

# European Commission legislative proposal to revise the Renewable Energy Directive

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A EURELECTRIC position paper

April 2017

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***EURELECTRIC is the voice of the electricity industry in Europe.***

*We speak for more than 3,500 companies in power generation, distribution, and supply.*

***We Stand For:***

***Carbon-neutral electricity by 2050***

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

***Competitive electricity for our customers***

We support well-functioning, distortion-free **energy and carbon markets as** the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

***Continent-wide electricity through a coherent European approach***

Europe's energy and climate challenges can only be solved by **European – or even global – policies**, not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment to** ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

***EURELECTRIC. Electricity for Europe.***

# European Commission legislative proposal to revise the Renewable Energy Directive

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## KEY MESSAGES

- EURELECTRIC supports the proposed EU-wide target of at least 27%, as the only binding target for renewables by 2030. EURELECTRIC fully supports elements in the Clean Energy Package aimed at integrating renewable energy sources (RES) in the market, including RES self-consumers, and at making RES support schemes, when needed, more market-based.
- The aim of the revised RES Directive to provide longer-term visibility and investment security to companies engaging in RES projects, including avoiding negative retroactive implications for existing installations, is positive. Fundamental design principles of financial support, when needed, should be known to investors well ahead of 2020. They should be fixed in the Directive. At the same time, EURELECTRIC calls for a quick revision of the State Aid Guidelines to ensure certainty and visibility for investors until 2030.
- EURELECTRIC calls for a strengthened EU ETS as the cornerstone of the EU's energy and climate policy and support the EU ETS as a key driver for market-based investments in low-carbon electricity generation. Interactions between the various energy and climate related targets and their impact on the EU ETS should be properly addressed.
- We support the right for consumers to generate and sell their electricity both individually and collectively. EURELECTRIC welcomes the recognition that remuneration for renewable self-consumers should be based on the market value of the electricity fed in (and not implicitly at the retail price). Moreover, in the future, RES self-consumers should become market participants, without any exemption.
- The heating, cooling and transport sectors have great and untapped potential to integrate larger shares of renewable and carbon neutral energy through increased electrification. The review of the RES Directive should have a balanced approach for RES in these sectors and electricity should not be penalised by bearing most of the renewable generation costs.
- EURELECTRIC supports the Commission's efforts to open up support schemes for cross-border participation, but is concerned by the impact of the differences between national regulatory framework conditions and the risk of oversupply in certain regions. A step by step approach, built on the existing rules in the State Aid Guidelines should prevail.
- EURELECTRIC does not support prohibiting the issuance of Guarantees of Origin (GOs) to RES producers that receive financial support as this will weaken the consumer link to specific RES facilities and reduce market-based RES revenues. There are other ways to address possible concerns over double compensation. Besides, market revenues from GOs will reduce the need for, and the level of, RES support.
- EURELECTRIC welcomes the introduction of sustainability criteria and GHG savings requirements for solid biomass. However, we are concerned that new national or contradictory sets of sustainability principles and criteria could be introduced and would impede biomass trade. Support to large-scale biomass without a CHP component but compliant with sustainability criteria should not be ruled out.

## Table of Contents

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General assessment .....	2
Detailed assessment of the proposal .....	2
1. Meeting the EU RES target for 2030.....	2
2. Financial support for RES .....	4
3. Opening of support schemes for RES .....	6
4. Permitting-Notification-Administrative barriers.....	7
5. Guarantees of origin (GO) .....	9
6. Priority of dispatch.....	11
7. Renewable self-consumer .....	12
8. Renewable Energy Communities (REC) .....	14
9. RES in heating and cooling .....	15
10. District Heating and Cooling.....	17
11. RES in Transport.....	17
12. Sustainability criteria for biomass .....	20

## General assessment

EURELECTRIC supports the proposal's ambition to provide better visibility to investors in renewable energy sources (RES) while aiming at their further integration into the electricity market, in conjunction with the Market Design Initiative (MDI). Together, these legislative proposals clearly underpin market integration and the removal of several regulatory interventions which distort the functioning of the European energy market. In this context, EURELECTRIC also welcomes the Commission's proposals to move towards an increasingly regional approach to renewables.

The European power sector considers the current legislative reviews as an invaluable opportunity to improve the EU's energy and climate regulatory framework and to ensure visibility for renewables investments up to 2030. In this regard, we believe that swift revision of the Environmental and Energy State Aid Guidelines (EEAG 2014), after the final adoption of the legislation under the Clean Energy Package (CEP), is necessary. The revised RES Directive should take additional steps towards market integration. The developments in the current proposal on self-consumption are positive but some of the concepts should be better defined and the integration of prosumers into the market could be further developed.

Against this background, EURELECTRIC stresses that the electrification of non-ETS sectors, such as transport, heating and cooling, are effective ways to improve the contribution of renewables towards the achievement of the EU climate and energy objectives. These proposals provide a key opportunity to ensure a coherent economy-wide approach to the efficient distribution of renewable assets and efforts.

## Detailed assessment of the proposal

### 1. Meeting the EU RES target for 2030

Topic	Article	Commission Proposal	EURELECTRIC's view
2030 EU-wide RES target	Article 3(1)	EU binding target of at least 27% for 2030.	Agree
2020 RES targets	Article 3(3)	2020 national RES targets must be met. These form the baseline to achieve the 2030 EU-wide target.	Agree

#### Comment

The European power sector is committed to achieving a carbon-neutral power supply in Europe by 2050. RES is fundamental to the decarbonisation of the power sector. Meeting the EU's target of a 20% share of RES in final energy consumption by 2020 requires the power sector to contribute with a RES share of 35%. The 2030 climate and energy framework, with an at least 27% EU-wide target for RES and an at least 40% GHG reduction target, is estimated to imply a share of around 47-50% RES in the power sector by 2030. This represents a key investment opportunity for the power sector: our industry is and will remain a major investor in RES electricity generation.

