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Assessing the progress towards the EU energy efficiency targets using index decomposition analysis

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Title: Assessing the progress towards the EU energy efficiency targets using index decomposition analysis

To track the real progress towards the energy efficiency targets, this report examines the drivers behind EU energy consumption trends using index decomposition analysis. Energy consumption trends are driven by several factors beyond energy efficiency improvements, including economic activity, demography, lifestyle changes, weather and other factors. These can all have a profound effect in the aggregate energy use, irrespective of the impact of energy efficiency policies and measures. The separation of energy efficiency impacts from structural and activity changes of the economy as a whole is conducted by applying the widely-used Logarithmic Mean Divisia Index (LMDI) methodology to study the aggregated and sectoral energy consumption changes at EU and MS levels.

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Executive summary

Policy context

As rising energy costs, climate change concerns and questions of energy security are becoming increasingly important, energy efficiency is seen as a fundamental pillar of a well-designed energy policy. By maintaining the same level of output while reducing energy consumption through improvements in technology, processes and behaviour, the European Union recognises energy efficiency as an integral part of its low carbon economy vision of the future. In its Europe 2020 strategy, the European Union has, inter-alia, set a target to decrease energy consumption by 20% in 2020 compared to baseline projections and more recently, the European Commission proposed a 30% energy efficiency target by 2030¹ which is expected to further lower energy demand through accelerated energy efficiency efforts.

The EU has noted a considerable progress towards the energy efficiency targets over the last few years. Monitoring progress towards energy efficiency targets requires knowledge of influencing factors behind the latest economy-wide energy consumption trends in order to capture real energy efficiency change. Energy consumption trends are driven by several factors beyond energy efficiency improvements, including economic activity, demography, lifestyle changes and weather. The European Commission Joint Research Centre has recently applied index decomposition analysis to study some of these factors in detail, and this report is the first of a series of annual reports aimed at assessing the impact of energy efficiency in energy consumption trends.

Main findings

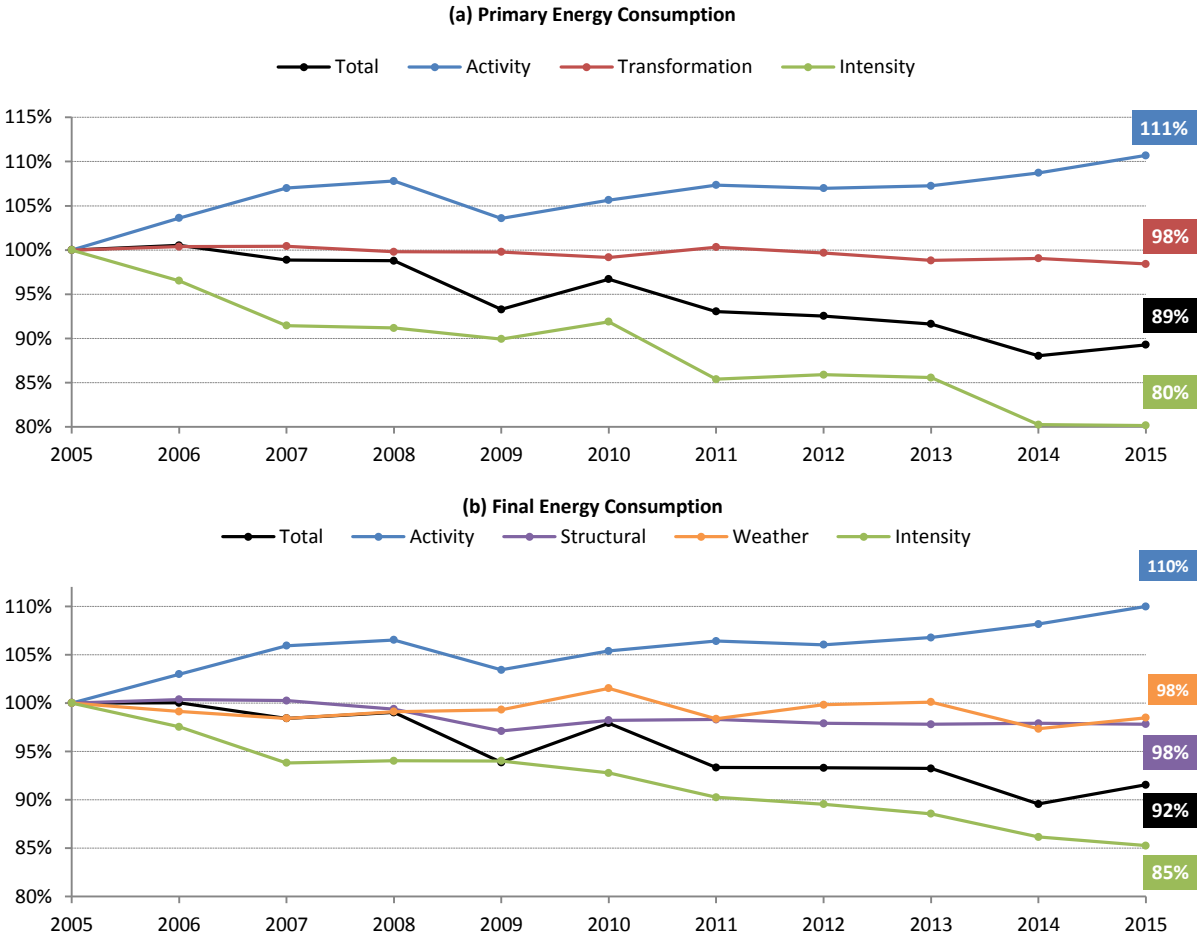
In 2005-2015, consumption at EU level fell by 11% in primary and 8% in final energy. The analysis showed that energy intensity improvements played a dominant role in falling energy consumption during the study period. In terms of primary energy, energy intensity improvements in 2015 were responsible for a drop of 340 Mtoe, equivalent to 19% compared to 2005 consumption levels. Despite the latest hike in energy consumption in 2015, energy intensity improvements continued in 2014-2015. This also holds true for the final energy results as a declining intensity effect was also registered in 2015. In this case, the intensity effect alone was responsible for a 15% drop in final energy consumption in 2005-2015.

The encouraging intensity effect results offset the activity effect which generally drove up energy consumption, reflecting the economic growth experienced in this period. Specifically, increased economic activity resulted in an increase in primary and final energy consumption of around 10% compared to 2005. While the overall results revealed a growth in energy consumption due to increased economic activity in the EU, examining the yearly results also confirmed the impact of the recent economic recession on consumption trends. In particular, the decomposition results showed that the dip in energy consumption in 2009 was mainly driven by a negative activity effect, which was caused by lower economic output registered that year. The activity effect returned to its pre-2009 levels only in 2014 in terms of primary and in 2013 in terms of final energy.

In terms of structural changes in the economy, the analysis showed that structural effects have had a secondary role in driving down energy consumption over the examined period. Structural shifts towards less energy intensive sectors of the economy accounted for a final energy drop of 25 Mtoe in 2015, equivalent to 2% reduction compared to 2005 consumption levels. The impact of transformation effect was also small (7 Mtoe drop in primary energy, corresponding to a 2% drop), indicating a small overall increase in overall efficiency of the transformation system. The weather impact on the heating demand in the residential sector was also estimated to be of the same levels; this is expected to be of more significant role if it is considered in more sectors. Sectoral and Member State results are discussed in detail in the main body of the report. In the

¹ <http://www.consilium.europa.eu/en/press/press-releases/2017/06/26-increased-energy-efficiency/>

future, more research is needed to include more factors in the analysis and to better define the effect that measures the impact of energy efficiency.



Related and future JRC work

Decomposition analysis is deployed by various international organisations, research institutes and national agencies as a tool to inform policy makers in the field of energy analysis. This report forms the first of the series of reports tracking economy-wide energy efficiency trends and the European Commission Joint Research Centre plans to continue and deepen this new activity in the future. The results of the decomposition analysis conducted in this report offer us valuable insights into the factors behind recent consumption trends at both EU and MS levels. This analysis has also shown that further investigation is needed to provide a more comprehensive analysis, which will be feasible with the the inclusion of more factors and collection of more data in the future.

Finer levels of disaggregation are necessary to conduct more detailed decomposition; however disaggregated data are often accompanied with various data gaps and quality issues. Sectors with significant challenges include the transport sector: Eurostat does not make a distinction on the share of the energy consumption of each transport mode that corresponds to freight and passenger transport, while the Odyssee database – an EU-wide database on energy efficiency indicators – offers this level of detail with considerable data gaps. The breakdown of the residential energy consumption by end use is only recently collected by Eurostat, while such a breakdown is not yet available in other sectors. The breakdown of energy consumption data at end-use level will enable the examination of factors such as weather and penetration of appliances in more sectors. The services sector, a growing sector in Europe, is poorly covered by statistics as the breakdown of energy consumption by service sub-sectors is currently not available.

The JRC welcomes on-going efforts made by Eurostat and statistical offices to provide a more complete picture, which will strengthen the analytical framework of tools such as the LMDI method to investigate the real energy efficiency impact in energy consumption trends.

Quick guide

Index decomposition analysis (IDA) is a widely adopted analytical tool used by researchers to inform policy makers on economy-wide energy efficiency trends. This is done by breaking down changes in an aggregate indicator and assigning the effects to a number of predefined factors. To identify the driving factors and their contributions behind the latest energy consumption trends in the EU, the Logarithmic-Mean Divisia Index method (LMDI) method, a widely-used IDA method, was applied to study both aggregated and sectoral energy consumption changes at EU and MS levels over the period 2005–2015 in this report. All applications were run using Eurostat data, with a few exceptions where data from other sources were considered. Based on the analysis conducted, the primary energy consumption trends in 2005-2015 were decomposed into activity, transformation and intensity effects. Following the approach used in numerous sources in the literature, the intensity effect was used as a proxy for energy efficiency changes. Changes in final energy consumption of end use sectors were decomposed in activity, structural, intensity and wherever possible weather effects. The sectoral results were summed up to review the decomposition of the final energy consumption as a whole.

1 Introduction

With its Europe 2020 strategy, the European Union adopted a 10-year strategy with the aim to address various challenges faced by the continent including economic stagnation, climate change, rising poverty and unemployment. Energy efficiency is a major element of the strategy associated with a significant potential towards alleviating many of the aforementioned challenges. To this end, a target to decrease energy consumption by 20% by 2020 compared to baseline projections has been set at the EU level to help address these challenges. The energy efficiency target is estimated to deliver primary energy savings of 370 Mtoe compared to baseline projections by 2020, leading to a target primary energy consumption level of 1483 Moe for the EU28. In terms of final energy, the target corresponds to 1086 Mtoe by 2020.

In its latest energy efficiency progress report², the EU has noted a considerable progress towards the energy efficiency targets over the few last years. In 2015, the EU28 primary energy consumption was only 1.7% above its 2020 primary energy consumption target and the final energy consumption was 2.4% below the 2020 target³. In 2005-2015, consumption at EU level fell by around 11% in primary and 8% in final energy. Primary energy consumption increased by 1.5% in 2015 compared to 2014 and final energy consumption by around 2%. While many policy efforts have been made through a number of European Directives designed to set up policy instruments targeting energy efficiency improvements in various sectors of the economy such as the Energy Efficiency Directive, the Energy Performance of Buildings Directive, Eco-design Directive etc., a complete analysis of the drivers behind these energy consumption trends requires the examination of wider range of factors beyond policy efforts.

Energy consumption trends are driven by several factors beyond energy efficiency improvements, including economic activity, demography, lifestyle changes and weather. These can all have a profound effect in the aggregate energy use, irrespective of the impact of energy efficiency policies and measures. For example, the economic crisis in recent years has had a profound impact on the sectors of industry and services in certain Member States, which in turn affected energy demand. The update of the PRIMES reference scenario in 2016 (PRIMES 2016) resulted in lower reference energy consumption projections for 2020 compared to the previous PRIMES 2007 projections, reflecting, inter-alia, the changes in the economy, demography but also additional policies adopted in the last years. Another example includes weather fluctuations which can affect the heating and cooling demand. In a particularly warm year, energy consumption may simply drop due to lower heating demand in the residential sector and vice versa. The separation of energy efficiency impacts from structural and activity changes of the economy as well as other factors is possible through the application of decomposition analysis. Indeed, decomposition analysis has been used by several international bodies including the International Energy Agency to quantify the impact of such factors in historical energy- or emission- related trends (IEA (2016), IEA and World Bank (2014)).

To track and understand the progress towards the 2020 energy efficiency targets, this report examines the drivers behind EU energy consumption trends using index decomposition analysis. The widely-used Logarithmic Mean Divisia Index methodology is applied to study the aggregated and sectoral energy consumption changes at EU and MS levels. The report is structured as follows. Section 2 describes the methodological approach and presents in detail the analytical framework of the decomposition options considered in the work (Section 2.1) and a review of the underlying input data used (Section 2.2). Section 3 discusses the results of the decomposition and conclusions are drawn in Section 4.

² <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017DC0056&from=EN>

<http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1452162772536&uri=CELEX:52015DC0574>

³ http://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_saving_statistics

2 Methodology

Decomposition analysis has been widely used to study the driving forces behind changes in energy- and emission-related trends in a given time period. Two of the most popular types of decomposition techniques include the index decomposition analysis (IDA) and structural decomposition analysis (SDA). The main difference between these two types lies in the input data used: the SDA method uses the input-output model to decompose the evolution of indicators, whereas the IDA uses only sectoral data. Among the different IDA methods, the Logarithmic Mean Divisia Index (LMDI-I) carries multiple advantages and was therefore selected as the preferred decomposition technique for this analysis.

The LMDI-I has the following favourable properties (Ang & Choi (1997), Ang (2015)):

1. It results in perfect decomposition, i.e. the results do not contain any residual term;
2. It can investigate the effect of more than two factors;
3. There is a simple relationship between multiplicative and additive forms⁴;
4. Its consistency-in-aggregation property means that the estimates of an effect at the subgroup level can be aggregated to give the corresponding effect at the group level;
5. It does not increase in complexity as it is expanded, many effects can be considered;
6. It is capable to handle zero values.

Despite the rich literature studying the decomposition of various sectors of the economy in many geographical regions around the world, little attention has been paid at the EU-wide level. A comprehensive survey of index decomposition analysis in energy and environmental studies by Ang & Zhang (2000) revealed that 100 out of 124 studies published in the period 1978-1999 examined the decomposition of energy demand changes and 69 studies focused solely on the industry sector. Most importantly, only 25 of 124 studies exclusively focused on a single or multiple European countries (none of which covered the EU as a whole), while OECD and world regions which may, inter-alia, include European countries were covered by 20 studies. While the focus has since been expanded to cover more sectors, territories and indicators, the number of EU-wide decomposition studies remains limited (Table 1).

In its additive form, the following most common LMDI decomposition identity⁵ is used to decompose energy consumption changes in activity, structure and intensity effects:

$$E = \sum_i E_i = \sum_i Q \frac{Q_i E_i}{Q Q_i} = \sum_i Q S_i I_i \quad (1)$$

where i denotes the sector, E is the total energy consumption, Q represents the economic activity such as Gross Domestic Product or Value added, S_i is the proportion of the economic activity of sector i in relation to the whole economy (Q_i/Q) and I is energy intensity (E_i/Q_i) of sector i . The change in energy consumption (ΔE) between time t_1 and t_2 is expressed as:

⁴ The additive form decomposes the difference between two points in time, while the multiplicative form decomposes the ratio of change with respect to the base year.

