

RED II Trilogue Negotiations

eurelectric recommendations

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 in Europe well before mid-century

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.

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KEY MESSAGES

The costs of renewable technologies have significantly decreased in recent years due to technological improvements and policy shifts from administratively-set tariffs towards competitive mechanisms. Reaching a more ambitious, economy-wide, share of renewables in Europe by 2030 is therefore within reach and eurelectric supports a higher share if the right framework is in place. This would mean: well-functioning electricity markets, electrification in other sectors such as transport and heating/cooling, renewables delivered through market-based mechanisms that are technology open and allow for long-term contractual agreements, addressed EU ETS overlaps and permitting procedures/ public acceptance challenges.

In order to ensure the attainment of the Energy Union objectives, the 2030 climate and energy targets and EU's commitments to the Paris Agreement, the Energy Union Governance Regulation should provide for a robust system of tools and instruments, while allowing flexibility to Member States in adopting national policies and measures to apply these tools.

As the European institutions are entering the final stage of negotiations on the RES Directive, eurelectric would like to share its views on the most crucial issues:

Integration of RES self-consumers and Renewable Energy Communities (RECs) into the market and level-playing field with other market players

eurelectric supports the proposal's ambition to provide better visibility to investors in RES while aiming at their further integration into the electricity market, in conjunction with the Market Design Initiative (MDI).

We support the right for consumers to generate and sell their electricity both individually and collectively. However, in the future, RES self-consumers should become market participants, without any exemption. Therefore, eurelectric is convinced that some elements still need to be addressed in the upcoming negotiations: **no exemptions for small-scale installations to the market-based allocation of financial support** (we support the Commission and the Council); the deletion of **thresholds for RES self-consumers** (we support the Council); **market based remuneration** for RES self-consumers (we support the Commission); **level-playing field between RECs and other market participants** (we support the Council's definition and the Parliament on the level playing field); proper distribution of **network fees, taxes and levies** (we support the Commission or the Council).

Guarantees of Origin (GO)

On the one hand, we support the **mandatory use of GOs for RES** by suppliers, as voluntary disclosure would allow alternative declaration instruments and make reporting to consumers and corporate purchasers potentially unreliable and misleading (we support the Commission and the Parliament). On the other hand, eurelectric thinks that **all produced RES should receive GOs** including those receiving financial support. GOs are a tracking/disclosure tool and should not be misunderstood as financial support. Prohibiting GOs to be issued to producers which receive financial support would make many Power Purchase Agreements (PPAs) and other commercial agreements inoperable. Moreover, the auctioning of GOs as proposed by the Commission may hinder suppliers and renewable energy communities from directly marketing locally-produced energy, thereby reducing options for consumers. There are better ways to address possible concerns over double compensation as suggested in the Parliament proposal which eurelectric supports.

Additionality for transport

We are concerned by the Parliament's amendment mandating that **only renewable electricity above a yet to be defined Member State baseline will be considered renewable**. Limiting the contribution of renewable electricity to additional renewable electricity is unfair, as other fuels have no additionality requirement. This would significantly worsen the business case for charging infrastructure operation. eurelectric supports the Commission and Council in this regard.

| Item | Commission (30.11.2016) | Parliament (17.01.2018) | Council (18.12.2017) | eurelectric preferred option |
|------------------------------------|--|--|---|--|
| Financial support for RES (art. 4) | Competition between technologies. | Technology-neutral and technology-specific schemes on equal footing with criteria to justify technology-specific support. | Technology-specific can be considered on the basis of certain criteria. | <u>Parliament or Council</u> (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) |
| | No further criteria for tendering. | Criteria for tendering procedures. | Not envisaged. | <u>Parliament</u> (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) |
| | Level playing field in support schemes. | Exemptions for small scale installations (with thresholds) and demonstration projects from market-based support schemes (500 kW and 3MW/3 units for wind) and from tendering (1MW and 6MW/6 units for wind). | Exemptions particularly for small scale installations and demonstration projects from tendering | <u>Commission or Council</u> (RES should be fully integrated and participate into the market, regardless of the size of installations. Member States should be allowed to deviate from tendering if this can be duly justified) |
| | Revision of Guidelines on State aid for environmental protection and energy not envisaged. | Within 6 months of the entry into force of the Directive. | Not envisaged. | <u>Parliament</u> (Ensure certainty and visibility for investors until 2030) |

