



Study on the definition of SMEs for the purposes of Article 8(4) of the EED

Concerted Action EED – 25 March 2021 – Brussels



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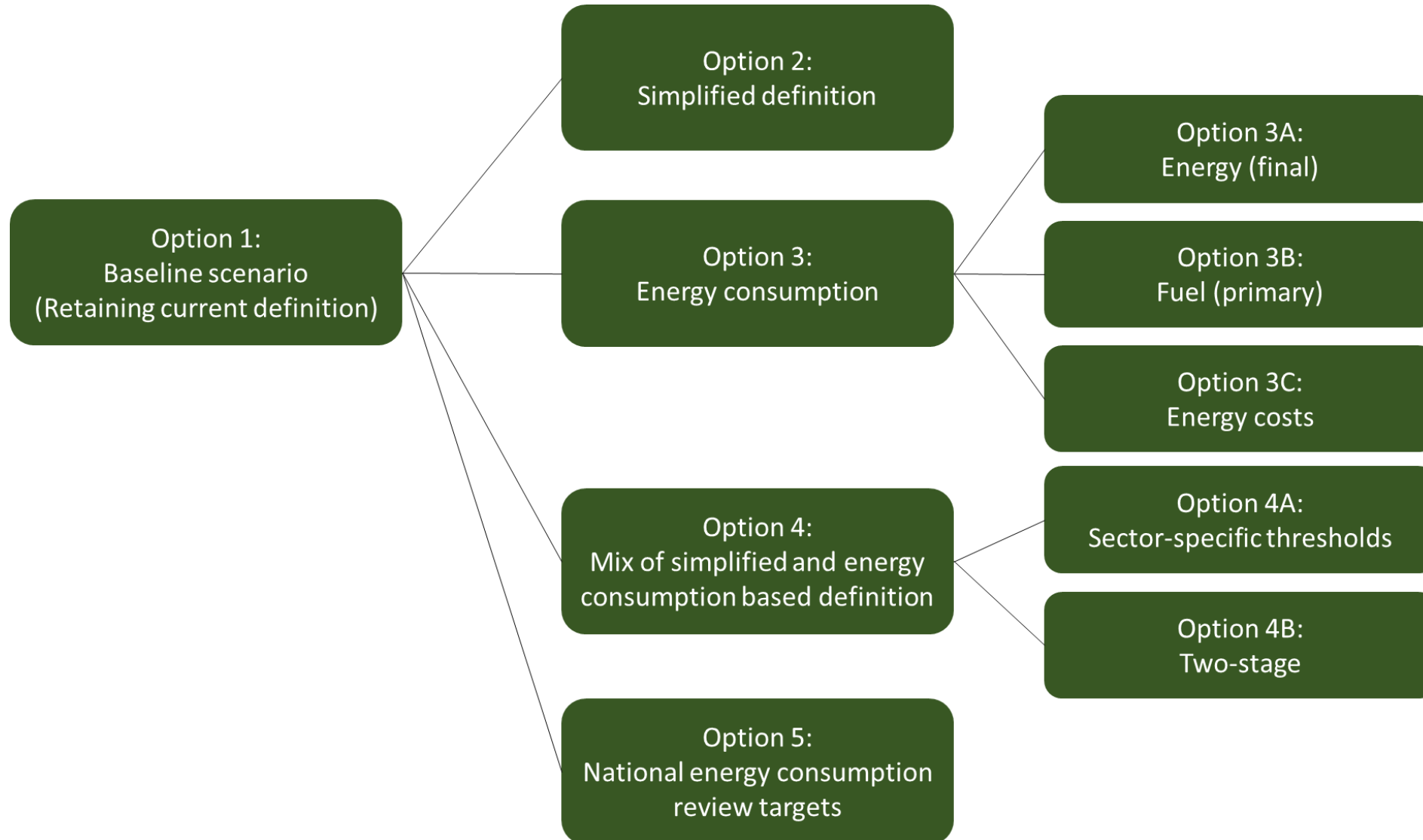
Introduction - objectives of the study

- Objective 1: Determine the size of the **population of large companies** (non-SMEs) in scope of Article 8(4)
- Objective 2: Identify the **key obstacles** that national authorities have faced in the full application of the EU SME definition
- Objective 3: Identify and assess the impacts of **potential alternative definitions** for the companies in scope of Article 8(4)