⁵ Identity refers to the governing decomposition equation that describes the relationship between the decomposed indicator (e.g. energy consumption or GHG emissions) and the various factors

$$\Delta E = E_{t_2} - E_{t_1} = D_{act} + D_{str} + D_{int} \quad (2)$$

where D_{act} , D_{str} and D_{int} denote the overall activity, structure and intensity effects, respectively. In its multiplicative form, the ratio of energy consumption between t_1 and t_2 is decomposed, defined as:

$$R = \frac{E_{t_2}}{E_{t_1}} = R_{act} \cdot R_{str} \cdot R_{int} \quad (3)$$

The decomposition is carried out using the following formulae:

$$\left. \begin{aligned} D_{act} &= \sum w_i \ln \left(\frac{Q_{T_2}}{Q_{T_1}} \right), \quad D_{str} = \sum_i w_i \ln \left(\frac{S_{i,T_2}}{S_{i,T_1}} \right), \quad D_{int} = \sum_i w_i \ln \left(\frac{I_{i,T_2}}{I_{i,T_1}} \right) \\ R_{act} &= e^{\sum_i \tilde{w}_i \ln \left(\frac{Q_{T_2}}{Q_{T_1}} \right)}, \quad R_{str} = e^{\sum_i \tilde{w}_i \ln \left(\frac{S_{i,T_2}}{S_{i,T_1}} \right)}, \quad R_{int} = e^{\sum_i \tilde{w}_i \ln \left(\frac{I_{i,T_2}}{I_{i,T_1}} \right)} \\ \text{where } w_i &= \frac{E_{i,T_2} - E_{i,T_1}}{\ln \left(\frac{E_{i,T_2}}{E_{i,T_1}} \right)} \quad \text{and} \quad \tilde{w}_i = \frac{(E_{i,T_2} - E_{i,T_1}) / \ln \left(\frac{E_{i,T_2}}{E_{i,T_1}} \right)}{(E_{T_2} - E_{T_1}) / \ln \left(\frac{E_{T_2}}{E_{T_1}} \right)} \end{aligned} \right\} \quad (4)$$

Table 1. Main features of recent studies focusing on EU-wide decomposition of energy and emission trends IDA

Reference	Indicator	Sectors	Method	Data sources	Study period
(Fernández González, et al., 2014a)	CO ₂ emissions	Economy-wide	LMDI	IEA, ESTAT	1999-2008
(Fernández González, et al., 2014b)	Energy	Economy-wide	LMDI	ESTAT	2001-2008
(Cruza & Diasb, 2016)	Energy & CO ₂ emissions intensity	Industry	LMDI	WIOD	1999-2009
(Obadi & Korček, 2015)	Energy	Productive sectors	LMDI		2004-2012
(Hajko, 2012)	Energy	Economy-wide	Laspeyres	World Bank	1990-2009
(Kisielewicz, et al., 2016)	GHG emissions	All	LMDI		1990-2012
(Braungardt, et al., 2014)	Energy	All	LMDI	ESTAT/ODYSSEE	2000-2012
(Reuter, et al., 2017)	Energy	Economy-wide	LMDI	ESTAT	2000-2014

2.1 Analytical framework

To quantify the impact of possible various factors on recent energy consumption trends in the EU, a review of available data was carried out to investigate the availability and comparability of the possible input data at sectoral and possibly sub-sectoral level. This is because the depth of decomposition is highly dependent of the input data availability, especially at finer levels of disaggregation (i.e. sectorial and sub-sectoral level). The fine level of sub-sectoral data across all studied indicators used to define the various effects must therefore be available to accurately study the decomposition effects. Sinton & Levine (1994) showed that as the level of sub-sectoral detail becomes finer, a share of intensity change becomes attributable to structural changes. Given the attractive property of the method of studying the impact of multiple factors, the decomposition identity can also be expanded to investigate the effect of various additional factors – beyond the three most common effects of activity, structure and intensity – including the

impact of the weather, lifestyle choices, prices, etc., depending on availability of detailed input data.

The conducted data review largely dictated the level of decomposition detail (see Section 2.2 for more information). All applications were run using Eurostat data, with a few exceptions where data from other sources were considered.

Table 2. Overview of decomposition identities used in this study

Sector	Passenger Transport	Freight transport	Commercial	Residential
Sub-sectors	<ul style="list-style-type: none"> Road Rail Air 	<ul style="list-style-type: none"> Road Rail Water 	<ul style="list-style-type: none"> Food, Tobacco, Textile, Leather Wood, Wood Products, Paper, Pulp & Print Chemical & Petrochemical Metals & Machinery Non-Metallic Minerals & other manufacturing Construction & transport equipment Services Agriculture, fishing & forestry 	<ul style="list-style-type: none"> Heating All other uses
Activity effect	Passenger kilometres (<i>PKM</i>)	Tonne kilometres (<i>TKM</i>)	Gross value added (<i>GVA</i>)	<ul style="list-style-type: none"> Total Floor Area (<i>TFA</i>) for heating Gross Disposable Income (<i>GDI</i>) for all other uses
Structure effect	PKM_i/PKM	TKM_i/TKM	GVA_i/GVA	-
Intensity effect	FEC_i/PKM_i	FEC_i/TKM_i	FEC_i/GVA_i	<ul style="list-style-type: none"> FEC_{heat}/TFA FEC_{other}/GDI
Weather effect	-	-	-	HDD/HDD_{ref}

LEGEND

i: Sub-sector

FEC: Final Energy Consumption

FEC': Energy Consumption in the residential sector adjusted for weather variations

HEC': Heating Energy Consumption in the residential sector adjusted for weather variations

OEC: Energy consumption for other end uses in the residential sector

Based on the data review, both additive and multiplicative LMDI methods were applied to decompose:

- (1) primary energy consumption into activity, transformation and intensity effects
- (2) final energy consumption of end use sectors (outlined in Table 2) into activity, structural, intensity and wherever possible weather effect

In the first application, a simple decomposition of the aggregate primary energy consumption⁶ at Member State level was conducted:

$$PEC = GDP \frac{PEC}{FEC} \frac{FEC}{GDP} \quad (5)$$

where *GDP* is the Gross Domestic Product at chain linked volumes (2010), *PEC* stands for primary and *FEC* for final energy consumption. The chain linked volumes were selected as the *GDP* unit to remove price effects. This means that *GDP* data at previous year's prices are linked over the years via appropriate growth rates, allowing to theoretically remove price change effects (e.g. inflation).

The **activity effect accounts** for changes in energy consumption due to a change in the overall economic activity. The activity effect is positive if the economy-wide *GDP* grows due to additional energy demand of increased economic activity. Conversely, activity effect is negative in economic downturn.

The **transformation effect** (represented by the ratio of primary energy consumption to final energy consumption) accounts for the *average* efficiency of the whole energy transformation system. The ratio *PEC/FEC*⁷ provides an indication of the quantity of energy lost in the conversion, transformation and distribution processes, e.g. in the form of own consumption by the energy sector, thermal or materials losses. If the value of the ratio drops, the difference between the total energy available for end-users and the total energy which enters the system also drops, i.e. the overall efficiency of the conversion, transformation and distribution system increases. This translates to negative transformation effect as the ratio of primary to final energy consumption converges to 1. Cases which cause a drop in the transformation effect include increased penetration of renewable energy sources, efficiency gains in conventional condensing power plants, reduction in distribution losses and increase in cogeneration. That is, system efficiency gains and energy mix changes both have an impact. Conversely, the transformation effect is positive in cases where electricity usage (e.g. replacement of fuel use with electricity in the transport sector) increases. In this case, the ratio *PEC/FEC* increases. In a scenario where both electricity use and renewable energy production increase, the increase caused by higher electricity use will be compensated by the drop due to higher renewables, resulting in a moderate overall effect.

The **intensity effect**, represented by the ratio of the final energy consumption to *GDP*, accounts for changes in total energy consumption due to technology improvements, policy effects and other factors. In this case, the ratio of final energy consumption divided by *GDP* describes changes in the overall energy intensity of the economy, including changes in the structure of the economy, such as change from energy intensive to lighter industrial branches and services or vice versa.

⁶ Given that the input data of this decomposition identity are based on widely available and well-covered by statistical datasets, the advantage of this decomposition identity is that no assumptions are necessary to fill input data gaps. On the other hand, with this level of aggregation, there is loss of information as this decomposition identity does not capture the intensity effect in great detail.

⁷ According to the ISO standards, the ratio is equal to 1.1 for fossil fuels, 1.2-1.4 for bio fuels, 2.5 for electricity, 1.3 for district heating/cooling and 1 for on-side renewables. The average ratio of all energy carriers together is considered herein.

In the second application, decomposition analysis of individual end-use sectors was undertaken at Member State level (Table 2). The sectors considered were industry, services, transport, agriculture⁸, and residential. For all productive sectors of the economy (i.e. services, industry, agriculture), the Gross Value Added was selected as the most suitable indicator to describe the activity effect. As in the case of *GDP*, the *GVA* data are expressed in chain linked volumes to remove price effects. For each sector, the final energy consumption was therefore decomposed as follows:

$$FEC = \sum_i GVA \frac{GVA_i}{GVA} \frac{FEC_i}{GVA_i} \quad (6)$$

where *i* denotes the sub-sector. Due to the lack of sub-sectoral energy data within the services and agriculture, it was not possible to examine the structural effect within each of these individual sectors. To overcome this issue, the industry, services and agriculture were all combined under the "commercial" sector⁹. In this case, the structural effect within the entire commercial sector as a whole is examined.

As with the first application, the **activity effect accounts** for changes in energy consumption due to a change in the overall economic activity in each sector: the activity effect is positive if the overall *GVA* increases. The structure effect, represented by the share of activity of individual sectors (GVA_i/GVA), accounts for changes in energy consumption that would have been observed due to a change in the relative importance of sectors with different energy intensities. In other words, it accounts for shifts in the composition of the economy: from more to less-energy intensive sectors and vice versa. The **structural effect** is positive if the *GVA* of energy intensive sectors grows in relative terms. That is, the structural effect is positive if the share of *GVA* corresponding to energy intensive sectors increases relative to *GVA* of less intensive ones. The **intensity effect** (represented by the ratio FEC_i/GVA_i) accounts for improvements in final energy intensity. Further explanations are given in Table 3.

The transport sector was analysed by decomposing changes in energy consumption of passenger and freight transport sectors separately. Passenger-kilometres and tonne-kilometres were chosen as the most suitable indicators to describe economic activity in passenger and freight transport sectors, respectively. These indicators provide a better proxy for the activity effect than *GVA*; the use of the latter has been criticised in the literature as *GVA* could cause significant distortions in the decomposition results for these non-productive sectors (Obadi & Korček (2015), Marrero & Ramos-Real (2013)). Given that energy data to carry this analysis is not available in the ESTAT database, the transport application was conducted by using data stemming from the Odyssee database¹⁰. The activity data on passenger- and tonne-kilometres in the latest DG MOVE Transport Statistical Pocketbook were not selected for consistency reasons¹¹. This is discussed in more detail in Section 2.2.3.

For the residential sector, the weather effect was added to quantify the impact of weather fluctuations in the heating demand in recent years. The **weather effect** is defined by the ratio of the heating degree days of a given year (*HDD*) over the average heating degree days in a reference period (HDD_{ref}) and was used to adjust the energy consumption in the residential sector. The weather adjustment was considered only for

⁸ Forestry and fishing were considered together with agriculture

⁹ The lack of availability of energy data for services sub-sectors is an issue in international databases beyond ESTAT. The approach of combining industry, services and agriculture under the so-called commercial sector is also practised by the International Energy Agency.

¹⁰ Available at <http://www.odyssee-mure.eu/>

¹¹ Despite the fact that DG MOVE datasets publishes a more complete and detailed activity data in its annual DG MOVE Transport Statistical Pocketbook, which also includes corrections for territoriality principle in terms of the freight transport, the Odyssee transport activity were instead chosen for compatibility reasons between energy and activity data. This was done so that the classification and definitions of the energy data for the various transport modes and categories is consistent with that of the transport activity data.

the final energy consumption attributed to the heating use (FEC_{heat}), while the share of the consumption associated with all other uses (FEC_{other}) remained unchanged. The activity effect was represented by the total floor area of dwellings, TFA (for the heating part) and gross disposable income, GDI (for all other end uses). The decomposition was carried out using the following formula:

$$FEC = TFA \frac{FEC'_{heat}}{TFA} \frac{HDD}{HDD_{ref}} + GDI \frac{FEC_{other}}{GDI} \quad (7)$$

where FEC'_{heat} stands for the weather adjusted final energy consumption for heating. This was calculated by dividing the final energy consumption with the ratio HDD/HDD_{ref} . In our case, the period 1990-2015 was considered as a reference period for the weather adjustment.

Table 3. Summary of effects considered in this analysis

Effect	Explanation
Activity effect	It accounts for change in energy consumption due to changes in economic activity (e.g. GDP, GVA). The activity effect is positive if GDP or GVA grows due to additional energy demand of increased economic activity.
Structure effect	It represents the relative share of activity of individual sectors (e.g. GVAi/GVA) and accounts for changes in energy consumption due to change in the relative importance of sectors with different energy intensities. The structure effect is positive if sectors of high energy intensity grow more relative to less intensive sectors.
Intensity effect	Typically represented by ratio of primary or final energy consumption to GDP. It accounts for changes in total energy consumption due to technology advancements, efficiency improvements, policy and other effects. The intensity effect is negative if there is a drop in energy intensity.
Transformation effect	It is represented by the ratio of primary energy consumption to final energy consumption and accounts for the efficiency of the energy transformation system, reflecting changes in the transformation process, e.g. when fuel use is replaced with electricity. Negative transformation effect translates to increase in the overall efficiency of the transformation system.
Weather effect	It is represented by the ratio of the heating degree days of a given year (HDD) over the average heating degree days in a reference period and applied to sectors where heating is significant end use (e.g. residential). It captures changes to energy consumption due to weather changes. If weather effect is negative, energy consumption has dropped due to warmer climate.

Given the aggregation property of LMDI-I, the sectoral results were summed up to review the decomposition of the final energy consumption as a whole. Likewise, the results of each application at Member State level were summed up to deduce the decomposition at EU level. The decomposition was carried for every two consecutive years (i.e. 2005 and 2006, 2006, and 2007, etc.) and results were then chained to provide the results for the whole time period 2005-2015. Yearly additive decomposition results were chained additively while multiplicative decomposition results were chained multiplicatively. The advantage of chain-linking results is that it captures greater amount of information as it closely follows the path of energy consumption compared to a point to point calculation. It also adjusts to changes in technology or usage patterns when comparing two points separated by a long period of time (Cahill, et al., 2010).

2.2 Data review

The principal source of data used in our analysis was the statistical database of the European Commission Eurostat (ESTAT), which inter-alia collects economic and energy use data for all European countries¹². The ESTAT builds its statistics based on national accounts data and applies harmonisation procedures to ensure data quality, consistency and comparability across Member States. To complement current data shortcomings (see Sections 2.1 and 2.2.3 for more details), the ODYSSEE database was used to cover specific data needs of the transport sector.

As discussed earlier, finer levels of disaggregation are necessary to conduct more detailed decomposition analysis, however disaggregated data are often accompanied with various data gaps and quality issues. For this reason, a data review of EU-wide data was conducted. Two criteria were used to select these datasets: (1) the suitability of the indicators to reflect the various effects considered in the analysis and (2) completeness of the relevant datasets. The overall completeness was measured by taking the ratio of the number of missing data points to the total number of data points (28 times 11, i.e. 308) and subtracting from 1. The member state completeness was measured by taking the number of countries with missing data points for 10 or more than years and subtracting it from 28.

Table 4 outlines all underlying datasets selected to describe the various factors in the decomposition analysis. These include:

- **Primary (PEC) and final energy consumption (FEC) by country and sector in tons of oil equivalent (toe):** The underlying "nrg_100a dataset" available in Eurostat contains energy data covering the full spectrum of the energy sector from supply through transformation to final consumption by sector and fuel type. The disaggregation by sector does not strictly follow NACE classification used in the economic data which created some problems in the analysis. The match between nrg_100a and nama_10_a64 (NACE categories) sectors considered in this analysis is shown in Table 5.
- **Gross Domestic product (GDP) by country and Gross Value Added (GVA) by country and sector in chain linked volumes (2010):** GDP data available in the Eurostat "namq_10_gdp" dataset are used to describe economy-wide activity.
- GVA (see Eurostat dataset with code nama_10_a64) is used to describe the economic activity in all individual sectors except the residential and transport sectors. In the case of Malta, GVA data in current prices are used as GVA data in chain linked volumes (2010) are not available. It should be noted that while the aggregated "nama_10_a64" dataset in Eurostat is complete, several data gaps were identified at sectoral level, which raised the need of assumptions. Table 6 summarises the assumptions made to fill all identified data gaps.
- **Heating Degree days (HDD):** HDD are used to calculate the weather effect included in the decomposition of the final energy consumption of the residential sector. The origin of the data is the JRC tool, which is used to feed the relevant Eurostat dataset. The original JRC tool¹³ was preferred in this case as it contains the full dataset for the entire reference period covered in this analysis.
- **Heating consumption in final energy in the residential sector:** ESTAT has recently published the breakdown of residential FEC by end use and fuel. The data are used to calculate the share consumption which is in turn adjusted for weather variation by using the weather factor discussed above. The data are only available for 2010-2015, which explains the low completeness ratio for this dataset. Assumptions were made to fill gaps for the remaining years.

¹² Inevitably, some of the datasets used contained some zero values. As the LMDI analysis cannot process zero values, we applied the methodology proposed by Ang & Liu (2007), which involves substituting zero values in the underlying dataset with a very small value and allows the calculation to proceed as usual.

