Genesis of the Forthcoming EU Renewable Energy Directive

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Issues

- **Problems with target** for growth of renewable energy from 2020 to 2030: size and binding nature of target, problems with **"governance"**
- **Financial support for RES-E:** tenders, now legislated by Council and EP, not DG Comp
- **Special rules for renewable self-consumers and RE communities**

Historical context 2008-2018

- 2009 RES-E directive was a breakthrough for RES-E, celebration of ambitious goals of “20-20-20 by 2020”. Support schemes for RES-E left to member states, triumph of FITs against intention of COM
- Countermovement to rapid transition to RES set in during early 2010s

Adverse policy context 2010-2014

- Financial crisis leading to cutbacks in RES-support esp. in l Eastern and Southern Europe member states
- Fall in electricity demand, crisis of fossil-nuclear incumbents; formation of Magritte group (2013) for top-level lobbying of energy companies
- Overshoot of PV in DE, IT, F, CZ
- Pro-nuclear shift in new German govt (2009-Con-Lib) and British govt (2010-Cameron)
- German nomination of pro-nuclear/fossil, anti-renewables politician (Oettinger) for the position of EU Energy Commissioner (2009)

First RED II plans are drawn up in this hostile context

- In this constellation, a **new storyline on energy transition emerged** among opponents of renewables: Many leading energy incumbents (**Magritte group** in 2013) and mostly conservative politicians, encouraged by **Energy Commissioner Oettinger**:
- that financing the energy transition represents a huge financial burden; that intermittent generation threatens security of supply (or at least ”reliable” fossil and nuclear generation); that it will drive up prices to the point of affecting European competitiveness and lead to **Europe’s deindustrialisation**. “ETS only”
- (At one point, Oettinger considered terminating financial incentives for RES-E altogether at EU level, arguing “ETS only” was best)
- (In 2012-13 he proposed that the German government should stop RES-E deployment altogether)
- Mood changes with Paris Agreement 2015, by 2017 Eurelectric is pro-RES

Normal legislative process in EU

- Commission (COM) proposal (2016/17)
- Council and EP each formulate their respective positions
- Negotiations between all three actors in the "trilogue" (spring 2018 for RED II)
- Compromise result is finalised and voted upon by EP and Council (due in Fall 2018)

Target size: Commission 1

- In **Jan. 2014, the Commission proposed a climate and energy framework for 2020-2030** with first elements of a renewable energy directive. There it set a **target of "at least 27% binding at EU level" without mandatory targets for MS**, reflecting the anti-renewables position of Commissioner Oettinger (Bürgin, 2015; Solorio/Bocquillon, 2017) while Commissioner Hedegaard (DG Climate) argued for stronger and binding national targets (Dyrhauge, 2017)
- **European Council confirmed both points in Oct.**

Target size: Commission 2

- Even though Juncker (start: 1 Nov 2014) viewed RE more positively than Barroso II COM, the **Oct. 2016 COM proposal for a new RED II did not change the 27%s "binding at Union level"** target which meant reducing ambitions from level of then current policy (RED I of 2009).
- COM VP for Energy Union Sevcovic in late 2017 (CK) expressed however his sympathy for an "at least 30%" target, particularly in light of the cost overestimations in the COM impact assessment (see e.g critique by Agora Energiewende 2017) and recent price drops for RES-E

Target size: Council

- **The Council position of "27% at EU level" goes back to a veto threat by Cameron in the European Council in Oct 2014**, supported by the Visegrad countries (PL, CZ, SK, HU), rejecting any higher figure (Solorio and Bocquillon, 35). NB: This was before the 2015 Paris Agreement
- The 27% target – non-binding on member states, but "binding" at EU level - **was maintained until (and including) Council pre-trilogue decision in Dec. 2017** - two years after the 2015 (Dec.) Paris Agreement which called for stronger efforts, ratified by all EU MS
- **Softening of Council in Spring 2018** (see below)

Target size: European Parliament

- ITRE committee of the European Parliament **much more ambitious**, **cited COM miscalculations** (overly high cost estimates for RE, e.g. PV €79-148/MWh; carbon price of about €40; Turmes 2017, 470-71; Agora Energiewende 2017) **plus recent price drops to justify a target of at least 35% as economic optimum**
- **The EP plenary in Jan 2018 voted the figure of 35%** as a minimum for its trilogue input in January 2018 (70% above Councill target)

What is at stake?

- **A 27% target would mean 7% additional growth of RES (not RES-E) between 2020 and 2030**, assuming 2020 target of 20% will be achieved collectively)
- A 30% target would mean 10% of additional RES growth and lead to an estimated 50%+ RES-E share (from a 2017 30% RES-E share) by 2030 (Agora EW 2018 and Sandbag, 37; Fraunhofer ISI et al., 2018; see also CAN Europe, 2017)
- **A 35% target would mean 15% additional RES growth** (**more than double the Council goal**) and an estimated share of 65% RES-E by 2030 (Agora EW and Sandbag 2018, 46)

The Trilogue (2018)

- The trilogue between COM, Council and Parliament came to a conclusion in mid-June
- The **Council position ("27%") had not changed between 2014 and Dec. 2017**, despite Paris 2015. This position was defended most strongly by the **Visegrad** countries (PL, CZ, SK, HU). **Germany** argued for 30% at most (CLEW, 13 June 2018; Photon newsletter, 15 June 2018)
- But **softening of Council position in spring 2018** (inter alia due to new governments in Italy and Spain in June)
- **Trilogue finally agreed on "32% at least"** on June 14, with **possibility of upward revision in a 2023 assessment** in case of further cost reductions of RES, declining energy consumption or to fulfil international agreements

