Position Paper

The Fit-for-55 Package
Reaching Europe's 2030 climate targets in a Just and Sustainable Manner

28 February 2022

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org** | Registered stakeholder ID Nr 59513031434-92

Employers entrusted to deliver
Sustainability Growth Innovation

Position

Summary

- SGI Europe pleads that the success of the energy and climate transition for Europe lies in its integration into a **balanced approach to sustainable development at the interface of the economic, social and environmental dimensions**;
- SGI Europe pleads for a just transition respecting all three dimensions, which means **the proper measures and tools must be tailormade for each sector**. It is now of prime importance for EU leaders to acknowledge and address the impacts of the energy transition;
- SGI Europe for ensuring that, under the Fit for 55 Package (FF55) package, all sectors and instruments contribute to a common energy and climate ambition guided by shared principles that safeguard a similar level of ambition across various sectors and **aims for a technology-neutral approach.** This will require ensuring a stable and long-term framework for climate-friendly investments;
- The proposed **EU Social Climate Fund must provide essential support and ensure that its implementation is effectively reaching its intended objectives in which SGI Europe can play a central partner in negotiations** when developing this new fund;
- SGI Europe encourages the **EU co-legislators to respect the principle of legal certainty.** Several Member States have still not fully implemented several legislative files, such as the Energy Efficiency and the Renewable Energy Directives, into national law. For a successful EU Green Deal and to decarbonise the EU economy, clarity and consistency must be ensured in its climate-neutrality 2050 path;
- **SGI Europe points to the lack of consistency between the EU Taxonomy and the EU Green Deal and the necessity for the EU Taxonomy to acknowledge technology neutrality and the importance of transitional activities** for the security of energy supply;

Following the European Commission's "Fit for 55 Package" (FF55) publication, **SGI Europe welcomes the new ambitions with its revised and new EU legislations to reduce emissions and reach the goals set in the EU Green Deal**. For SGI Europe, reaching the EU climate goals to reduce 55% greenhouse gas (GHG) emissions by 2030 is an ambitious yet necessary step to avoid further intensifying climate change and prepare accordingly for the energy transition. In this process, SGI Europe strongly underlines that it will be required for all proposed EU legislations to pull on one string and have one clear vision: **Making the EU Green Deal sustainable and socially just**. Indeed, the success of the energy and climate transition for Europe lies in its integration into a balanced approach to sustainable development at the interface of the economic, social and environmental dimensions.

As a cross-sectoral EU association covering the energy, housing, transport, water, waste, education and health sectors, SGI Europe highlights that the climate targets will only be achieved if all sectors and instruments contribute to a common goal. It means, for instance, to **rely more on direct and indirect electrification based on renewables and low carbon energy sources while safeguarding the vital role of the transitional gas solution and on low-carbon gases and other renewable and recovered energy sources.** This should be guided by shared principles that safeguard a similar level of ambition across various sectors and aims for a **technology-neutral approach**.

It will be essential to consider, within the FF55, the maturity of technologies and the contribution they make in reducing CO2 emissions through CO2 prices as robust as possible and the contribution to the circular economy's principles.

With the current crisis of the energy prices in Europe triggered by multiple events (seasonal challenges, lack of resources and supply whilst increasing demands in the economy increased after the COVID-19 crisis, energy transition measures and war in Ukraine) will first and foremost hit poorer households. To prepare the energy infrastructures in Europe, **SGI Europe pleads for a just transition that respects all three dimensions,** which means the **proper measures and tools need to be tailormade for each sector.** It is now of prime importance for EU leaders to acknowledge and address the impacts of the energy transition. SGI Europe has been warning about realising the current scenario with anticipated heavy social consequences. In the face of the crisis, households, enterprises and energy, transport, water providers, as well as waste management, need support to prevent damaging impacts. Further assistance will be needed to modernise and decarbonise, for example, the heating and cooling systems and energy efficiency in buildings in the medium-term.

All these investments are massive and require a stable and long-term enabling framework giving more visibility to investors. Employers and providers of SGIs also need to be given the right framework to ensure the transition is just for the workers they employ and for the citizens they serve. The transitional pathways must offer workers quality jobs and provide financing incentives and solutions for citizens to renovate their homes and buy carbon-free. As part of the FF55 package, the proposed **EU Social Climate Fund must offer this essential support and ensure its implementation effectively reaches its intended objectives.** SGI Europe will provide inputs from its members to ensure that the tool is fit-for-use. Salvaging the EU's climate change commitments requires shoring up political support by showing European households and enterprises that the costs of the transition can be manageable if shared.

Moreover, SGI Europe encourages the **EU co-legislators to respect and bear the principle of legal certainty.** Several Member States have still not fully implemented several legislative files, such as the Energy Efficiency and the Renewable Energy Directives, into national law. For a successful EU Green Deal and decarbonising the EU economy, clarity and consistency must be ensured in its climate-neutrality 2050 path.

Another essential aspect in **the realisation of the EU Green Deal and its revision package is to ensure that its proposed legislative files are coherent and in line with other parallel running EU legal proposals such as the EU Taxonomy**. Holding a seat in the Sustainable Finance Platform, SGI Europe supports the concept of sustainable finance and believes in the enabling role of the EU Taxonomy Regulation to achieve the objectives of the EU Green Deal. However, SGI Europe points to the lack of consistency between the EU Taxonomy and the EU Green Deal and the necessity to acknowledge technology neutrality and the importance of transitional activities (such as renewable hydrogen, the use of bioenergy and waste-to-energy), which contribute to the security of energy supply while enabling the energy transition.

