

EREF

European Renewable Energies Federation



Update on the Clean Energy Package: crucial points for a cost-effective transition

Lisbon, 9 May 2018

Dirk Hendricks
- Senior Policy Advisor -

The EU Energy Union



- Ambition: **“to make the EU the world number one in renewable energies”**



- Goal: **“a resilient Energy Union with an ambitious climate policy at its core** is to give EU consumers - households and businesses - secure, sustainable, competitive and affordable energy. Achieving this goal will require a **fundamental transformation of Europe's energy system.”**



The Paris Agreement (UNFCCC, Dec 2015)



- 195 governments agree on a new international climate treaty



- National climate and energy plans
- Increased level of political commitment worldwide



- One of its aim: "to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century."



- Additional support for the EU's ambition to "become the world number one in renewable energies"
- EU 2050 goal: reduction of greenhouse gas emissions by 80-95%, when compared to 1990 levels

Prerequisites for a cost-effective energy system transformation



1. **Strong political will and courage as well as dedicated long-term commitment to 2050 EU goal and international commitments (investment stability)**



2. **High 2030 renewable energy and energy efficiency targets (investment incentive)**



3. **Clear and **reliable governance framework** for renewable deployment (investment security and confidence)**



4. **Financing structure and tools**

Financing structure and tools



- Access to cheap capital throughout the EU
- De-risking strategy



- Proposed *Renewable Energy Cost Reduction Facility*
- EU Multiannual Financial Framework as support for implementation of Clean Energy Package



- Public-private partnerships
- Funding schemes for small and medium-sized RE projects (“Think Small” approach)



- New support schemes to differentiate between large and small- scale projects

The EC Clean Energy Package (Nov 2016) - assessment



- Insufficient ambition to make a fundamental change
- Positive



- Good basic agreement: market has to be rebuilt and redesigned for RES (flexibility, decarbonisation, decentralization)



- More holistic view on sectors and needs
- Aggregators and energy communities (despite vague definitions)