¹³ <http://agri4cast.jrc.ec.europa.eu/DataPortal/>

- **Floor area of residential buildings:** The average floor area of residential buildings available in Odyssee dataset was used to calculate the total floor area by multiplying it with the number of households.
- **ODYSSEE datasets of freight and passenger sectors:** Final energy consumption and passenger/tonne kilometres by transport mode were also included in our analysis. Due to considerable gaps in the underlying datasets, assumptions were made to fill all identified data gaps (see Section 2.2.3).

All input data used are given in Annex 1.

Table 4. Datasets used in the model

Indicator	Source	ESTAT dataset	ESTAT code	Last update	Available time period	Unit	EU28 completeness in 2005-2015	
							Overall % [1]	MS [2]
Primary Energy Consumption (PEC)	ESTAT	nrg_100a	B_100900 minus B_101600	27.01.2017	1990-2015	M toe		
Final Energy Consumption (FEC)								
Total			B_101700				● 100%	● 28
Food & Tobacco			B_101830				● 100%	● 28
Textile & Leather			B_101835				● 100%	● 28
Wood, paper etc.			B_101851+B_101840				● 100%	● 28
Chemical & Petrochemical			B_101815				● 100%	● 28
Metals/machinery	ESTAT	nrg_100a	B_101805+B_101810+B_101847	27.01.2017	1990-2015	M toe	● 100%	● 28
Non-metallic minerals etc.			B_101820+B_101853				● 100%	● 28
Transport equipment			B_101846				● 100%	● 28
Construction			B_101852				● 100%	● 28
Services			B_102035				● 100%	● 28
Agriculture etc.			B_102020+B_102030				● 100%	● 28
Gross Domestic Product (GDP)	ESTAT		B1GQ	02.03.2017	1975-2016	Billion EUR Chain linked volumes (2010)	● 100%	● 28
Gross Disposable Income per capita (GDI)	ESTAT	nasa_10_nf_tr	PPS_HAB	29.05.2017	1995-2015	EUR	● 92%	● 26
Gross Value Added (GVA)								
Total							● 100%	● 28
Food & Tobacco							● 100%	● 28
Textile & Leather							● 100%	● 28
Wood, paper etc.							● 100%	● 28
Chemical & Petrochemical	ESTAT	nama_10_a64	B1G	28.02.2017	1975-2015	Billion EUR Chain linked volumes (2010)* Except Malta which is in current prices	● 76%	● 25
Metals/machinery							● 83%	● 26
Non-metallic minerals etc.							● 82%	● 26
Transport equipment							● 100%	● 28
Construction							● 100%	● 28
Services							● 100%	● 28
Agriculture etc.							● 91%	● 28
Population (P)	ESTAT	demo_gind	JAN	07.02.2017	1960-2016	-	● 100%	● 28
Households (H)	ESTAT	lfst_hhnhtych	TOTAL	30.05.2016	2005-2015	-	● 98%	● 28
Heating Degree Days (HDD)	JRC	-	-	-	1979-2016	°C Days	● 100%	● 28
Breakdown of residential FEC by end use	ESTAT	-	-	3.2017	2010-2015	PJ	● 34%	● 24
Average floor area per dwelling	Odyssee	-	-	7.2017	1990-2015	m ²	● 91%	● 27
FEC of passenger transport								
Road	Odyssee	-	-	7.2017	1990-2015	Billion pkm	● 69%	● 20
Rail							● 98%	● 28
Air							● 99%	● 28
FEC of freight transport								
Road	Odyssee	-	-	12.2016	1990-2015	Billion tkm	● 69%	● 21
Rail							● 97%	● 28
Water							● 83%	● 24
Passenger kilometres								
Road	Odyssee	-	-	12.2016	1990-2015	M toe	● 94%	● 27
Rail							● 97%	● 28
Air							● 67%	● 20
Tonne kilometres								
Road	Odyssee	-	-	12.2016	1990-2015	M toe	● 96%	● 28
Rail							● 94%	● 27
Water							● 66%	● 19

[1] The overall completeness was measured by taking the ratio of the number of missing data points to the total number of data points (28 times 11, i.e. 308) and subtracting from 1.

[2] The member state completeness was measured by taking the number of countries with missing data points for more than 10 years and subtracting it from 28.

2.2.1 Commercial sector

The commercial sector covers industry, services, agriculture, forestry and fishing. A detailed disaggregation of energy and economic data of industry is available, allowing a fine level of decomposition for this sector. As shown in Table 5, it was possible to group industrial activities in eight subsectors. Energy consumption statistics of the services, agriculture, forestry and fishing sectors are in general aggregated under single categories so it is not possible to analyse the **structural shifts within each of these sectors**. As explained above, the examination of the structural effect of the commercial sector as a whole is possible by grouping industry, services, agriculture, forestry and fishing under one sector. The intensity of each of these sectors was defined as the final energy consumption divided by the Gross Value Added in a given year. The subsectors under the commercial sector considered in the analysis are listed in Table 2.

The match established between nrg_100a sectors and classification of economic activities (NACE categories) used in nama_10_a64 dataset is shown in Table 5. Disaggregation of ESTAT'S energy consumption datasets (nrg_100a) according to sectors does not strictly follow NACE classification used to define the sectors in the nama_10_a64 dataset which created some obstacles in our analysis. Mining and quarrying (Industry) were excluded from our analysis as it was not possible to make sensible assumptions that enable the match between economic and energy data for this sector (see Table 5). At EU level, mining and quarrying on average accounts for only 1.1% of the final energy consumption of the industry sector overall in the period 2005-2015.

For several countries the latest data in the year 2015 were not available. For these countries it was assumed that the change in Gross Value Added in 2015 compared to 2014 was proportional to the change in GDP over the same period (Table 6).

Some particularities at Member State level had to be taken into account. For Germany, the final energy consumption data for Construction, Fishing and Agriculture/Forestry sectors are all under "Services" in recent years. This is because the statistics for construction, agriculture and fishing are subsumed by the German authorities under "Other sectors – commercial and public services", which falls under the services sector. For this reason, a different sector categorisation was used for Germany: construction, agriculture and fishing are all under services. For Malta, final energy consumption data prior to 2010 are not available for various sub-sectors such as: B_101830, B_101835, B_101851, B_101840, B_101815, B_101847, B_102020, B_102030¹⁴. To fill these gaps, it was assumed that the FEC in the period 2005-2009 followed the GDP trend in the same period.

All assumptions made are summarised in Table 6.

¹⁴ The energy statistics reporting became compulsory under the Energy Statistics Regulation adopted only at the end of 2008.

Table 5. Match between nrg_100a and nama_10_a64 (NACE categories) sectors

	Final energy consumption of [nrg_100a]	Gross Value Added of nama_10_a64	
Industry	Mining and quarrying (Not considered herein)	B_101825	07 (excluding 07.21), 08 (excluding 08.92), 09.9
	Food and Tobacco	B_101830	10, 11, 12
	Textile and Leather	B_101835	13, 14, 15
	Wood and Wood Products, Paper, Pulp and Print	B_101851, B_101840	16, 17, 18
	Chemical and Petrochemical	B_101815	20, 21
	Metals and Machinery	B_101805, B_101810, B_101847	24, 25, 26, 27, 28
	Non-Metallic Minerals and other manufacturing	B_101820, B_101853	22, 23, 31, 32
	Transport equipment	B_101846	29, 30
	Construction	B_101852	41, 42, 43
	Transport	Land transport and transport via pipelines	B_101910, B_101920, B_101945
Water transport		B_101940	50
Air transport		B_101931, B_101932	51
Other	Services	B_102035	33, 36, 37, 38, 39, 45, 46, 47, 52, 53, 55, 56, 58, 59, 60, 61, 62, 63, 64, 65, 66, 68, 69, 70, 71, 72, 73, 74, 75, 77, 78, 79, 80, 81, 82, 84, 85, 86, 87, 88, 90, 91, 92, 93, 94, 95, 96, 99
	Agriculture, forestry and fishing	B_102020, B_102030	1, 2, 3

Table 6. GVA data completeness and assumptions made for individual sub-sectors (Dataset: nama_10_a64, ESTAT code: B1G, Unit: Chain linked volumes, 2010)

ESTAT code	Sector description	Countries with missing dataset	Assumptions made to fill data gaps
C19	Manufacture of coke and refined petroleum products	IE, HR, LT, MT	
C20	Manufacture of chemicals and chemical products	IE MT SE	
C21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	LU MT SE	
C26	Manufacture of computer, electronic and optical products	LU MT	Proportional to the EU ratio, e.g.
C27	Manufacture of electrical equipment	LU MT	$GVA _{MS}^{C19} = \frac{GVA _{EU28}^{C19}}{GVA _{EU28}^C} GVA _{MS}^C$
C28	Manufacture of machinery and equipment n.e.c.	LU MT	
C33	Repair and installation of machinery and equipment	IE, LU, MT	$GVA _{MS}^{C33} = \frac{GVA _{EU28}^{C33}}{GVA _{EU28}^C} GVA _{MS}^C$
C31_32	Manufacture of furniture; other manufacturing	LU MT	
H50	Water transport	LU	
H51	Air transport	HR LU MT PL	
H52	Warehousing and support activities for transportation	IE, LU, MT, SE	
H53	Postal and courier activities	IE, HR, LU, MT, PL, SE	
ESTAT code	Sector description	Countries with missing 2015 data	Assumptions made to fill data gaps
C33, H52, H53, C_31_32	Various	BE CZ DE IE ES FR HR IT CY LV LT LU MT PL PT SE	
C10_C12, C13_C15, C16_C18, C29_C30, C24_C25, C22_C23		CZ DE ES HR CY LV LT PL PT SE	Proportional to the country's GDP 2014-2015 change, e.g.
H50, H51, H52, H53	Various	BE CZ DE ES FR HR IT CY LV LT LU MT PL PT SE	$GVA_{2015} = \frac{GDP_{2015}}{GDP_{2014}} GVA_{2014}$
M_N, O_Q_R_U	Various	CZ HR SE	
E, G, I, J, K, L, T, F	Various	CZ HR	

2.2.2 Residential

A breakdown of the nrg_100a data in the residential sector by end-use or building type (e.g. single family houses) is not available in Eurostat. For this reason, a detailed decomposition within this sector is not possible at this stage. However, Eurostat has recently made available a separate dataset of the breakdown of this sector's energy consumption by end use, but the dataset is only available for 2010-2015.

For the residential sector, an important factor to be considered in the decomposition analysis is the effect of the weather. Given that heating accounts for a considerable share of the final energy consumption in many EU Member States, it is imperative to adjust the intensity effect of this sector for weather variations. To do so, a weather adjustment effect ($f_{w,t}$) was applied to the heating share of the final energy consumption which was defined as:

$$f_{w,t} = \frac{HDD_t}{HDD_{1990-2015}} \quad (8)$$

where HDD_t stands for heating degree days in year t and $HDD_{1990-2015}$ represents the average heating degree days in the period 1990-2015 for a given country.

The aforementioned weather adjustment factor is only applied to the final energy consumption for heating. Similar approach was adopted by other studies such as Rogan, et al. (2012) and Maireta & Decellasb (2009). To derive the share of heating, the recently published Eurostat on the breakdown of the final energy consumption of households by end use¹⁵ was used. A key limitation with this Eurostat database is that data only exist for the period 2010-2015 and assumptions are therefore necessary for the period 2005-2010. In addition, the breakdown data cover all EU28 except for Belgium, Cyprus, Estonia and Slovakia. For the Czech Republic, Denmark, Ireland, Greece, Italy, Hungary, Malta, Poland, Finland and Sweden, data are only available for the year 2015, while for Romania for the years 2014 and 2015 only.

For Belgium, Estonia, Cyprus and Slovakia, it was assumed that in 2015 the share of heating consumption (as share of the total consumption of the residential sector) was the same as that of the Netherlands, Latvia, Greece and Romania, respectively. These countries were chosen as the HDD indicator had the closest match. The 2005-2014 heating consumption for those countries was then calculated based on the HDD trend of each of those countries.

2.2.3 Transport

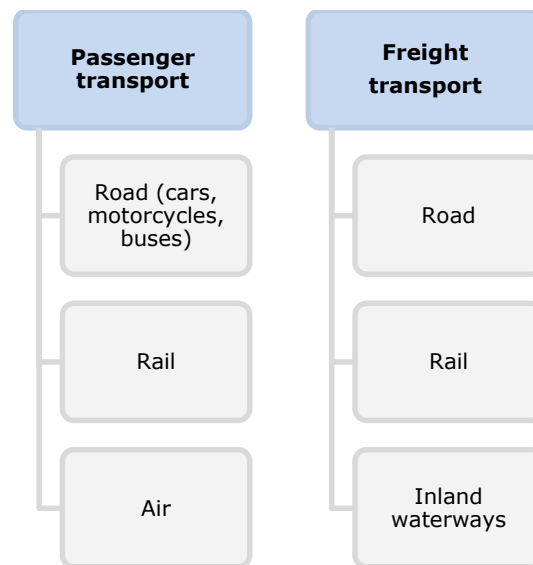
The energy consumption data of the transport sector in the ESTAT database are disaggregated by transport mode (rail, road, aviation, navigation, pipelines), but no distinction is made on the share of the energy consumption of each transport mode that corresponds to freight and passenger transport, respectively (see Table 7). This distinction is very important as the most appropriate indicator to express activity is passenger kilometres in the case of passenger transport and tonne kilometres in the case of freight transport. As the conversion of passenger kilometres to tonne kilometres is not possible and data on the share of FEC passenger or freight transport as part of the total FEC of each transport mode (rail, road, etc.) are not available in the ESTAT database, alternative sources of data were considered, namely the Odyssee database. It should be noted that small differences exist between the transport energy consumption at MS level from Eurostat and sum of passenger and freight transport energy consumption from Odyssee.

¹⁵ These are available here <http://ec.europa.eu/eurostat/web/energy/data>

Table 7. Transport categories in ESTAT nrg_100a dataset

Final energy consumption	ESTAT code	Transport type
All	B_101900	Freight/Passenger
Rail	B_101910	Freight/Passenger
Road	B_101920	Freight/Passenger
Aviation	B_101931+B_101932	Freight/Passenger
Navigation	B_101940	Freight/Passenger
Pipelines	B_101945	Freight

Figure 1. Classification of transport activities in Odyssee database



The classification of transport activities considered in the Odyssee database is shown in Figure 1. Road transport includes all energy consumed by cars, motorcycles and buses in the case of passenger transport and trucks & light vehicles in the case of freight. Rail transport is only broken down into passenger and freight. Air transport only includes the energy used by all domestic and foreign aeroplanes (e.g. private or commercial planes). Water transport is aggregated and it only includes the energy used for domestic transport (river transport, coastal maritime transport). It should be noted that for freight transport, the Odyssee data do not apply the territoriality principle¹⁶. Despite the fact that DG MOVE datasets publishes a more complete and detailed activity data in its annual DG MOVE Transport Statistical Pocketbook, which also includes corrections for territoriality principle in terms of the freight transport, the Odyssee transport activity were instead chosen for compatibility reasons between energy and activity data. This was done so that the classification and definitions of the energy data for the various transport modes and categories is consistent with that of the transport activity data. For this reason, the use of transport activity data by ESTAT (even though it was more complete) was not considered in this analysis in order to ensure compatibility between the energy and activity data. To fill data gaps, the assumptions listed in Table 8 were considered.

