An enhanced renewables framework post-2020

Energy Community RECG
6 November 2018
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SETTING THE SCENE

• **Falling costs of renewables worldwide**

• **EU first mover** – today, 173 countries have renewable energy targets

• **How to retain leadership?**
  - Explore new areas for competitiveness: integrated systems, offshore, small-scale and decentralized solutions

• **Domestic benefits:**
  - ~ 1.4 million jobs
  - Reduced import dependency

• **Looking ahead:**
  - Increase efforts across sectors
  - Integrate high RES shares
  - Decentralize + empower consumers
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STATE OF PLAY - PROGRESS TOWARDS NATIONAL 2020 TARGETS

Share of energy from renewable sources in the EU Member States
(in % of gross final energy consumption)

Source: EUROSTAT Shares 2016
RES share per sector in EU28

Source: EUROSTAT Shares 2016
THE REVISED RENEWABLES DIRECTIVE – KEY OBJECTIVES

Strengthening bioenergy sustainability

Promoting innovation in transport

Tapping heating and cooling potential

Investment certainty

Collective target achievement

Cost-effective deployment

Promoting active role of consumers

Contributing to the EU political priority of world leadership in renewables

&

Achieving the at least 32% EU-level binding renewables target cost-effectively
THE RIGHT REGULATORY FRAMEWORK FOR POST – 2020

"In essence the new package is about tapping our green growth potential across the board"
Commissioner Miguel Arias Cañete (2016)
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A NEW EUROPEAN APPROACH TO RENEWABLES

- Binding EU-target of at least 32% (upward review in 2023)
- Underpinned by national contributions
- Formula to assess contributions (in case of ambition gap)
- Collective responsibility of target achievement
- Joint measures (EU financial platform)
A SET OF WELL-BALANCED MEASURES TO GET TO AT LEAST 32%

Toolbox

- Investment certainty
- Cost-effective support
- Streamlined procedures
- Empowering consumers
- Regional cooperation
- Target for transport
- Target for heating and cooling
- Sustainable bioenergy

Gap filler
- Revised CEF & new MFF
- Access & curtailment rules
Making Support Schemes More Cost-effective

"Getting best value for money"

- ~320 GW of net additional RES-E needed to reach 32%
- Support needs to be cost-efficient and non-distortive
- New design principles will foster:
  - More competition
  - More market integration
  - More coherence across MS
INCREASING COMPETITION AND MARKET INTEGRATION OF RES-E

- **Selling in the market (premiums)**
  - Exemptions for small scale and demo projects

- **Competitive bidding**
  - Exemptions for small scale and demo projects

- **Competition of technologies**
  - Technology-specific based on justified grounds (listed)

Without prejudice to individual state aid procedures (case-by-case assessment)
INCREASING STABILITY AND PREDICTABILITY

Abrupt and "retroactive" changes are toxic for RES investments and ...make them more expensive

- Specific provision to avoid "retroactive" changes to support
- Revisions may not compromise the economic viability of supported projects
- Need to publish long-term schedules for support schemes
EUROPEANIZING SUPPORT: MAKE THE MOST OF OUR POTENTIAL

Cross-border cooperation to reduce support costs and fosters alignment of support

- **Opening is encouraged**, but remains voluntary (indicative shares: 5% 2023-2026; 10% 2027-2030)
- **Review clause for 2023** to reassess a mandatory opening (of 5% by 2025 and 10% by 2030)
STRENGTHENING THE TOOLBOX FOR COOPERATION

- Cooperation Mechanisms are maintained and strengthened (→ statistical transfers, joint projects and joint support schemes)

- New EU trading platform for statistical transfers

- CEF window for cross-border renewables projects (MFF proposal)
ACCELERATING ADMINISTRATIVE PROCEDURES

Putting an end to this...

