

## **A legislative package to regain global leadership in renewable energy**

Investment in renewable energy assets in the EU dropped by 18% in 2015 reaching its lowest level since 2006<sup>1</sup>. Retroactive changes in key European markets and the lack of pipeline visibility for the post-2020 period are tarnishing the EU's reputation as a safe investment hub whilst emerging economies position themselves as attractive alternatives.

The historic Paris climate treaty, signed by 195 governments in December 2015, gave investors a clear signal that high-carbon assets are not viable in the long run and that the transition towards renewable-based economy should be accelerated.

The EU has played a key role in brokering the Paris deal. Yet it needs to translate its climate leadership into domestic policy. To meet COP21 ambition, EU Member States will need to increase their 2030 collective climate pledge and step up renewable energy deployment efforts.

The European Commission should therefore propose an ambitious post-2020 renewable energy package that fosters a vibrant home market with clear growth perspectives and asserts the EU's leadership in renewables in the face of rising international competition.

The European renewables industry has identified the following ten priorities for the 2016 renewables legislative package which will enable the cost-effective fulfilment of both the 2030 renewables target and the EU's long-term decarbonisation objectives.

### **1. A new term for the Renewable Energy Directive**

- The revised Renewable Energy Directive should build upon the current acquis to capitalise on success achieved and ensure a seamless transition to the 2030 regime.
- The fulfillment of the 2020 national targets should be the starting point for Member States' contributions to the 2030 renewables target, which should be guided by the need to collectively deliver at least 27%.
- Well-established articles (Article 2 „Definitions“, Article 5 „Methodology to calculate the share of renewables“) should remain unchanged, with the exception of including renewable cooling in Article 5.
- The revised Renewable Energy Directive should focus on improving the implementation of existing legislation and bridging regulatory gaps. Existing provisions should be reinforced through binding measures (e.g. building codes)<sup>2</sup> to ensure predictability for investors.

### **2. Ensure coherence among different legislative proposals**

- The European Commission should ensure that the post-2020 sectorial legislation for renewable energy, energy efficiency, energy performance of buildings and market design are coherent.

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<sup>1</sup> [BNEF, Clean Energy Investment, 2016](#)

<sup>2</sup> The [mid-term evaluation of Directive 2009/28/EC](#) clearly concluded that binding provisions (e.g. national targets, NREAPs) have proven more effective than non-binding measures (e.g. administrative procedures, spatial planning).

- The State aid guidelines for the post-2020 period should also be fully aligned with the revised sectorial legislation.

### **3. Make full use of right of initiative to reflect COP21 level of ambition**

- In view of the Paris agreement, the 2030 EU-wide renewable energy target should be seen as a bare minimum.
- The 2030 renewable target should factor in an increase in the energy efficiency ambition to ensure coherence between the EU climate and energy goals and international commitments.
- The European Commission should fully capitalise on its right of initiative and propose ambitious mechanisms that incentivise Member States to pledge higher than 27%.

### **4. Establish a binding template for national climate and energy plans**

- The European Commission should provide a uniform and binding template for national climate and energy plans. This will ensure consistency and comparability among Member States' progress towards the target of at least 27% and allow for proper monitoring.
- The template should build upon existing renewable energy national plans and preserve reporting on trajectories and policy developments per sector, type of renewable energy sources and enabling technologies (for instance CHP, district heating and cooling, and heat pumps).
- The template should be enshrined in horizontal legislation such as the streamlining of planning and reporting obligations for Member States and duly referenced to in the revised Renewable Energy Directive.

### **5. Propose differentiated EU mechanisms for target delivery**

- Measures to prevent gaps between the collective obligation of the EU and Member States' plans (gap-avoiders) and instruments to fill such gaps (gap-filling instruments) should be agreed in advance and enshrined in the revised Renewable Energy Directive.
- Gap-avoiders, the impact of which should be modelled in the revised Renewable Energy Directive Impact Assessment, could include:
  - Mandatory and ambitious minimum shares of renewables in new buildings, to be covered including through district heating networks, and other measures to increase renewable heating and cooling consumption in existing buildings and industry;
  - Conditionality in the allocation of existing EU funds and adapting public deficit accounting rules (exemptions for investments in RES).
- The above mentioned measures should ensure that Member States are collectively delivering the 27% EU binding target, in addition to the volumes which have to be deployed under the 2020 legally binding national targets. The identification of a potential gap in the post-2020 period could therefore only relate to these additional volumes.

- The gap-filling instrument should be triggered as a measure of last resort but its design should be clear as of 2020. It should be composed of different mechanisms, covering both large scale RES installations and decentralised, small-scale systems.
- The post-2020 Renewable Energy Directive should outline the concrete circumstances under which a gap-filling instrument will be activated.

#### **6. Reduce soft costs by addressing persistent market failures and barriers**

- Cost of capital will play a key role in the energy transition since many renewable technologies face high up-front investment costs. The revised renewable energy framework can make a real difference by better protecting investors in renewables and therefore decreasing the perceived risks in such investments.
- The future Renewable Energy Directive can better address:
  - Administrative costs, by simplifying administrative procedures (Article 13);
  - Installation costs, by improving information and training provisions (Article 14);
  - Grid connection costs, by streamlining grid connection regimes, creating a one-stop-shop at national and regional level, and online applications for permits (Article 16).

#### **7. Ensure that renewable support mechanisms are tailor-made**

- Sufficient flexibility should be granted to Member States in the post-2020 period to design appropriate support mechanisms according to renewables technology maturity and technology-specific risk profiles and features.
- In view of the limited distortions of trade and competition and to empower citizens and cooperatives, small and medium sized projects for electricity production should continue to be exempted from competitive bidding processes and be granted aid in the form of feed-in tariffs.
- Support for large-scale electricity installations should be granted through market-based support instruments (e.g. feed-in premiums). The European Commission could come forward with a common methodology for the calculation of cost components used to set up renewable energy support levels. The methodology should be based on the approach presented by the European Commission in its „Guidance for the design of renewable support schemes“ (2013).
- Smart financial mechanisms should be developed to promote renewable heating and cooling deployment at decentralized, small scale level. To tap into these technologies' future potential, such tools should foster synergies with energy efficiency measures and tackle the issue of up-front investment costs.

#### **8. Reflect new dynamics at decentralised level**

- The revised Renewable Energy Directive should accompany the fast development of decentralised renewable energy generation by introducing new provisions on prosumers and renewable self-generation and consumption of both power and heat.

- The principles developed in the guidance on self-consumption by the European Commission should be fine-tuned in the revised Directive in order to make self-consumption of both power and heat easy to develop, smart and accessible to a large number of consumers.

## 9. Prioritise market design reform

- The ongoing market design reform should complement the Renewable Energy Directive by strengthening the integration of intraday and balancing markets fit for variable generation.
- Flexibility covers for electricity generation at utility-scale various dimensions that should be duly addressed in a wider cost/benefit analysis (value-approach instead of cost-approach).
- In order to increase the flexibility in the system (both in the form of electricity and heating & cooling), the revised Renewable Energy Directive should put in place concrete provisions to unlock the potential of dispatchable renewable generation, demand response and storage and thus ensure they efficiently complement a more variable power mix. Member States should assess this potential and take it into account in their energy and infrastructure planning as well as in the design of support schemes.
- Until flexibility is not properly valued by unhindered price formation and inflexible power generation remains online, priority access and dispatch rules should be maintained.

## 10. Transpose the new renewable package provisions by end 2020

- The revised renewable energy provisions should be transposed in national legislation by end 2020 to avoid a legal vacuum in the post-2020 period and provide investor certainty.

### The signatories:

