EREF Comment on Trialogue Outcome: Bittersweet Deal on Renewable Energy Directive

Brussels, 11 April 2023

On 30 March 2023, EU co-legislators reached a provisional agreement on the Renewable Energy Directive (RED III), which is a key element of the Green Deal and in the much-needed effort to mitigate Europe's multiple crisis levels amidst climate change, energy security and soaring cost-of-living.

The political deal includes a legally binding target to raise the share of renewable energy in EU´s overall energy consumption to 42.5% by 2030, falling short of the 45% that were proposed by the Commission as part of its policy response to Russia's horrific invasion of Ukraine last year – recognising that accelerated and simplified renewable energy deployment is the only viable option for reducing Europe's fossil import dependency.

Unfortunately, EU Member States remained divided on the Union's RES ambition and met halfway, at 42,5%, with many governments sticking with the initial yet insufficient (and pre-war) 40% target, as tabled back in 2021. On the other side, only 8 countries – Austria, Denmark, Estonia, Germany, Greece, Luxembourg, Portugal, and Spain - supported the 45% target. Also, it certainly does not help that at national level, targets will continue to remain non-binding on national level. This indicative-only target per Member State still needs to be defined under the National Energy and Climate Plans and are the heal of Achille under the current Directive, likely to prevent the European Union from reaching higher target levels in challenging times.

EREF regrets this disappointing outcome, as only a minimum 45% renewables share by 2030 would keep Europe on track of becoming climate-neutral by mid-century and reaching its commitments made under the Paris Agreement. It is, in light of past experience with indicative targets, unlikely that 45% can be reached through the voluntary 2,5% which Member States can choose to contribute in addition. Those national leaders who are responsible for watering down the EU's climate ambition should have a good look at the IPCC's grim warning on how soon global warming might raise to 1,5C above preindustrial levels – the threshold beyond which many impacts will become irreversible and cause an atlas of human suffering.

Besides climate emergency and secure energy supply for Europeans – as EREF has kept underlining throughout years and this entire policy-making process: more renewables foster sustainable economic development, amongst others in form of domestic and future-proof labour markets: In 2020, the solar sector created around 357,000 direct and indirect jobs in the EU. This number, with the necessary policy ambition, could reach 1,1 million by 2030. Also, a 45% target would have sent stronger signals to investors who are competing on global markets and across value chains, incl. for raw materials and the (re)establishment of manufacturing capacities here in Europe. Not to speak of leadership in research and innovation, resulting in substantial improvements in the performance, efficiency, and circularity of RES technologies.

On the positive side, EREF welcomes to accelerate and simplify permit granting procedures for renewable energy development. Embedding the interim measures of last year's Emergency

Regulation into the Renewable Energy Directive will fast-track new installations and related network expansion, which are now of overriding public interest and should significantly reduce lengthy and burdensome procedures for project developers, investors, producers as well as network operators. Obligations for Member States to introduce shorter procedural deadlines and designate acceleration areas (formerly known as “go-to-areas”), while previously designated areas can be exempt from repeated environmental assessments when installing new plants. EREF has been advocating since years for adopting robust measures, as the permitting often takes more time than designing and constructing the plant itself. Of course, this Directive will only have a meaningful impact if decision-makers in EU capitals commit to consequently and immediately transpose and implement these well-designed provisions on permitting. We should keep in mind that today, with less than 7 years until 2030, the share of renewables in the EU energy mix stands at 22,1%. It doesn’t take much to understand that renewables must be lot faster and in much greater capacity, if Europe wants to get anywhere near net zero in the foreseeable future.

Further encouraging news is the agreement on making the target for increasing renewables in the heating sector by yearly 1,1% binding (whereas the new 2030 target 49% renewables share for buildings regrettably is only indicative). Although dismay over the overall target ambition prevails (see above), the increased sectorial targets for transport – from the currently 14 to 29% - as well as for the industry, where 1,6% more renewables must be added annually, provide clear indication to policy-makers and industry players that decarbonisation through renewable electricity and renewable fuels is the way forward – incl. through the use of renewable hydrogen and its derivates (RFNBOs), which must account for at least 42% in the industry by 2030, and at least 60% by 2035.

Corresponding to what EREF and a broad stakeholder coalition from across the renewables industry and NGOs had advocated for until the very last moment, hydrogen produced from nuclear cannot be counted towards the renewable target - neither overall, nor towards sector targets. At the same time, and this is the compromise conceded to a group of Eastern and Central European countries as well as France, Member States get a discount on the renewable hydrogen sub-target, as long as their national contribution to the binding overall target is achieved and the share of hydrogen produced from fossil fuels in the industry does not exceed 23% by 2030. If this is the case, 20% can be discounted from the 42% sub-target of using renewable hydrogen in the industry (= 33,6%). And although politicians from France and its allies claimed victory on this matter, assessments shared by the European Greens and some industry experts indicate that for most countries the discount will not apply, as they are already behind in meeting their renewable targets and face the challenge to massively ramp up its – renewable – hydrogen production. Either way, EU Member States will have to significantly expand its renewable energy capacities.

All in all, RED III sets the direction towards a renewable based energy system, placing the underlying ambition on national governments, who now, in the very short timeframe of only a few years, must improve regulatory conditions for green economies and decarbonized energy, industry, heating, building and mobility sectors. Much depends on national decision-makers and their commitment to putting measures in place that can overcome the enormous challenges Europe is facing. In parallel the EU, when revising its Governance Regulation (foreseen for 2024), will have to reinforce its mandate and enable ample legal and policy reform in case Member States show insufficient decarbonisation progress. Just as important is Europe's structural reform of the electricity market design so our energy systems and markets can incentivize and integrate more renewable energies.

EREF and its experienced member organisations are keen to continue the good cooperation with EU and national leaders, on the implementation of RED III and all policy initiatives that can get us to net zero in due time.

For more information, please contact

Prof. Dr. Dörte Fouquet
EREF Director
doerte.fouquet@eref-europe.org

Dirk Hendricks
EREF Secretary General
dirk.hendricks@eref-europe.org