

## Proposal for a revised Renewable Energy Directive

### CEDEC - Background information

CEDEC represents the interests of 1.500 local and regional energy companies with a total turnover of €120 billion, serving 85 million electricity and gas customers and connections, with more than 350.000 employees.

These predominantly medium-sized local and regional energy companies have developed activities as electricity and heat generators, as operators of distribution grids and metering systems for electricity, gas and heating & cooling, and as energy (services) suppliers.



The wide range of services provided by local utility companies is reliable, sustainable and close to the customer. Through their investments and local jobs, they make a significant contribution to local and regional economic development.

## RECOMMENDATIONS FOR THE CLEAN ENERGY PACKAGE

CEDEC welcomes the European Union's goal to reconcile **ambitious energy and climate targets in a coherent legislative package** that will put energy efficiency first, stimulate more sustainable energy sources, and change the energy market design where necessary to deliver the energy transition at the lowest societal cost.

That is why CEDEC, the European Federation of Local Energy companies, supports the European Commission's objective of adapting different parts of the existing legislative framework to **deliver a more sustainable energy system**, built on citizens' engagement and customers' trust.

As local energy companies, operating close to citizens and customers, we believe in the need to **boost the local dimension**, not only through political messages but also with a legal and regulatory framework that incentivises decentralised and integrated solutions, linking electricity, gas and heating & cooling.

A particular challenge for a review of the market design is to **create a true level playing field** between established and new market actors, in both the generation and the supply of energy products and services. A competitive and flexible European internal energy market can only function if all actors – big and small – can participate actively, with a **clear definition of roles and responsibilities**.

An incentivising framework and an adequate toolbox have to be available for the **Distribution System Operator (DSO) as market facilitator** in a decentralising energy system : with 90% of renewable energy sources connected to the distribution grids, the balancing of demand and supply becomes an increasingly local issue. Also, detailed information on all grid elements and on the customers connected to the grid becomes essential raw materials for smart grid management.

DSOs must be able to acquire the flexibility they need for the grid management, through **flexibility services** or different forms of **energy storage**. They can procure it on the market when competitively priced and well-targeted services are available; if not, they can contract flexibility directly with interested customers and local generators, or own and operate the necessary storage assets in the grid.

EU legislation must find the right **balance between market-based approaches**, that can contribute to lower costs and innovation, **and effective regulation**, which is at times needed to overcome market failures and to achieve objectives of general social and economic interest.

While considering a European dimension where appropriate, and supporting better interconnections where needed, Member States must be allowed to take into account the characteristics of their national energy landscape, with its current and future energy mix, with the potential of renewable and local resources, and with the existing details of market design.

**Subsidiarity**, along with **proportionality** of EU legislation, will be key to achieving a cost-efficient decentralising energy market that delivers for local authorities, citizens and customers.

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 2</b> <b>Definitions</b></p>	<p>(a) 'energy from renewable sources' means energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient heat, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases;</p>	<p>(a) 'energy from renewable sources' means energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient heat, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases, <b>biomethane, and hydrogen and synthetic natural gas produced from renewable electricity;</b></p>
<p><b>Justification:</b></p> <p>Biomethane, along with hydrogen &amp; synthetic natural gas produced through electrolysis of surplus electricity from renewable energy sources, should be treated on equal footing with other renewable fuels. This can be important for instance in industrial processes where incentives for biofuel utilisation are not yet recognised for renewable gases, hindering major opportunities for decarbonising industrial processes.</p>		

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 2</b> <b>Definitions</b></p>		<p><b>(vv) ‘Sectoral integration’ means a holistic system approach which strives to link infrastructures and services in the electricity, gas, heating and cooling and transport sectors, where the use and conversion of all energy carriers plays a key role.</b></p>
<p><b>Justification:</b></p> <p>There is a need to acknowledge the integrating nature of renewable gas through ‘sectoral integration’. Silo thinking needs to be avoided in energy system planning, and defining ‘sectoral integration’ in this respect would be helpful. Sectoral integration is realised through the integration of the electricity sector with gas, heating and cooling and transport, as well as by linking networks of electricity, gas, and heating and cooling via the use of different energy carriers, in order to achieve decarbonisation.</p>		

