RED III: Energy transition challenges related to the specificities of electricity from bioliquids in the outermost regions & small isolated systems

Eurelectric position paper

October 2022

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

The Network of Energy Islands Systems (NEIS)
Working Group RES & Storage

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Energy transition challenges related to the specificities of electricity from bioliquids in the outermost regions[1] & small isolated systems[2], with reference to the Amendment 1 adopted by the European Parliament on 14 September 2022 for the revision of the Renewable Energy Directive

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KEY MESSAGES

The amendments proposed below are aimed to tackle the energy transition challenges relating to the specificities of electricity generation from bioliquids in the outermost regions (ORs) and small isolated systems in the context of the revision of RED II.

The Declaration of Valletta and the succeeding Memorandum of Split acknowledge that islands currently rely on imported fossil fuels for their security of supply and that alternative fuels can be part of the solutions for their decarbonization. Outermost regions and small isolated systems share this common issue of being currently quite high in carbon intensity for the production of their electricity due to the use of oil-fired units to ensure the stability of their electricity system. The decarbonization of these systems can be highly benefited from the replacement of fossil fuel oil with bioliquid.

The conversion to bioliquid of power plants in the ORs and small isolated systems is a major challenge for:

- efficiently decarbonizing these territories, for which there is little alternative that is both non-carbon, but also controllable and guaranteed;
- maintaining on the network a primary reserve (inertia) and fast start-up times (significant flexibility) in a context of joint development of intermittent renewable energies;
- transforming a very important part of the electricity generation fleet from "fossil" to "100% renewable". Several territories would thus have a 100% renewable electricity production;
- reducing air emissions (sulphur, dust, metals, etc.).

[1] Articles 349 and 355 of the Treaty on the Functioning of the European Union

[2] Directive (EU) 2019/944 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast) – Article 2(42) 'small isolated system' means any system that had consumption of less than 3 000 GWh in the year 1996, where less than 5 % of annual consumption is obtained through interconnection with other systems

Proposed amendments to the Amendment 1 of RED III adopted by the European Parliament on 14 September 2022

*(proposed amendments are in **blue bold**)*

1. Introduction of a carbon reference to Annex V – part C, point 19, adapted to the specific energy mix of outermost regions and small isolated systems

Amendment to be introduced in Annex V – part C, point 19, second subparagraph:
'For bioliquids used for the production of electricity, for the purposes of the calculation referred to in point 3, the fossil fuel comparator ECF(e) shall be 183 gCO2eq/MJ electricity or 212 gCO2eq/MJ electricity for the outermost regions and small isolated systems.'

Reasoning

RED II introduces a methodology for calculating the reduction of greenhouse gases based on a "fossil" energy mix corresponding to the interconnected electricity grid of continental Europe. The reference value, which is set at 183 gCO2eq/MJ, derives from the carbon content of gas combined cycles installed in the continent. **This value is inconsistent with the particular situation of non-interconnected areas (i.e. outermost regions and small isolated systems) characterized by a much more carbon-intensive electricity production mix (coal, fossil fuel oil).** Thus, this reference value penalizes the actual greenhouse gas reduction of projects developed in these territories for the GHG reduction calculation (which will also have the consequence of limiting the sourceable volumes of bioliquids for these territories).

Currently, RED II already recognizes, only for the outermost regions, a specific carbon reference value for gaseous and solid fossil fuels after conversion (a comparator value equal to 212 gCO2/MJ) in Annex VI, part B, point 19. However, this specific provision seems to have been forgotten in the context of Annex V for bioliquids, which also involves the same needs of small isolated systems.

Taking into account that owing to their small size and insularity, the outermost regions and small isolated systems face a major challenge for safeguarding their energy supply (as they generally rely on fossil fuel imports for electricity generation) while transitioning to clean energy, we propose that a specific carbon reference factor (comparator) for bioliquids is included in Annex V, part C, point 19, second subparagraph of the same value as for the electricity generation from biomass fuels already foreseen in Annex VI.