¹⁶ The 'territoriality principle' refers transport on the national territory, regardless of the nationality of the haulier

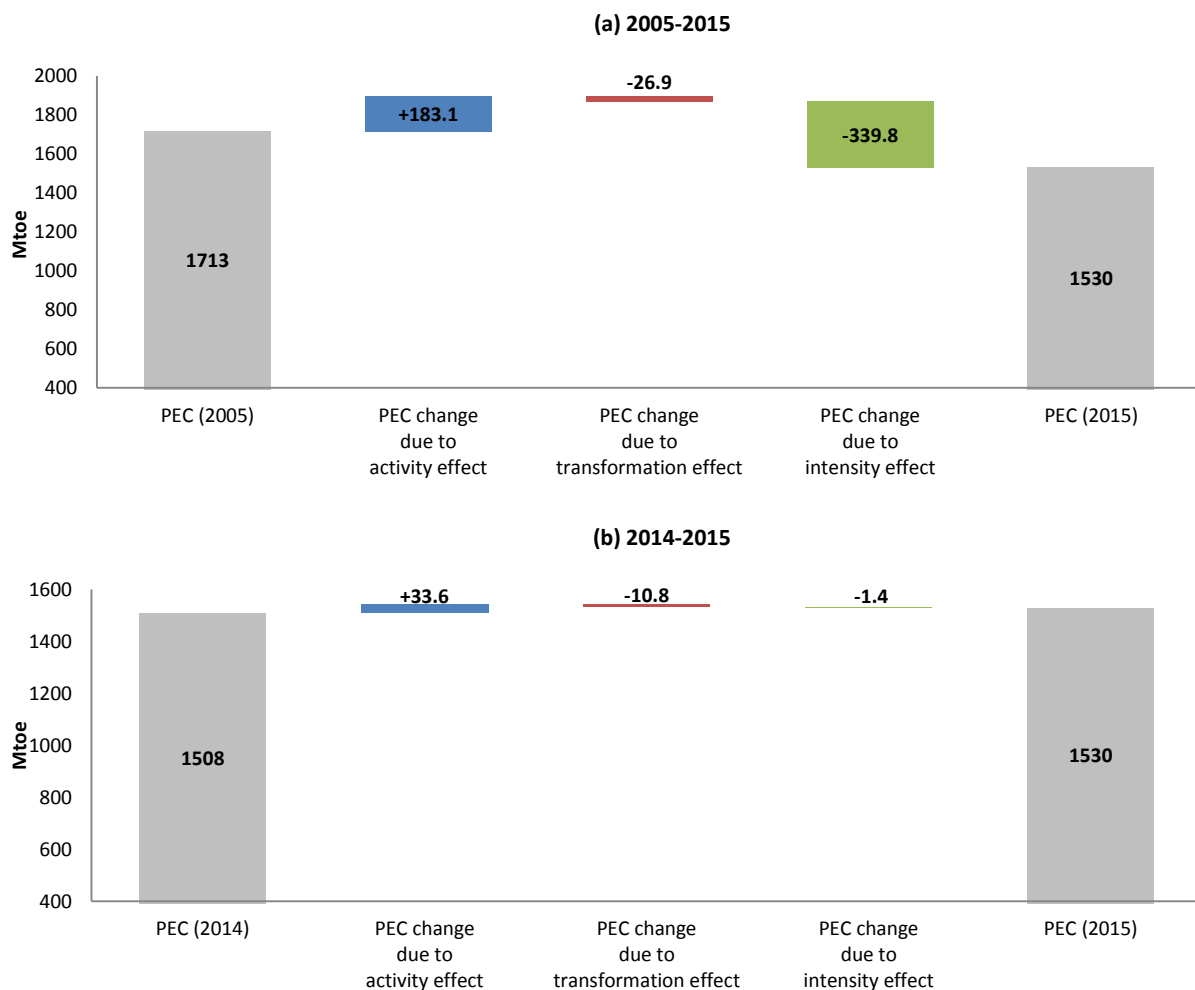
Table 8. Assumptions used to complete data gaps in the Odyssee transport datasets

Indicator	Countries with missing data	Assumptions
FEC of passenger transport (road)	BE, BG, EE, LT, LU, HU, MT, SK	Consumption per vehicle of similar country multiplied by vehicles of country in question (BE-DE, BG-PL, EE-LV, LT-LV, LU-DE, HU-PL, MT-CY, SK-SI)
FEC of freight transport (road)	BE, BG, EE, LT, LU, HU, MT, SK	Consumption per vehicle of similar country multiplied by vehicles of country in question (BE-DE, BG-PL, EE-LV, LT-LV, LU-DE, HU-PL, MT-CY, SK-SI)
FEC of freight transport (water)	LU, UK	Freight transport energy intensity (FEC/TKM) of a similar country multiplied by TKM of country in question (LU-NL, UK-FR)
Passenger kilometres (road)	MT	Passenger kilometres per vehicle stock of Cyprus (PKM/GDP) multiplied by Malta's vehicle stock
Passenger kilometres (air)	BE, IE, CY, LT, LU, HU, NL, SI	Passenger kilometres of representative country multiplied by ratio of GDP of representative country and country in question (BE-DE, IE-FR, CY-EE, LT-EE, LU-FR, HU-PL, NL-FR, SI-SK)
Tonne kilometres (water)	DK, EE, EL, IT, LV, PT, FI	Energy productivity (TKM/FEC) of representative country multiplied by FEC of country in question (DK-SE, EE-LT, EL-ES, IT-ES, LV-LT, PT-ES, FI-ES)

3 Results

Figure 2 illustrates the decomposition results of changes in EU-28 primary energy consumption change (Mtoe) for 2005-2015 using the additive Logarithmic Mean Divisia Index approach (LMDI). During the period 2005-2015, the EU28 primary energy consumption decreased by 183.6 Mtoe (11% from 1713 to 1530 Mtoe). The decomposition results show that the activity effect led to an increase of 183.1 Mtoe in primary energy consumption. However, this was offset by an almost twofold decrease (339.8 Mtoe) due to significant improvements in energy intensity. On the other hand, the impact of transformation effect for EU-28 was small (6.9 Mtoe), indicating a small overall increase in overall efficiency of the transformation system. In particular, the share of renewable energy used for electricity production doubled over this period from 62 to 124 Mtoe, however the overall transformation efficiency has increased by just 5%, resulting in a very small improvement in the primary to final energy consumption ratio from 1.44 to 1.41. In terms of the latest trends of 2014-2015, primary energy consumption increased for the first time after 5 years of consecutive decline in energy consumption (Figure 2(b)). The increase of 21.3 Mtoe in primary energy consumption in 2014-2015 is largely attributed to a strong economic activity effect (33.6 Mtoe). The decline in consumption due to improvements in transformation efficiency (10.8 Mtoe) and energy intensity (1.4 Mtoe) were not sufficient to offset the recorded economic growth.

Figure 2. Decomposition of changes in EU-28 primary energy consumption change (Mtoe) for 2005-2015 using the additive Logarithmic Mean Divisia Index approach (LMDI)



In final terms, the aggregated energy consumption at EU28 level declined from 1153 to 1056 Mtoe, corresponding to a drop of 8.4% in the period 2005-2015 (**Figure 3**). As in the case of primary energy consumption, the intensity effect was the strongest factor that led to this decline: improvements in final energy intensity amounted to a drop in final energy consumption of 169.9 Mtoe. If other factors had not come into play, the energy consumption would have increased by 115.1 Mtoe as a result of the economic growth registered in this period. Structural shifts towards less energy intensive sectors of the economy accounted for a drop of 25.2 Mtoe, while warmer winters over this period resulted in a decrease of energy consumption by 26.6 Mtoe. In 2014-2015, a small increase of 23 Mtoe in total final energy consumption was registered at EU level: this was caused by economic growth (activity effect: 20.9 Mtoe), small structural shift (1.0 Mtoe), improvements in intensity (10.2 Mtoe) and colder weather (weather effect: 13.2 Mtoe).

Figure 3. Decomposition of changes in EU-28 final energy consumption change (Mtoe) for: (a) 2005-2015 and (b) 2014-2015 using the additive Logarithmic Mean Divisia Index approach (LMDI)

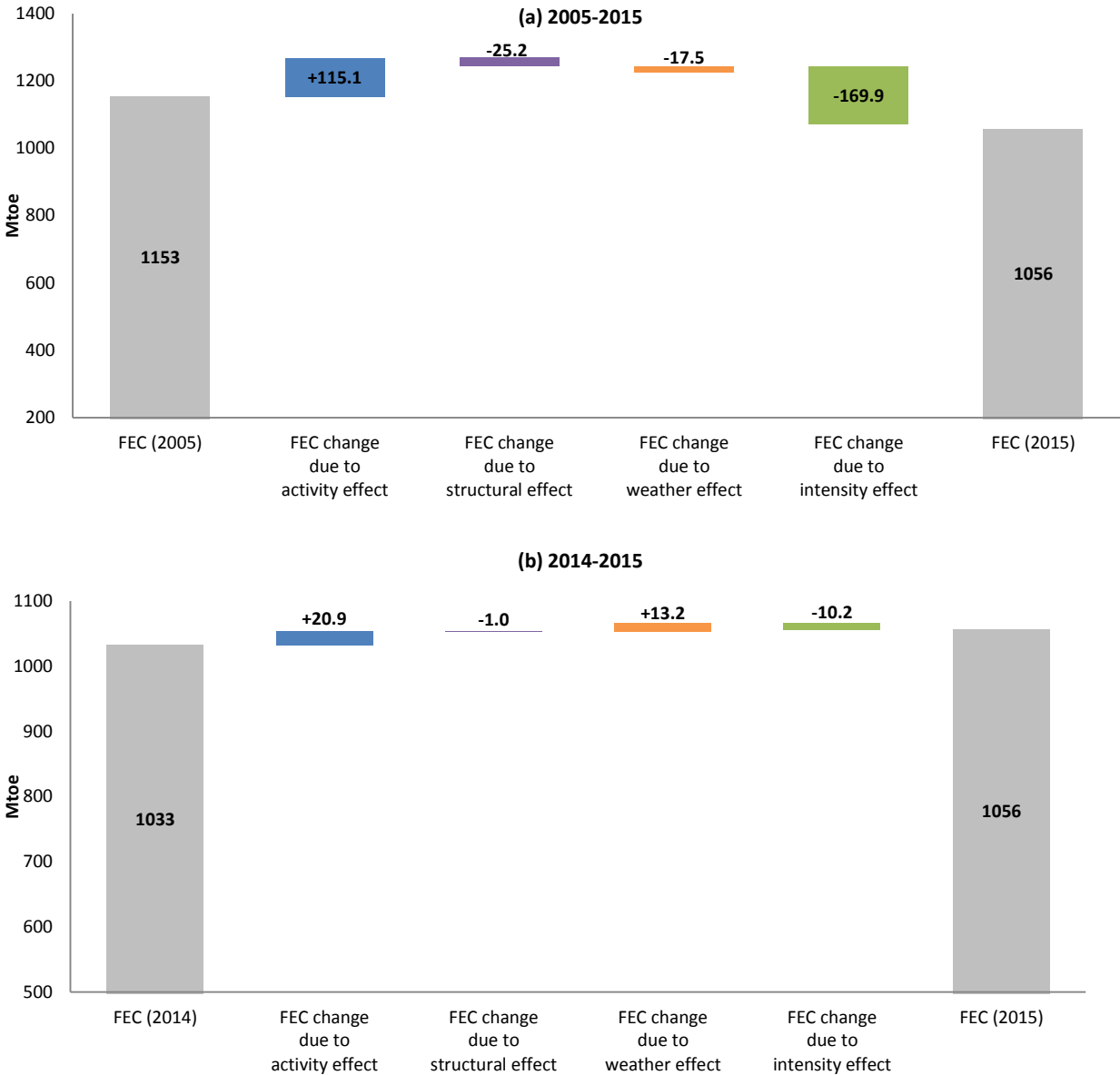
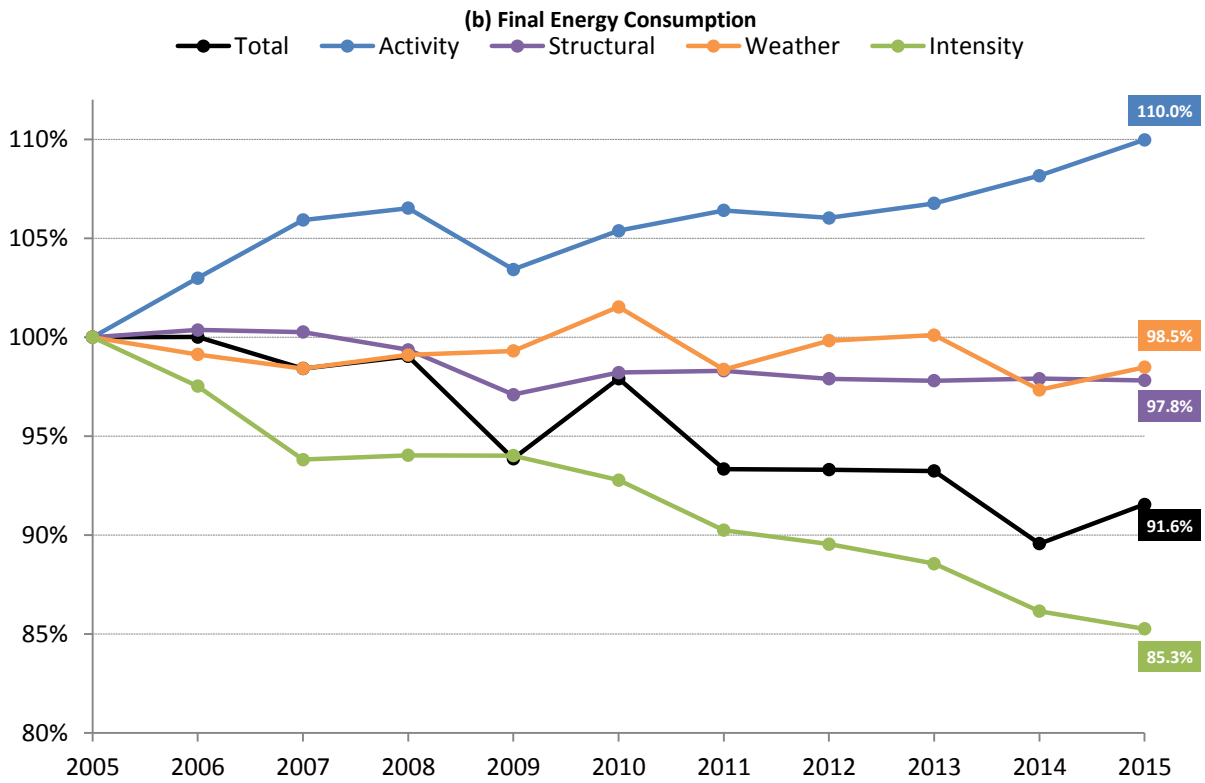
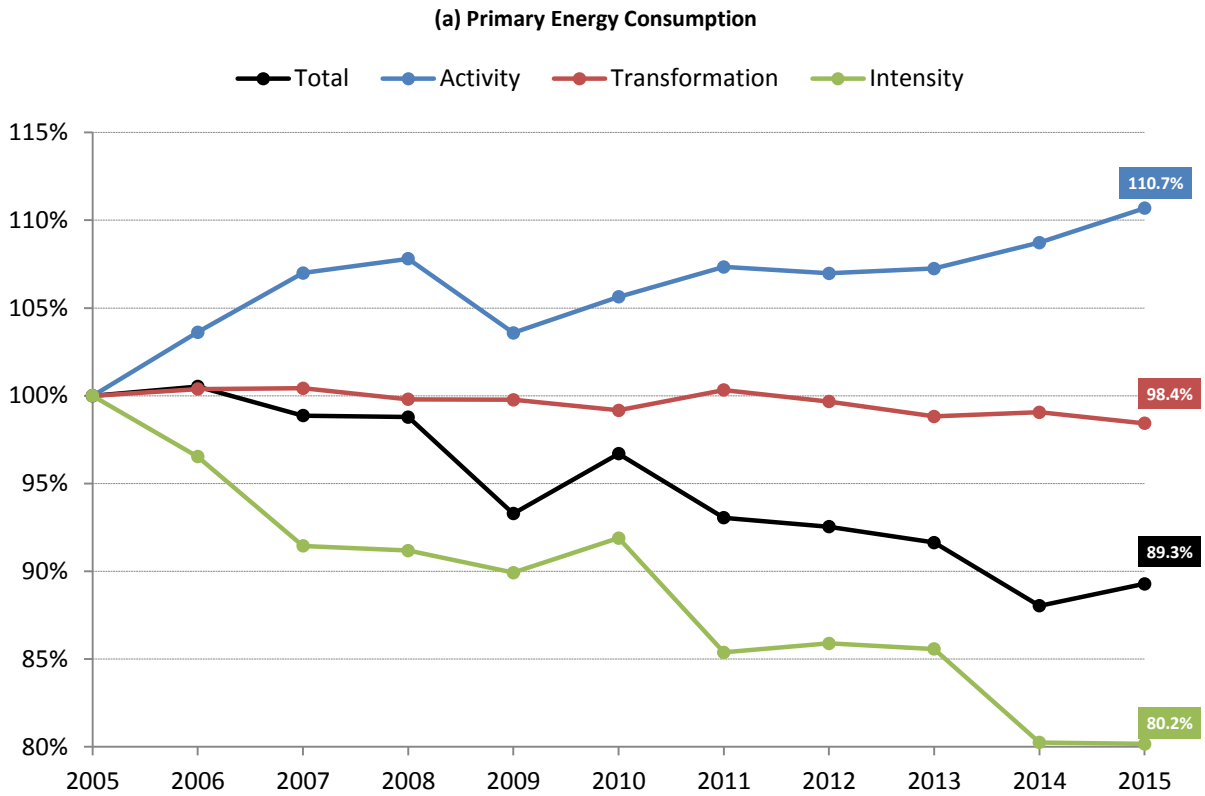


Figure 4. Yearly additive decomposition results at EU level in 2005-2015 (% in terms of 2005 consumption levels)



The year-on-year results at EU level are shown in **Figure 4**. The total effect, shown by the black line, represents the total change in energy consumption relative to 2005. The other lines represent the other effects that make up the total effect, as a percentage in terms of the decomposed indicator in 2005. For example, the total effect value 89% in 2015 means that there was a drop of 11% in primary energy consumption in relation to the 2005 consumption level. The activity effect of 110% represents a 10% increase in total primary energy consumption compared to 2005 that would have been observed had there been no structural and intensity changes. The influence of the financial crisis is primarily evident in 2008-2009, where a sharp drop in the trend of the activity effect in both primary and final energy consumption (corresponding to a 4% reduction) and, to a much lesser extent, in 2012 with a 0.4% energy reduction in both primary and final energy. The activity effect ramped up to its pre-2009 levels only in 2014 in terms of primary and in 2013 in terms of final energy. The intensity effect has been on a falling trend throughout the entire period except in 2010 and 2012, when small increase in energy consumption caused by a positive intensity effect is observed.