Article	Text proposed by the Commission	CEDEC amendment
<p style="text-align: center;"><b>Article 3</b></p> <p style="text-align: center;"><b>Union binding overall target for 2030</b></p>	<p>Union binding <b>overall target</b> for 2030</p> <p>1. Member <b>States</b> shall <b>collectively</b> ensure that the share of energy from renewable sources in <b>the Union's</b> gross final consumption of energy in 2030 is at least <b>27%</b>.</p> <p>2. Member States' respective contributions to this overall 2030 target shall be set and notified to the Commission as part of their Integrated National Energy and Climate Plans in</p>	<p>Union <b>and national</b> binding <b>targets</b> for 2030</p> <p>1. <b>Each</b> Member <b>State</b> shall ensure that the share of energy from renewable sources in <b>its</b> gross final consumption of energy in 2030, <b>calculated in accordance with this Directive</b>, is at least <b>its national target for the share of energy from renewable sources in that year, as set out in the fourth column of the table in part A of Annex I. Such mandatory national targets are consistent with a Union overall target of at least a 35 % share of energy from renewable sources in the Union's gross final consumption of energy in 2030.</b></p> <p><b>1. a</b> Member States shall introduce measures effectively designed to ensure that the share of energy from renewable sources equals or exceeds that shown in the trajectory set out in Part Aa of Annex I. Those measures shall be included in the integrated national energy and climate change plans and notified to the Commission in accordance with Regulation [on the Governance of the Energy Union].</p> <p><b>Delete</b></p>

	<p>accordance with Articles 3 to 5 and Articles 9 to 11 of Regulation [Governance].</p> <p>3. From 1 January 2021 onwards, the share of energy from renewable sources in each Member State's gross final consumption of energy shall not be lower than that shown in the third column of the table in part A of Annex I. Member States shall take the necessary measures to ensure compliance with this baseline.</p> <p>4. The Commission shall support the high ambition of Member States through an enabling framework comprising the enhanced use of Union funds, in particular financial instruments, especially in view of reducing the cost of capital for renewable energy projects. 5. In case the Commission finds in the context of the assessment of the Integrated National Energy and Climate Plans in accordance with Article 25 of Regulation [Governance] that the Union trajectory is not collectively met or that the baseline referred to in paragraph 3 is not maintained, Article 27(4) of that Regulation shall apply.</p>	<p><b>Delete</b></p> <p><b>Delete</b></p>
<p><b>Justification:</b>  CEDEC supports an ambitious target for renewable energy sources in 2030, that will cost-efficiently ensure that EU stays on the right track to achieve the politically agreed 2050 targets. Moreover, the package formulates as a clear ambition to become the global leader in renewable technologies. Therefore, binding national targets are preferable as they keep Member States on track : they oblige Member States to take their responsibility and to act.  Also, an EU target that goes beyond the minimum of 27% renewables by 2030 seems indicated to be in line with the Paris agreement : the proposed target of 35% reflects the ambition to reach the 2050 target and takes better into account the recent and expected developments in RES technologies and costs.</p>		

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 4</b></p> <p><b>Financial support for electricity from renewable sources</b></p>	<p>3. Member States shall ensure that support for renewable electricity is granted in an open, transparent, competitive, non-discriminatory and cost-effective manner.</p>	<p>3. Member States shall ensure that support for renewable electricity is granted in an open, transparent, competitive, non-discriminatory and cost-effective manner. <b>Member State may opt for supporting electricity from renewable energy in a technology-specific way taking into account the specifics of different technologies and the current and targeted renewable energy mix within the Member States, also taking into account the potential of local renewable energy resources.</b></p>
<p><b>Justification:</b></p> <p>The various technologies for electricity production from renewable energies (i.e. wind, solar energy, biomass, hydropower, geothermal energy etc.) differ substantially from one another. They operate with different degrees of flexibility, can have different types of participatory structure and are in a different state of technological development and market readiness. There are also significant differences in terms of project planning, for example regarding lead times, cost development, and time frames for realisation.</p> <p>Moreover, Member States may want to steer the differentiation of their future renewable energy mix through targeted support schemes. Therefore, Member States may also install support schemes taking these particularities into account in order to effectively fulfil their purpose.</p>		

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 5</b> <b>Opening of support schemes for renewable electricity</b></p>	<p>2. Member States shall ensure that support for at least <b>10%</b> of the newly-supported capacity in each year between 2021 and 2025 <b>and</b> at least <b>15%</b> of the newly-supported capacity in each year between 2026 and 2030 is open to installations located in other Member States.</p>	<p>2. Member States shall ensure that support for at least <b>5%</b> of the newly-supported capacity in each year between 2021 and 2025 <b>is open to installations located in other Member States. After a positive costs and benefits analysis, Member States may ensure that support for</b> at least <b>10%</b> of the newly-supported capacity in each year between 2026 and 2030 is open to installations located in other Member States.</p> <p><b>3a. Member States that have not reached a level of interconnection with other Member States of at least 10 % between 2021 and 2025 and of 15 % between 2026 and 2030 and for which the opening of support schemes would increase the cost of ensuring the stability of the electricity system, may request that the Commission exempt them from the obligation laid down in this Article, including the decision to not allow installations located in their territory to participate in support schemes organised in other Member States. Any Commission exemption granted under this paragraph shall be published in the Official Journal of the European Union.</b></p>



**Justification:**

The opening of support schemes for renewables projects in neighbouring EU Member States seems an adequate response to reach an optimal exploitation of the potential of renewable resources at regional scale. This regional approach is currently already put into practice in some Member States.