Obstacles in implementation

- **Inclusion of ownership relations**
 - Ownership relations outside Member State
 - Unavailability of consolidated figures
 - Minority holdings not considered pro rata in consolidated accounts
- **Unavailability of instruments**
 - Number of employees
 - Ownership relations
- **Too complex definition**
 - Companies have issues understanding/applying the SME definition
 - Authorities in general do not have the information
- **Lack of energy criteria**
 - SMEs with energy intense activities are not considered
 - Non-SMEs without energy intense activities need to conduct an energy audit (cost inefficient)
 - Non-SMEs with decentralised activities need to conduct many audits with limited energy consumption per location (cost inefficient)

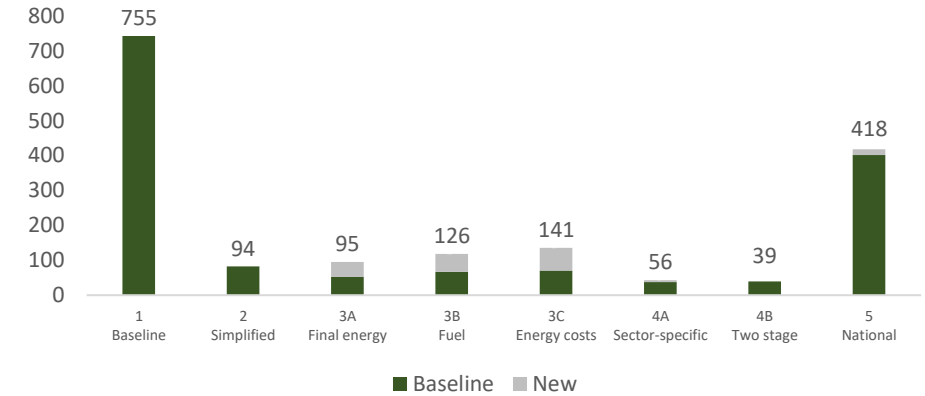
Policy options



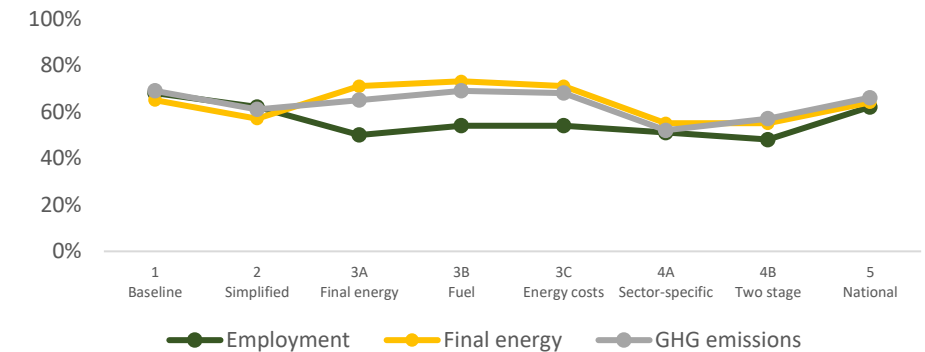
Impact of policy options – scope

- **All alternative options cover fewer companies** (up to 95%)
- Under most of the options the companies are already in scope of the baseline (Option 1), except for the energy consumption options (Option 3)
- **Most of the energy is presently consumed by the manufacturing sector** (11% or more)
- The **share of public entities** is relatively small under all options
- The results for the **socioeconomic indicators such as employment show a similar pattern** across the options
- **Final energy consumption and GHG emissions** covered are somewhat higher for energy consumption options (Option 3) and lower for the other options (Options 2, 4 and 5)

