

The 452th Forum on Research Work

December 19, 2025

**Energy Efficiency Policy Challenges for 2026**  
**~Overseas Policies Swayed by Considerations of Industrial**  
**Competitiveness and Political Agendas**  
**<Summary>**

**Seonghee Kim**

Executive Economist, Manager

Energy Efficiency Group

Climate Change and Energy Efficiency Unit

The Institute of Energy Economics, Japan

Trends in Global Improvements in Primary Energy Intensity

1. Global primary energy consumption per unit of GDP improved by around 1% year-on-year in 2024, and is projected to improve by 1.8% in 2025.
2. In 2025, improvement rates are expected to be particularly high in China (3.5%) and India (4.0%). In contrast, following several years of strong performance after the 2022 energy crisis, improvement rates in the United States and the European Union are projected to fall below 1%.
3. Since 2022, global primary energy consumption per unit of GDP has improved at an average annual rate of 1.5%. The current pace of improvement remains well below the target presented at COP28, which calls for annual improvement of more than 4% by 2030.

Slowing Energy Efficiency Investment and Expanding Electrification/Renewable Energy Investment

4. In 2025, global demand-side energy investment is projected to increase by 6.1% year-on-year. Energy efficiency investment is expected to increase by only around 1%, indicating a clear slowdown. Electrification and renewable energy investment are projected to surge by 13.1%.
5. Electrification is expected to deliver energy-saving benefits through the use of more efficient equipment. In addition, expanding renewable power generation reduces primary energy consumption compared with thermal power, thereby

improving primary energy intensity. For these reasons, trends in electrification and renewable energy investment are also important for energy efficiency.

6. Looking at energy efficiency, electrification, and renewable energy investment by sector, investment in the industrial sector increased by 25% year-on-year. This was driven by China's strengthened energy efficiency targets for 2024/2025 and sector-specific measures for priority industries, a rush of demand in the United States ahead of the early termination of the IRA, and Europe's support for industrial revitalization.
7. In the transport sector, investment—centered on EVs—is expected to reach a record high of about USD 330 billion in 2025. Electrification is playing a leading role.
8. In the buildings sector, amid weakening construction demand, energy efficiency investment is shifting from new development to retrofits. In Europe, surging electricity prices relative to gas prices and the scaling back of subsidy measures are slowing investment. As a result, in 2025, investment in the buildings sector increased by 3% year-on-year, as electrification and related investment offset the decline in investment in energy efficiency retrofits and other measures.

#### Policies Swayed by Industrial Competitiveness Concerns and Political Considerations

9. Germany introduced a “65% renewable energy requirement” for newly installed heating systems starting on January 1, 2024. However, under the Merz administration that took office on May 6, 2025, there is now the possibility that the “65% renewable energy requirement” will be abolished.
10. In 2021, the United Kingdom set out a policy in principle to ban fossil-fuel boilers in newly installed heating systems from 2035 onward. In September 2023, former Prime Minister Sunak announced measures to delay a range of net-zero policies, including those related to boilers. The Starmer administration, which took office in July 2024, has expressed its intention to strengthen related policies and decided to bring forward the ban on gasoline and diesel vehicles—previously postponed to 2035 under the prior administration—to 2030.
11. The EU aims to fully phase out fossil-fuel boilers by 2040, but individual countries are responding flexibly in line with their circumstances.
12. To address challenges facing Europe's manufacturing sector—such as high costs, intensifying international competition, and regulatory complexity—the European Commission announced in February 2025 a roadmap that integrates

industrial competitiveness and decarbonization: the “Clean Industrial Deal (CID).”

13. In the United States, under the Trump administration, a series of “deregulatory” policy directions related to energy efficiency have been announced, including early termination of energy efficiency and clean-energy tax credits, the announced repeal of efficiency standards for equipment, and the discontinuation of the Energy Star program (as reported in the media).
14. In China, as it became difficult to achieve the energy efficiency target under the 14th Plan period, policy measures were successively strengthened in 2024/2025. As a result, the situation changed, and achieving the 14th Plan energy efficiency target—once seen as difficult—has come into view.

#### Data Centers and AI: Energy Efficiency Improvements and Strengthened Environmental Requirements

15. Regarding improvements in data center efficiency, requirements beyond power usage effectiveness (PUE)—such as the use of waste heat and water-use efficiency—are increasingly being sought. For AI, the EU requires reporting of energy consumption for general-purpose AI models (AI Act, 2024), and efforts led by standards bodies and industry associations to develop standards and introduce labeling/rating schemes are becoming more active.

#### Key Points to Watch in 2026 Energy Efficiency Policy

16. In Japan, the 7th Strategic Energy Plan sets the direction of “accelerating the shift to non-fossil energy and expanding electrification” and “thorough energy conservation.” Energy efficiency policy is steadily progressing—for example, the obligation for all new buildings to comply with energy efficiency standards will begin in April. In 2026, additional measures on data center energy efficiency and the development and implementation of new standards for gas water heaters are scheduled.
17. In the EU, specific measures and follow-up actions under the CID need to be closely watched. For the United States, it will be necessary to monitor how energy efficiency related deregulation under the Trump administration develops, including reactions from state governments and industry. In China, close attention should be paid to new energy efficiency related targets and policies in the 15th Five-Year Plan (2026–2030).

Contact: [report@tky.ieej.or.jp](mailto:report@tky.ieej.or.jp)