However, the mandatory character should be limited to a maximum of 5% at an initial stage, leaving room for individual Member States to go beyond this percentage, and taking into account the lack of level playing field in generation investment environment (due to significant differences in the fiscal and social policies, geographical diversity, and diverging market organisation).

Any raise of the mandatory objective should depend on a thorough evaluation before 2025 of costs and benefits, including effects on the diversity of the type of projects, on the diversity of the type of actors & shareholders involved, and on the local anchorage of projects.

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 6</b> <b>Stability of financial support</b></p>	<p><b>Without prejudice to adaptations necessary to comply with State aid rules</b>, Member States shall ensure that the level of, and the conditions attached to, the support granted to renewable energy projects are not revised in a way that negatively impacts the rights conferred thereunder and the economics of supported projects.</p>	<p>Member States shall ensure, <b>foreseeing compensation mechanisms</b>, that the level of, and the conditions attached to, the support granted to renewable energy projects are not revised in a <b>retroactive</b> way that negatively impacts the rights conferred thereunder and the economics of supported projects.</p>
<p><b>Justification:</b></p> <p>Retro-active changes in support systems must be avoided since they have compromised the economics of existing projects, deterred investors from new projects and obstruct the development of new technological options.</p> <p>Reference to State aid rules should be avoided as the current set of rules is valid till 2020.</p>		

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 23</b> <b>Mainstreaming renewable energy in the heating and cooling installations</b></p>	<p>1. In order to facilitate the penetration of renewable energy in the heating and cooling sector, each Member State shall <b>endeavour</b> to increase the share of renewable energy supplied for heating and cooling by at least 1 percentage point (pp) every year, expressed in terms of national share of final energy consumption and calculated according to the methodology set out in Article 7</p>	<p>1. In order to facilitate the penetration of renewable energy in the heating and cooling sector, each Member State shall <b>develop an incentivizing framework, including for the necessary investments in adapting the heating and cooling infrastructure</b>, to increase the share of renewable energy supplied for heating and cooling. <b>These measures should result in a raise</b> by at least 1 percentage point (pp) every year, expressed in terms of national share of final energy consumption and calculated according to the methodology set out in Article 7. <b>The 1 pp may be taken as an average over the four previous and three following years.</b></p> <p><b>1a. When calculating the share of renewable energy supplied for heating and cooling, Member States shall take into account the amount of energy supplied from waste heat and high efficiently cogenerated heat used in efficient district heating and cooling as defined in point (41) of Article 2 of Directive 2012/27/EU;</b></p>
<p><b>Justification:</b></p> <p>To facilitate the integration of RES in district heating &amp; cooling, which is certainly a tool to raise the development of renewables, a case by case evaluation of the local potential must be developed, along with specific incentives for heating &amp; cooling infrastructure operators. These incentives should certainly also address and reflect the cost of required infrastructural adaptations. To calculate the yearly percentage raise, it should be taken into account that</p>		



structural changes do not take place every single year, and thus reaching an average raise over several years should be allowed. The precise formulation of this banking principle is inspired on the EED proposal, Article 7a Energy efficiency obligation schemes.

When calculating the share of renewable energy supplied for heating and cooling, Member States shall take into account the amount of energy supplied from waste heat and heat from high efficiency cogeneration.

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 24</b> <b>District Heating and Cooling</b></p>	<p>1. Member States shall ensure that district heating and cooling suppliers provide information to end-consumers on their energy performance and the share of renewable energy in their systems. Such information shall be in accordance with standards used under Directive 2010/31/EU.</p> <p>2. Member States shall lay down the necessary measures to allow customers of those district heating or cooling systems which are not 'efficient district heating and cooling' within the meaning of Article 2(41) of Directive 2012/27/EU <b>to disconnect from the system in order to produce heating or cooling from renewable energy sources themselves, or</b> to switch to another supplier of heat or cold which has access to the system referred to in paragraph 4.</p> <p>3. Member States may restrict the right to <b>disconnect or</b> switch supplier to customers who can prove that the planned alternative supply solution for heating or cooling results in a significantly better energy performance. The performance assessment of the alternative supply solution may be based on the Energy Performance Certificate as defined in Directive</p>	<p>1. Member States shall ensure that district heating and cooling suppliers provide information to end-consumers on their energy performance and the share of renewable energy in their systems, <b>taking into account article 23 paragraph 1a.</b> Such information shall be in accordance with standards used under Directive 2010/31/EU.</p> <p>2. Member States shall lay down the necessary measures to allow customers of those district heating or cooling systems which are not 'efficient district heating and cooling' within the meaning of Article 2(41) of Directive 2012/27/EU to switch to another supplier of heat or cold which has access to the system referred to in paragraph 4.</p> <p>3. Member States may restrict the right to switch supplier to customers who can prove that the planned alternative supply solution for heating or cooling results in a significantly better energy performance. The performance assessment of the alternative supply solution may be based on the Energy Performance Certificate as defined in Directive 2010/31/EU.</p>

