Frans Timmermans  
Executive Vice-President for the Green Deal

Kadri Simson  
Commissioner for Energy

Brussels, 14th May 2020

Dear Executive Vice-President,

Dear Commissioner,

Three steps for a high-impact green stimulus package for all

Europe is succeeding in managing the COVID-19 pandemic. Now it must successfully navigate a high-impact green economic recovery.

The upcoming revised Multi-Annual Financial Framework proposal and recovery stimulus programme should incorporate the investment needs and growth potential in one area of renewable energy that has received less policy attention and support – heating and cooling - which accounts for 50 % of EUs energy consumption.

Geothermal energy is pivotal to decarbonising heating and cooling. It also provides baseload electricity and sustainable lithium, the key element for an EU strategic supply-chain for lithium-ion battery manufacturing. Geothermal energy resources are available in all Member States for private and social houses, cities, industrial processes, even government buildings such as the European Parliament and the German Bundestag.

Member States share similar challenges when it comes to developing geothermal energy’s full potential which makes the case for an EU wide approach. Furthermore, greater focus on geothermal energy provides a significant lifeline to the drilling expertise within the oil and gas sector for a just transition towards renewable energy.

Therefore, the recovery package and European Green Deal must deliver real investments in local renewable geothermal heating, cooling and baseload electricity because it is the heart of a low-cost, employment-rich, sustainable local growth whilst delivering significant climate mitigation, clean air and health benefits. Geothermal energy is the means through which the hearts, minds, wallets and politics of energy transition are secured. An EU geothermal strategy is of upmost importance.

Three principles must guide the recovery. Firstly, it must deliver transformative change to all citizens immediately. The Renovation Wave should include a switch to geothermal district heating systems because this will deliver direct reductions on household energy bills, emancipate families from the shackles of fuel poverty whilst delivering substantial climate emission reductions. A quarter of EU citizens reside in homes which could be powered by geothermal district heating systems across wealthy and less wealthy Member States in the next five years. This is an ideal first win for the proposed ‘Strategic Investment Facility’.

Indirect fossil fuel subsidies for infrastructure and appliances are a major competitive barrier. Geothermal district heating, where it is able to access markets, is up to 121% cheaper than heat from fossil fuels bringing a direct financial and environmental improvement to citizens livelihoods.
Importantly, geothermal energy delivers vast quantities of heat to decarbonise many of the ‘hard-to-abate’ industrial processes in chemicals, paper & pulp, and many other sectors. Given the possibility to couple industrial mitigation to new revenue sources through the sale of geothermal lithium should be the cornerstone of the Smart Sectoral Integration package.

Secondly, stimulus must go beyond grants and innovation towards investment enablers such as a Risk Management Insurance schemes. The European geothermal industry comprises mainly SMEs. Building a robust pipeline of projects is key to their survival, local jobs and economic stimulus.

Renewable energy requires large upfront capital investments and low operational costs. Drilling costs constitute 40-70% of the total cost of a large-scale geothermal project. An EU, risk management insurance scheme, which is constantly replenished by project developers, would embolden the industry to overshoot current renewable energy and energy efficiency targets, whilst stimulating local jobs and economies because the main investors are municipal governments dependent on regional supply-chains, consuming metals, cement and chemicals produced locally. This must be included in the 5th Projects of Common Interest list or the recovery package.

For municipal governments, the principle investors in heat networks, the lack of financial means due to the crisis has hindered some planned investments and disrupted local SME supply-chains. To contain this worrying trend, dedicated funding arrangements will be required in the recovery package to ensure these renewable energy investments are not scuppered.

Finally, stimulus is not just about finance. it can also be delivered through an improved regulatory framework where current advantages for fossil heating solutions are levelised. The upcoming revision of the TEN-E Regulation is particularly relevant in this respect where it could be ensured that infrastructure planning for the future covers also heating and cooling needs. A first step in this direction would be to make the EUs heating and cooling sector an integral part of the infrastructure planning processes; ensuring cross-border heat reservoirs, such as the Pannonian Basin, are utilised; as well as mapping other reservoirs and lithium stores. Regulatory parity through the establishment of an ENTSO-H to plan the necessary infrastructure for heat networks in buildings and industry as well as an EU framework for licensing with shorter yet equally robust administrative processes are required.

Bringing together Member States in an annual Renewable Heating and Cooling Forum, similar to those already in operation for other technologies, shifts focus from financing to project managing implementation of existing and future legislation and improving associated enabling conditions.

We look forward to working with you to ensure the green stimulus is a success for all.

With my very best wishes,

Philippe Dumas
Secretary General, EGEC

EGEC - European Geothermal Energy Council
Place du Champ de Mars 2, 1050 Bruxelles
T. +32 2 318 40 65 / E. com@egec.org / AISBL. 465303654
www.egec.org