Based on these general principles laying the foundations for a successful EU Green Deal and climate ambition, SGI Europe would like to elaborate its recommendations to relevant files under the FF55 in its various Annexes.

Employers entrusted to deliver
Sustainability Growth Innovation

Position Paper

Revision of the Energy Efficiency Directive

28 February 2022

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org**
Registered stakeholder
ID Nr 59513031434-92

SGI europe

Employers entrusted to deliver
Sustainability Growth Innovation

Position

Summary

- SGI Europe welcomes the revision of the new Energy Efficiency Directive (EED). However, as many aspects of the first EED have not yet been fully transposed into national law, evaluating its actual impact is challenging in many areas.
- Achieving the EU climate targets should simultaneously consider energy efficiency and CO2 emissions. We propose a **carbon non-regression principle** in energy efficiency regulation to regard the effects on emissions from a broader perspective as a sort of "climate safeguard".
- The **new obligations on public sectors bodies in Articles 5, 6, 7 and 8 raise deep concerns**. Local public utilities are conscious of their exemplary role in energy efficiency. However, blanket reduction targets do not do justice to the complexity of supply and disposal tasks, and they should not place in a worse competitive position. CO2 savings should be viewed holistically.
- **SGI Europe calls for a clear definition of what is understood under "Public-law Bodies" and whether public housing companies are included to interpret** the procurement directive. Including public housing in the provision would be inappropriate, especially in markets and Member States where public housing competes with private housing.
- SGI Europe pleads for **fair and efficiently adjusted final energy consumption.** Reducing the final energy consumption of **all public bodies by 1,7% each year** will be a considerable challenge, requiring **extensive capacity building**. SGI Europe calls for a broad application of existing and new transformative techniques and practices.
- **The new extended obligation to renovate 3% of EU's buildings annually for all public buildings is unsustainable**. It does not regard the actual needs and how long-term energy efficiency work is conducted. This target will prove extremely costly and raise serious financial challenges for public bodies and eventually taxpayers and tenants. **SGI Europe recommends a** continued possibility **for alternative measures** and targets.
- The **NZEB is also not an appropriate level to mandate for renovation** since it is defined very differently among Member States, in many cases only being relevant to new buildings.
- The purchase of products, services, buildings and buildings with high energy-efficiency performance must be left to **each Local Reutilization Authority (LRA)**, respecting the principle of **local self-government.** Here, **SGI Europe rejects the proposed mandatory requirement for public procurement beyond what is foreseen in Directive 2014/24.**
- SGI Europe is highly critical of the lack of flexibility regarding district heating and cooling and CHP plants, especially the **Commission's proposal for the new definition for highly efficient CHP plants** to be applied immediately. To guarantee legal certainty, the new limit should only apply to new installations, and for existing plants, transitional periods until 2030 should be foreseen.
- SGI Europe rejects introducing specific minimum requirements for efficient district heating and cooling systems. **CHP should be part of an efficient district heating/cooling system even after 2035,** and the directive can refrain from proposing an interim objective for 2026.
- **SGI Europe calls for combining waste heat and renewable energy on equal footing in targets**. Using waste heat should be preferred since renewable energy is in limited supply.
- SGI Europe pleads that the directive must **ensure technological neutrality and therefore provide flexibility in selecting the most efficient generation and supply options**. For this reason, **CO2-dependent regulation could be more efficient than technology-based control**.
- SGI Europe would like to welcome that the European Commission refrained from the so-called SME Recommendation (2003/73617/EC) definition and has pointed out that Energy Efficiency performance will be measured **based on energy consumption.**

SGI Europe welcomes the European Commission's ambitions for a revision of the Energy Efficiency Directive (EED). However, it is important to notice that many aspects of the first EED have not yet been fully transposed into national law. It is therefore difficult in some areas to evaluate its true impact. Nevertheless, on a general note, efforts have to be made within the EED to meet the newly adopted climate ambition targets of 55% by 2030 and ensure its contribution to achieving carbon neutrality by 2050. As a cross-sectoral EU association, we highlight that climate targets will only be achieved if all sectors and instruments contribute to their achievements, including, among others, the EED and Renewable Energy Directive (REDII), but also the Eco-Design Directive, Energy Performance in Buildings Directive (EPBD), measures in the transport and energy sectors, Emission Trading System (ETS), Effort Sharing and the EU Climate Law.

In the following paragraphs, SGI Europe expresses some of its concerns with the newly revised EED and offers recommendations for consideration:

Proposal for a Carbon non-regression principle as a "Climate Safeguard"

SGI Europe considers that achieving the EU climate targets should simultaneously consider energy efficiency and CO2 emissions. We propose integrating a **carbon non-regression principle** in energy efficiency regulation to regard the effects on emissions from a broader system's perspective as a "climate safeguard". Such an approach has already been implemented in France in different building renovation legislation. For instance, it would prevent switching from low-carbon and efficient electric heating systems like heat pumps or district heating to gas boilers, which would increase total CO2 emissions.

The new obligations on public sectors bodies in Articles 5, 6, 7 and 8 raise deep concerns among the members of SGI Europe

Local public utilities are conscious of their exemplary role in energy efficiency. However, blanket reduction targets do not do justice to the complexity of supply and disposal tasks (e.g., energy-efficient wastewater treatment). Moreover, they should not be placed in a worse position in competition with private third parties. Instead, CO2 savings should be viewed holistically.