2. Derogation for installations located in small isolated systems – Article 29(13)

Amendment to be introduced in Article 29(13), first subparagraph:
'For the purposes referred in the first subparagraph of paragraph 1 of this Article, Member States may derogate, for a limited period of time, from the criteria laid down in paragraphs 2 to 7 and 10 and 11 of this Article by adopting different criteria for: (a) installations located in an outermost region as referred to in Article 349 TFEU and in the territories covered by the definition of small isolated systems under the meaning of Directive (EU) 2019/944, to the extent that such facilities produce electricity or heating or cooling from biomass fuels and bioliquids, and for biofuels especially for the space sector and related astrophysics activities; and (b) biomass fuels and bioliquids used in the installations and biofuels especially used in the space sector and related astrophysics activities referred to in point (a) of this subparagraph, irrespective of the place of origin of that biomass, provided that such criteria are objectively justified on the grounds that their aim is to ensure, for that outermost region and small isolated systems, access to safe and secured energy and incentivise the transition from fossil fuels to sustainable biomass fuels and bioliquids'.

Reasoning

In Article 29(13) of the amendment adopted by the European Parliament on 14 September 2022, there are provisions for derogation for a limited period of time from the criteria laid down in paragraphs 2 to 7 and 10 and 11 of the same Article, for the outermost regions.

However, the same limited derogation possibilities should also apply to the small isolated systems, taking into consideration the particular situation of said systems and their carbon-intensive electricity production mix.

3. Inclusion of bioliquids category in Article 29(1) in thresholds for exemption from sustainability and GHG emissions savings criteria

Amendment to be introduced in Article 29(1), fourth subparagraph:
'Biomass fuels and bioliquids shall fulfil the sustainability and greenhouse gas emissions saving criteria laid down in paragraphs 2 to 7 and 10 if used, [...] - (ba) in the case of bioliquids, in installations producing electricity, heating and cooling with a total rated thermal input equal to or exceeding 10 MW, [...]

Reasoning

In Article 29(1), thresholds for exemption from sustainability and GHG emissions savings criteria for small installations producing electricity, heating and cooling from

biomass fuels are defined. However, such a threshold for installations operating with bioliquids is not introduced. This oversight hinders the rapid development of small bioliquid electricity production units when they could promote rapid decarbonization of power grids in non-interconnected areas.

It is essential that a category for installations producing electricity, heating and cooling from bioliquids with an exemption threshold of 10 MW from the sustainability and GHG emissions savings criteria is introduced in the fourth subparagraph of Article 29(1), same as the value set for electricity from solid biomass fuels proposed by the Council.

4. Amendments to recitals

Amendment to recital (3h):
'Points out that owing to their small size and isolated energy systems, the most remote island regions, just like the outermost regions and small isolated systems, face a major challenge when it comes to energy supply as they generally rely on fossil fuel imports for electricity generation, transport and heating'.

New recital (31b), supplementing recital (31a):
'Account should be taken of the "Political Declaration on Clean Energy for EU Islands" signed in Valletta on 18th May 2017 and of the "Memorandum of Split" published on 24th June 2020, which recognize that EU islands can be the architects of their own energy transition, acknowledge that they face high energy costs and challenges regarding energy security of supply due to their geographic insularity, small economies of scale, and in many cases, reliance on imported fossil fuels and limited or lack of connection to the EU single energy market, and that they require tailor-made solutions, including alternative fuels, indigenous renewable energy and energy efficiency measures implemented with innovative solutions'.

Reasoning

Provisions duly taking into account the specificities linked to the energy transition of outermost regions and small isolated systems are currently missing from RED II and the Amendment 1 of RED III. There, we call on co-legislators to take into consideration the specificities of these territories by introducing a carbon reference adapted to their needs and including specific references to bioliquids as they are essential for the decarbonization of these systems.

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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