

9 February 2022

EU Green Deal – ‘Fit for 55’ package

Review of Directive (EU) 2018/2001 on promoting energy from renewable sources

Introduction

The German electrical and digital industry association (ZVEI) strongly supports the increased level of ambition in the Commission proposal to revise the current Renewable Energy Directive (RED). Implementing more ambitious targets while focussing on sector coupling and a more integrated energy system is the right step towards achieving our climate goals. This includes working towards a decentralised, smart and flexible energy system, in which price signals incentivise producers and consumers to behave efficiently.

Let us work together to achieve climate neutrality by 2050 - this document provides an overview of key ZVEI recommendations for a revision of the Renewable Energy Directive:

Article 3: Binding overall EU target for 2030

- ✓ We strongly support an increased EU target of a minimum 40% share of renewable energy sources (RES) in final energy consumption by 2030. However, this target should be supplemented with a progress monitoring mechanism based on which the Commission can propose more stringent provisions in case a failure to meet the target is forecasted.

Article 4: Support schemes for renewable energies

- ✓ Green electricity needs to be accessible and affordable to attract more consumers. Hence, national support measures that effectively counteract the promotion of electrification, sector coupling and decarbonisation by putting a significant levy on electricity must be avoided. Here, the German *EEG-Umlage* constitutes an infamous example of how well-intended mechanisms might be detrimental to the initial policy goal.

Article 15 / Article 16: Administrative procedures and permit-granting processes

- ✓ The permit-granting processes are currently too bureaucratic and too slow. Effectively, they often hinder reaching climate goals on time. The RED should provide MS with specifications for more efficient procedures, e.g. by means of best-practice sharing and the broad use of digitisation of public authorities.
- ✓ The strengthening of power purchase agreements (PPAs) is essential for the success of the energy transition. State-backed credit guarantees for PPAs could play an important role in overcoming obstacles blocking SMEs from accessing PPA contracts. Clear rules should be defined here for the approval of contracts for project developers. The current rules for the sale of interconnection capacities should be relaxed to promote physical PPAs and overcome obstacles to store renewable energy.

Article 15a Mainstreaming renewable energies in buildings

- ✓ We welcome a new indicative EU target of a 49% share of RES in buildings by 2030. It is a positive step to strengthen the provisions on renewable self-consumption, which is key

to unlock the potential of sector coupling incl. demand-side flexibility, ultimately empowering consumers. In tandem with efforts to increase the renovation rate under the Energy Performance of Buildings Directive (EPBD), it is crucial to provide the right regulatory framework for the use of more renewables in buildings. Legislative measures that foster future-proof electrical installation in existing as well as in new buildings are key prerequisites for sustainable buildings. In support of the EPBD and considering a higher RES-share in buildings, the RED review should acknowledge the importance of basic technical prerequisites, such as pre-cabling relevant for all modern technical building systems. This should not be limited to the e-mobility charging infrastructure but also be considered for other use cases across the built environment. Accordingly, financial support schemes (e.g. for deep renovations) should also consider this requirement.

- ✓ Efficient and renewable-based heating and cooling solutions are key to reach Europe's climate goals. Therefore, the replacement of old and inefficient heating and cooling systems with modern, renewable-based heating appliances must be facilitated across EU legislation. Yet, the RED should follow a technology-neutral approach that allows the market(s) to decide where to install the most suitable systems for their final use.

Article 19: Guarantees of origin

- ✓ To promote the uptake of hydrogen across the European market, the revised RED should pave the way for a robust certification system for renewable ('green') hydrogen that ensures the compatibility between renewable support schemes and guarantees of origin.

(NEW) Article 20a: System integration / Article 21: Self-consumers / prosumers

- ✓ Dynamic electricity prices are key for the success of energy system integration across Europe. They enable the required flexibility in the infrastructure through e.g. energy storage as well as energy consumption, thus successfully levelling demand and supply. It is paramount that consumers, being connected to smart grids by means of smart metering systems, are also able to buy and use electricity flexibly. Article 11 of the EU Electricity Market Directive provides the regulatory framework and paves the way for a well-integrated electricity market by giving consumers access to dynamic electricity prices. In practice, however, the current electricity market design, consisting of duties, levies and other fees, often fails to make consumers aware of price signals. This is particularly tragic since – in view of electricity production costs and CO₂ pricing – renewable energies are cheaper than fossil alternatives when sufficiently available. If price signals finally manage to reach the consumer, there is both an incentive for optimised, flexible use as well as an incentive for flexibility on the supply side. With additional provisions concerning dynamic electricity prices, the revised RED can help strengthen the coordinating function of the energy market through flexible pricing systems.
- ✓ Network charges (grid tariffs) make up a considerable portion of the final electricity price. If the potential of flexible energy management via smart meters is optimised, and supplemented by concepts for decentralized power generation (e.g. PV, fuel cells, micro-generation), the need for a physical expansion of the grid can be reduced. This will also bring down network charges, which currently drive up the electricity price and hamper sector coupling. Hence, the revised RED should further require MS to review and, if necessary, reform their network charges.
- ✓ Furthermore, we call for the introduction of harmonised 'smart grid readiness indicators', which will create transparency with regard to the state of digitalisation of the existing infrastructure (i.e. the grid) and allow for more targeted investments. To this end, a common methodology for "Smart Grid Readiness Indicators", which provides a checklist to ensure implementation at the member state level should be established.
- ✓ Finally, we strongly support the obligation for MS to ensure that non-publicly accessible charging points can support smart charging. Energy management will be increasingly important, as it helps grids to accommodate a higher number of electric vehicles charging when electricity demand is low, and when supply from carbon-free electricity is available.