, and they have not always been the subject of appropriate remedial measures.

Chronic instability: more than 280 regulatory texts adopted since 2018

The ESC market mechanism requires transparency and stability of rules over time. Its impact depends on the existence and activity of a network of renovation companies with trained staff, intermediaries, contractors, auditors and inspection offices. Any change in the organisation or the acquisition of new skills requires time to adapt. Some of the certificates are also traded on a market. Trust is therefore essential.

However, the scheme is subject to chronic instability, as evidenced by the hundreds of regulatory texts adopted between 2018 and 2023 and the various erratic developments, such as hesitations over support for replacing gas boilers, which was first promoted and then repealed. This instability has made it more difficult to structure the energy renovation of buildings and energy services for businesses over the long term. It has also limited the development of an organised secondary market, which would bring greater fluidity and transparency.

It has also made it easier for opportunistic players to seek immediate profits, to the detriment of those who focus on quality. The major anomalies revealed by the inspection of applications submitted for the exceptional support provided for comprehensive renovation

projects from 2021 onwards (overestimation of surface areas or savings achieved) provide yet another recent example of this problem.

The "programmes" that finance training, information and support initiatives do not directly generate energy savings: their financial importance³ therefore calls into question the principles of the scheme. Many of the actions supported under this heading should in fact have been financed by traditional budgetary appropriations, such as support for energy renovation for the "MAR" programme's National Housing Agency subsidies, the financing of bicycle parking spaces under the "ALVEOLE +" programme, or the financing of the establishment of new electric vehicle charging points under the "ADVENIR" programme.

A cost of €6 billion per year, borne by each household to the tune of €164

At first glance, the ESC mechanism seems to oblige energy suppliers to finance energy savings. In practice, however, they pass on all the costs involved in obtaining the certificates (financial aid paid to encourage households and businesses to take action, management costs, etc.) in the energy sale prices. As a result, the cost of ESCs is ultimately borne by households and businesses in the tertiary sector. The uninterrupted increase in energy savings targets has resulted in a rise in the cost of the scheme, which now represents an average cost of around €6 billion per year for the years 2022 and 2023, with each MWh of ESC produced now costing around €7.4.

According to the Court's estimates, by 2023, each household will have financed the scheme to the tune of €164 when paying for its energy bills and fuel. However, no overall consideration has been given to how this measure, which has inflationary effects, fits in with the measures taken to limit the effects of rising energy prices.

Although it is not legally classified as such, in economic terms the ESC mechanism is equivalent to a tax on energy consumption. It organises large-scale transfers to industry and the renovation of the housing stock, as well as to low-income households, in line with its stated objective. However, only 70 % of the sums are paid back to the beneficiaries, since part of the contributions is deducted by the State as VAT, earmarked for programmes benefiting third-party associations and operators, or collected by the scheme's intermediaries as management fees and margins.

Energy savings overestimated by at least 30 %

Firstly, the volume of certificates issued, inflated by the "programmes" and subsidies granted to certain operations to the point of representing 40 % in 2022 and 2023, does not correspond to the energy savings supposedly achieved by the scheme.

Furthermore, the reality of the energy savings, as declared to the European Commission, is not objectively assessed. The results displayed are based on theoretical calculations that are never verified by measuring actual energy consumption once the project has been completed. However, comparing these results with other calculation methods used by Ademe, the Energy Renovation Observatory and various consultancies shows that energy savings are significantly overestimated, by at least 30 % according to the Court's estimation for 2022 and 2023. In addition, the rebound effect, i.e. the increase in consumption after the work has been carried out, linked to possible changes in household behaviour, is not taken into account. However, a number of recent academic studies show that the benefits of energy renovation work and the installation of energy-efficient equipment are wiped out in a few years if households are not given long-term support. In the absence of any actual measurement of energy consumption after the energy-saving measures have been implemented, it is not possible to determine the actual level, which nevertheless appears to be significantly lower than that announced in the public authorities' reports.

³ They accounted for more than 8 % of the certificates issued during the fourth period, and the multiannual programmes in force at 1 January 2024 amount to €1.9 billion.

The incentive effect of the scheme itself is difficult to assess, as ESCs are often combined with other forms of support. According to the Ademe assessment carried out in 2019, a windfall effect of around 20 % should be taken into account. Applying this ratio, the Court estimates that the energy savings attributable to ESCs would represent at best only one third of the certificates issued.