Tables 9 and 10 summarise the chained additive decomposition results in the period 2005-2015 for primary and final energy consumption at Member State level. The results are expressed in absolute values and as percentages relative to 2005 consumption levels. A drop in the overall primary energy consumption is noted in all countries except Estonia and Poland, which achieved an increase of primary energy consumption of 14% and 3%, respectively in this period. The biggest primary energy consumption decline was noted in Lithuania (27%), Greece (23%), Malta (21%), UK (18%) and Italy (18%). In final energy terms, all countries except Malta and Poland noted a drop in the period 2005-2015 with the largest drop being registered in Greece (22.9%), Italy (15.6%) and Portugal (15.0%). **With the exception of Greece, Italy and Portugal, economic activity drove up primary energy consumption, leading to a positive activity effect in all countries.** The most pronounced activity effects are recorded in Ireland (31%), Poland (40%), Malta (32%) and Slovakia (33%). Despite the significant economic growth, the overall consumption in these countries dropped due to concurrent intensity improvements except Poland which registered a small increase. This is an indication that these Member States managed to increase their GDP without a detrimental effect in their overall energy consumption. This is also true for the final energy results, where the activity effect has been positive in most countries (except Greece, Spain, Italy and Portugal), however this was not enough to offset the energy intensity improvements occurred in this period.

The transformation effect is the most diversified effect among Member States. The results show that a total of 10 countries had a positive transformation effect (i.e. a reduction in transformation efficiency). These included Bulgaria, Cyprus, Czech Republic, Estonia, Spain, France, Ireland, Latvia, the Netherlands and Portugal. Estonia had the largest increase due to worsening of transformation efficiency in the period 2005-2015, which contributed to an increase of primary energy consumption equivalent to 1.0 Mtoe compared to 2005 consumption levels (19%). In contrast, significant transformation efficiency improvements are registered in Malta (60%) and Lithuania (30%).

In terms of the intensity effect (which also cover structural shifts), most countries achieved significant improvements, with notable reduction in intensity effect in Slovakia (44%), Ireland (43%), Luxembourg (36%) and Romania (37%) with respect to primary energy consumption. Small decline due moderate intensity improvements were noted by Finland (8%), Croatia (9%) and Greece (2%), while Malta was the only country whose energy consumption increased due to higher final energy intensity (i.e. intensity effect 107%). Energy intensity improvements in final energy were noted in all countries except Cyprus (Table 10). The notable reduction in intensity effect was noted in Bulgaria (45.8%), Poland (41.5%) and Slovakia (40.8%). The structural effect was negative – indicating a shift towards less intensive sectors in all Member States except Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Malta, Poland and Slovakia. This is further discussed in the sections on individual sectoral results.

Table 9. Primary energy consumption decomposition results in 2005-2015

	Primary Energy Consumption (ktoe)		Total effect		Activity effect		Transformation effect		Intensity effect	
	2005	2015	ktoe	%	ktoe	%	ktoe	%	ktoe	%
EU	1713193	1529587	-183606	89.3%	183093	110.7%	-26886	98.4%	-339812	80.2%
BE	51334	45701	-5633	89.0%	5919	111.5%	-4429	91.4%	-7123	86.1%
BG	18905	17904	-1001	94.7%	4679	124.8%	280	101.5%	-5960	68.5%
CZ	42477	39930	-2547	94.0%	8384	119.7%	1109	102.6%	-12041	71.7%
DK	19267	16514	-2754	85.7%	1253	106.5%	-814	95.8%	-3193	83.4%
DE	317264	292937	-24327	92.3%	43211	113.6%	-15008	95.3%	-52529	83.4%
EE	5387	6156	770	114.3%	929	117.2%	1021	119.0%	-1180	78.1%
IE	14749	13962	-787	94.7%	4592	131.1%	918	106.2%	-6297	57.3%
EL	30649	23685	-6964	77.3%	-5813	81.0%	-184	99.4%	-967	96.8%
ES	135873	117108	-18765	86.2%	5782	104.3%	5755	104.2%	-30303	77.7%
FR	260267	239448	-20819	92.0%	21356	108.2%	6151	102.4%	-48325	81.4%
HR	9107	7996	-1111	87.8%	20	100.2%	-304	96.7%	-827	90.9%
IT	181473	149563	-31910	82.4%	-7686	95.8%	-4746	97.4%	-19479	89.3%
CY	2466	2248	-217	91.2%	113	104.6%	24	101.0%	-353	85.7%
LV	4495	4279	-216	95.2%	689	115.3%	26	100.6%	-930	79.3%
LT	7978	5797	-2180	72.7%	1511	118.9%	-2438	69.4%	-1253	84.3%
LU	4772	4144	-627	86.9%	1186	124.9%	-116	97.6%	-1698	64.4%
HU	25443	22255	-3187	87.5%	1822	107.2%	-365	98.6%	-4644	81.7%
MT	952	751	-201	78.9%	302	131.7%	-573	39.8%	70	107.4%
NL	69020	64329	-4690	93.2%	6786	109.8%	2631	103.8%	-14108	79.6%
AT	32415	31332	-1083	96.7%	3744	111.5%	-540	98.3%	-4287	86.8%
PL	87651	90001	2350	102.7%	35146	140.1%	-3254	96.3%	-29542	66.3%
PT	24888	21662	-3227	87.0%	-269	98.9%	557	102.2%	-3514	85.9%
RO	36740	31288	-5452	85.2%	9451	125.7%	-1212	96.7%	-13691	62.7%
SI	7016	6453	-563	92.0%	725	110.3%	-267	96.2%	-1020	85.5%
SK	17750	15379	-2372	86.6%	5914	133.3%	-462	97.4%	-7824	55.9%
FI	33350	32030	-1320	96.0%	1597	104.8%	41	100.1%	-2958	91.1%
SE	48700	43700	-5001	89.7%	8497	117.4%	-2137	95.6%	-11361	76.7%
UK	222807	183035	-39772	82.1%	23255	110.4%	-8550	96.2%	-54476	75.6%

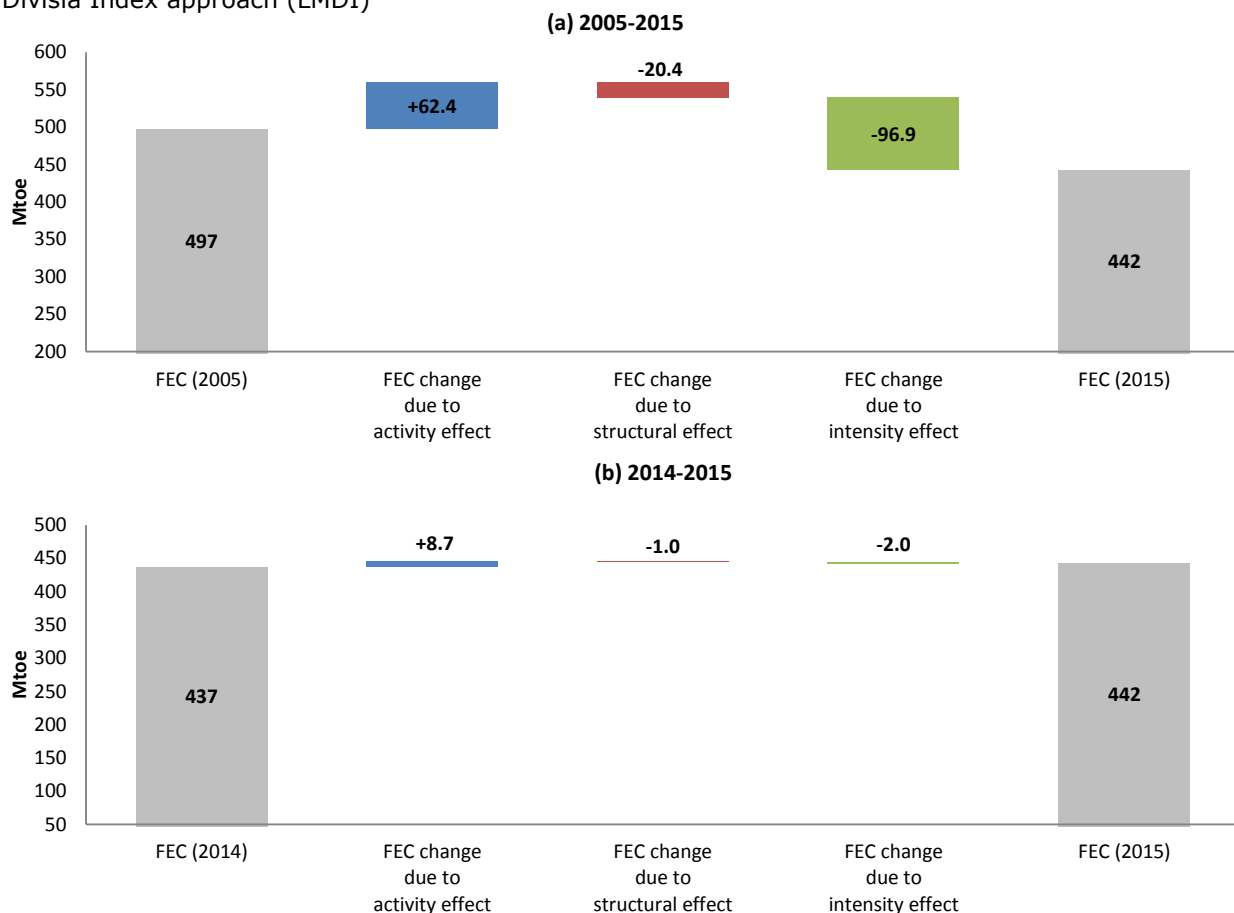
Table 10. Final energy consumption decomposition results in 2005-2015

	Final Energy Consumption (ktoe)		Total effect		Activity effect		Structural effect		Intensity effect		Weather effect	
	2005	2015	ktoe	%	ktoe	%	ktoe	%	ktoe	%	ktoe	%
EU	1153487	1056028	-97460	91.6%	115119	110.0%	-25196	97.8%	-	85.3%	-17455	98.5%
									169928			
BE	35137	34793	-343	99.0%	5024	114.3%	-563	98.4%	-4696	86.6%	-108	99.7%
BG	8993	8420	-573	93.6%	2974	133.1%	738	108.2%	-4120	54.2%	-165	98.2%
CZ	26045	24048	-1997	92.3%	4922	118.9%	182	100.7%	-6413	75.4%	-688	97.4%
DK	15174	13841	-1333	91.2%	1792	111.8%	-376	97.5%	-2621	82.7%	-127	99.2%
DE	215975	210845	-5130	97.6%	27249	112.6%	-1265	99.4%	-28060	87.0%	-3054	98.6%
EE	3435	3238	-197	94.3%	189	105.5%	232	106.7%	-548	84.0%	-70	98.0%
IE	11544	10580	-965	91.6%	1774	115.4%	-1672	85.5%	-1240	89.3%	173	101.5%
EL	20855	16072	-4783	77.1%	-1297	93.8%	-1492	92.8%	-1768	91.5%	-226	98.9%
ES	96690	78698	-17993	81.4%	-171	99.8%	-6939	92.8%	-9496	90.2%	-1387	98.6%
FR	147428	136848	-10580	92.8%	10508	107.1%	-1152	99.2%	-17271	88.3%	-2665	98.2%
HR	7169	6492	-678	90.5%	723	110.1%	-123	98.3%	-955	86.7%	-323	95.5%
IT	136273	115028	-21245	84.4%	-5665	95.8%	-1650	98.8%	-9474	93.0%	-4456	96.7%
CY	1774	1668	-107	94.0%	88	105.0%	-344	80.6%	144	108.1%	5	100.3%
LV	4001	3787	-214	94.6%	577	114.4%	150	103.8%	-834	79.2%	-108	97.3%
LT	4842	4811	-31	99.4%	584	112.1%	252	105.2%	-732	84.9%	-135	97.2%
LU	2514	2500	-14	99.4%	607	124.1%	-328	86.9%	-280	88.9%	-13	99.5%
HU	18367	16357	-2009	89.1%	2366	112.9%	-120	99.3%	-3503	80.9%	-752	95.9%
MT	592	803	211	135.6%	202	134.2%	387	165.4%	-375	36.7%	-4	99.3%
NL	51885	47326	-4559	91.2%	5341	110.3%	-1659	96.8%	-8094	84.4%	-147	99.7%
AT	24891	24645	-246	99.0%	3166	112.7%	-100	99.6%	-2652	89.3%	-660	97.3%
PL	57800	61262	3462	106.0%	25938	144.9%	3219	105.6%	-23972	58.5%	-1723	97.0%
PT	18897	16070	-2827	85.0%	-137	99.3%	-577	96.9%	-1930	89.8%	-183	99.0%
RO	24061	21331	-2730	88.7%	6327	126.3%	-1028	95.7%	-7234	69.9%	-795	96.7%
SI	4762	4395	-367	92.3%	488	110.3%	-101	97.9%	-598	87.4%	-157	96.7%
SK	11493	10721	-772	93.3%	3150	127.4%	971	108.4%	-4689	59.2%	-203	98.2%
FI	24822	23661	-1161	95.3%	1453	105.9%	-2227	91.0%	-211	99.1%	-176	99.3%
SE	32773	30470	-2303	93.0%	4731	114.4%	-2052	93.7%	-4808	85.3%	-174	99.5%
UK	145295	127320	-17975	87.6%	12078	108.3%	-7518	94.8%	-23399	83.9%	864	100.6%

3.1 Commercial sector

In the period 2005-2015, the energy consumption of the EU28 **commercial sector**¹⁷ as a whole decreased by 54.9 Mtoe, corresponding to a **drop of 11%**. If structural and intensity effects would not have come into play, economic growth would have driven up energy consumption by 62.4 Mtoe. The main reason of the **overall energy decline was due to energy intensity improvements**, which contributed to a drop in energy consumption by 96.9 Mtoe, followed by structural shifts which contributed to a reduction of 20.4 Mtoe. In comparison to the structural effect, the intensity effect therefore played a bigger role in reducing the consumption at EU level. The structural effect is attributed to a relative increase in the gross value added of the services sector in this period (GVA was increased by 14%) and other less energy intensive sectors such as transport equipment (35%), food and tobacco (22%). In addition, a drop in energy intensive sectors such as wood and paper dropped by 8% was observed in this period, while chemical and petrochemical sector, representing one of the most energy intensive sectors, increased by 15%. These sectors however have a relative small share in the total gross value added of the commercial sector, with services representing by far the biggest share of value added at around 75%. Intensity efficiency improvements have been achieved in all sectors except wood, paper and construction. Most significant intensity improvements at EU level are noted in transport equipment, textile & leather, metals & machinery, non-metallic minerals & other manufacturing sectors.

Figure 5. Decomposition of changes in EU-28 final energy consumption change (Mtoe) in the commercial sector for: (a) 2005-2015 and (b) 2014-2015 using the additive Logarithmic Mean Divisia Index approach (LMDI)



¹⁷ The results of the commercial sector (that is, combined industry, services and agriculture) correspond to the application of decomposition under option 2 (see Table 2).

During the first period 2005-2008 (Figure 6), energy intensity improvements at the EU level almost evened out with growing demand for energy due to enhanced economic activity of the commercial sector. The decrease in economic activity and its impact in the overall energy consumption is evident in the second period 2008-2012, where a sharp drop in energy demand due to low economic activity is observed in 2008-2009 (22 Mtoe) and a much smaller drop in 2011-2012 (1.3 Mtoe). Since 2012, the activity effect has been positive. In 2014-2015, final energy consumption increased for the first time after 4 years of consecutive decline in energy consumption (Figure 5(b)). The small increase of 5.7 Mtoe in 2014-2015 is largely attributed to a positive economic activity effect (8.7 Mtoe).