The binding greenhouse gas emission reduction target of at least 40% should remain the centrepiece of the EU's 2030 climate and energy framework. The EU-wide targets on renewables

(and energy efficiency) should primarily be developed as instruments to achieve the overarching GHG reduction target. In this context, EURELECTRIC calls for a strong EU ETS as the cornerstone instrument of the EU's climate and energy policy, and supports a strengthened EU ETS being the key driver for market-based investments in low-carbon electricity generation. EURELECTRIC proposes strengthening the EU ETS by increasing the LRF to at least 2.4%, increasing the intake rate of the MSR to 24% per year from 2019 until at least 2023, and offering a mechanism to future-proof the MSR by lowering the applicable thresholds. At the same time, EURELECTRIC sees the necessity to mitigate increased costs for Member States with high carbon intensities and low GDP per capita ratios.

Therefore, the interactions between the various climate and energy targets and their impact on the EU ETS should be properly addressed.

While the current RES Directive has succeeded in motivating Member States to successfully increase the share of renewable electricity in the power mix, EURELECTRIC believes that Europe should now adopt a more regional approach which avoids uncoordinated national developments and further integrates RES into the market.

EURELECTRIC supports the proposed EU-wide target of at least 27%, as the only binding target for renewables by 2030. We believe that the Governance system of the Energy Union should offer a robust system of tools to ensure the attainment of the EU's climate and energy targets, including the EU-wide RES target, while allowing the necessary flexibility to Member States in the adoption of national policies and measures.

The post-2020 framework for RES must ensure a coherent economy-wide approach, enabling the efficient distribution of renewable assets and efforts. In this context, both the ETS and the non-ETS sectors should contribute in the most cost-effective way to achieve the 2030 EU-wide target for renewables.

The electrification of the non-ETS sectors (such as transport, heating and cooling) is a technically and economically effective way to further enhance the contribution of renewables to the EU's decarbonisation objectives. As electricity becomes increasingly decarbonised, under a decreasing ETS cap, replacing fossil based systems with technologies which utilise electricity will provide a promising pathway to decarbonise these sectors. *(More detailed comments can be found below on RES in Heating and Cooling, and in Transport).*

See [EURELECTRIC's position paper on the Commission's legislative proposal for a Regulation on the Governance of the Energy Union](#).

## 2. Financial support for RES

Topic	Article	Commission Proposal	EURELECTRIC's view
Financial support and electricity market	Article 4(1)-(2)	<p>Subject to State aid rules, Member States may choose to apply support schemes for RES-E. If this is the case, the schemes should be designed so as to avoid unnecessary market distortions and ensure that producers take into consideration demand/supply and grid constraints.</p> <p>Support schemes shall also be designed in a way that integrates RES-E in the electricity market and ensures that RES producers respond to market price signals and maximise their market revenues.</p>	Agree

### Comment

With the broad experience from significant deployment of RES in the European energy market over the last years, the technological development and market experiences have given the power industry confidence that renewables are becoming fully competitive with other power generation technologies. This will require that future RES deployment is sustainable, cost-efficient and based on market fundamentals.

EURELECTRIC welcomes the clear acknowledgment in the Commission proposal that financial support should be applied only when needed. We also welcome that the proposal clearly states that support schemes for RES should avoid unnecessary market distortions, ensure that producers take into consideration supply/demand of electricity and grid constraints, integrate renewable electricity in the market and ensure that producers respond to market price signals.

Topic	Article	Commission Proposal	EURELECTRIC's view
Level playing field	Article 4(3)	Support shall be granted in an open, transparent, competitive, non-discriminatory and cost-effective manner.	Agree, but needs to be further developed

### Comment

While EURELECTRIC welcomes the express mention of these principles in the proposed Directive, we regret that the current text of the proposal remains rather vague.

Some fundamental design principles of financial support, when needed, should also be known to investors well ahead of 2020 and should be fixed in the Directive. We recommend that the RES Directive establishes basic criteria for the granting of financial support:

- EURELECTRIC supports technology neutral policy measures that do not seek to promote specific mature renewables technologies or projects. However, in justified cases, Member States should have the possibility to opt for technology-specific support, to accommodate

the level of maturity of technologies, the system impact of different technologies and other environmental aspects.

- When support is granted through tendering, it should be designed in a way that ensures high project realisation rates (pre-qualification requirements, penalties for delay/non-delivery, investment horizon) while not stifling competition. Member States should be allowed to deviate from tendering if this can be duly justified.

Against this background, EURELECTRIC urges the Commission to proceed quickly with the adoption of the revised EEAG for the period post-2020 after the final adoption of the legislation under the Clean Energy Package. This will ensure consistency with the current revision of the RES legislative framework and provide increased certainty and visibility for investors up to 2030.

Topic	Article	Commission Proposal	EURELECTRIC's view
Effectiveness of financial support	Article 4(4)	Member States shall assess the effectiveness of their support for renewable electricity at least every 4 years and on that basis decide on the continuation/prolongation of support and the design of new support.	Agree

#### Comment

EURELECTRIC welcomes the requirement for Member States to assess the effectiveness of support schemes. We believe that this should include an assessment of the opportunity to apply support schemes for future projects but should not affect the support already granted to existing installations.

Topic	Article	Commission Proposal	EURELECTRIC's view
Stability of financial support	Article 6	Revision of support for RES should not negatively impact the rights conferred and the economics of supported projects.	Agree

#### Comment

EURELECTRIC welcomes the explicit reassurance in the text of the proposal that new rules for the period after 2020 should not lead to negative retroactive implications for existing investments.

Topic	Article	Commission Proposal	EURELECTRIC's view
Predictability of the planned support	Article 15(3)	Member States shall publish a long-term schedule on support schemes for at least the following 3 years including for each scheme the indicative timing, the capacity, the expected budget and the consultation of stakeholders on the design of the scheme.	Agree

## Comment

EURELECTRIC welcomes this provision that improves visibility for investors. We acknowledge that the proposal requests the publication of a schedule for *at least* the following 3 years and in this context we emphasise the importance of long-term visibility for investment.