Clarifying the definition of Public Bodies

The draft directive raises the question of **which public-law bodies are meant and whether public housing companies are included to interpret** the so-called procurement directive. 'Public bodies' means 'contracting authorities as defined in Directive 2014/24 of the European Parliament and the Council. This aspect has to be clarified. Including public housing would be inappropriate, especially in markets and Member States, where it is supposed to compete on equal terms with private housing. Moreover, it has to be specified that in the case of residential buildings owned by public bodies, this provision shall apply only if public funds fully finance the renovation costs. Otherwise, SGI Europe fears that the tenants will bear these financial burdens.

Final Energy Consumption to be adjusted fairly and efficiently

The proposed absolute reductions in energy use and **final energy consumption of all public bodies by 1,7% each year** will be a considerable challenge for most Member States. **It will require extensive capacity building** in finance, competence, guidance, data, reporting etc. **SGI Europe considers it necessary to apply both existing and new transformative techniques and practices broadly.**

Any target level could be modified according to Member States' varying conditions on the need and profitability for energy efficiency, available resources for renovation, population growth, urbanisation etc. We question why the requirement for the public sector should be at the same level as the economy at large. The substantial efficiency gains from the electrification of transport and industry lay mainly outside the public sector. Every saving of CO2 emissions should count, i.e. the planned restrictions on the eligibility of measures based on fossil fuels strongly limit the reduction potential and is, thus, rejected. Lastly, the choice of reference year will also matter since 2020 saw a sharp drop in energy use in many public activities due to Covid-19.

Furthermore, **the new obligation to renovate 3% of the EU's buildings annually to extend it to all public buildings raises deep concerns.** It does not address local, regional and national conditions or the actual needs for renovation and how long-term energy efficiency work is conducted (e.g., efficient utilisation of buildings, technical building systems and data, long-term planning, etc.). It would be **highly costly and raise severe financial challenges for public bodies and eventually taxpayers and tenants**.
SGI Europe also highlights many practical difficulties such as the nonexistent consideration for buildings of historical interest, the **lack of skilled labour and construction entrepreneurs**, the displacing effect on private sector renovation, local property markets, incentive to privatise public activities etc.

SGI Europe is convinced that the energy consumption of the building stock can be reduced in more flexible and cost-effective ways. It is also essential to enable **a life-cycle approach for GHG emissions** since construction and materials can account for about half of total building emissions. We strongly advocate for a continued possibility for alternative measures and targets, such as absolute energy savings and increased energy efficiency per square meter. **District, neighbourhood and portfolio approaches must also be recognised** to apply energy efficiency and renewable energy with a broader scope than public buildings. These measures would fundamentally align with the "Efficiency First" principle. The interaction between energy-efficient building refurbishment and, if necessary, neighbourhood energy supply must be coordinated to achieve CO2 savings targets and ensure a cost-efficient supply of climate-friendly energy.

Furthermore, the **Nearly Zero Emission Building (NZEB) is not an appropriate level to mandate for renovation** since it is defined very differently among Member States, in many cases only being relevant to new buildings. Some buildings of public companies, such as workshops, depots, stations or facilities under monument protection, cannot be renovated to meet the criteria of an NZEBs. There must be a considerable scope for Member States to set their renovation rates and levels to achieve the target of Article 5.

Better energy efficiency starts at the local level

The purchase of products, services, buildings and buildings with high energy-efficiency performance (Art 7) must be left to the **discretion of each public body**, respecting the principle of **local self-government enshrined in Art. 4 TEU.** SGI Europe rejects the proposed mandatory requirement for public procurement beyond what is foreseen in Directive 2014/24/EU. Otherwise, if the proposal remains, it would lead to uncertainty in procurement processes, possibly much higher costs. It, therefore, is pivotal that the original conditionalities (technical and economic feasibility) are restored.

Instead, the central governments should work in partnership with public bodies to build capacity and further encourage sustainability in public procurement. The present EED reference to cost-effectiveness, broader sustainability etc., should be kept. **Minimum energy performance requirements are not appropriate** levels to mandate for renovation and purchase or rent of buildings since they are defined very differently among Member States, in many cases only being relevant to new buildings. Any requirements for tires must also consider winter conditions. (Art 7 and Annex IV)

SGI Europe is highly critical of the lack of flexibility regarding district-heating and cooling and combined heat and power plants (CHP) (Art. 24, Annex III):

CHP plants are important for providing heat and power in an energy-efficient way and safeguarding a reliable and stable energy supply (flexible back-up to renewables). Fossil fuels are gradually replaced by alternative sources such as green gases/hydrogen. This is an incremental process that takes time. Thus, **we strongly disagree with the Commission's proposal for a new definition for highly efficient CHP plants, which adds a new criterion in the form of a maximum of 270 g CO_2 per kWh of energy output** and should be applied immediately. The new limit should only apply to new installations and existing plants to guarantee legal certainty, and transitional periods until 2030 should be foreseen.

In that context, **Art. 24 introduces minimum and requirements for efficient district heating and cooling systems, which are very specific and difficult to achieve**. With the specifications given in Annex III in combination with Article 24, the proposed revision, the expansion of the heating networks and the increase in the number of buildings supplied with district heating would be jeopardised, as the criteria for efficient district heating could not be met (early enough**). CHP should be part of an efficient district heating/cooling system even after 2035,** and the directive can refrain from proposing an interim objective for 2026. This means leaving more leeway for operators and members states could be given, which can take into account Europe's diversity of decarbonisation solutions by applying the new definition only from 2030 instead of 2026.