Figure 6. Impact of economic crisis in the commercial sector in the EU

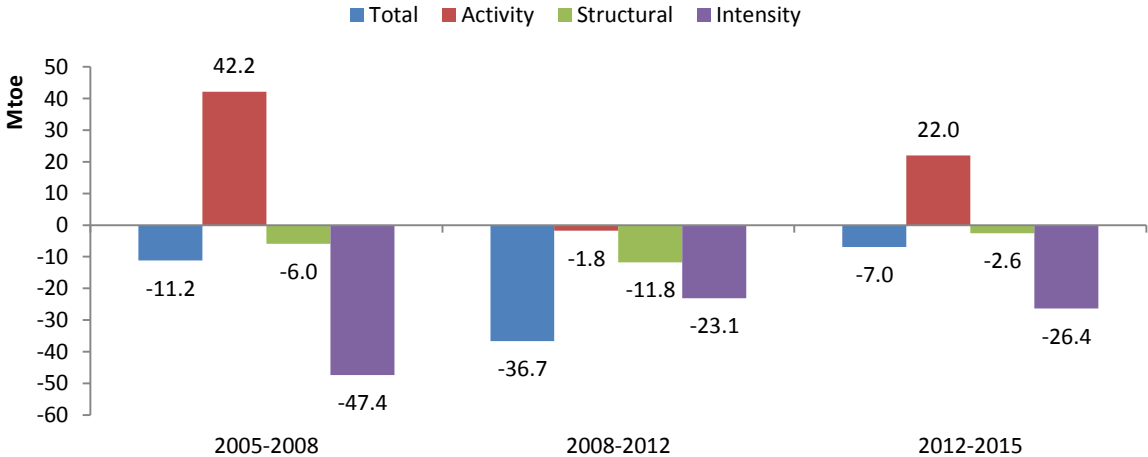
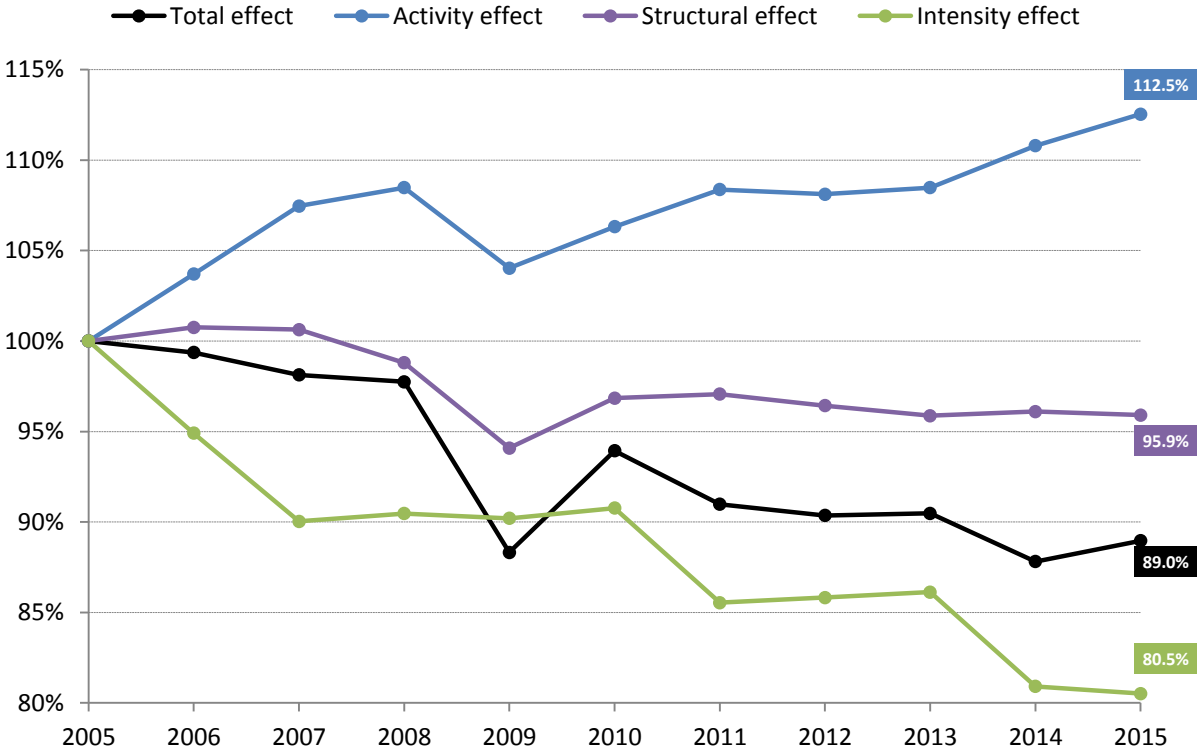


Figure 7. Yearly additive decomposition results at EU level in 2005-2015 (% in terms of 2005 consumption levels) in the commercial sector



The detailed year on year results are shown in Figure 7. **In the period 2008-2009, the commercial sector noted a sharp drop in energy consumption due to economic decline** which resulted in negative activity effect of 22.1 Mtoe (4.4% compared to 2005 consumption), structural shift towards less intensive industrial sub-sectors which resulted in a significant drop of 23.4 Mtoe (4.7%), and a mild drop in energy intensity of 1.3 Mtoe (0.5%). The activity effect reached its pre-2009 levels only in 2013. The intensity effect has experienced some fluctuations, with positive intensity effect being registered in 2007-2008, 2009-2011 and 2011-2013.

In terms of individual sectors, the industry sector noted the biggest drop in final energy consumption at EU level of 53.6 Mtoe, corresponding to a reduction of 17% in 2015 in relation to 2005. As in the case of commercial sector, the overall energy decline in the industry sector was primarily due to energy intensity gains (-72.5 Mtoe), and lesser extent structural shifts (-2.8 Mtoe). Economic growth contributed to an increase in energy consumption of 21.7 Mtoe, however this was offset by both negative intensity and structural effects. Among the individual sectors, the services sector was the only sector with an increase in energy consumption, albeit a small one (+3.1 Mtoe, 2%). This was largely driven by increase in gross value added in services, resulting in energy consumption rise of +20.4 Mtoe, mostly offset by energy intensity gains corresponding to -17.Mtoe. As it is not possible to examine structural shifts within the services sector, it is not possible to divide these energy intensity gains into structural and pure intensity effects. The same applies for the agriculture sector which registered an overall drop of -4.3 Mtoe in the period 2005-2015 at EU level. The positive activity effect (+3.9 Mtoe) in the agriculture sector was offset by substantial intensity drop (-8.3 Mtoe), however it is possible to deduce the share of this intensity drop attributed to structural shift within the agriculture sector (i.e. shift from high to low intensity agricultural activities).

At Member State level, the results differ substantially (Table 11). Examining the commercial sector as a whole, the overall energy consumption declined in all Member States in 2005-2015, except Germany which registered a rise in final energy consumption of 3.5 Mtoe (4% compared to 2005), Belgium with a rise of 0.5 Mtoe (3%), Latvia, 86 ktoe (6%) and Malta 65 ktoe (57%). All other countries experienced a decline, with the most significant ones in Greece (28.6%), Spain (26.2%) and Romania (26.7%). In terms of decomposition results, the commercial sector experienced economic growth in 2005-2015, resulting into positive activity effect in most countries in this period which ranged from just over 1% (92 ktoe) in case of Portugal to over 50%, e.g. 52.4% in Poland. In absolute terms, the largest activity effect is noted in Germany (13.3 Mtoe), Poland (13.7 Mtoe), UK (5.8 Mtoe) and France (5.3 Mtoe), followed by the Netherlands (3.5 Mtoe), Romania (2.3 Mtoe), Sweden (3.2 Mtoe) and Slovakia (2.3 Mtoe). Italy and Greece were the only countries with considerable economic downturn in their commercial sectors, resulting in a negative activity effect (1.6 Mtoe and 1.2 Mtoe, respectively). For Greece, this corresponded to a 16.1% reduction due to lower economic activity in the period 2005-2015. Greece's activity effect was registered as negative for the first time in 2007-2008, and continued to remain negative until 2013. On the other hand, Italy's negative effect is noted in the periods 2007-2009 and 2011-2013. A minor negative activity effect in 2008-2009, reflecting economic downturn, was noted also in all countries¹⁸ except Poland. However this was quickly overturned in the following years, resulting in an overall positive activity effect for the period 2005-2015 for these countries. Poland was the only country with consistently positive activity effect throughout the entire period of 2005-2015.

In terms of structural shift, **the commercial sector moved to less intensive sectors in all countries except Austria, Bulgaria, Czech Republic, Lithuania, Latvia, Poland and Slovakia¹⁹ in the period 2005-2015.** Slovakia was the country with the

¹⁸ Outside the period 2008-2009, several countries continued to experience negative activity effect for a few years. These includes Belgium, Bulgaria, Cyprus, Czech Republic, Estonia, Spain, Finland, Croatia, Hungary, Ireland, Luxembourg, Latvia, Netherlands, Portugal, Romania, Sweden, Slovenia and the UK.

¹⁹ These countries had a positive structural effect, meaning that they had a shift towards more energy intensive activities in the period 2005-2015

largest increase in consumption due to shift towards more intensive activities, with an increase of .8 Mtoe (12.6%) in this period. Other notable cases include Lithuania (0.2 Mtoe, 11%), Bulgaria (0.4 Mtoe, 7.8%) and Poland (2 Mtoe, 7.6%). In contrast, countries with significant shift towards less intensive commercial subsectors included the UK (-5.4 Mtoe), Spain (-5.1 Mtoe), Sweden (-1.9 Mtoe), and Finland (-1.9 Mtoe). The energy consumption of services declined in Austria, Czech Republic, Denmark, Greece, Hungary, Ireland, Latvia, the Netherlands, Portugal, Sweden, Slovenia, Slovakia and the UK. In all other countries, services energy consumption increased with the most notable rise in France (1.8 Mtoe), Spain (1.6 Mtoe), Germany (1.5 Mtoe) and Poland (1.1 Mtoe).

The intensity effect was negative in all countries except Cyprus (28 ktoe), Greece (591 ktoe), Finland (221 ktoe), and Malta (1 ktoe). On the other hand, significant energy efficiency improvements, resulting in negative intensity effect are seen in the biggest countries including Poland (-16.2 Mtoe), Italy (-11.1 Mtoe), Germany (-8.7 Mtoe) and Spain (-8.1 Mtoe).

Table 11. Decomposition results of commercial sector in 2005-2015

	Final Energy Consumption (ktoe)		Total effect		Activity effect		Structural effect		Intensity effect	
	2005	2015	ktoe	%	ktoe	%	ktoe	%	ktoe	%
EU	497272	442393	-54879	89.0%	62368	112.5%	-20363	95.9%	-96885	80.5%
BE	16631	17123	492	103.0%	2077	112.5%	-412	97.5%	-1174	92.9%
BG	5055	3775	-1280	74.7%	1392	127.5%	393	107.8%	-3066	39.4%
CZ	13282	10910	-2372	82.1%	2971	122.4%	598	104.5%	-5940	55.3%
DK	5599	4660	-940	83.2%	593	110.6%	-279	95.0%	-1255	77.6%
DE	91858	95305	3447	103.8%	13264	114.4%	-1113	98.8%	-8704	90.5%
EE	1202	1112	-91	92.4%	160	113.3%	-51	95.7%	-200	83.4%
IE	4469	3769	-699	84.3%	897	120.1%	-441	90.1%	-1155	74.2%
EL	7172	5120	-2051	71.4%	-1151	83.9%	-1491	79.2%	591	108.2%
ES	42035	31037	-10998	73.8%	2199	105.2%	-5100	87.9%	-8097	80.7%
FR	58594	55404	-3190	94.6%	5364	109.2%	-1137	98.1%	-7418	87.3%
HR	2480	2047	-433	82.5%	67	102.7%	-158	93.6%	-342	86.2%
IT	58053	44155	-13898	76.1%	-1556	97.3%	-1216	97.9%	-11125	80.8%
CY	517	455	-62	87.9%	35	106.8%	-126	75.6%	28	105.5%
LV	1442	1528	86	106.0%	211	114.6%	31	102.2%	-156	89.2%
LT	1717	1655	-62	96.4%	486	128.3%	188	111.0%	-737	57.1%
LU	1167	1072	-96	91.8%	296	125.3%	-360	69.1%	-31	97.3%
HU	7434	7059	-375	95.0%	796	110.7%	-264	96.4%	-907	87.8%
MT	115	180	65	157.1%	91	179.3%	-26	77.1%	1	100.7%
NL	27975	24442	-3533	87.4%	3500	112.5%	-1828	93.5%	-5205	81.4%
AT	12492	12237	-255	98.0%	1564	112.5%	245	102.0%	-2064	83.5%
PL	26208	25774	-434	98.3%	13736	152.4%	1994	107.6%	-16164	38.3%
PT	8445	6751	-1694	79.9%	92	101.1%	-393	95.4%	-1394	83.5%
RO	11818	8658	-3161	73.3%	3203	127.1%	-896	92.4%	-5467	53.7%
SI	2184	1743	-441	79.8%	248	111.4%	-128	94.1%	-561	74.3%
SK	6585	6093	-493	92.5%	2298	134.9%	829	112.6%	-3619	45.0%
FI	15149	13972	-1177	92.2%	508	103.4%	-1906	87.4%	221	101.5%
SE	17364	15381	-1983	88.6%	3210	118.5%	-1942	88.8%	-3251	81.3%
UK	50229	40978	-9251	81.6%	5817	111.6%	-5375	89.3%	-9694	80.7%

3.2 Residential sector

In the period 2005-2015, energy consumption of the EU28 **residential sector** as a whole decreased by 35.3 Mtoe, corresponding to a **drop of 11%** compared to 2005 levels (**Figure 8**). **Improvements in energy intensity contributed to a reduction** of 67.0 Mtoe in this sector. In addition, **warmer winters** over this period resulted in a **drop** of energy consumption by 17.5 Mtoe in 2015 compared to 2005 levels and the activity effect of the residential energy consumption at the EU level was 49.2 Mtoe. In 2014-2015, a small increase in consumption (11 Mtoe) was registered which was largely attributed to an increase due to colder weather with respect to the previous year (13.2 Mtoe) and a smaller increase in activity effect (5.4 Mtoe). The intensity effect remained negative at 8 Mtoe. In terms of the yearly results (Figure 9), the activity effect has been on constant rise in the period 2005-2015, while the opposite is true for intensity effect. Trend fluctuations in the weather effect followed the one of the total effect, indicating the strong impact the weather effect has on the total energy consumption in the residential sector.

