



*Employers entrusted to deliver
Sustainability Growth Innovation*

Position Paper

Revision of the Renewable Energy Directive

28 February 2022

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 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.

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 Guarantees 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.