	<p>2010/31/EU.</p> <p>4. Member States shall lay down the necessary measures to ensure non-discriminatory access to district heating or cooling systems for heat or cold produced from renewable energy sources <b>and for waste heat or cold</b>. This non-discriminatory access shall enable <b>direct</b> supply of heating or cooling from such sources to customers connected to the district heating or cooling system by suppliers other than the operator of the district heating or cooling system.</p> <p>7. The right to disconnect or switch supplier may be exercised by individual customers, by joint undertakings formed by customers or by parties acting on the behalf of customers. For multi-apartment blocks, such disconnection may only be exercised at whole building level.</p> <p>8. Member States shall require electricity distribution system operators to assess at least <b>biannually</b>, in cooperation with the operators of district heating or cooling systems in their respective area, the potential of district heating or cooling systems to provide balancing and other system services, including demand response and storing of excess electricity produced from renewable sources and if the use of the</p>	<p>4. <b>Taking into account the previous paragraphs of article 24</b>, Member States shall lay down the necessary measures to ensure non-discriminatory access to district heating or cooling systems for heat or cold produced from renewable energy sources <b>as far as economically and technically feasible</b>. This non-discriminatory access shall enable supply of heating or cooling from such sources to customers connected to the district heating or cooling system by suppliers other than the operator of the district heating or cooling system.</p> <p><b>Delete</b></p> <p>8. Member States shall require electricity distribution system operators to assess at least <b>every 5 years</b>, in cooperation with the operators of district heating or cooling systems in their respective area, the potential of district heating or cooling systems to provide balancing and other system services, including demand response and storing of excess electricity produced from renewable sources and if the use of the identified potential would be more resource- and cost-efficient</p>
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	<p>identified potential would be more resource- and cost-efficient than alternative solutions.</p>	<p>than alternative solutions.</p>
<p><b>Justification:</b></p> <p>District heating and cooling is recognized as one of the most promising instruments for contributing to the ambitious targets on energy efficiency and renewable energy sources development.</p> <p>The dimensioning of the initial project and the calculation of its economic feasibility is based on the currently and locally available heat and/or cold, and on the local heat and/or cold demand.</p> <p>There are very precise requirements (in terms of temperature and timing) for the infeed of heat and cold, and for the dimensioning of the pipes and the grid.</p> <p>However, the proposal to open all district heating and cooling grids for third party access (TPA for RES and waste heat), with a mandatory percentage imposed by article 23, risks to render existing projects economically inefficient, and to compromise the development of new district heating &amp; cooling projects.</p> <p>Mandatory TPA on all district heating &amp; cooling grids may be theoretically an option, but technically and economically it is more realistic to evaluate the possibilities on a case by case basis.</p> <p>Same economic issues are valid for customers' general right to disconnect from the district heating &amp; cooling grid, which should be avoided, or to switch to another heat or cold supplier, where the latter depends on the economic and technical feasibility.</p> <p>Without fundamental changes in article 24, the potential of district heating and cooling risks to be seriously compromised.</p>		

Article	Text proposed by the Commission	CEDEC amendment
<p><b>Article 26</b> <b>Greenhouse gas emissions criteria</b></p>	<p>Article 26.7</p> <p>(d) at least <b>80</b> % for electricity, heating and cooling production from biomass fuels used in installations starting operation after 1 January 2021 and <b>85</b>% for installations starting operation after 1 January 2026.</p>	<p>(d) at least <b>70</b> % for electricity, heating and cooling production from biomass fuels used in installations starting operation after 1 January 2021 and <b>75</b> % for installations starting operation after 1 January 2026.</p>
<p><b>Justification:</b></p> <p>Article 26 (2-6) contains comprehensive and strict ‘sustainability criteria’ for biomass fuels, including biogas. These are necessary to guarantee the sustainable character of biomass in view of long term investment strategies.</p> <p>However, by adding too strict ‘greenhouse gas emissions savings criteria’ in article 26.7 and Annex VI - on top of the sustainability criteria – different types of currently successfully developing biomass would be excluded as ‘renewable energy source’ after 2021, even if respecting the sustainability criteria. Thus, the potential of biogas as a source for flexible generation would be restricted.</p> <p>Biogas for use in transport, in electricity generation and in heating should be treated equally, meaning that the same percentage of GHG emissions savings criteria, namely 70 %, should be applied, if any.</p>		