Furthermore, SGI Europe sees a need to **combine waste heat and renewable energy on an equal footing in targets**. Using waste heat from industry, data centres, and other social activities should be preferred since renewable energy is still in limited supply and not without other environmental impacts. A city supplied fully by waste heat from industry etc., should not be required to switch to 40% or 60% renewables.

Considering CO2-dependent regulation instead of technology-based control

SGI Europe pleads that the directive must ensure technological neutrality and, therefore, **provide flexibility in selecting the most efficient generation and supply options**. It is necessary to use every technology available that contributes to the effort to decarbonise as quickly as possible. The proposed threshold restricts most modern CHP plants and the most efficient use of natural gas, hampering the quick decarbonisation on the local level. Therefore, **CO2-dependent regulation makes more sense than technology-based control**. Decarbonisation roadmaps, budget targets or balances adapted to regional conditions are the more effective and efficient instruments. They offer energy suppliers the necessary technical and organisational flexibility to achieve the climate targets for a specific supply area. Rigid quotas or thresholds restrict flexibility and jeopardise the decarbonisation targets, as they discriminate against certain technologies from the beginning.

SME Definition:

SGI Europe welcomes that the European Commission has refrained from the so-called SME Recommendation (2003/73617/EC) definition and has pointed out that Energy Efficiency performance will be measured **based on energy consumption rather the size of an enterprise**. We welcome this development since many local public service enterprises (LPSEs) are excluded from various energy efficiency related EU funds and investment schemes due to this definition. This also leads to municipal SMEs - unlike private SMEs - not being able to draw advantage of specific support programmes (at all or only at worse conditions) meant to support energy efficiency. **SGI Europe calls on EU legislators to adopt this approach as we believe this creates a fairer and more level-playing field between the private and public enterprises**.

Position Paper

Revision of the Renewable Energy Directive

28 February 2022

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org**

Registered stakeholder
ID Nr 59513031434-92

Position

Summary:

- **SGI Europe welcomes the revised Renewable Energy Directive (RED) from the European Commission to accelerate the deployment of renewable energies by increasing the overall non-binding target of 40%,** while no binding targets are defined at Member State level.
- **Yet, SGI Europe underlines the proposal's complexity with the multiplication of sub-targets for end-use sectors** and for specific technologies, which may not give sufficient flexibility to Member States to deliver a cost-effective transition and could delay the adoption and transposition of the directive.
- To achieve the climate goals set within the EU Green Deal, the new RED needs to be in line with existing legal files to ensure coherence and a level playing field for technologies. Whilst we can see the connections between the RED and the Energy Efficiency Directive (EED), the new proposal shows different levels of ambitions and should be carefully adjusted.
- SGI Europe sees it as essential to **develop holistic concepts in which decarbonised and renewable electricity and gases, innovative heating/cooling, industry, and transport solutions** with their respective infrastructures will have a role to play in the climate and energy transition. Here, the potential of low carbon electricity and low carbon gases to decarbonise all hard-to-abate sectors, especially heavy transport and industry, should be recognised.

In this context, SGI Europe recommends the following amendments:

- The **need to issue guidance for Member States on good practices to accelerate renewables' permitting procedures** and support the implementation of existing requirements (Art. 16).
- For a fair energy transition, **Third Party Access (TPA) should not be granted as an unconditional (non-discriminatory) right to access the district heating and cooling grid** to sell heat/cold directly to end-users.
- **Reduce the administrative burden for bioenergy by avoiding the increased detailed regulation and reporting requirements** for the use of biomass.
- **Increase the shares of renewables and waste heat in the heating and cooling sector and district heating/cooling and CHP**. We recommend rephrasing targets to combine waste heat and renewable energy on an equal footing instead of formulating separate targets.
- **Support the aim to generate energy from waste from households and industry in WtE and consider it as waste energy**, provided the waste follows the conditions of the waste hierarchy.
- Develop **sustainable and socially adaptable buildings for Europe by proposing an amendment to the guideline to include "landlord electricity for tenants".**
- **We recommend deleting Article 20a in the RED to oblige DSOs and TSOs** to provide near real-time information.

SGI europe
Employers entrusted to deliver
Sustainability Growth Innovation

Position

SGI Europe welcomes the revised Renewable Energy Directive (RED) from the European Commission to accelerate the deployment of renewable energies by increasing the overall non-binding target of 40%, while no binding targets are defined at Member State level. **Yet, SGI Europe underlines the proposal's complexity with the multiplication of sub-targets for end-use sectors** and for specific technologies, which may not give sufficient flexibility to Member States to deliver a cost-effective transition and could delay the adoption and transposition of the directive.

Along with this development, these ambitions will be essential to go hand in hand with existing legal files to **ensure coherence and a level playing field for technologies**. While coherence between the proposed revision of the Energy Efficiency Directive (EED) and RED is present, the proposal for a revision of the Energy Performance of Buildings Directive (EPBD) is another element to ensure a holistic coherence in the integration of energy system to cope with the changes.