## 3. Opening of support schemes for RES

Topic	Article	Commission Proposal	EURELECTRIC's view
Opening of support schemes for renewable electricity	Article 5	<p>Member States shall open support for electricity generated from renewable sources generators located in other Member States.</p> <p>Between 2021 and 2025, at least 10% of newly supported capacity each year will be open to installations in other Member States. This increases to 15% between 2026 and 2030.</p>	Partly Agree

## Comment

Opening of the national support schemes for generators located in other Member States can, if implemented properly, promote the development of projects in locations where they provide the most value for money, in line with the principle of cost-effectiveness. It could also lead to more compatible support schemes based on common principles which would help to reduce regulatory complexity and uncertainty for investors. This could in turn contribute to higher investments, lower risk premiums and, ultimately, to a more cost-efficient deployment of renewables.

In this context, the opening of existing support schemes is a welcome development which may be easier than agreeing on a totally new joint scheme. EURELECTRIC supports the Commission's efforts to facilitate this bottom-up approach. However we are concerned that the mere requirement to open a certain amount of the national support schemes to operators located in other Member States will result in competition distortions due to differences between Member States' regulatory framework conditions.

Against this background, EURELECTRIC thinks that this should follow a stepwise approach, built on the existing rules in the EEAG. The Commission should regularly assess and report on the implementation of this Article. Furthermore, in view of the risk of oversupply in certain regions, especially where bottlenecks in transmission occur, EURELECTRIC proposes to introduce an exemption for Member States from the obligation to open up support schemes where insufficient interconnection occurs. Similarly, exemptions should be possible for countries where most good locations are already taken, as this could lead to one-sided results where winning RES projects will go abroad.

## 4. Permitting-Notification-Administrative barriers

Topic	Article	Commission Proposal	EURELECTRIC's view
Administrative barriers to corporate long-term power purchase agreements (PPA)	Article 15(9)	Removal of administrative barriers to corporate long-term PPAs to finance RES and facilitate their uptake.	Extend to regulatory and information barriers

### Comment

EURELECTRIC welcomes provisions to facilitate corporate long-term contracts between RES operators and commercial/industrial consumers. We believe that all obstacles should be removed and that this provision should also cover regulatory and information barriers.

Topic	Article	Commission Proposal	EURELECTRIC's view
One-stop-shop	Article 16(1)	Introduction of single administrative contact points to coordinate the entire permit granting process, including associated transmission and distribution.	Agree

### Comment

EURELECTRIC supports the proposal to establish single administrative contact points to coordinate the entire permit granting for RES and associated transmission and distribution.

The relevant provisions should not lead to the establishment of new permitting responsibilities in the future, especially for small installations or grid construction projects, where according to existing law no formal permitting process is required or which are subject only to a notification requirement. Furthermore, the provision should not result in moving away from the concept of local permitting authorities for the numerous local and spatially limited projects in the field of renewable energies.

Topic	Article	Commission Proposal	EURELECTRIC's view
Limited duration of permit granting process	Article 16(4)	The permit granting process should not exceed a period of 3 years.	Agree

### Comment

EURELECTRIC welcomes the introduction of a maximum period of 3 years for the permit granting process. However, we would like to draw attention to the risk that, in practice, this provision could have the undesired effect of projects with long-term planning requirements (e.g. hydropower, on-shore and off-shore wind) possibly being rejected due to the 3 year permit granting time limit. The directive should adequately recognise that certain projects necessitate long-term planning requirements, and this provision should not act as a disincentive to such projects being proposed.

Topic	Article	Commission Proposal	EURELECTRIC's view
Simple Notification Procedures (Repowering)	Articles 16(5) and 17(2)  (Article 2(z) for the definition)	The simple permit granting (notification) procedure should not exceed 1 year.  Where no significant negative environmental or social impact is expected, repowering should be allowed following a notification to the single administrative contact point. The administrative contact point has 6 months to decide if notification is sufficient. If it decides that notification is sufficient, the repowering permit should be granted automatically. If not, the developer/operator will have to apply for a new permit and the process should not exceed 1 year.	Clarify conditions of repowering

#### Comment

Repowering is expected to play an important role in achieving the EU RES objectives in the coming years. EURELECTRIC would welcome more clarity on the concept of repowering whose definition in the current proposal is too vague. Article 2(z) of the proposal defines repowering as *“renewing power plants producing renewable energy, including the full or partial replacement of installations or operation systems and equipment, in order to replace capacity or increase efficiency”*.

The definition should allow for an increase in capacity. The Directive should also ensure that access and connection rights to the grid are maintained for the repowered project, at least for the capacity of the original project.

Repowering should be encouraged where feasible but overcompensation should be avoided. Repowering should not be done to optimise payments from support schemes.

In the case of repowering, the one-year notification procedure limit is only applied where *“no significant environmental or social impact is expected”*, a condition which significantly weakens the applicability of this provision. A transparent list of criteria for such impacts should be provided, and the assessment of whether a scheme can be fast-tracked should also be time-limited.

Topic	Article	Commission Proposal	EURELECTRIC's view
Connection to the grid of small installations (<50 kW)	Article 17(1)	Connection to the grid following a notification to the distribution system operator.	Disagree

### Comment

EURELECTRIC is concerned that this provision, with the proposed threshold, will lead to an underestimation of the impact many small installations could have on the grid (e.g. need for grid reinforcement, operational risks). Distribution system operators should retain a strong role to assess the impact on the grid.

## 5. Guarantees of origin (GO)

Topic	Article	Commission Proposal	EURELECTRIC's view
Use of GOs for non-RES	Article 19(2)	Member States may decide that GOs can be issued for non-RES.	Agree

### Comment

EURELECTRIC supports the proposal's provision to open the possibility to issue GOs for all types of energy sources, on a voluntary basis. Disclosure should be based on GOs, on residual mix, or on a combination of both.

Topic	Article	Commission Proposal	EURELECTRIC's view
No additionality	Article 19(2)	GOs are only for disclosure (1 GO = 1MWh) without additionality.	Agree

### Comment

EURELECTRIC welcomes that the sole purpose of GOs is disclosure without any requirement of additionality.

Topic	Article	Commission Proposal	EURELECTRIC's view
Link with financial support	Article 19(2)	RES producers receiving financial support from a support scheme should not receive GOs. However member States shall still issue such GOs and transfer them to the market by auctioning them. The revenues raised as a result of the auctioning shall be used to offset the costs of RES support.	Disagree

### Comment

EURELECTRIC is generally supportive of the proposed changes to the GOs system. However, the Commission's proposal to prohibit issuance of GOs to producers that receive financial support blurs the existing clear distinction between support and disclosure schemes, and this cannot be supported by EURELECTRIC.