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| Cross-border opening of support schemes (art. 5) | 10% of the newly-supported capacity from 2021 and 15% from 2026. | 8% and 13%. Possible limitation due to existence of direct interconnection and additional grounds for exemption. | Member States are encouraged to support at least 10% and 15%. Possible limitation due to lower level of interconnectivity. | <u>Parliament and Council</u> (Opening should follow a stepwise approach, built on the existing rules in the EEAG. The Commission should regularly assess and report on the impact on RES deployment and market functioning. Exemptions should be possible when there are insufficient interconnection capacity or insufficient natural resources) |
| Stability of financial support (art. 6) | Supported. | Supported. Further protects supported projects from the negative impact of changes in other regulatory instruments. | Supported. | <u>Commission or Council</u> (New rules for the period after 2020 should not lead to negative retroactive implications for existing investments) |
| Power Purchase Agreements (PPAs) (art. 15) | Removal of administrative barriers. | Ensure enabling regulatory and administrative framework. | Removal of administrative barriers. | <u>Parliament and Commission/Council</u> (All obstacles should be removed and that could include regulatory and information barriers. However, it is unclear what an enabling framework would be beyond the removal of barriers) |
| Permit granting procedures (art. 16) | Maximum 3 years and 1 year for repowering. | Additional rule for small installations (maximum 1 year). | Maximum 3 years for the administrative process that can be extended. Simplified procedure of maximum 3 years that can be extended for repowering. | <u>Commission and Parliament/Council</u> (eurelectric welcomes clear streamlined deadlines for the permit granting process, acknowledging that certain projects have long-term planning) |

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| | | | | requirements. In the case of repowering, which is expected to play an important role in achieving the EU RES objectives in the coming years, the procedure should be simplified and shorter) |
| High-power recharging points for EVs (art. 16) | Not envisaged. | 90% of fuel stations along the roads of the TEN-E Core Network are equipped with public accessible high-power recharging points for electric vehicles by end 2022. | Not envisaged. | Parliament (The deployment of charging infrastructure is deemed essential to build the foundations for large scale Electro-Mobility deployment in Europe) |
| Simple notification procedures (art. 17) | Connection to the grid of installations <50 kW following a notification. | Derogations possible for installations between 10.8 kW and 50 kW. | Threshold reduced to 10.8 kW with possible derogations. | Council (DSOs should retain a role to assess the impact on the grid of many small installations) |
| Guarantees of Origin (GOs) (art. 19) | Member States may decide that GOs can be issued for non-RES. | Member States may decide that GOs can be issued for non-RES. | Introduces distinction between energy sources. | Commission and Parliament (Opens the possibility to issue GOs for all types of energy sources, on a voluntary basis) |
| | No issuance of GOs to supported RES + mandatory auctioning of GOs instead. | Allows for GOs being issued to support RES while ensuring there is no double compensation. | Member States may choose not to issue GOs to supported RES (instead: auction or cancel GOs). Need to take into account the value of the GO in the support scheme. | Parliament (Preserves the link between the RES production of a specific installation to a client who is interested in that specific RES production installation) |
| | Mandatory disclosure of RES with GOs. | Mandatory disclosure of RES with GOs. | Voluntary disclosure of RES with GOs. | Commission and Parliament (Voluntary disclosure would allow alternative declaration instruments) |

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| | | | | and make reporting to consumers and corporate purchasers potentially unreliable and misleading) |
| | Validity of GOs (end of calendar year). | Validity of GOs (end of calendar year) (= EC proposal). | Validity of GOs (12 months). | Council (According to estimates 5-10% of GOs are not even issued until after 6 months of production (meter reading, auditing, etc) and limited validity would result in a loss of around 50TWh of GOs) |
| | Take into account transmission losses. | Take into account transmission losses (=EC proposal). | Deleted. | Council (Taking into account transmission losses would blur the distinction between disclosure and physical aspects of the energy system, be unnecessarily complex, with unclear benefits) |
| Renewable Self-Consumers (art. 21) | Definition: consumes and may store and sell renewable electricity which is generated within his or its premises. | Definition extended to group of customers (residential area or industrial services). | Definition focused on operating within confined boundaries (no list of type of locations). | Council (Clarifies that the definition of “renewable self-consumer” doesn’t 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) |

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| | Renewable self-consumers are not considered energy suppliers <10MWh for households and <500 MWh for legal persons. | Renewable self-consumers are not considered energy suppliers <10MWh for households and <500 MWh for legal persons. | No exemption (paragraph deleted). | <u>Council</u> (Self-consumers must be integrated into the market. Market obligations can be fulfilled by their supplier or an aggregator, who will play an important role in the integration of RES self-consumers into the market) |
| | Remuneration for self-generated renewable electricity fed into the grid reflects the market value of electricity. | Remuneration for self-generated renewable electricity fed into the grid is at least equivalent to the market price and may take into account the long-term value to the grid, the environment and society. | Remuneration for self-generated renewable electricity fed into the grid reflects the market value of electricity and the relevant support schemes. | <u>Commission</u> (Remuneration should be based on the market value of the electricity fed in (and not implicitly at the retail price). 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) |
| | No disproportionate procedures and charges that are not cost-reflective. | No taxes, levies or grid fees on self-consumed and stored electricity. | No disproportionate procedures and network charges that are not cost reflective, ensuring they contribute in an adequate and balanced way to the overall cost sharing of the system | <u>Commission or Council</u> (Renewable self-consumers should be subject to cost-reflective network charges like other consumers. These self-consumers are still dependent on the grid. Consequently, fixed costs of the power supply system |