We also have welcomed the recognition of the integration of the energy systems and made it of central importance to the new RED (Art. 20a). As a general principle, **SGI Europe sees it essential to develop holistic concepts in which decarbonised and renewable electricity and gases, innovative heating/cooling, industry, and transport solutions** with their respective infrastructures will play a role in the climate-energy transition. No one technology or application is going to solve all problems. Still, we will need to increase the cross-sectoral cooperation to unleash the true potential in all sectors and applications. We, therefore, welcome the shift to **reducing GHG intensity** as a technology-neutral approach to increasing the share of renewables in the transport sector (Art 25). The potential of low carbon electricity and low carbon gases, and sustainable biofuels to decarbonise all hard-to-abate sectors, especially heavy transportation and industry, should also be recognised.

In this context, SGI Europe would like to draw attention to the following issues:

The need to issue guidance for Member States on good practices to accelerate renewables' permitting procedures and support the implementation of existing requirements (Art. 16)

The binding permitting deadlines in Article 16 of the directive are usually not met because of the burdensome authorisation process and a lack of human resources to process a growing number of applications. In the light of the higher RES ambition in line with the Fit For 55 target, it is essential to find balanced solutions to accelerate the development of renewable energy all over Europe without jeopardising nature protection. Therefore, particular focus and fast-track procedures should be applied for the fast number of RES projects defined in the NECPs and long-term climate strategies by 2050.

Clarity on the Third Party Access (TPA) to ensure a fair energy transition in district heating/cooling solutions (Art. 24):

Since the usefulness of the waste heat depends on its quality and long-term commitment compared to the network's needs and energy sources, the conditions for access must be decided and agreed upon locally on fair terms. Third-Party Access (TPA) should not be granted an unconditional (non-discriminatory) right to access the district heating and cooling grid to sell heat/cold directly to end-users. This would reduce the competitiveness of district heating and cooling systems and increase costs for end-users.

Finally, the option of transiting third-party energy, taking into account the commercial and technical prerequisites, has already been considered in the Renewable Energy Directive revision. As a result, it is now possible to feed in industrial waste heat and renewable heat from third parties subject to the technical preconditions.

Reduce the administrative burden for bioenergy:

We object to the increased detailed regulation and reporting requirements for the use of biomass. The present RED sustainability criteria starting from July 2021 should be maintained, along with national legislation, to meet varying national and regional conditions. New requirements should only be introduced if assessments show that the present ones lead to environmental risks motivating a more stringent approach. Introducing a **cascading principle** is foreign to a market economy, which ensures that quality round wood, sawlogs and similar are used according to their economic value, and only their waste products as bioenergy.
(Art 3) Introducing a requirement **not to harvest stumps & roots** does not appear to be firmly based on science.
(Art 29) Lowering **reporting requirements from 20 MW to 5 MW** will add a substantial administrative burden on many medium-size energy plants.

Combine waste heat and renewable energy:

Therefore, **SGI Europe supports the aim to increase the shares of renewables and waste heat in the heating and cooling sector and district heating/cooling and CHP**. However, we see a need to rephrase targets to combine waste heat and renewable energy on an equal footing instead of formulating separate targets. Recovering waste heat should be a preferred activity when available.

Energy generated from waste from households and industry in waste-to-energy (WtE) plants should be regarded as waste energy (Art 23-24):

SGI Europe supports the aim to generate energy from waste from households and industry in WtE and consider it as waste energy, provided that the waste has gone through the collection, sorting, and material recovery according to the waste hierarchy. In Art 3, requirements to endeavour to increase the share of renewables in member states heating & cooling by an additional 0,6%-2,9%/y 2020-2030 also need to consider the actual level of renewables, just as Art 24 counts the share above 60% as fulfilling the annual increase. (Art 23 & Annex 1a).

New Data access provided by DSO and TSOs is unfeasible:

SGI Europe raises concerns about the feasibility of the first paragraph of the newly added Article 20a, which obliges DSOs/TSOs to provide new data on the share of renewable electricity and the GHG emissions content of the supplied electricity in each bidding zone close to real-time. Network operators do not possess all this kind of data and cannot provide them in real-time. The benefit for each consumer to instantly access signals such as the share of renewable electricity and the GHG emission content is highly questionable. Moreover, this information does not need to be read from specific devices such as smart meters or EV recharging points. Furthermore, it would certainly be very costly to implement as currently, EV charging points are not always equipped with such display screens.

Position

Sustainable and socially adaptable Buildings for Europe:

A 49% share of **renewable energy in buildings** (Art 15a) is primarily an issue for the broader energy system and only secondly a building level issue. The indicative target should not need to be introduced in Member States' building codes if fulfilled in other manners. The same goes for requirements of substantial increases in self-consumption etc.

Additionally, in SGI Europe's point of view, the proposal does not recognise the crucial term landlord or the landlord-tenant relationship. It thus fails to recognise an elementary component of the decarbonisation of the energy system, especially for low-income citizens.
Residents and tenants in rented residential buildings are neither "self-suppliers in the field of renewable electricity", "jointly acting self-suppliers in the field of renewable electricity", nor "renewable energy communities". Tenants in residential rental buildings are characterised by the fact that they are not self-sufficient, as the landlord/owner owns the required space on or around the residential building. They also do not act together, as they only have a legal relationship with the landlord of the building but have no connection with one another. As a result, they do not represent a renewable energy community either, as they are not a single legal entity.