Lastly, although it is not possible to determine the amount involved, significant fraud is known to have occurred in certain transactions benefiting individuals or certain professionals. A third of operations audited on site at the request of the authorities still reveal anomalies. Generous temporary bonuses clearly encourage opportunistic behaviour and fraud. Penalties are modest and delayed, and the control systems appear to be ill-adapted.

Generally speaking, measures have been taken in recent years to provide a better framework for the scheme and combat certain abuses. As a result, real efforts have been made to improve transparency and communication, the proportion of "programmes" and subsidies has, in theory, been limited, the precariousness obligation has been refocused on the most modest households, and the conventional calculations of energy savings have very recently been revised for the most common operations. In addition, the number of checks has been increased and the resources of the administration in charge of the scheme, which were too weak given its financial importance, have been strengthened. But these measures were insufficient and failed to remedy the shortcomings observed.

The fact that the levies to which ESCs give rise are not classified as taxes of any kind and that, conversely, the repayments they generate are neither accounted for in the State budget nor considered as public expenditure, has encouraged the uninterrupted growth of this system. The deduction made from the bills of households and certain businesses is neither clearly identified by them nor associated with ESCs. The financial incentives paid out are freely allocated to certain priorities by simple regulatory decision, far from the initiative that should be left to the players in this "market" and in the absence of any parliamentary control or precise evaluation of their real effects.

A system that cannot be sustained without far-reaching reform

In view of the shortcomings and anomalies identified by the Court, consideration could be given to abolishing the ESC scheme. However, should the legislator wish to maintain it, far-reaching structural reforms are needed to make an effective contribution to the energy policy objective of reducing energy consumption. To this end, the Court makes seven recommendations.

Stability and transparency of governance must be ensured. To this end, Parliament could be involved in determining the guidelines for the scheme, the main parameters of which would be set out in the multi-annual energy plan, so as to give those involved in the scheme visibility over several years. To achieve this, it must be made compulsory to carry out preliminary studies to assess the technical and economic feasibility of energy-saving measures, and these studies must be systematically shared with all stakeholders. Only then will it be possible to set achievable targets at a reasonable cost to households and businesses.

Above all, the scheme must be fully dedicated to achieving direct energy savings, the actual results of which must be published in order to better assess the scheme's effectiveness. We therefore need to put an end to the practice of subsidies and mobilise the necessary resources to monitor and evaluate its results regularly and independently. To this end, "programmes" should no longer be financed by the ESC scheme, as they have no direct link with energy savings and are akin to debudgetisation. We also need to review the method used to calculate the savings recorded in the operation sheets and base them on the actual results recorded.

Finally, the fight against fraud must be the subject of a comprehensive, structured and coherent plan as soon as possible to encourage the automation of controls, the sharing of information between administrations and rapid sanctions as far upstream as possible. When the beneficiaries are households, which are particularly exposed to information asymmetry with companies in the sector, communication also needs to be stepped up. The resources made available for this policy must be increased in line with the cost of the scheme and the challenges to be met.

In addition to its critical analysis and proposed recommendations for improving the energy saving certificate scheme, the Court also briefly examined, at the request of the National Assembly's Finance Committee, the advantages and disadvantages of several scenarios for a more comprehensive overhaul, based in particular on other experiences in Europe: transforming the scheme into budgetary funds; targeting the scheme either at low- income households or the professional sector (industry, agriculture, social landlords, local authorities); transforming the scheme into carbon certificates. These scenarios can be combined with each other or with the current certificate system. They all require more in-depth analysis before being implemented, in particular to ensure that they will actually achieve the desired energy savings.

Recommendations

1. Submit to Parliament the precise level of energy savings obligation for each five-year period in the law setting out the French energy and climate strategy (*ministry of energy, 2025*).
2. Set the structural parameters of the system in the multi-annual energy plan (*ministry of energy, 2025*).
3. Remove funding for programmes defined in Article L. 221-7 of the energy code through the ESC scheme (*minister for energy, 2025*).
4. Increase the number of preliminary deposit studies and evaluations by devoting a share of the total cost of the scheme to them (*ministry of energy, Ademe 2024*).
5. Include, in the certificate application files, the information essential for evaluating the scheme (amount of work or equipment financed, amount of other aid obtained, number of households concerned, etc.) (*ministry of energy, 2025*).
6. Base the scheme on real energy savings and publish the results annually (*ministry of energy, Ademe, 2025*).
7. Define and implement a reinforced action plan to combat fraud involving energy saving certificates (*ministry of energy, interministerial anti-fraud coordination mission 2024*).