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| | | | | have to be paid by a smaller amount of consumers, leading to a multiple burden for those who are being charged. A proper distribution of network fees, taxes and levies is essential) |
| Renewable Energy Communities (REC) (art. 22) | Definition of a REC (constitutive criteria to be considered a REC). | Definition of a REC (constitutive criteria to be considered a REC). | Definition of a REC (rights and obligations). | Council (Clarifies the rights and obligations for RECs and their members instead of focusing on narrow criteria to establish RECs) |
| | Specificities of RECs should be taken into consideration in the design of support schemes. | Specificities of RECs should be taken into consideration in the design of support schemes while ensuring a level playing field between producers | Specificities of RECs should be taken into consideration in the design of support schemes to allow them to compete for support on equal footing with other producers. | Parliament (No preferential treatment for a market player) |
| Transport – target level (art. 25) | RES–target in transport of 6,8%, excluding first generation biofuels, multiplier of 1.2 renewable fuels in aviation, multiplier of 1.2 for renewable fuels in maritime, minimum target of 3,6% advanced biofuels by 2030 | RES target in transport of 12%, excluding first generation biofuels, including multiplier of 2.5 for additional renewable electricity in road transport, multiplier of 2 renewable fuels in aviation, multiplier of 1.2 for renewable fuels in maritime, minimum target of 3,6% advanced biofuels by 2030 | RES target in transport of 14%, including first generation biofuels up to 7%, multiplier of 5 for renewable electricity in road vehicles, inclusion of renewable electricity in rail transport, multiplier of 1.2 for renewable fuel in both aviation and maritime, minimum target of 3,0% advanced biofuels by 2030 | Parliament (eurelectric supports ambitious policies for the uptake of renewables in transport. The Council’s approach in not ambitious due to the inclusion of first generation biofuels. The Commission’s approach is ambitious in terms of target level, but completely ignores the need for a multiplier for renewable electricity in road transport. In terms of target level, the |

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| | | | | Parliament strikes the balance in terms of ambition and also makes more space for really sustainable fuels by further reducing the allowed share of biofuels from crops. eurelectric would even support a higher target, if the multiplier is adjusted to 5 and the requirement for additionality gets removed) |
| Transport – additionality of renewable electricity (art. 25) | No additionality required | Additionality (only renewable electricity above a yet to be defined Member State baseline will be considered renewable) | No additionality required | <u>Commission and Council</u> (Limiting the contribution of renewable electricity to additional renewable electricity is unfair, as other fuels have no additionality requirement. This will significantly worsen the business case for charging infrastructure operation) |
| Transport – Share of renewable electricity claimable (art. 25) | Choice between national and European electricity mix | Only share of renewable electricity above the national (yet to be defined) baseline relevant, in cases of long-term power purchase agreements (PPAs) possibility to claim 100% renewable electricity | Choice between national and European electricity mix | <u>Commission or Council</u> (eurelectric is strongly opposing any additionality requirements of renewable electricity in the transport sector and thus supports the Commission and Council. However, in case of specific contracts e.g. PPAs, indeed 100% renewable electricity should be claimable under the fuel supplier obligation) |
| Transport – multiplier for | No multiplier for renewable electricity in | Multiplier of 2.5 for renewable electricity in road transport | Multiplier of 5 for renewable electricity in | <u>Council</u> (Electric motors are 3 times more |

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| fuels (art. 25) | road transport | | road transport | energy efficient than internal combustion engine motors. Generation of renewable electricity is up to 7 times for energy efficient, when comparing wind electricity generation with the production of bio-diesel or bio-ethanol. Therefore, we believe that a multiplier of 5 for renewable electricity in road transport is even conservative) |
| Transport – target design (art. 25) | Fuel supplier obligation only, targeting renewable energy content of fuels | Overall Member State target, to be partly achieved by a fuel supplier obligation targeting renewable energy content of fuels | Overall Member State target, to be partly achieved by a fuel supplier obligation, targeting either renewable energy content, specific carbon emissions, volumes or energy content of fuels | <u>Commission</u> (A fuel supplier obligation scheme, based on the share of renewable energy in transport fuels is a both effective and transparent tool to increasing the share of renewables in transport. An additional target for Member States will blur responsibilities. The obligation needs to target the share renewable energy in fuels to ensure a coherent implementation across Europe. The broad approach chosen by the Council will lead to significant administrative burden for fuel suppliers active in several countries) |
| Sustainability criteria and | Future biomass plants generating electricity | Future biomass plants generating electricity must | Co-firing biomass plants generating electricity must | <u>Council</u> (Allows for future investment in |

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| GHG savings for biomass (art. 26) | must be high efficiency cogeneration to receive support and be counted towards RES targets. | reach an electrical efficiency of at least 40% to receive support and be counted towards RES targets. | be high efficiency cogeneration to receive support and be counted towards RES targets. | biomass only plants, either new or converted, contributes to security of supply and RES objectives) |
| | Member States may place additional sustainability requirements for biomass fuels. | Member States may place additional sustainability requirements for biomass fuels + Member States may establish higher greenhouse gas emission savings. | No additional sustainability requirements (article deleted) | Council (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) |
| Geothermal (new recital) | Not envisaged. | Commission's assessment of the need of legislation on emissions from geothermal. | Not envisaged. | Commission and Council (It jeopardizes the development and operations of existing and new geothermal power plants) |

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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