- **Single contact point** for permit applicants
- **Clear time limits** for procedures:
  - Two years*
- Swift procedure for **repowering**:
  - One year*
- **Simple notification procedures for small installations** (up to 10.8 kW)

* One year extension under extraordinary circumstances
TOWARDS A DECENTRALISED ENERGY SYSTEM

- REDII will **empower citizens** and local actors to be active in the energy transition

- Objectives:
  - mobilise private capital
  - increase local acceptance

- For the first time, a **definition** and a new **legal regime** for self-consumption and for **renewable energy communities**

- Facilitate uptake of **long-term power purchase agreements** (PPAs)
EMPOWERING ENERGY CONSUMERS: SELF-CONSUMPTION

Consumers entitled to become self-consumers, including multi-apartment blocks

- No discrimination or disproportionate charges

- Electricity behind the meter not be charged. Exemptions:
  - Installations larger than 30 kWp
  - Risk of financial instability of the system (after December 2026)
  - Electricity that benefits from support schemes

- Remuneration when feeding into the grid

- Self-consumers active in the market:
  - Power Purchase Agreements
  - Peer-to-peer trading
  - Other possibilities of MDI (demand response)

- Enabling framework by the end of 2019
EMPOWERING ENERGY CONSUMERS: RENEWABLE ENERGY COMMUNITIES

Entitled to generate, sell and store renewable energy

- **Definition** for the first time in EU legislation
- Increased **participation** of citizens in the energy transition
- Communities can directly reap the **environmental, economic and social benefits** of renewable energy
- Any final energy customer can become member (while maintaining all rights and obligations)
- **Enabling framework** by the end of 2019
EMPOWERING ENERGY CONSUMERS: FOSTERING LONG TERM RES PPAs*

- Help secure RES investments and reduce deployment costs

- MS to facilitate uptake of RES PPAs:
  - Assessing administrative and regulatory barriers
  - No disproportionate procedures and charges
  - Policies and measures in NECP

* Renewables Power Purchase Agreements (RES PPA) - direct contract with an energy generator towards the purchase of renewable electricity (e.g., Corporate PPAs)
INFORMING CONSUMERS ABOUT THE ORIGIN OF THEIR ENERGY

- Guarantees of Origin (GOs) for all types of RES
- GOs shall be used as proof of renewable electricity on consumer bills
- Commission to assess establishment of a EU-wide labelling system for the promotion of RES from new installations
- Market value of GOs to be taken into account in RES support schemes
ADDRESSING THE UNTAPPED POTENTIAL OF HEATING & COOLING

- **Target to increase** renewables in heating and cooling by **1.3 percent point per year** (2020-2030):

- **Flexibilities**: high RES MS, high natural gas or cooling shares, dispersed settlement structures, 40% allowance for waste heat/cold

- **Illustrative list of measures** leaving flexibility for Member States and accessibility

**District heating and cooling**

- **1 ppt increase** in renewables and waste heat/cold
- **Third Party Access** for suppliers of renewables and waste heat/cold
- **Right to disconnect** from inefficient networks for consumers
- **Right to be informed** for consumers on renewables share and energy performance
MAINSTREAMING RENEWABLE ENERGY IN TRANSPORT

- **Conventional** biofuels, bioliquids and biomass from food and feed crops frozen around 2020 levels

- **High ILUC risk** biofuels first frozen, and then gradually reduced towards 0% by 2030

**Multipliers**
- Car: x4
- Rail: x1.5
- Sea: x1.2
- Air: x2

Limited to 3.4% (Double Counting)
ENSURING BIOENERGY SUSTAINABILITY

- Reinforced **EU bioenergy sustainability criteria:**
  - Enhanced *synergies with the circular economy* (e.g. waste hierarchy principles)
  - *EU criteria extended to cover biomass for heat/cooling and power*
  - *New risk-based criteria for forest biomass* (ensuring sustainable harvesting & proper LULUCF accounting)
  - *Higher GHG emission saving targets*

- New energy efficiency criteria for **large-scale biopower**

- Enhanced EU and national **verification of the implementation** of the sustainability criteria