There are ways to address possible concerns over double compensation. In case financial support is granted via competitive tenders or certificate systems, there is no risk of double compensation

since RES producers would take into account the value of GOs in their bids, which would lower the need for support payments. Also, in case the support level is decided administratively, ways can be found to deduct (e.g. a reference value of GOs from the support payments) in order to avoid double compensation.

The provision in the proposal is unclear and difficult to establish without distortions. It raises questions regarding how the auctioning of GOs is organised (whether at the national level or EU-wide). The provisions could also result in GOs being taken away from generators which have factored them into their investment case, which is in direct conflict with the investment stability and non-retroactivity provisions in Article 6.

Issuing some GOs to producers and other GOs to an auction will lead to two parallel systems, and the market for GOs will therefore not be transparent. Auctioning GOs will increase RES producers' as well as retailers' risks when marketing green electricity, as if they cannot be sure that they will be able to buy, for example, a certain amount of wind GOs from the auction, they cannot guarantee to their customers that an equivalent volume to their consumption has been produced with wind power even if they own wind production themselves. In practice, it would no longer be possible to link the RES production of a specific installation to a client who is interested in that specific RES production installation. It would stop a development where (corporate) clients or local communities enter into longer-term partnerships with energy companies in order to develop specific renewables projects together (e.g. via PPAs). In other words, the economic value of local production may be negatively affected, which seems to be in contradiction with the goal of promoting local/renewable energy communities as part of the Clean Energy Package. This measure is also problematic because it may hinder the development of public acceptance for renewable energy projects. We believe that it is crucial that the developers can continue to link the specific GOs of an installation to their clients.

Topic	Article	Commission Proposal	EURELECTRIC's view
Validity of GOs	Article 19(3)	GOs are valid with respect to the calendar year in which the energy is produced and expire 6 months after the end of the calendar year if they have not been cancelled.	Disagree

#### Comment

There are concerns that if the validity of the certificate is connected to the calendar year it could create market disturbances. This may create unnecessary high price fluctuation. For example, certificates issued for energy produced in January may have quite different values than those for December. Besides, the documentation for disclosure would be very difficult to establish, especially for suppliers where the financial year differs from the calendar year.

Topic	Article	Commission Proposal	EURELECTRIC's view
Transmission losses	Article 19(8)	Transmission losses should be taken into account when GOs are used to demonstrate consumption of electricity.	Disagree

## Comment

EURELECTRIC does not support the provision in the proposal which states that transmission losses should be taken into account when GOs are used to demonstrate consumption of electricity (Article 19(8)). This would again blur the distinction between financial and physical aspects of the energy system, be unnecessarily complex, with unclear benefits.

Topic	Article	Commission Proposal	EURELECTRIC's view
Mandatory use of GOs	Article 19(13)	Mandatory to use GOs when suppliers market energy from RES or highly-efficient cogeneration to consumers with a reference to environmental or other benefit.	Agree

## Comment

EURELECTRIC welcomes the fact that the proposal mandates the verification of electricity produced with RES with the GOs.

*See detailed comments below on Article 25 regarding RES in transport and GOs.*

*See [EURELECTRIC's position paper on the proposal for an Electricity Directive](#).*

## 6. Priority of dispatch

EURELECTRIC shares the overarching principles in this proposal and in the proposal on the Electricity Regulation to integrate RES, including RES self-consumers, in the market. However, while existing exemptions should be kept, the Clean Energy Package should not incentivise the development of new exemptions from imbalance responsibility or new priority of dispatch provisions in markets or regions where they currently do not apply. Furthermore, there should be no new or additional exemptions, namely specific provisions based on the size of the projects or based on types of technologies. Until the implementation of the new market design outlined by the Commission, the existing market rules for dispatching and balancing should prevail.

EURELECTRIC supports the fact that generation facilities currently exempted from balancing responsibilities, or that were granted with priority of dispatch/access, may require compensation to accept new roles in the electricity market. Therefore, EURELECTRIC encourages the development of these incentive schemes, where market participants may voluntarily accept new responsibilities.

EURELECTRIC is of the opinion that redispatch and curtailment management shall only be based on market mechanisms, and is of the opinion that there is no need to introduce positive discrimination for RES and CHP.

Non-market based curtailment should, at best, be only a transitory regime until market-based mechanisms are established and functioning and non-market based curtailment should only be an exception where market-based mechanisms are not functioning. In the meantime it is opportune to reinforce network structure in order to avoid non-market based curtailment. Market-based mechanisms must ensure that all commercial offers are exhausted before any form of non-market based measures is used.

*See [EURELECTRIC's position paper on the proposal for an Electricity Regulation](#)*

## 7. Renewable self-consumer

Topic	Article	Commission Proposal	EURELECTRIC's view
Definition of "renewable self-consumer"	Article 2(aa)	Active customer as defined in Directive [MDI Directive] who consumes and may store and sell renewable electricity which is generated within <u>his or its premises</u> (...);	Clarify definition in relation to "premises"

### Comment

EURELECTRIC supports the introduction of a definition of the concept of renewable self-consumer in the Directive (Article 2(aa)). This is an opportunity to create a regulatory framework that enables the development of prosumers based on a level playing field, while avoiding hidden subsidies.

However, the definition of "renewable self-consumer", (as well as the definition of "active customer" in Article 2(6) of the Electricity Directive proposal) should be clarified. The phrase "*his or its premises*" could be interpreted to mean that these provisions could apply to different assets owned by the same consumer at different locations. Instead, the definition should clearly refer to generation and consumption of electricity behind the grid connection point.

Topic element	Article	Commission Proposal	EURELECTRIC's view
Proportionate procedures and cost-reflective charges	Article 21(1)(a)	Renewable self-consumers should not be subject to disproportionate procedures and charges that are not cost-reflective.	Agree but there should be no positive discrimination either

### Comment

Prosumers should be subject to cost-reflective network charges like other consumers. "Disproportionate procedures and charges that are not cost-reflective" should be avoided but also positive discrimination for prosumers.