To allow these tenants to purchase decentrally generated, inexpensive, renewable energy, SGI Europe proposes **an amendment to the guideline to include "landlord electricity for tenants".** This is a constellation of a landlord and his tenants of one or more residential buildings, in which the landlord generates renewable electricity himself or with the help of third parties on or on a residential building and supplies this to his tenants directly via the distribution network. In this case, the landlord (or the third party on his behalf) acts like a self-supplier and is allowed to bill the locally generated renewable electricity like operating costs. The model is based on the Swiss model of shared self-consumption.

Power purchase agreement (PPA) and Guarantees of Origins (GO)

On the Guaranties of Origins (GO), **SGI Europe generally supports the idea to make the full disclosure of electricity mix, even from non-renewable sources, mandatory**. In terms of clarity, it could be helpful to add the CO2 content resulting from the produced energy as of today. However, SGI Europe highlights that the GO is acceptable for renewable sources such as hydrogen and low carbon fuels. Yet, new burdens can appear by adding this to biofuel for some Member States. In addition, there is a current issue with biomass sustainability criteria for non-interconnected areas for some Member States.

It must be clear that **PPA should be an alternative way of developing RES production,** complementing national support schemes. In particular, access to government-backed credit risk guarantee - set up to promote corporate PPAs - should not be granted to projects already receiving FiT or CfD.

The **revision for the rules around GO in Article 19 should be clarified**. While we support the possibility to issue GO for every RES MWh (under support scheme or unsupported), it should still be possible for the Member State to auction the GO for RES assets under support schemes. This methodology guarantees access to GO for the various actors while revealing a reference price – which may otherwise be difficult to estimate.

Position Paper

Revision of the Emissions Trading System (ETS)

28 February 2022

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org**

Registered stakeholder
ID Nr 59513031434-92

SGI europe

Employers entrusted to deliver
Sustainability Growth Innovation

Position

SGI Europe welcomes the European Commission's ambition to strengthen and extend the Emissions Trading System (ETS), one of the main European instruments to fight climate change. It has progressively been improved in the past via the Market Stability Reserve (MSR) to reduce emissions and deliver a CO2 price that drives investment in low carbon technologies. A meaningful carbon price will drive cost-effective energy transition by promoting investments in renewable and low-carbon technologies. Such a revision will also help internalise externalities, particularly for road and air transport, contributing to the reduction of emissions. It will also contribute to establishing a level-playing field between transport modes and reduce the unfair advantage of road over cleaner modes such as rail.

In this context, SGI Europe has welcomed the following:

- the efficient cap reduction proposed through the combination of sufficient rebasing and the augmentation of the Linear Reduction Factor (LRF);
- the reinforcement of the MSR, which makes the EU-ETS more resilient to exogenous shocks;
- the integration of the maritime sector in the original EU-ETS;
- the creation of a separated ETS for buildings and road transport complementing existing sectorial measures together with the establishment of the Social Climate Funds and other measures needed to mitigate the impact on end consumers;
- we welcome the fact that the EU Commission continues to refrain from including plants for the thermal incineration of municipal and hazardous waste as well as sewage sludge incineration plants in the existing EU ETS

However, SGI Europe puts into question the following issues:

- Whilst the extension of the EU ETS to renewable and low carbon hydrogen production facilities goes in the right direction, the inclusion of hydrogen in the carbon leakage list may lead to competitive disadvantages for low-emission alternatives. Hence, **SGI Europe, therefore, calls upon the EU legislators to lower the threshold to 10 tons (around 20 MW electrolyser) 15 tons of hydrogen OR to completely delete the production of hydrogen from the carbon leakage list** and instead propose appropriate climate protection measures ;
- A **clear differentiation of CHP systems between the EU ETS and ETS II is needed**; the pricing of the fuel of CHP systems within the framework of ETS II, which are already subject to the EU ETS I, must be avoided in any case.
- While supporting the Commission to have a separate building and transport ETS, SGI Europe underlines the importance of **implementing the right accompanying measures when establishing these new ETS proposals**. These measures will contribute to ensuring social equality, especially for vulnerable households in need of protection, and avoid a reduction in mobility. Hence, SGI Europe welcomes the establishment of an EU Social Climate fund.
- To incentivise highly efficient CHP, the **free allocation should be available in the current ETS I and the new ETS II**. SGI Europe proposes to limit the yearly reduction rate to 2 % from 2026 and reinsert the deleted paragraph (4) under Article 10a.

Rising electricity prices should not question the ambition of the reform. The EU ETS market's integrity must be preserved to maintain investor confidence and ensure an effective transition. While SGI Europe fully understands the crucial need to protect vulnerable consumers against high energy prices for the short term, SGI Europe pleads for a sustainable and cost-efficient way to divest Europe from fossil fuels through the support of the EU ETS.

For this reason, SGI Europe has developed the following recommendations to strengthen the EU ETS that can support Europe in this energy transition:

Auction revenues and Innovation and Modernisation Fund:

SGI Europe supports better regulated and nationally adjusted rules to ensure Member States can spend all their EU ETS auctions revenues on activities in line with the climate objectives. We also welcome the increase in the size of the Innovation Fund, which is today one of the central EU's instruments to bring innovative low-carbon technologies closer to the market. Finally, the increase of the Modernisation Fund will be a crucial tool to support the low-income Member States in decarbonising their economies.

Revision of the benchmark for hydrogen production:

SGI Europe welcomes the European Commission's intention to revise the scope of the benchmarks and adopt a technology-neutral approach to ensure a level playing field for low-carbon activities. The extension of the EU ETS to renewable and low carbon hydrogen production facilities goes in the right direction. It could provide a positive boost to the uptake of the electrolysis route.