Number of companies covered

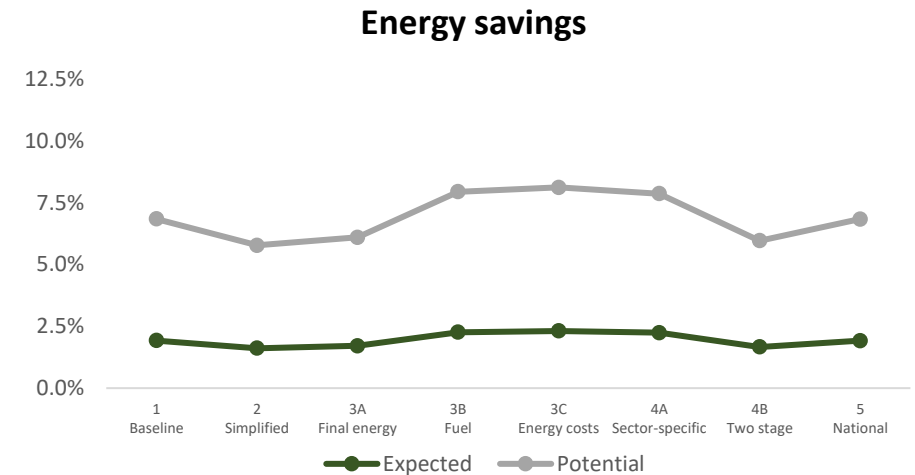


Employment, consumption and emissions covered



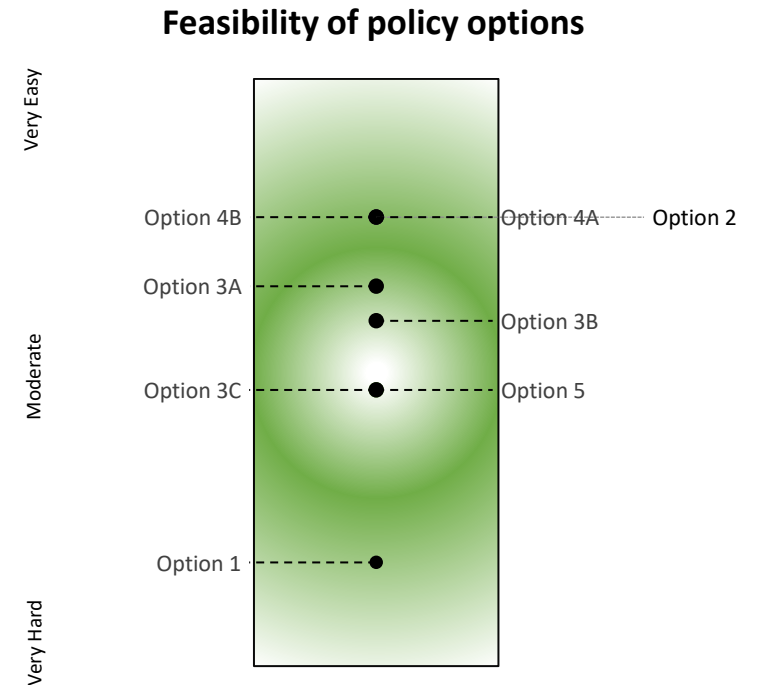
Impact of policy options – energy savings

- The general objectives of the EED are related to achieving **as much energy savings as possible in a cost-effective way**
- For all cases, the **expected savings concern only about a quarter of the potential savings**
- More savings could be realised by **including those SMEs with substantial energy consumption** that did not pass the size thresholds (Options 3A, 3B, 3C and 4A)
- It is **not possible to realise more savings with the simplified definition** (Option 2) or **two-stage definition** (Option 4B)



Impact of policy options – feasibility

- **Implementation** in most Member States has **not been fully in line with the EED**
- All the **alternative options** enable **better** implementation, as they shift to **fewer and less complex thresholds**
- Data on **employment, turnover and assets** per enterprise and **sectoral information are available** in nearly all Member States
- Options based on **energy indicators (Option 3)** are **more difficult to implement** than those based on socio-economic indicators
- **Self-identification (Option 4B)** can at least partially overcome this as the burden of proof is shifted from the energy authority to the company
- **Options which require ownership information (Option 1 and 5)**, are most difficult to implement as energy authorities **only have some of the ownership information**
- Feasibility of **national definition (Option 1)** unclear in practice as Member States can choose their own approach



Comparing the options (I)

- Any of the **alternative policy options could be an improvement** compared with today's definition
- The **simplified definition** (Option 2), based on just socioeconomic indicators, **could limit the administrative burden and contribute to more cost-efficient audits**
- **The two-stage options exclude some companies, while considering the energy intensity** (Option 4A covers relatively more energy intense sectors, while Option 4B excludes the low-energy intense sectors)
- These **energy consumption based options** (Option 3) show large reductions in the number of energy audits and contribute most to the general objectives of the EED, with the highest expected energy savings
- **Final energy alternative (Option 3A) seems more preferable** among the three energy-consumption options. Thresholds could be changed to increase/decrease the expected energy savings

Comparing the options (II)

- If the revised definition has to follow the **EU SME definition** (e.g. State aid purpose), only the **two-stage option** (Option 4B) remains as an alternative
- Defining the **definition at the national level** (Option 5) is not desirable, as it would likely **distort the level playing field**
- In order to reduce the costs of energy audits and improve their quality it is recommended to allow the energy authorities to **spread out the energy audits more across the four-year cycle**



Thank you!



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