Topic	Article	Commission Proposal	EURELECTRIC's view
Remuneration	Article 21(1)(d)	Remuneration for self-generated renewable electricity fed into the grid reflects the market value of electricity.	Agree

### Comment

EURELECTRIC is convinced that prosumers should be integrated in the market. We welcome the recognition that remuneration for prosumers should be based on the market value of the electricity fed in (and not implicitly at the retail price).

Non-market based net-metering schemes for prosumers are contrary to market integration and should be phased-out: in case of non-market based net-metering the grid is *de facto* used as storage for free, which provides disincentives for investment in flexibility solutions, such as batteries for example. Net-metering also risks going along with cross-subsidies through other consumers. The impact of phasing out net-metering on existing prosumers should however be limited by still guaranteeing them a fair return on investment.

Topic	Article	Commission Proposal	EURELECTRIC's view
Thresholds for renewable self-consumers vs energy suppliers	Articles 21(1)(c), 21(2) and 21(3)	<p>Renewable self-consumers are not considered energy suppliers in relation to the renewable electricity they feed into the grid &lt;10MWh for households and &lt;500 MWh for legal persons. Member States may set higher thresholds.</p> <p>In addition, according to paragraph (2), renewable self-consumers living in the same multi-apartment block, or located in the same commercial, or shared services, site or closed distribution system, are allowed to jointly engage in self-consumption as if they were an individual renewable self-consumer. In this case, the threshold set out in paragraph 1(c) shall apply to each renewable self-consumer concerned.</p> <p>Paragraph (3) allows for the renewable self-consumer's installation to be managed by a third party for installation, operation, including metering, and maintenance.</p>	Disagree

#### Comment

EURELECTRIC is concerned by the introduction of thresholds below which renewable self-consumers are not considered as energy suppliers (10 MWh for households and 500 MWh for legal persons on an annual basis) and their potential impact on balancing responsibilities.

First of all, we believe that the implications of being classified as an “*energy supplier*” need to be properly understood as this is not defined in the CEP. It may be better to talk about a “*producer*” in this case. Notwithstanding this, when combined with paragraphs (2) and (3), these thresholds could lead to very large exemptions: entities providing services to several customers “*living in the same multi-apartment block, or located in the same commercial, or shared services, site or closed distribution system*” could qualify as renewable self-consumers while selling big amounts of electricity to the grid as amounts mentioned in sub-paragraph (1)(c) would be multiplied by the number of customers. Moreover, Member States are allowed to increase these thresholds which could lead to even larger amounts.

EURELECTRIC shares the overarching principles in this proposal and in the proposal on Electricity Regulation to integrate RES in the market. This includes the integration of renewable self-consumers in the market (see comments above on Article 21(1)(a) and (d)).

However, while existing exemptions should be preserved, there should be no new/additional exemptions based on the size of the projects. This does not mean that prosumers must become Balance Responsible Parties (BRP) themselves but they can outsource this obligation e.g. to their supplier or aggregator (bearing in mind that the role of an aggregator can be fulfilled by a third party or the supplier who is aggregating several sources). Indeed, suppliers and aggregators will play an important role to facilitate market integration of prosumers and EURELECTRIC welcomes that their role is recognised in the proposal.

Therefore, EURELECTRIC can't support the exemptions proposed in Article 21 for renewable self-consumers.

See [EURELECTRIC's position paper on the proposal for an Electricity Directive](#) and the [position paper on the proposal for an Electricity Regulation](#).

## 8. Renewable Energy Communities (REC)

Topic	Article	Commission Proposal	EURELECTRIC's view
Renewable Energy Communities (REC) and Local Energy Communities (LEC)	Article 22(1)	The paragraph describes REC including the possibility for members to cooperate in the generation, distribution, storage or supply of energy from RES.	Clarify (level playing field and distribution)

### Comment

According to Article 22(1) in the current proposal, members of REC (which are also LEC) can cooperate on generation, storage or supply but also distribution. However, when read in conjunction with Article 16 of the proposed Electricity Directive regarding Local Energy Communities (LEC), this raises a number of issues.

Indeed, while EURELECTRIC agrees that *"shareholders or members of a local energy community shall not lose their rights as household customers or active customers"* (Art 16(2)(b) of the Electricity Directive proposal on LEC), the practical implications of these provisions need to be further clarified. While the customer should keep the right to switch from LEC to another supplier, the network infrastructure is a natural monopoly and a potential DSO obligation to connect a member that decides to no longer take part in the LEC and switch back would require maintaining parallel network infrastructure or investing in parallel networks. That would not be efficient and charging the costs of maintaining the network infrastructure to the remaining customer base that is not a part of LEC would not be fair.

The concept of REC should be aligned with the provisions in the Electricity Directive in order to ensure that RECs do not benefit from special treatment in terms of generation connection requirements or that they are not used to widen the application of the renewable self-consumer concept.

Besides, as foreseen for the LEC, the regulatory framework shall ensure that: participation is voluntary; shareholders or members of a REC shall not lose their rights as household customers or active customers; shareholders or members are allowed to leave a renewable energy community.

See [EURELECTRIC's position paper on the proposal for an Electricity Directive](#)

Topic	Article	Commission Proposal	EURELECTRIC's view
REC and Local Energy Communities (LEC)	Article 22(1)	The paragraph describes the criteria to fulfil to be considered a REC.	The 18 MW threshold is too high

#### Comment

EURELECTRIC is concerned by one of the criteria under sub-paragraph (e) *“the community has not installed more than 18MW of renewable capacity for electricity, heating and cooling and transport as a yearly average in the previous 5 years”*.

We understand the specificities of REC and recognise that they should not face undue administrative barriers, but we believe that the threshold of 18 MW is too high, particularly in certain Member States.

Topic	Article	Commission Proposal	EURELECTRIC's view
Support schemes	Article 22(2)	Specificities of renewable energy communities should be taken into consideration in the design of support schemes.	Ensure level playing-field

#### Comment

EURELECTRIC is concerned that Article 22(2) could result in the preferential treatment of a market player. While we understand the specificities of REC and the role they play in local acceptance of RES, support schemes should ensure a level playing between companies independent of their size, ownership structure or legal form. Other options to reduce the risks for REC should be found, for example through a special form of insurance.