However, SGI Europe points out that hydrogen producers emitting CO2 receive free certificates due to the explicit inclusion of hydrogen in the carbon leakage list. As a result, fossil hydrogen is not subject to a CO2 price, and consequently, the cost gap to green, renewable or low-CO2 hydrogen cannot be bridged. This may lead to competitive disadvantages for low-emission alternatives.

While SGI Europe supports expanding the use of electrolysis, we do not see with the Commission's approaches the necessary promotion for an adequately level playing field about renewable and/or green hydrogen compared to fossil or low-CO2 hydrogen. As proposed, the effects will be limited: the production threshold at 25 tons of hydrogen a day (corresponding to an electrolyser between 60-100MW depending on the efficiency) will exclude many electrolyser units. **SGI Europe calls upon the EU legislators to lower the threshold to 10 tons of hydrogen a day and implement the necessary changes** in the benchmark as soon as possible before the second half the phase IV in January 2026. **Alternatively, SGI Europe proposes to completely delete the production of hydrogen from the carbon leakage list** and instead propose appropriate climate protection measures in the context of the directive for a Carbon Border Adjustment Mechanism.

New ETS for buildings and road transport:

SGI Europe welcomes the proposed establishment of a new emissions trading system for buildings and road transport. The establishment of a new emissions trading scheme can lead to a level playing field between road and cleaner modes of transport and between different heating systems with fossil fuels. However, there are still some questions about how this provision should be designed. **It will be essential to put the proper accompanying measures to ensure social equality, especially for vulnerable households in need of protection**. Hence, SGI Europe welcomes the establishment of an **EU Social Climate fund.**

Although the building and road transport sectors are to be transferred to a new ETS from 2026, at the same time, the national targets for these sectors in the Effort Sharing Regulation (ESR) will remain. As a result, it is unclear how the Commission intends to avoid any double burdens. It is also questionable how the prescribed monitoring and reporting obligations can be met in both systems without additional bureaucratic effort. The overlap between the existing and the new ETS, and therefore a double burden, must be avoided in this context.

After all, the effects of a new ETS II depend very much on future CO2 price forecasts, which from today's perspective are difficult to make. In addition, awareness measures for final consumers about energy saving and energy system adaptation should be carried out. Particular attention should be paid to social compensation measures via the newly established social climate fund.

Avoiding double burdens on co-generation (CHP) facilities:

Clear differentiation between the EU ETS and ETS II is needed concerning CHP systems. The pricing of the fuel of CHP systems within the framework of ETS II, which are already subject to the EU ETS, must be avoided in any case. Furthermore, according to the proposed law, CHP plants that feed-in heat into a district heating system with a total rated thermal input of more than 20 MW would no longer benefit from an exemption and receive free certificates until 2030 but experience a shortage of free certificates.

In 2026 the European Commission foresees an update of the benchmark values used for calculating the free allocation from 1.6 % to a maximum reduction rate of 2,5 % per year. Historically, the heat benchmark reflected the maximum reduction rate. This sharp increase adversely affects the profitability of the heat production from co-generation and industrial processes and puts those technologies at a comparative disadvantage compared to less efficient technologies.
To incentivise highly efficient CHP, the **free allocation should be available in the current ETS I and the new ETS II**. With the Commission's proposal to delete Art. 10a in paragraph 4, this would mean for the future no free allocations for district heating and high-efficiency co-generation in the current ETS I. This causes several problems. Firstly, this proposal would be technically unfeasible, as district heating depends on high efficient co-generation (here: the Commission does not suggest deleting Art. 10b paragraph 4, which states that allowances for district heating are not to be decreased). Secondly, it would also be incompatible with the Commission's intentions to increase high-efficiency co-generation and ensure equal treatment of all installations receiving a free allocation for heat production and district heating (recital 12).

The proposed update of the reduction rate by almost 1% seems, therefore, unreasonably high. Hence, SGI Europe suggests limiting **the yearly reduction rate to 2 % from 2026 and reinserting the deleted paragraph (4) under Article 10a.**

Finally**, we welcome that the EU Commission refrains from including plants for the thermal incineration of municipal and hazardous waste and sewage sludge incineration plants in the existing EU ETS.**

Position Paper

Revision of the Alternative Fuels Infrastructure Regulation (AFIR)

28 February 2022

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org**
Registered stakeholder
ID Nr 59513031434-92

Employers entrusted to deliver
Sustainability Growth Innovation

Position

Summary:

- SGI Europe welcomes the principles of the proposed revision of the Alternative Fuels Infrastructure Regulation (AFIR). Especially for the mobility sector, **we welcome the European Commission's requests to Member States to consider charging stations for public transport operators when drafting the national plans (Art. 13) and that the definition of alternative fuels remains almost unchanged (Art. 2(3));**
- **Smart, intelligent charging is essential for a successful roll-out of e-mobility and is actively supported by SGI Europe.** As much as we agree with the Commission on Art. 5 paragraphs 7 and 8 to ensure that all public accessible recharging points are digitally connected and capable of smart charging, **we strongly underline to add more reasonable transitional periods for Member States to ensure a fair roll-out;**
- **SGI Europe urges the co-legislators to clarify the request to display the ad-hoc price, including all its components at charging stations**. We recommend avoiding the physically installed display of information on the recharging infrastructure but having this information displayed on an external device such as in the car or mobile phone;
- SGI Europe calls for **more clarity under the new definition of "public accessibility". SGI Europe generally welcomes the introduction of an EU-wide uniform definition. However, we are critical of the current proposal**. With this definition, semi-public charging/refuelling facilities (e.g. in supermarket parking lots or underground garages, housing sector) would fall under this definition, creating high and burdensome administrative costs, especially in the housing sector.