- Full **EU harmonization for biofuels**, partial harmonization for biomass in heat & power
PLANNING AND REPORTING

31 December 2018: Draft plan
31 December 2019: Final plan
15 March 2023: Progress reports every 2 years

- Planning and reporting obligations on renewables are now integrated in energy and climate plans and progress reports (Governance Regulation)

- Integrated national plans:
  - RES Objectives and trajectories (e.g. overall and sectoral RES trajectories)
  - Policies and measures to promote renewables (e.g. in electricity, heating and cooling, transport)

- Integrated national progress reports:
  - Assessment of the implementation of the plans

- Monitoring by the Commission
ENSURING THE TARGET IS ACHIEVED – GOVERNANCE
REGULATION

AMBITION GAP?
If the RES contributions do not add up to 32%:
- Recommendations for contributions (formula)
- EU measures

Min. 32% TARGET

2018-2019

Starting point and baseline: 2020 targets

2022  2025  2027

18%  43%  65%

2030

If EU not on track:
- MS not on track must implement additional measures within 1 year

If EU on track but MS off track:
- MS must explain how to close gap
POOLING CONTRIBUTIONS FOR EUROPEAN PROJECTS

Financing mechanism to tender support for renewable energy projects in the EU to:

- **Cover deployment gaps**
- **Ensure a cost-effective deployment** in the absence of any gap
EU BUDGET FOR THE FUTURE
SUPPORT FOR RENEWABLES UNDER THE NEW MMF
#EUBudget
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ENHANCED FINANCING TOOLBOX TO SUPPORT RENEWABLES

EU Funding Instruments supporting RES in the next MFF

INCREASED CLIMATE MAINSTREAMING ACROSS EU BUDGET (25%)

+ Low Carbon Investments kept as priority for Member States under Cohesion funds with higher ring fencing (30%)
+ New Invest EU Fund with a €11.5 bln Sustainable Infrastructure window to unlock private investment through financial instruments and tailor made products
+ Increased Funds under Horizon Europe for R&I in climate, energy and mobility (€15 bln)
+ New Window under CEF to support cross border RES Projects (€865 mln)
+ New Programme (CEPE) under LIFE for RES & Energy efficiency capacity building and policy implementation
+ New Innovation Fund targeting market uptake of innovative RES, CCS and solutions for Energy Intensive Industries (€2bln-€12 bln)

* INNOVATION FUND BUDGET COMES FROM EU ETS ALLOWANCES
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NEXT STEPS REDII

Lawyer-linguists: Sep- Nov '18
EP Plenary in Nov '18
Council endorsement in Dec '18
Publication in the EOJ

Transposition by June 2021
Follow Up: Delegated Acts, Implementing Acts, Reports etc.
THANKS A LOT FOR YOUR ATTENTION!
Back-up slides
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EU'S RENEWABLE ENERGY HISTORY

2001
Renewable Electricity Directive

Indicative 22.1% share of renewable power in 2010
National indicative targets for renewable electricity

2009
Renewable Energy Directive - 1

EU-binding target of 20% share of renewable energy in 2020
National binding targets for renewable energy by 2020

2018
Renewable Energy Directive - 2

EU-binding target of 32% share of renewable energy in 2030
National energy and climate plans with contribution in renewable energy share to achieve EU-wide target

Indicative formula to assess national contributions

European Commission
CROSS-BORDER PROJECTS IN THE FIELD OF RENEWABLE ENERGY

**Why?**
- New political context for 2030 renewables objectives: EU target and regional cooperation
- 55% share of RES in EU electricity in 2030
- Cost-effective RES deployment

**What?**
- Facilitate RES projects under a cooperation agreement between 2 or more MS
- Support uptake of strategic RES technologies

**How?**
- Technical assistance, blending
- Financial support to limited number of projects with clear EU-added value
- As part of synergy projects €

Up to 10% of CEF-E Budget (€865 mln)