## 9. RES in heating and cooling

Topic	Article	Commission Proposal	EURELECTRIC's view
RES share in heating and cooling	Article 23	Increase in the share of renewable energy supplied for heating and cooling by at least 1% per year by Member State, expressed in terms of national share of final energy consumption. This may be done by physical incorporation, direct mitigation measures or indirect mitigation measures.	Agree, but should be limited to non-ETS sectors

## Comment

The heating and cooling sector, like the transport sector, has a large potential to integrate larger shares of renewable and carbon neutral energy through increased electrification. The review of the RES Directive should have a balanced approach towards RES in heating and cooling, electricity and transport. Electrification enables decarbonisation (including through RES in transport, heating and cooling) and simultaneously helps to avoid overcapacity in the power sector. Effective measures should be taken to ensure that Member States progress with electrification, and other potential ways to increase RES penetration in these sectors.

With 75% of energy consumed for heating and cooling still causing greenhouse gas (GHG) emissions in 2014, decarbonising this sector presents a significant challenge. Under the 2030 climate and energy framework, Member States will also have specific binding, national targets for GHG emission reductions in the non-ETS sector. It is therefore important to recognise the key role that decarbonised electricity will play as the energy carrier of choice to achieve decarbonisation in these sectors.

Increased electrification of the sector will effectively shift emissions, *de facto*, from the heating and cooling sector (non-ETS) into the EU ETS, where, as emissions from the power sector, they are capped under the ETS. Renewables will make an important contribution to the decarbonisation of the heating and cooling sector. However, we believe that solutions to decarbonise buildings should be approached in a technologically neutral manner and that the costs borne by all energy sources should be balanced to ensure a level playing field.

Allowing renewable energy to fully penetrate the heating and cooling sector and to work alongside other decarbonised sources requires a holistic approach with a long term strategy. Conflicts between RES measures and energy efficiency measures should be avoided. EURELECTRIC is convinced that the success of the EU Strategy on Heating and Cooling is to a large extent dependent on ensuring buy-in from national, regional and local authorities, as well as the involved sectors. Designing a proper market for heating and cooling is essential in the decarbonisation of this sector.

Against this background EURELECTRIC suggests that the requirement proposed in Article 23 is limited to the non-ETS sectors.

See [EURELECTRIC's position papers on the proposal to amend the Energy Efficiency Directive](#) and on the [position paper on the proposal to amend the Energy Performance of Buildings Directive](#)

## 10. District Heating and Cooling

Topic	Article	Commission Proposal	EURELECTRIC's view
Third Party Access	Article 24(2)	Member States shall ensure that customers of district heating or cooling systems which are not highly efficient district heating and cooling can disconnect from the system in order to produce heating or cooling from renewable energy sources themselves, or to switch to another supplier of heat or cold.	Disagree

### Comment

In light of the objective of the Directive, this provision goes one step too far by granting access for third parties to their customers via the network. Such an approach has been investigated by German and Swedish Authorities in the past with a view to assessing whether it would a) decrease heat prices and b) lead to an increase in the use of waste heat. In both cases, the option was discarded as it was found that a new complex regulatory regime would be necessary and would increase the costs of heat production (compliance costs and sub-optimisation of the network) and deterring the further use of waste heat. Instead, in line with the practice in some Member States, the Article should encourage the use of RES/waste heat without creating a disproportionate burden for operators.

## 11. RES in Transport

Topic	Article	Commission Proposal	EURELECTRIC's view
There is no target for a certain share for RES in transport anymore	Article 3	No national targets for RES in transport by 2030.	Agree

### Comment

In the RED II proposal, the Commission proposes an EU-wide binding target for renewable energy consumption of at least 27% by 2030, in accordance with the European Council conclusions of October 2014. The proposal states that binding national targets for Member States will not be prolonged after 2020. It is therefore consistent to also not have a national sectoral target for renewable energy in transport. At the same time, we believe that it will be important to maintain a focus on decarbonising transport by using renewable energy.

Electric vehicles do not emit any tailpipe emission, nor do they emit pollutants (like NO<sub>x</sub>) at tailpipe. The emissions resulting from generating of the electricity that powers electric vehicles are covered by the EU ETS and are subject to its cap. We therefore see the use of all electricity in transport as beneficial and should be encouraged.

Topic	Article	Commission Proposal	EURELECTRIC's view
Reducing share of bio-energy from food or feed crops in transport	Article 7(1)	The contribution from biofuels and bioliquids, as well as from biomass fuels consumed in transport, if produced from food or feed crops, shall be no more than 7% of final consumption of energy in road and rail transport in that Member State. This limit shall be reduced to 3.8% in 2030.	Agree

#### Comment

In its European Strategy for Low Emission Mobility the European Commission indicated that food-based biofuels have a limited role in decarbonising the transport sector due to concerns about their real contribution to the decarbonisation of such sector. A progressive reduction of food based biofuels and their replacement by more advanced biofuels will realise the potential for decarbonising the transport sector.

Furthermore, the continued use of conventional combustion engines will put increasing pressure on air quality, particularly in urban areas. Given these issues, we believe that a transformative shift in private transportation to electric vehicles is the most effective way to decarbonise the transport sector. This will also lead to additional benefits in terms of reductions in air and noise pollution, as well as related benefits to citizen's health and reductions in associated costs.

While it is positive that the share of biomass from food or feed crops that can be counted towards the target is limited, the maximum share of 7% of final energy consumption in road transport, is rather high when considered in comparison to both the 10% RES target for 2020, and certainly in comparison with the targets for 2021-2030 mentioned in Article 23 of the RED II proposal.