Figure 8. Decomposition of changes in EU-28 final energy consumption change (Mtoe) in the residential sector for: (a) 2005-2015 and (b) 2014-2015 using the additive Logarithmic Mean Divisia Index approach (LMDI)

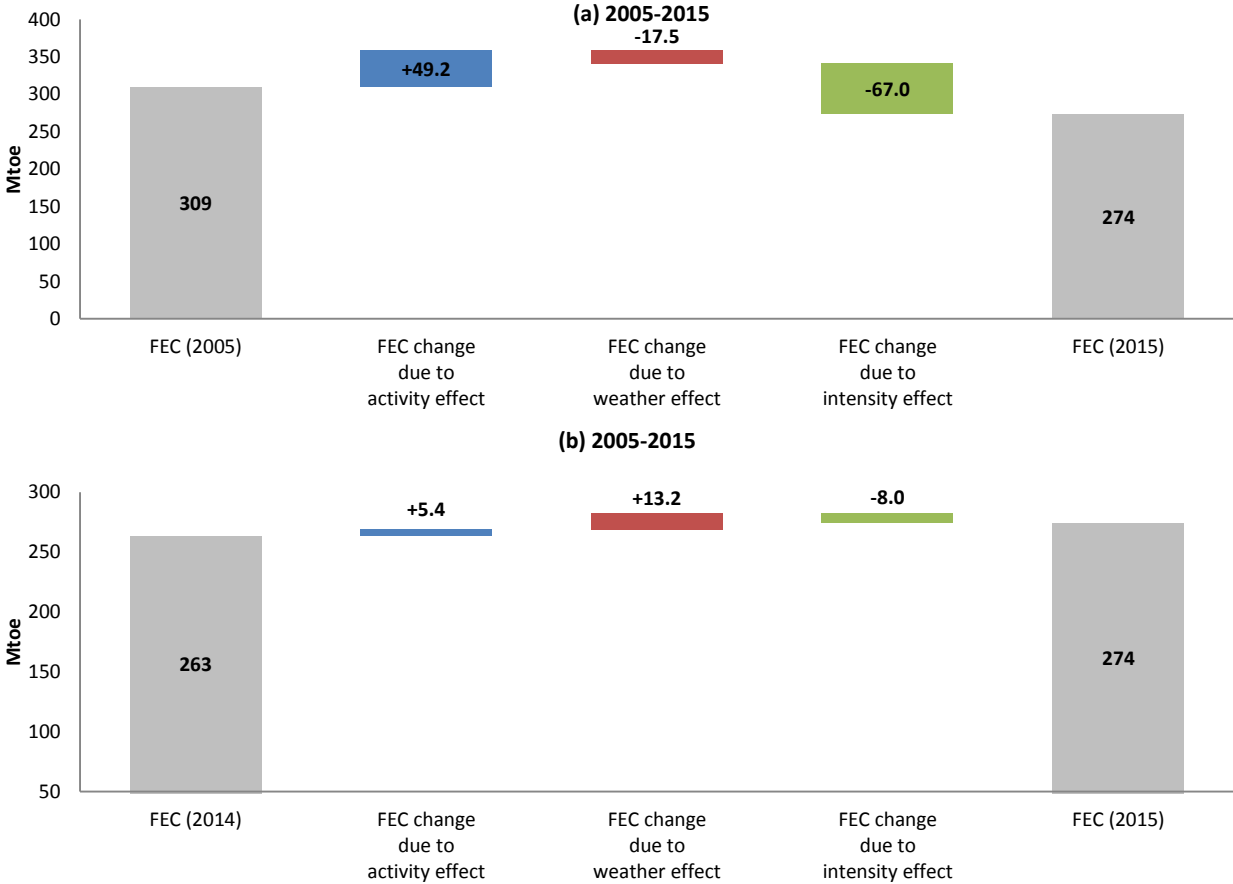
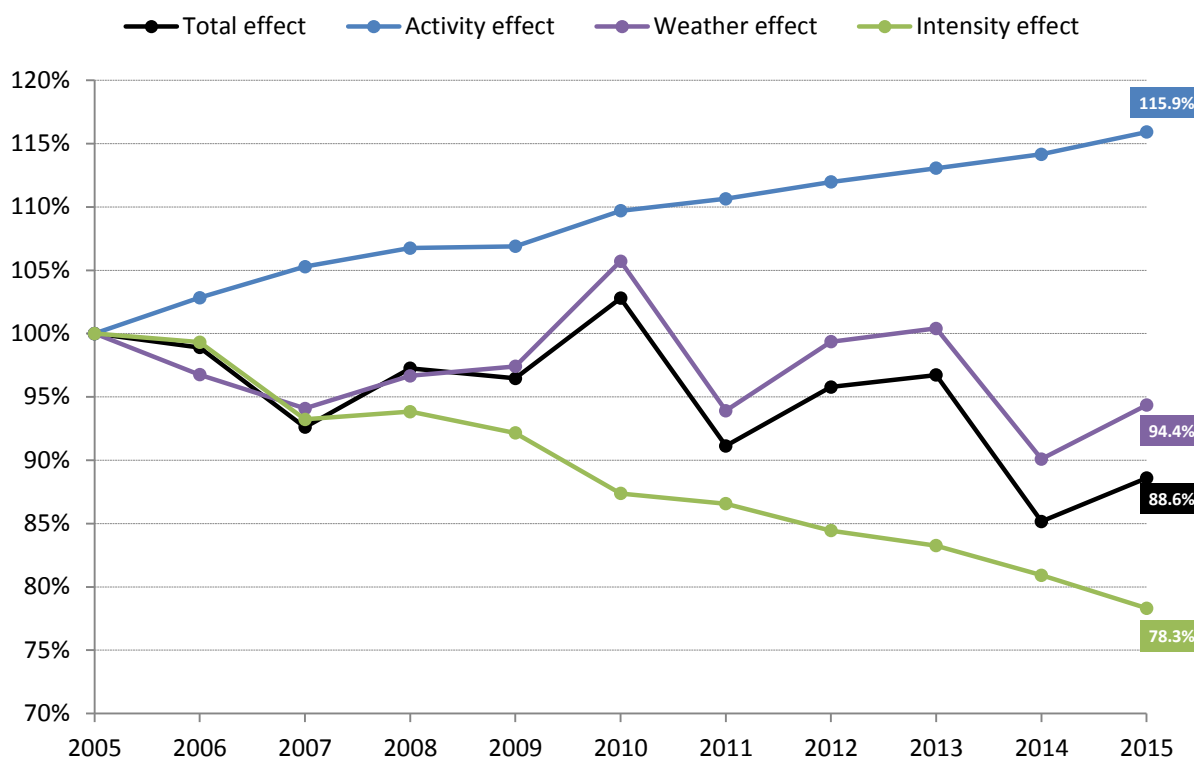


Figure 9. Yearly additive decomposition results at EU level in 2005-2015 (% in terms of 2005 consumption levels) in the residential sector



At Member State level (Table 12), the largest drops in the residential energy consumption are noted in Latvia (26.5%), Hungary (25%) and Greece (20.1%). The residential sector was the sector with the largest share of Member States registering an overall decline in energy consumption in this period (25 Member States). The consumption in Cyprus remained the same, while Malta and Bulgaria experienced a small increase (2.4% and 3.7%, respectively). The activity effect was positive in all countries except Greece, which noted a small drop (36 Mtoe) in energy consumption due to lower activity in its residential sector. Malta (41.3%) Luxembourg (39.8%) and Romania (31.2%) had the biggest increase. Lower heating needs due to warmer weather (i.e. negative effect) was noted in all Member States except UK, Ireland and Cyprus. The year 2015 was a colder year compared to 2014²⁰, however in most countries this was not enough to shift the overall trend of negative weather effect in the preceding period. The largest drop due to warmer winter was noted in Slovenia (13.2%), Italy (13.1%) and Croatia (21.5%). Intensity improvements were noted in all Member States except Italy. The largest drops due to intensity improvements were registered in Luxembourg (43.1%), Ireland (37.4%), Belgium (37.3%) and the UK (34.8%).

²⁰ Specifically, all countries except Estonia, Latvia, Lithuania, Finland and Portugal experienced an increase in their heating degree days in 2015 compared to 2014.

Table 12. Decomposition results of residential sector in 2005-2015

	Final Energy Consumption		Total effect		Activity effect		Weather effect		Intensity effect	
	2005	2015	Add.	%	Add.	%	Add.	%	Add.	%
EU	309224	273929	-35294.9	88.6%	49205	115.9%	-17455	94.4%	-67045	78.3%
BE	9925	8136	-1789	82.0%	2017	120.3%	-108	98.9%	-3698	62.7%
BG	2117	2195	78	103.7%	654	130.9%	-165	92.2%	-411	80.6%
CZ	6649	6573	-76	98.9%	1300	119.6%	-688	89.7%	-689	89.6%
DK	4452	4254	-197	95.6%	952	121.4%	-127	97.1%	-1022	77.0%
DE	63498	53171	-10327	83.7%	8707	113.7%	-3054	95.2%	-15980	74.8%
EE	890	858	-32	96.4%	235	126.4%	-70	92.1%	-197	77.8%
IE	2954	2712	-243	91.8%	689	123.3%	173	105.8%	-1104	62.6%
EL	5510	4401	-1109	79.9%	-36	99.3%	-226	95.9%	-847	84.6%
ES	15132	14876	-256	98.3%	2742	118.1%	-1387	90.8%	-1612	89.3%
FR	43070	37666	-5404	87.5%	6373	114.8%	-2665	93.8%	-9112	78.8%
HR	2816	2418	-398	85.9%	430	115.3%	-323	88.5%	-505	82.1%
IT	33922	32495	-1427	95.8%	2261	106.7%	-4456	86.9%	768	102.3%
CY	317	317	0	100.0%	59	118.7%	5	101.5%	-64	79.8%
LV	1504	1106	-398	73.5%	168	111.2%	-108	92.9%	-459	69.5%
LT	1509	1365	-144	90.4%	269	117.8%	-135	91.1%	-278	81.6%
LU	525	495	-30	94.3%	209	139.8%	-13	97.6%	-226	56.9%
HU	6464	4849	-1615	75.0%	1040	116.1%	-752	88.4%	-1904	70.5%
MT	76	78	2	102.4%	32	141.3%	-4	94.8%	-26	66.2%
NL	10743	9557	-1186	89.0%	1972	118.4%	-147	98.6%	-3011	72.0%
AT	6192	5978	-214	96.5%	896	114.5%	-660	89.3%	-450	92.7%
PL	19454	18843	-611	96.9%	5521	128.4%	-1723	91.1%	-4410	77.3%
PT	3224	2539	-685	78.7%	367	111.4%	-183	94.3%	-870	73.0%
RO	7990	7375	-615	92.3%	2494	131.2%	-795	90.0%	-2313	71.0%
SI	1188	1111	-77	93.5%	135	111.4%	-157	86.8%	-56	95.3%
SK	2540	1988	-553	78.3%	481	118.9%	-203	92.0%	-830	67.3%
FI	5020	4898	-121	97.6%	1072	121.4%	-176	96.5%	-1018	79.7%
SE	7305	7197	-108	98.5%	1372	118.8%	-174	97.6%	-1307	82.1%
UK	44238	36481	-7757	82.5%	6794	115.4%	864	102.0%	-15415	65.2%

3.3 Transport sector

Transport's energy consumption **dropped by only around 2%** in the period 2005-2015: consumption of passenger transport increased by 1%, and consumption of freight transport decreased by 8%. Transport is the sector with the most moderate results. Only 5 Member States (Greece, France, Italy, Sweden and the UK) experienced a small decline, while the passenger transport sector's consumption in all other countries increased from 1% in the case of Portugal, Germany and the Netherlands to over 50% in the case of Poland. On the other hand, just over half of the Member States – Denmark, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Lithuania, Hungary, the Netherlands, Portugal, Slovenia and Finland– experienced a decline in the energy consumption of freight transport sector in this period.

In terms of passenger transport at EU level, the year-on-year results are shown in Figure 10a. The total effect has been on a declining trend since 2007, but in the last two years, a sharp increase is noted. The influence of the financial crisis on the passenger transport is evident in the period 2008-2012, with the activity effect (measured in passenger kilometres) causing a subtle, but relatively constant decline in this period. On the other hand, the intensity effect has been negative throughout the entire period, albeit fluctuating with the biggest drop in 2012-2013. Finally, a constant but moderate shift towards cleaner transport modes (i.e. negative structural effect) is noted at EU level for the entire period. Except 2016, the structural effect has been negative in all years with a plateau at around 98% evident in 2009-2015. With regards to the freight transport, the total energy consumption at EU level (Figure 10b) has been on decline since 2008 except in 2010 and 2015 where a small. A sharp decline in energy consumption mainly driven by lower activity effect (measured in tonne-kilometres) is noted in 2009, reflecting the influence of the financial crisis on the freight transport. Subsequent years were also affected, while small increase of 1% is registered in 2015. Improvements in energy intensity were not a strong driver for reduction in freight transport's consumption and in several years (e.g. 2006, 2009, 2011, 2014, 2015) worsening of energy intensity (i.e. positive intensity effect) was registered. Fluctuations in the structural effects are also noted, albeit milder ones, during the entire period 2005-2015.

At Member State level, all countries experienced growth in their energy consumption due to increase in activity (passenger kilometres) except Spain, Lithuania, the Netherlands, Portugal, Slovenia and Slovakia. A shift to cleaner modes was noted in just over half of Member States while improvements in intensity were registered in all Member States except the Czech Republic, Spain, Cyprus, Lithuania, the Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland and the UK. In terms of the freight transport, shift to cleaner modes is noted in 11 Member States (Denmark, Ireland, Spain, France Italy, Lithuania, Luxembourg, the Netherlands, Portugal, Romania, Finland and Sweden), while improvements in energy intensity are observed in 16 Member States (Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Spain, Croatia, Latvia, Lithuania, Hungary, Malta, Austria, Poland, Portugal, Slovenia and Slovakia).

Figure 10. Yearly additive decomposition results at EU level in 2005-2015 (% in terms of 2005 consumption levels) in the transport sector

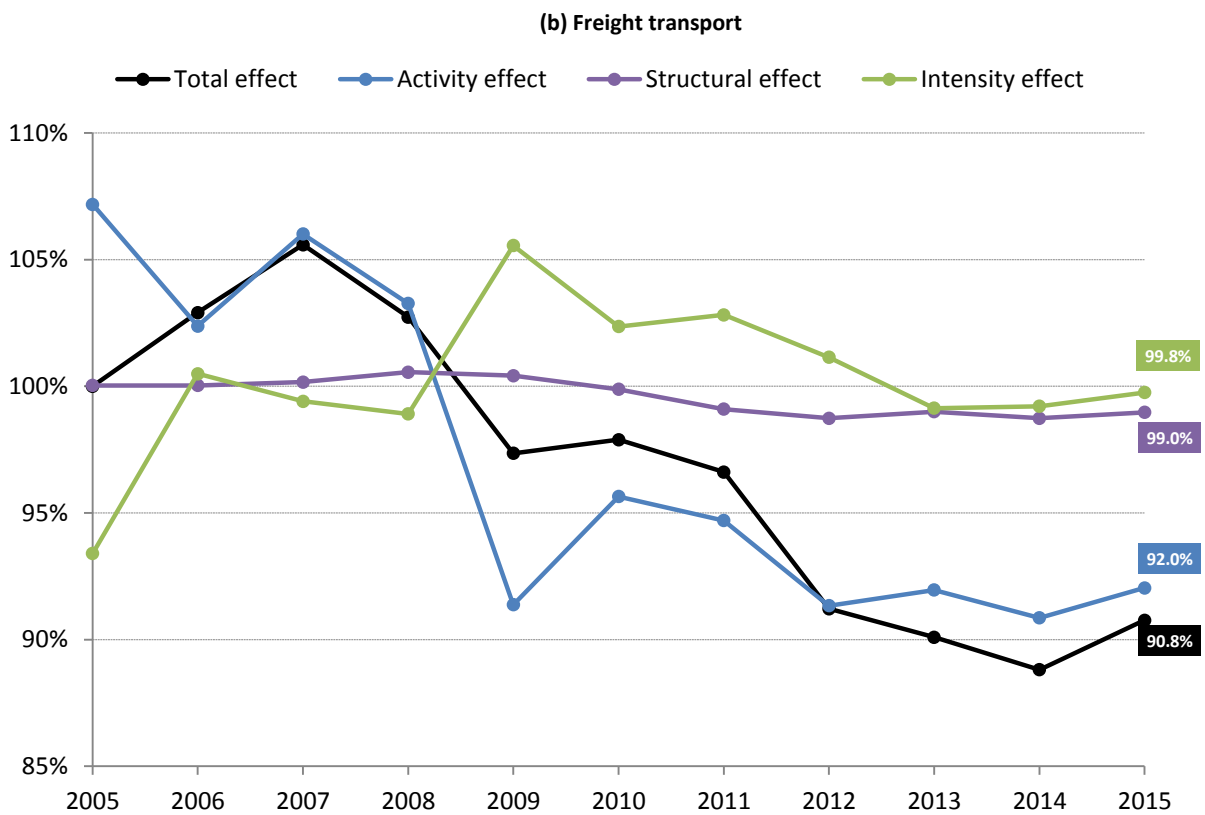
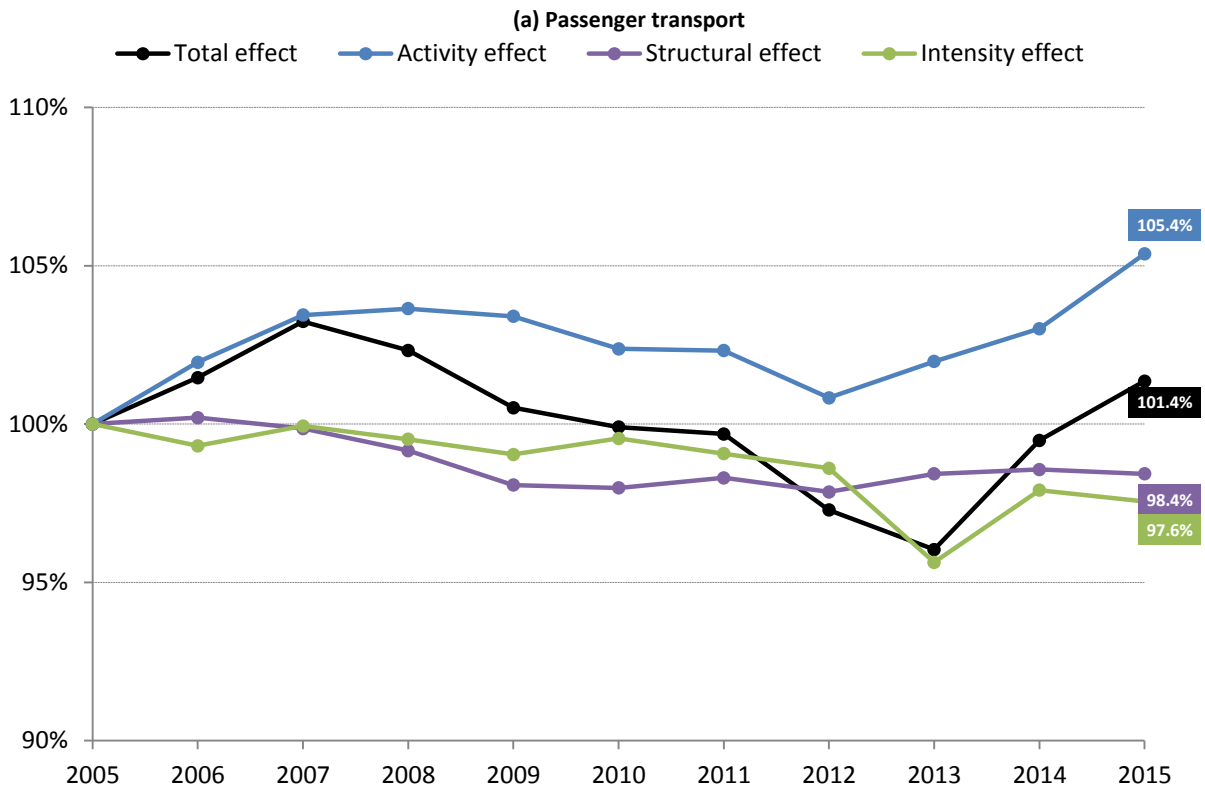


