Short-term impact of Covid-19 on EU renewables value chains

• Reduced electricity demand and low wholesale prices are affecting balance sheets of utilities and energy companies.

• Delayed upcoming renewables project pipeline in EU, and reduced European orders for projects third countries.

• European solar and wind markets down by 20 and 33% this year, due to supply chain disruptions, project delays and stricter financing conditions.

• Heat pump market down 20%, partly due to factory closures in IT and CN.

• Biomass: supplies limited, equipment manufacturers and retailers closed.

• Mobility of specialized technicians becomes an issue.
Covid-19 and EU renewables projects

• Most utility-scale wind and solar projects are going ahead, with delays.

• Governments delay auctions or extend deadlines. Industry faces market uncertainties and liquidity concerns.

• Record low electricity prices make corporate PPAs and renewable electricity projects based on wholesale markets prices less attractive.

• Corporate buyers are not committing until effects of economic downturn are known.

• As of 20 April, CO2 prices have recovered to around EUR 21/tonne.
Outlook beyond 2020

- EU energy system has demonstrated resilience.
- Negative impacts will continue into 2021 and the energy transition will be slowed down without any additional stimulus.
- Small-scale rooftop market and the EV industry (40% less sales than 2019 so far) have the highest negative impacts.
- Financial health of market participants remains relative strong and new deals continue to get financing.
- Most EU companies have lost stock market value and some project developers see banks increasing the financial criteria.
EU response to crisis and Green Deal (1)

- EU27 tasked the European Commission with presenting a recovery plan, linked to a revised proposal for the Multiannual Financial Framework, including a Recovery Fund.

- Commission is currently working on the recovery package to be presented on 6 May.

- Need to use the recovery as an opportunity to accelerate the progress towards our climate neutrality goal.

- Plan to focus on investments for European Green Deal and digital transition, and on increasing the resilience of the European economy.
EU response to crisis and Green Deal (2)

• Package to not only stimulate the EU economy away from recession, but to steer it onto the path of sustainability and carbon neutrality.

• Both short term emergency measures (liquidity, reallocation of EU Funds) and recovery plans can be tools for supporting the energy transition.

• Measures under preparation within the EU Green Deal can easily become measures for immediate economic stimulus:
  
  • Renovation Wave (hospitals, schools and SMEs as first priority areas).
  
  • RES: stimulate EU supply chains, promote large scale infrastructure projects; but also energy system integration strategy, offshore RES strategy, infrastructure upgrades.

• External dimension also important.
The EU Green Deal and National Energy and Climate Plans (NECPs)

Matthieu Ballu, European Commission DG ENER

RECG – 28 April 2020
The European Green Deal

Mobilising industry for a clean and circular economy

Preserving and restoring ecosystems and biodiversity

Increasing the EU’s Climate ambition for 2030 and 2050

Supplying clean, affordable and secure energy

Mobilising industry for a clean and circular economy

Building and renovating in an energy and resource efficient way

A zero pollution ambition for a toxic-free environment

From ‘Farm to Fork’: a fair, healthy and environmentally friendly food system

Accelerating the shift to sustainable and smart mobility

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The EU as a global leader

Financing the transition

Leave no one behind (Just Transition)

A European Climate Pact

Transforming the EU’s economy for a sustainable future

And leave No one behind
The European Green Deal

- European ‘Climate Law’ enshrining the 2050 climate neutrality objective in legislation by March 2020
- Comprehensive plan to increase the EU’s climate target for 2030 to at least 50% and towards 55% in a responsible way by October 2020
- Review and revise where needed all relevant legislative measures to deliver on this increased ambition by June 2021
- Carbon border adjustment mechanism for selected sectors by 2021.
- A new EU Strategy on Adaptation in 2020/2021
The European Green Deal

- Assess the ambition of the final National Energy and Climate Plans by June 2020
- Smart sector integration strategy Q2/2020
- Renovation wave for the building sector Q3/2020 doubling the renovation rate
- Offshore renewable energy initiative Q4/2020
- Review the TEN-E Regulation (REFIT; in 2020)
- Review and revise, where needed, the Renewable Energy and Energy Efficiency Directive by June 2021

Supplying clean, affordable and secure energy

Building and renovating in an energy and resource efficient way
The European Green Deal

- **EU Industrial Strategy** by March 2020
- A new **circular economy action plan** by March 2020, including a **sustainable products policy**
- **Clean Steel breakthrough** technologies leading to a zero carbon steel making process by 2030.
- Legislation on **Batteries and Circular Economy** in 2020
- Propose legislative reforms **tackling waste**
The European Green Deal

- Proposal for a **Just Transition Mechanism** and a **Sustainable Europe Investment Plan** in January 2020
- Initiatives to screen and benchmark green budgeting practices of the Member States and of the EU from 2020
- Review of the state aid guidelines for environment and energy, as well as other climate and energy-related guidelines by 2021
- Align all new Commission initiatives in line with the objectives of the Green Deal and promote innovation from 2020
- Stakeholders to identify and remedy incoherent legislation that reduces the effectiveness in delivering the European Green Deal from 2020
- Review of the Non-Financial Reporting Directive In 2020
- Integration of the Sustainable Development Goals in the European Semester from 2020

**Financing the transition** - **Leave no one behind (Just Transition)**

The EU as a global leader

A European Climate Pact
The European Green Deal

• EU to continue to lead the international climate and biodiversity negotiations, further strengthening the international policy framework
• Strengthen the EU’s Green Deal Diplomacy in cooperation with Member States
• Green Agenda for the Western Balkans
• Proposal to make the respect of the Paris agreement an essential element for all future comprehensive trade agreements
• Carbon border adjustment mechanism for selected sectors by 2021.
Green Deal: increased climate ambition for 2030 and 2050 – implications for RES

- March 2020 European Climate Law:
  - Legally binding target of net zero greenhouse gas emissions by 2050
  - Pathway to get to the 2050 target: Commission will propose a new 2030 EU GHG target of 50-55% (impact assessment ongoing)
  - By June 2021, the Commission will review, and where necessary propose to revise, all relevant policy instruments (including Renewable Energy Directive)

- Energy system integration strategy
- Offshore renewable energy strategy
State of play on NECPs (1)

- So far, 23 Member States have notified their final NECPs.
- Next phase: analysis, dialogue and cooperation:
  - 1. How the NECPs can contribute to Europe’s economic recovery.
    - Basis for Just Transition Programmes
    - Compass for directing Green Deal investment under the future Recovery Plan.
  - 2. Assess aggregated level of ambition (esp. vs 2030 EE and RE targets)
    - Data will feed into the process of increasing climate ambition for 2030
    - Commission’s assessment of the plans in September
State of play on NECPs (2)

• More than two-year process

• Notable improvement of final vs draft NECPs

• Complex process (integration of various energy and climate dimension), learning curve. Importance of Commission recommendations.

• Assessment of contributions to EU RE and EE targets available once all final Plans submitted.