Topic	Article	Commission Proposal	EURELECTRIC's view
Increasing the share of advanced biofuels and other renewable energy in transport fuels	Article 25(1) and Annex X	<p>With effect from 1 January 2021, Member States shall require fuel suppliers to include a minimum share of renewable energy.</p> <p>The minimum share shall be at least equal to 1.5% in 2021, increasing up to at least 6.8% in 2030, following the trajectory set out in part B of Annex X.</p> <p>Renewable electricity can also be counted towards the target.</p> <p>Within this total share, the contribution of advanced biofuels and biogas produced from feedstock shall be at least 0.5% of</p>	<p>Generally agree, but the target should be aligned with decarbonisation needs of the transport sector</p> <p>Disagree</p> <p>There should be <b>one overall</b> target for all renewables</p>

		<p>the transport fuels supplied to the market as of 1 January 2021, increasing up to at least 3.6% by 2030.</p> <p>The greenhouse gas emission savings from the use of biofuels and biogas were increased.</p>	transport fuels
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#### Comment

The Directive should ensure that the share of renewable fuels in transport is aligned with the decarbonisation needs of the transport sector. Even though renewable transport fuels are not the only way to reduce transport emissions, they are an absolutely central aspect. EURELECTRIC doubts that the required 6.8% target share of RES in total fuel supplied by 2030 will be sufficient to ensure an adequate contribution of the transport sector to reach the overall non-ETS emission reduction goal of -30% by 2030 compared to 2005.

Although EURELECTRIC keeps a clear stance on electric vehicle as a viable alternative for clean mobility, fuel suppliers should be able to fulfil their obligation to include a certain share of renewable transport fuels by all renewable transport fuels available. In any case, operators of charging stations for electric vehicles should not be forced to offer advanced biofuels or similar fuels. Therefore, if such a target is kept, it has to be made clear that the target for advanced biofuels set out in Annex X shall not apply to charging station operators.

Topic	Article	Commission Proposal	EURELECTRIC's view
Transfer of obligation	Article 25(2)	Fuel suppliers can transfer their obligation to each other.	Agree

#### Comment

EURELECTRIC agrees as this provides for a flexible mechanism and rewards those fuel suppliers who over-achieve their obligation.

Topic	Article	Commission Proposal	EURELECTRIC's view
Calculation of the share of renewable electricity in transport	Article 25 (3)	To determine the share of renewable electricity they use to meet their obligations, fuel suppliers can either use the average RES share of the EU or the average RES share of the Member States, in each case a corresponding amount of GOs shall be cancelled.	Disagree

#### Comment

EURELECTRIC does not agree with the way that the national or EU-wide RES shares and Guarantees of Origins are mixed here. Entities that sell electricity at recharging points to electric vehicles are acting like other electricity retailers, which are obliged to disclose GOs when they are

marketing electricity as “renewable” to their customers. To prove that a certain share of electricity supplied to electric vehicles is renewable, charging point operators should cancel enough GOs to comply with the obligation set out in Article 25(1). This should be done without reference to any EU or Member State renewable electricity share. Renewable targets (be they national or EU-wide) should not be mixed with measures to certify renewable electricity to final customers.

Topic	Article	Commission Proposal	EURELECTRIC's view
National Databases on transport fuels	Article 25(4)	Member States shall put in place a database tracing transactions of obligations on fuels suppliers as well as sustainability characteristics of transport fuels, including their life cycle greenhouse gas emissions.	Clarify

#### Comment

When reporting on life-cycle GHG emissions of transport fuels to these databases and under the Governance Regulation, average motor efficiencies per transport fuel should be taken into account.

## 12. Sustainability criteria for biomass

Topic	Article	Commission Proposal	EURELECTRIC's view
Mandatory criteria	Article 26(1)	Biomass fuels need to fulfil the criteria set out in the proposal, irrespective of the geographical origin of the biomass.	Agree

#### Comment

EURELECTRIC supports the overall approach taken by the Commission in its proposal on the sustainability criteria for biomass. The requirements endorse a risk-based approach and compliance can be assessed through voluntary schemes such as SBP, FSC or PEFC, or through national regulation, whether within or outside the EU. The adherence to EU-wide principles will provide reliable evidence to the general public that biomass is a sustainable energy source.

Topic	Article	Commission Proposal	EURELECTRIC's view
Capacity threshold	Article 26(1)	The criteria apply for installations with fuel capacity above 20 MW. However, Member States may choose to apply the criteria to installations below this threshold.	Agree

#### Comment

EURELECTRIC also supports the capacity threshold of 20MW as it is in line with the EU ETS threshold and will help to minimise the overall administrative burden placed on plant operators.

Topic	Article	Commission Proposal	EURELECTRIC's view
Management systems	Article 26(5)(b)  (and Articles 26(6)(iii) second sentence and 27(4))	When evidence based on national laws applicable in the area of harvest as well as monitoring and enforcement systems is not available, the biomass fuels produced from forest biomass shall be taken into account if management systems are in place at forest holding level.	Broaden level where verification and mitigation is carried out to biomass producers

#### Comment

According to Article 26(5)(b) *“when evidence ... is not available, the ... biomass fuels produced from forest biomass shall be taken into account ... if management systems are in place at forest holding level ...”*. The level in the value chain where the verification and application of mitigation measures takes place should be broadened and include biomass producers (e.g. pellet mill or sawmill level).

The objective of the paragraph is that feedstock for biomass production is legally and sustainably harvested. To achieve that goal it is important that management systems and procedures are in place to ensure that all respective indicators in the forest are at low risk - but the level in the value chain at which the verification and mitigation is carried out is irrelevant. An approach to include management systems at biomass production level would be more efficient and stringent: smaller forest owners who could not afford a single management system could become part of the management system of the biomass producer.

By broadening to the biomass production level, feedstock within a forest that is too risky may be excluded from the supply base for biomass production, whereby other parts may be certified. This approach would meet current business practice. Since it allows for risk mitigation schemes (certification) at forest and production level it may incentivise an overall increase of certification of feedstock for biomass production. This comment also applies to Article 26(6)(iii) second sentence and to Article 27(4).

Topic	Article	Commission Proposal	EURELECTRIC's view
Management systems	Article 26(5)(a) (i) and (b)(i)	Forest biomass must be harvested according to a legal permit	Ensure that harvest is legally allowed

#### Comment

In some Member States (e.g. Denmark) there are no harvesting permits as such. The Directive must ensure that evidence is provided that harvesting is legally allowed.