No binding national targets? COM and Council

- Binding national targets are commonly viewed as greatly strengthening investor confidence; first introduced in 2009 (in RED I). COM in 2014 invented “overall target” “binding at EU level”
- **A joint effort by F and DE for a “gap filler mechanism” (MS failing to achieve targets have to pay into a fund**) to ensure a somewhat evenly shared effort by MS foundered on COM resistance
- **EP also favoured binding national targets early on**, and at least soft national targets in its trilogue document
- COM idea is to let MS set own targets and to rely on Governance Regulation (highly bureaucratic, complex system of reporting by MS on planned policies and progress) to put pressure on MS

Problems with targets "binding at EU level"

- **MS will have to submit detailed national energy and climate plans in 2019**
- **COM will see if these add up to EU target of 32%**
- **If not**: **COM will** invoke Regulation on Governance of the Energy Union, articles 9 and 27(1)" to put pressure on MS
  - **Issue recommendations, propose measures**
  - Ask MS to make voluntary payment
  - **Non-complying MS must provide reasoning**

Financial support for RES-E (art. 4): Tenders

- **Art. 4 is visibly inspired by 2014 State Aid guidelines** on environmental protection and energy reflecting philosophy of DG Comp (expire in 2020) **but now legislated by Council and EP, not by quasi-legislation from DG Comp**
- Main instrument: technology neutral tenders with bidding for market premiums; limited possibilities for tech-specific tenders, thus preference for currently cheapest technology
- Member States may provide exemptions for small-scale installations and demonstration projects

New: Tender system subjected to examination by legislators

- Art. 4 (7) requires analysis by COM, and report to EP and Council, of how tenders achieve goals every three years: cost reduction? Technol. Improvement? Realisation rates? Small actors and local authorities? Security of supply and grid integration?
- Is a **victory for EP (am. 124)**
- **Up to RED II, DG Comp argued that EP and Council had no power to legislate on this subject** (Turmes, 2017)

Renewable self-consumers and renewable energy communities 1

- **Potential** as estimated by CE Delft (2016): **almost half of European households could become active in the generation of renewable electricity** (Roberts, 2018), even more with e-cars
- The realisable potential obviously depends on rights and privileges of self-consumers and RE communities (Art. 21 and 22 of RED II)

Renewable self-consumers and renewable energy communities 2

COMMISSION

- Articles 21 and 22 of the RED II **COM proposal** (European Commission, Feb. 2017) regulate those issues in a few sentences
- "Member States shall ensure that **self-consumers"**
  - **are exempt from "disproportionate procedures and charges that are not cost-reflective"**
  - **receive a remuneration which reflects the market value of the electricity fed in**
  - Similar privileges granted to renewable energy communities

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PARLIAMENT

- **Unlike COM**, **Parliament Is enthusiastic** about these innovations, believes in their vast potential
- (EP 2018) trilogue position paper of Jan 2018 proposes that **MS shall encourage** self-consumption by **exempting it from any charge, fee, or tax** (am. 179); that electricity fed into the grid will receive **remuneration** at least equivalent to the market price and **may take into account the long-term value of such electricity to the grid, the environment and society** (am. 182)

Self-consumption in trilogue

Council makes only small concessions to Parliament -> **restrictions of the exemption from charges and fees pushed by Parliament:**

- Exemption from fees and charges for self-consumed electricity as long as the latter remains within premises of self-consumers

  Except that **starting from Dec. 2026, if total share of self-consumption installations in a member state exceeds 8% of total capacity and represents burden on electrical system, charges and fees may be applied**. **Or if** there is a support scheme in place, or if self-consumed electricity is produced in **installations above 30 kW** (directive proposal of 27 June 2018, articles 21.2.a.ii and 21.3)

- **Germany was leading in inserting these exceptions** to the exemption in May-June 2018 (A. Witt in Solarthemen 503, 17 May 2018, p.1; Solarthemen 505,19 July 2018; CLEW, 9 July 2018).

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MEMBER STATES: THE SPECIAL CASE OF GERMANY

- Special situation of **Germany: FIT used to encourage small ownership, but with the introduction of tenders by EEG 2014 and of fees for self-consumption, "citizen energy" installations (once about half of total capacity), energy coops have declined**

- The German govt **did not so far activate** the 2014 State Aid Guidelines (European Commission 2014) **de minimis** rule which allows member states to exempt small wind installations (6 turbines and 18 MW) from the tender obligation. As to PV, under EEG 2017 so far EEG tariffs still predominate

- At verbal level, German 2018 govt coalition agreement commits to encouraging citizen RES-E deployment (Koalitionsvertrag, 73)

New developments in many other policy fields affect RE deployment

- E.g. Coal phase out

  Will be accelerated by application of IED (**Industrial Emissions Directive**, amended 2017, stricter BAT standards). Directive challenged in 2018 by BG and PL, plus some German mines and generators (Agren 2018, EU Umweltbüro 2018)

  Will also be accelerated by **rising ETS prices**, from 5 to 20 Euro per ton in past 12 months

Summing up

- The (imminent) adoption of **RED II** does complete RES-E regulation since the **follow-up is not guaranteed**: securing the "binding target at EU level" of 32% by obtaining the necessary contributions essentially by persuasion (Poland?)
- **32%** represents progress after the first half of the 2010s but **is far from goals of 2015 Paris Agreement (45%?)**
- The **privileges for self-consumption** and renewable energy communities may be too modest to make for much dynamism
- RES-E likely to gain competitiveness in near future from **IED 2017** amendment setting stricter BAT for clean air by 2021 (challenged by PL and BG) and from the recent **rise of ETS prices** (from 5 to 20 Euros/t during the past 12 months) (Sandbag 2018)

- Thank you for your attention

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