- No retroactive changes allowed anymore

The EC Clean Energy Package (Nov 2016) - assessment

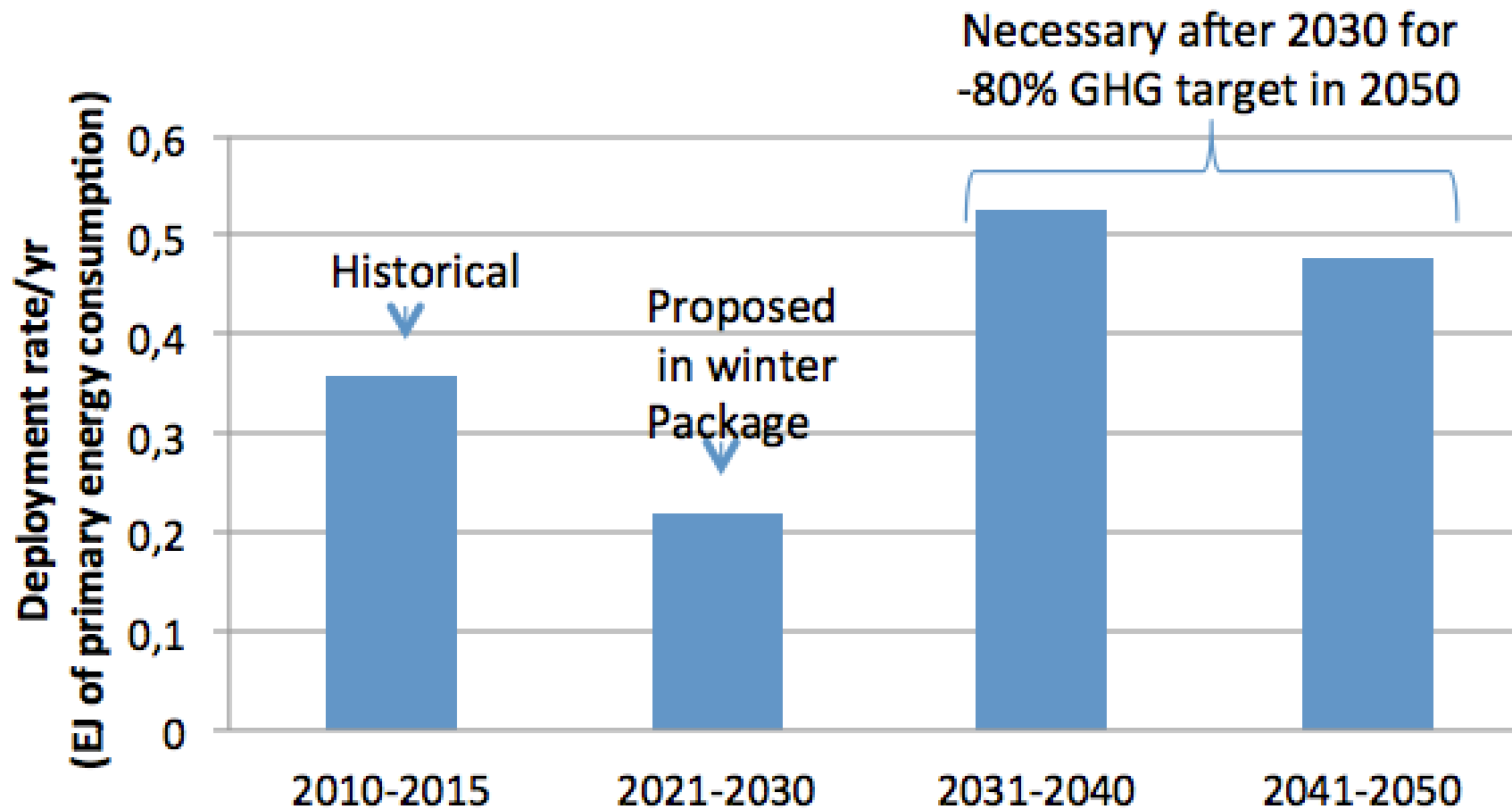


➤ Negative

- No Paris-Fitness (<2C)
- Soft on coal, blind on nuclear, hard on renewables
- Assumption on ETS over-confident
- Assumed future prices of renewables not realistic
- No binding element for Member States
- Insufficient gap fillers in case target is not reached
- Severe lock-in threats of conventional power



Paris needs more



European Parliament - assessment



- EP more ambitious than EC and Council
- 2030 EU-wide binding 35% renewables target step in right direction but bare minimum (negative: 10% deviation)



- No binding national targets but three “check points” for Member States



- Good provisions for energy citizens and energy cooperatives

- Strong governance proposal



- 2030 EU-wide binding 35% energy efficiency target, however without binding allocation to Member States
- NECPs to be submitted by 1 June 2019

European Council - assessment



- Slow down of energy system transformation towards renewables and energy efficiency



- Concessions to conventional energy stakeholders: capacity markets (550g/CO₂ for conventional power stations) including outdated idea of power plans to guarantee base load



- 2030 RE targets of 27% correspond to *business as usual* scenario but movement on positions since Sofia



- National contributions more binding than in EC proposal
- Abolishment of priority dispatch and access for renewables

Trilogue – open crucial points I



- Ambitious and binding renewable energy and energy efficiency 2030 targets of at least 35% as “no-regret option”



- “Call for urgency for European unity and solidarity” for ambitious targets



- Supporters for RE target higher than 30%: AT, DK, LU, LT, PT, SE

- Important states to gain for higher targets: DE, FR, NL, PL



Energy markets in the EU: still a non-level playing-field



- Over- capacity from nuclear, gas and coal power stations and capacity markets



- Continued subsidies for nuclear and fossils
- Failed capacity markets designed to be rescue aid for old conventional power plants



- No full internalization of externalities
- No functioning ETS



- “Natural merit order effect” concerning priority dispatch and access

Trilogue – open crucial points II



- Level of threshold for exceptions (definition of small-scale projects and impact on energy citizens and communities)
 - Priority access and priority dispatch for renewables
 - Balancing responsibilities for renewable energy installations
 - Continued de minimis thresholds for wind power
 - Exemption from auctions and tenders for small renewable energy projects
- Minimized administrative and financial burdens
- Fast permitting process for renewable energy projects
- A contract is a contract: no retroactive changes

RED II trilogue – Art. 21 (self-consumption)



- New Council proposal including 3 restrictive criteria:
 - “within their premises” – too narrow, vague legal language
 - “within confined boundaries” – unclear, vague legal language
 - “for their own consumption”
- Need to allow self-consumption with the least constraints to allow more market participants and encourage investment in renewables

Trilogue – open crucial points III



- Emission Performance Standard of maximum 550 gr CO₂/kWh for capacity payments



- More visibility to renewable heating and cooling and definition of ambitious targets and policies for the effective decarbonisation of the EU by 2050



- Efficient carbon price
- Stop of subsidies for nuclear, gas and coal sectors



EREF

European Renewable Energies Federation



Thank you for your attention!

Dirk Hendricks

dirk.hendricks@eref-europe.org

www.eref-europe.org

A critical word on auctions and tenders



- De facto cap for renewable energy development
- High danger of exclusion of small producers and citizens



- Perpetuation of dominance of large players
- Limited development possibilities for less mature technologies and thus can limit the variety of market participants



- Need to take grid and system considerations into account



How to install renewables in a cost effective way



- Dedicated long-term commitment to 2050 EU goal and international commitments (investment security)
- No retrospective and retroactive measures against existing renewable energy projects
- Priority access and priority dispatch for renewables
- Decentralised system and use of all renewables
- Access to cheap capital
- Reduced administrative and financial burdens for renewables
- Technical innovation
- Economy of scale
- Structured phase out of coal, gas and nuclear capacities

Other current energy files (1)



- Multiannual Financial Framework post 2020 published by the EC on 2 May 2018



- FP9 (Horizon Europe): renewables are put together with e-mobility, smart grids etc. without distinction
- State Aid Guidelines revision:



- Start still before summer?
- Preparation of overview of main topics to be addressed



- Coalition building with Client Earth and E3G (1 June)

Other current energy files (2)



- EU 2050 Roadmap



- Ongoing study by Deloitte commissioned by the EC on support of the evaluation of the Energy Taxation Directive (until June 2018)



- EC proposal for a reform of the VAT system: exemptions and thresholds for RES

- EC publication of Roadmap taxation and energy concerning offshore oil and gas (4 May)