Topic	Article	Commission Proposal	EURELECTRIC's view
Carbon stocks	Article 26(6)(iii) - first	Ensure that carbon stocks are maintained or improved and this	Broaden level at which

	sentence	must be demonstrated	compliance can be demonstrated
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#### Comment

The goal of this paragraph is to ensure that carbon stocks are maintained or improved and this must be adequately demonstrated. There are various methods to demonstrate that carbon stocks are maintained. Demonstrating that management systems are in place at the forest holding level is one method. Other, more economical, methods are for example to use national forestry statistics to show that standing forest stocks are increasing over time. Against this background, the means through which compliance can be demonstrated should not be limited to management systems at forest holding level.

Furthermore, it must be noted that carbon stocks at an individual forest holding level, especially smaller holdings, can vary strongly over time due to individual harvesting events, while the carbon stocks considered in a larger region or the country as a whole remain stable or increase. Therefore carbon stocks should not be viewed at the individual forest holding level but rather at the national or regional level. We believe that the subparagraph would be in line with the NDCs referred to in subparagraph (ii) where the geographical scope is that of the country.

Also it should be noted that short term variations in regional carbon stocks (e.g. fire, diseases, harvest correction after an economic down-turn, etc.) are natural and must not be confused with a deviation from the long term trend of maintaining or increasing carbon stocks.

Topic	Article	Commission Proposal	EURELECTRIC's view
Revision clause	Article 26(6) (iii) last paragraph	Land criteria for forest biomass and LULUCF requirements will be reviewed by 31 December 2023.	Disagree

#### Comment

Article 26(6) foresees that by the end of 2023 the Commission will assess whether the sustainability criteria in paragraphs (5) and (6) of Article 26 effectively minimise the risk of using unsustainable biomass and address the LULUCF requirements.

EURELECTRIC supports a stable regulatory and investment framework up to 2030. Predictability is crucial for the power sector. With a 2023 deadline, assessment could start as early as 2021-2022, shortly after the expected entry into force of the Directive. We would rather prefer the review of Article 26 to be done as part of the general review of the Directive in 2026 (Article 30(3)).

Topic	Article	Commission Proposal	EURELECTRIC's view
GHG emission savings	Article 26(7)	The proposal sets out GHG savings thresholds for new installations using biomass to produce electricity or heating and cooling after 1 January 2021 (80%) and 1 January 2026 (85%).	Agree

#### Comment

Article 26(7) sets out a GHG savings thresholds for new installations using biomass to produce electricity or heating and cooling after 1 January 2021 and 1 January 2026. Consequently, the proposed Directive does not include any GHG savings threshold for existing installations using biomass. EURELECTRIC supports this provision as it avoids retroactive changes for existing plants (permit conditions, financial support) and preserves investor certainty, which is also in line with Article 6 of the proposal.

Topic	Article	Commission Proposal	EURELECTRIC's view
Efficiency of use	Article 26(8)	<p>Electricity produced from biomass in new installations exceeding 20MW will only be taken into account towards target counting or to receive financial support if it is produced using high efficiency co-generation technology from a date set 3 years after the adoption of the Directive.</p> <p>While Member States can make a specific notification to the Commission relating to system security, any waiving of the requirement is at the Commission's discretion.</p>	Disagree

#### Comment

If the biomass used meets sustainability criteria, it is unclear why these units should be excluded from targets or support. CHP installations are only suitable where there is a significant local heat load. This high efficiency criterion would therefore effectively rule out the use of biomass in new 'biopower only' plants that could be used to supply essential system services and flexible generation to complement intermittent and variable generating technologies. It would also effectively rule out the use of 'biopower only CCS' as a potential GHG negative technology should the economics of carbon capture and storage improve.

Member States should be able to choose from all renewable energy sources to produce electricity, either because it allows the best possible use of local biomass resources or because other renewable energy sources have a limited potential. Priority should be given to climate mitigation efforts.

EURELECTRIC therefore suggests broadening the scope of potential exemptions and allowing Member States to continue supporting large-scale biomass without CHP technology in case of security of supply concerns, but also if biomass can play an important role in providing flexibility and system services, or if it is needed to reach the EU-wide 2030 RES target.

Topic	Article	Commission Proposal	EURELECTRIC's view
Additional sustainability criteria	Article 26(10)	Member States may place additional sustainability requirements for biomass fuels.	Disagree

#### Comment

According to Article 26(10) of the proposal, Member States may place additional sustainability requirements for biomass fuels. EURELECTRIC believes that harmonised set of criteria should apply at the EU level. Additional criteria are explicitly prohibited for biofuels and bioliquids (Article 26(9)) and this rule should also apply to biomass fuels.

Establishing new national or contradictory sets of sustainability principles and criteria will impede biomass trade and deter investment in biomass cultivation, biomass-powered electricity (dedicated and co-fired plants) and heat generation, as this would give rise to a changing and less predictable regulatory environment.

Topic	Article	Commission Proposal	EURELECTRIC's view
GHG emission savings - default values	Article 28(1); Annex VI, Part A	In the absence of calculated emission savings, operators may use the default values included in Part A of Annex VI.	To clarify and elaborate

#### Comment

Article 26(1) states that energy from biomass fuels shall only be taken into account for:

- a) contributing to Member States' share in the overall EU-wide RES target;
- b) compliance with RES obligations;
- c) eligibility for financial support;

provided they fulfil the sustainability criteria and the GHG emission saving criteria set out in Article 26(7).

Article 26(7) sets out GHG emission savings criteria for electricity, heating and cooling installations starting operation after 1 January 2021 (80%) and after 1 January 2026 (85%). However, it does not state what these percentage GHG emission savings are to be compared with. The comparator should be included within the text of Article 26(7). For example: *"at least 80%.....and 85%... when compared with the EU-wide fossil fuel comparators of 183 gCO<sub>2</sub>eq/MJ for electricity; and 80 gCO<sub>2</sub>eq/MJ for heating or cooling; or 124 gCO<sub>2</sub>eq/MJ for heat produced by the direct substitution of coal."*

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

▶ Growth, added-value, efficiency

Environmental Leadership

▶ Commitment, innovation, pro-activeness

Social Responsibility

▶ Transparency, ethics, accountability



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