With the "Fit for 55" climate package, the European Commission has also proposed an amendment to the "The deployment of the infrastructure for alternative fuels regulation" (AFIR). In the future, the directive is to become a Europe-wide regulation, which SGI Europe in principle welcomes. SGI Europe, as a cross-sectoral organisation representing providers of services of general interest, including sectors such as energy, housing, water, waste, education and also public transport, welcomes the European Commission's requests to Member States to consider charging stations for public transport operators when drafting the national plans (Art. 13) and that the definition of alternative fuels remains almost unchanged (Art. 2(3)). Also, the highlighting of the critical distribution system operators (DSOs) is duly noted.

Fairly and timely implementation of smart and intelligent charging stations:

SGI Europe welcomes the whole regulation proposal as the inclusion of smart, intelligent charging is important for a successful roll-out of e-mobility. However, many recharging points are not yet equipped with these functionalities. Article 5 requires operators of recharging points to ensure that all publicly accessible recharging points they operate are digitally-connected (par. 7) and capable of smart charging (par. 8) without transition periods. SGI Europe argues in favour of having these obligations for new recharging points while adding reasonable transitional periods, which are necessary for the providers of the charging points.

In paragraph 5, the Commission envisages that operators have to display the ad hoc price clearly, including all its components. SGI Europe supports this obligation while urging **co-legislators for clarity that these displays do not have to be physically installed on the recharging infrastructure** but alternatively have this information displayed on an external device such as in the car or mobile phones.

More clarity under the new definition of Public Accessibility:

However, SGI Europe wants to bring to the attention of the EU co-legislators the small change under the new definition of "**public accessibility,"** which could have far-reaching consequences. In the future, every alternative fuel infrastructure accessible to the general public is to be regarded as a public charging or refuelling infrastructure, regardless of whether it was built on private land or public land**. SGI Europe generally welcomes the introduction of an EU-wide uniform definition. However, we are critical of the current proposal**. With this definition, semi-public charging/refuelling facilities (e.g. on supermarket parking lots or in underground garages, housing sector) could fall under this definition, creating high and burdensome administrative costs, especially in the housing sector where these problems remain in terms of connecting the building's charging stations to the power grid.

Position Paper

The Carbon Border Adjustment Mechanism (CBAM)

28 February 2022

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org**
Registered stakeholder
ID Nr 59513031434-92

SGI europe

Employers entrusted to deliver
Sustainability Growth Innovation

Position

Summary

- SGI Europe generally welcomes the initiative of the Carbon Border Adjustment Mechanisms (CBAM) by the European Commission. For SGI Europe, the CBAM can be another climate tool to encourage decarbonisation of the economy and not an import tax hindering essential public services and services of general interest from operating cost-effectively.
- SGI Europe calls for a clear EU stance and a careful diplomatic implementation in close cooperation with European trading partners.
- We positively received the choice of the Commission to separate the CBAM from the Emission Trading System (ETS) whilst remaining the same price reference. Yet, this imbrication between the CBAM and ETS proposals raises a question of coherency regarding the timeline. A late starting of the CBAM risks also delaying the EU ETS reform.
- While welcoming the Commission's approach to introducing more industrial sectors in the CBAM, SGI Europe calls for a carefully implemented CBAM that does not affect the EU's competitiveness in the global market and ensures the support of quality jobs in the EU.

SGI Europe generally welcomes the initiative of the Carbon Border Adjustment Mechanisms (CBAM) by the European Commission. When achieving our climate goals for a climate-neutral economy by 2050 and reducing 55% of greenhouse gas emissions by 2030, all Member States must take the necessary responsibility and actions in reducing their carbon emissions.
The EU is a significant trade partner of many countries, and first of all, China and the USA have electricity systems more carbonised than the EU. For months, several foreign voices have doubted the fairness of the European idea of a CBAM. Here, **SGI Europe wants to take a clear stance and calls for a careful diplomatic implementation in close cooperation with European trading partners**. It is of utmost importance to repeat and convince that the CBAM can be another climate tool to encourage decarbonisation of the economy and not an import tax hindering public essential services and SGIs from operating cost-effectively.

The Commission has chosen a CBAM separated from the ETS but with the same price reference. This is an important point, and SGI Europe welcomes this choice. Yet, this imbrication between the CBAM and ETS proposals raises a question of coherency regarding the timeline. **A late starting of the CBAM risk also delays the EU ETS reform.**

Furthermore, the Commission has identified a first list of industrial sectors to be included in the mechanism, possibly extending to new sectors after 2025. This step by step approach is relevant. SGI Europe agrees with the inclusion of electricity, but the proposal lacks the expertise to have any detailed analysis of the other economic sectors.
SGI Europe calls here for a CBAM that does not affect the EU industry competitiveness sector worldwide. This is key for keeping and developing quality jobs within the EU. We, therefore, welcome the Commission's proposal to apply the CBAM only to limited sectors at first and include an appropriate transition period. The inclusion of additional sectors should only be considered after first experiences with the new instrument have been made.

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | www.SGIeurope.org
Registered stakeholder ID Nr 59513031434-92