Table 13. Decomposition results of passenger transport sector in 2005-2015

	Final Energy Consumption (ktoe)		Total effect		Activity effect		Structural effect		Intensity effect	
	2005	2015	ktoe	%	ktoe	%	ktoe	%	ktoe	%
EU	233763	236933	3170	101.4%	12560	105.4%	-3671	98.4%	-5719	97.6%
BE	5844	6287	443	107.6%	713	112.2%	-150	97.4%	-119	98.0%
BG	1284	1611	327	125.5%	438	134.1%	204	115.9%	-315	75.5%
CZ	4386	4648	262	106.0%	222	105.1%	-499	88.6%	539	112.3%
DK	3523	3751	228	106.5%	392	111.1%	9	100.3%	-173	95.1%
DE	45629	46252	623	101.4%	3490	107.6%	-397	99.1%	-2470	94.6%
EE	720	738	19	102.6%	93	113.0%	-19	97.4%	-56	92.2%
IE	2951	3099	148	105.0%	1002	134.0%	-9	99.7%	-845	71.4%
EL	5229	4002	-1228	76.5%	522	110.0%	-8	99.9%	-1742	66.7%
ES	19965	21080	1115	105.6%	-1338	93.3%	-1557	92.2%	4011	120.1%
FR	31069	30791	-278	99.1%	1518	104.9%	55	100.2%	-1851	94.0%
HR	1372	1500	128	109.4%	183	113.3%	-2	99.8%	-52	96.2%
IT	28605	25013	-3592	87.4%	571	102.0%	823	102.9%	-4985	82.6%
CY	693	711	18	102.7%	163	123.5%	-218	68.5%	74	110.7%
LV	624	717	93	114.9%	122	119.5%	8	101.3%	-37	94.0%
LT	1028	1229	201	119.5%	-381	63.0%	8	100.8%	573	155.8%
LU	709	787	78	111.0%	134	118.9%	34	104.8%	-90	87.3%
HU	3347	3379	31	100.9%	166	105.0%	59	101.8%	-195	94.2%
MT	301	437	137	145.4%	49	116.2%	413	237.4%	-325	-8.2%
NL	9991	10154	163	101.6%	-284	97.2%	363	103.6%	84	100.8%
AT	4500	4701	201	104.5%	550	112.2%	-383	91.5%	34	100.8%
PL	6177	9645	3468	156.1%	2239	136.2%	240	103.9%	989	116.0%
PT	4851	4906	55	101.1%	-202	95.8%	-158	96.8%	414	108.5%
RO	2331	3012	681	129.2%	1000	142.9%	153	106.6%	-472	79.8%
SI	996	1163	166	116.7%	-69	93.0%	12	101.2%	224	122.5%
SK	985	1167	182	118.5%	-16	98.4%	-24	97.5%	222	122.6%
FI	2963	3106	142	104.8%	187	106.3%	-195	93.4%	150	105.1%
SE	5684	5465	-219	96.1%	367	106.4%	-103	98.2%	-483	91.5%
UK	38006	37585	-421	98.9%	592	101.6%	-2286	94.0%	1274	103.4%

Table 14. Decomposition results of freight transport sector in 2005-2015

	Final Energy Consumption (ktoe)		Total effect		Activity effect		Structural effect		Intensity effect	
	2005	2015	ktoe	%	ktoe	%	ktoe	%	ktoe	%
EU	113228	102772	-10456	90.8%	-9015	92.0%	-1162	99.0%	-279	99.8%
BE	2737	3248	511	118.7%	217	107.9%	-1	100.0%	295	110.8%
BG	538	839	301	156.0%	490	191.2%	140	126.1%	-329	38.8%
CZ	1728	1917	189	111.0%	430	124.9%	82	104.8%	-323	81.3%
DK	1600	1176	-424	73.5%	-145	90.9%	-107	93.3%	-172	89.2%
DE	14990	16117	1127	107.5%	1787	111.9%	245	101.6%	-905	94.0%
EE	623	530	-93	85.1%	-300	51.9%	302	148.4%	-95	84.8%
IE	1171	1000	-170	85.5%	-813	30.5%	-1221	-4.3%	1864	259.3%
EL	2945	2550	-395	86.6%	-631	78.6%	7	100.2%	230	107.8%
ES	19558	11705	-7854	59.8%	-3774	80.7%	-281	98.6%	-3798	80.6%
FR	14694	12987	-1707	88.4%	-2747	81.3%	-70	99.5%	1109	107.5%
HR	502	527	25	104.9%	43	108.6%	37	107.3%	-55	89.0%
IT	15693	13365	-2328	85.2%	-6941	55.8%	-1256	92.0%	5869	137.4%
CY	247	184	-63	74.6%	-169	31.5%	0	100.0%	106	143.0%
LV	431	436	5	101.2%	76	117.7%	111	125.7%	-182	57.7%
LT	588	563	-24	95.8%	210	135.7%	56	109.6%	-290	50.6%
LU	113	147	34	129.9%	-32	71.8%	-2	98.4%	67	159.8%
HU	1121	1071	-50	95.5%	362	132.3%	85	107.6%	-498	55.6%
MT	100	107	7	106.7%	31	131.3%	0	100.0%	-25	75.4%
NL	3175	3173	-2	99.9%	154	104.8%	-193	93.9%	38	101.2%
AT	1706	1728	22	101.3%	156	109.1%	38	102.2%	-172	89.9%
PL	5962	7000	1039	117.4%	4441	174.5%	985	116.5%	-4388	26.4%
PT	2377	1874	-503	78.8%	-395	83.4%	-27	98.9%	-81	96.6%
RO	1922	2286	365	119.0%	-369	80.8%	-284	85.2%	1018	153.0%
SI	394	378	-16	96.0%	174	144.1%	15	103.9%	-205	48.0%
SK	1383	1473	91	106.6%	387	128.0%	166	112.0%	-462	66.6%
FI	1690	1685	-5	99.7%	-314	81.4%	-127	92.5%	436	125.8%
SE	2420	2428	8	100.3%	-218	91.0%	-7	99.7%	232	109.6%
UK	12822	12276	-546	95.7%	-1125	91.2%	143	101.1%	435	103.4%

4 Summary and conclusions

Energy consumption trends are driven by several factors beyond energy efficiency improvements. To track and understand the progress towards the 2020 energy efficiency targets, this study identified the main driving factors behind the latest energy consumption trends in the EU. The widely-used logarithmic-mean Divisia index method (LMDI) method was applied to study both aggregated and sectoral energy consumption changes at both EU and MS levels over the period 2005–2015.

At EU level, a drop in primary energy consumption of 183 Mtoe in 2015 (11%) in relation to 2005 levels was registered. The main driver behind this was the significant energy intensity improvements which drove down consumption by 340 Mtoe (19%) had all other effects remained constant. This overrode the increase in energy consumption due to economic growth, which corresponded to a positive activity effect of 183 Mtoe (12%). The impact of transformation effect for EU-28 was generally small (7 Mtoe), indicating a small increase in overall efficiency of the transformation system. The energy consumption of the EU28 commercial sector as a whole decreased by 55 Mtoe in 2015, equivalent to a reduction of 11% compared to 2005. If structural and intensity effects had not have come into play, economic growth would have driven up consumption by 62 Mtoe. The reason of the overall energy decline was due to energy intensity improvements, which contributed to a drop of 97 Mtoe in energy consumption as well as structural shifts towards less energy intensive sectors which contributed to a reduction of 20 Mtoe. Energy intensity improvements in the residential sector also played a dominant role in declining energy consumption trends during the study period. Improvements in energy intensity contributed to a reduction of 67 Mtoe in this sector. In addition, warmer winters over this period resulted in a drop of energy consumption by 17.5 Mtoe in 2015 compared to 2005 levels. Together with the intensity effect, these were more than sufficient to overcome the positive activity effect of 49 Mtoe in the EU residential sector in this period. Transport's energy consumption dropped by only around 2% in 2005-2015: consumption of passenger transport increased by 1%, and consumption of freight transport decreased by 8%. For the passenger transport sector, moderate improvements in energy intensity (6 Mtoe, 2.5% compared to 2005 consumption) and structural shifts to cleaner transport modes (3.7 Mtoe, 1.6%) compared to 2005 consumption were not enough to counterbalance the activity effect registered in this period (12.6 Mtoe, 5.4%). For the freight transport sector, a total drop in energy consumption of 10.4 Mtoe (9.3%) was attributed to a negative activity effect (7.8%), negative structural effect (1.1%) and negative intensity effect (0.5%).

Changes in energy consumption at Member State level were also analysed. A drop in the aggregated primary energy consumption in 2005-2015 was noted in most countries – all except Estonia and Poland – with the biggest decline in Lithuania (27%), Greece (23%), Malta (21%), UK (18%) and Italy (18%). With the exception of Greece, Italy and Portugal, economic activity drove up primary energy consumption, leading to a positive activity effect in most countries. Despite the significant economic growth, the overall consumption dropped due to concurrent intensity improvements. This shows that many Member States managed to increase their GDP without a detrimental effect in their overall energy consumption. This also holds true for the decomposition results of final energy trends.

Encouraging findings from individual sectors were also noted. In 2005-2015, the overall commercial energy consumption declined in all Member States, except Germany, Belgium, Latvia, and Malta. Economic growth was responsible for an increase in energy consumption ranging from just over 1% in case of Portugal to over 50%, e.g. Poland. Italy and Greece were the only countries with economic commercial sector downturn, as a negative activity effect of 2.7% and 16.1% due to lower economic activity was observed, respectively. In terms of structural shifts in 2005-2015, the commercial sector moved to less energy intensive sub-sectors in all countries except Austria, Bulgaria, Czech Republic, Lithuania, Latvia, Poland and Slovakia. Slovakia was the country with the largest increase in consumption due to shift towards more intensive activities, with an

increase of 13% in this period. The intensity effect was negative in all countries except Cyprus, Greece, Finland and Malta. On the other hand, significant energy efficiency improvements, resulting in negative intensity effects were seen in the biggest countries including Poland, Italy, Germany and Spain.

In the residential sector, the largest consumption drops in 2005-2015 were noted in Latvia (27%), Hungary (25%) and Greece (20%). The residential sector was the sector with the largest share of Member States (25 in total) registering an overall decline in energy consumption in this period. The consumption in Cyprus remained the same, while Malta and Bulgaria experienced a small increase. The activity effect was positive in all countries except Greece, which noted a small drop in energy consumption due to lower activity. Malta (41%), Luxembourg (40%) and Romania (31%) had the biggest increase. Lower heating needs due to warmer weather (i.e. negative weather effect) was noted in all Member States except UK, Ireland and Cyprus and intensity improvements were noted in all Member States except Italy. In terms of the transport sector, all countries experienced growth due to increase in passenger activity except Spain, Lithuania, the Netherlands, Portugal, Slovenia and Slovakia. A shift to cleaner passenger transport modes was noted in just over half of Member States while improvements in intensity were registered in all Member States except the Czech Republic, Spain, Cyprus, Lithuania, the Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland and the UK. In terms of the freight transport, a shift to cleaner modes was noted in 11 Member States (Denmark, Ireland, Spain, France Italy, Lithuania, Luxembourg, the Netherlands, Portugal, Romania, Finland and Sweden), while improvements in energy intensity were observed in 16 Member States (Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Spain, Croatia, Latvia, Lithuania, Hungary, Malta, Austria, Poland, Portugal, Slovenia and Slovakia).

This report forms the first of the series of reports tracking economy-wide energy efficiency trends and the European Commission Joint Research Centre plans to continue and deepen this activity in the future. While our results offer valuable insights into the factors behind recent consumption trends at both EU and MS levels, this work has also shown that further investigation is needed to provide a more comprehensive analysis. As explained, finer levels of disaggregation are necessary to conduct more detailed decomposition analysis. The data review conducted in this report identified some of the main shortcomings with existing datasets. These include the lack of distinction of transport energy consumption data between freight and passenger by Eurostat. The Odyssee datasets offer this level of detail but with various data gaps. In addition, the breakdown of the residential energy consumption by end use is only recently collected by Eurostat (that is, it does not cover the entire period examined here), while such a breakdown is not available in other sectors. The structural effect within the services sector – a growing sector in Europe – cannot be currently examined as the breakdown of energy consumption by service sub-sectors is not yet available. On-going efforts made by Eurostat and statistical offices to address some of these challenges are welcome and will certainly strengthen the analytical capability of tools such as the LMDI method in the future. Finally, the inclusion of more driving factors in the analysis and a more elaborated definition for the effect measuring the impact of energy efficiency will be in the scope of future JRC work.

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List of abbreviations and definitions

<i>PEC</i>	Primary Energy Consumption
<i>FEC</i>	Final Energy Consumption
<i>GDP</i>	Gross Domestic Product
<i>GDI</i>	Gross Disposable Income
<i>GVA</i>	Gross Value Added
<i>i</i>	Sector
<i>FA</i>	Floor Area
<i>TKM</i>	Tonne Kilometres
<i>PKM</i>	Passenger Kilometres
<i>FEC_{heat}</i>	Heating Energy Consumption
<i>FEC'_{heat}</i>	Heating Energy Consumption (weather adjusted)
<i>TFA</i>	Total Floor Area
<i>FEC_{other}</i>	Energy consumption for end-uses other than heating

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i=2	2712	2554	2450	1967	1656	1682	1622	1597	1665	1653	1624
i=3	5275	5046	4804	4246	3470	3693	3333	3177	3074	2895	2933
i=4	7301	7513	7238	6836	5186	5224	4946	4829	5192	5112	4820
i=5	10952	10748	10984	11258	9838	10486	9391	9474	9253	9407	9344
i=6	2008	1919	1781	1633	1332	1493	1514	1524	1607	1566	1606
i=7	16750	15910	15593	18720	16818	17475	17112	17311	17504	16067	16275
i=8	938	869	861	867	818	923	861	899	946	936	1024

UK	i=1	32426	32220	32072	31286	30402	31632	33438	32530	31839	32827	32741
	i=2	14250	14070	14010	13457	12487	12586	11879	11249	11502	11625	11665
	i=3	27778	28921	28382	28633	28152	26844	25298	24249	23772	23415	24121
	i=4	46991	48374	49183	47403	39419	42323	43708	44960	42585	43471	42024
	i=5	24405	25002	25134	23883	21279	21714	22053	20755	20607	22739	22096
	i=6	115534	117134	119740	116548	101283	111981	115867	110113	112984	121060	127139
	i=7	1227418	1263976	1301254	1301068	1263714	1282342	1303720	1334836	1360058	1404520	1440352
	i=8	11579	11915	12652	12381	9358	12044	11359	12299	13062	13643	14981

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