

Contact: Esther BOLLENDORFF
Landline: +32 2 542 61 02
Mobile: +32 2 484 564 680

“Directive on the promotion of the use of energy from renewable sources”

Comments and lobby recommendations for the June Energy Council 2008

Quick Overview

This paper gives a quick overview of the background and controversies around the Commission’s proposal for a Renewable Energy Directive [COM (2008)19 final] (the draft RES Directive). It is being discussed currently in the European Parliament and in the Council. **In this briefing we are focusing on the Council debate only.**

The Commission’s proposal has been designed to boost the use of renewable energy in the EU to 20% by 2020 but there are important flaws in the proposal and attempts by some delegations to make the proposal even weaker. Our key demands, which we explain more fully below, are:

- **Limits to trading between EU Member States and NO trading between companies**
- **No trading with countries outside the EU**
- **Binding intermediate targets and a strong compliance mechanism**
- **No concessions for projects with long lead-times nor inclusion of CCS**

The priority issues here are **trading** and the need to prevent companies from doing so, the introduction of **binding intermediate targets** and the need for a **strong compliance mechanism**.

Background

At the Spring Council in March 2007, Heads of State agreed to set a renewable energy target for the EU of 20% by 2020. Following this agreement, in January 2008, the Commission released its energy

package, which includes the draft RES Directive¹. The 20% overall target of the RES directive has been divided between Member States, with national targets ranging from 10% (Malta) to 49% (Sweden).

The term energy relates to the electricity sector, the transport sector and the heating and cooling sector. Broadly, one could think about the fuels or energy supplies used to generate electricity, the fuel (petrol and diesel) used by transport, and fuel (often gas) used to heat homes, buildings and run industrial processes. Renewable sources should provide 20% of the final energy demand of all these sectors combined. Because of limited possibilities for the transport sector and the fact that renewable heat and cooling have been poorly developed so far, note that the electricity sector will have to do a major share of the work.

The draft also proposes that the renewable energy share for transport alone must be at least 10% of the energy demand of this sector (as a sub-target of the 20% target). Although in theory that could include for example cars with solar PV panels or run on electricity from wind farms, the Commission is clearly thinking of biofuels. Given the numerous environmental and social problems of biofuels (which we will not go into here) this sub-target is being fiercely opposed by NGOs. If you want to look further at the agrofuels arguments, Friends of the Earth Europe (FOEE) has produced a briefing available on our website².

Friends of the Earth welcomes the 20% renewable energy (RE) target, and recognises that the national targets are ambitious but also achievable and necessary in order to move the EU towards its own energy security and a sustainable economy. A firm commitment to achieving the target within the EU creates more certainty for investment, and should boost both energy efficiency (as a cost effective means of reducing the size of the RE target) and RE itself.

We would like to see a number of improvements. We are also aware of efforts to weaken the text (most notably by the UK) by allowing trading in credits outside the EU, by introducing carbon capture and storage (CCS), and by weakening the threshold and changing the deadlines for uncompleted projects³. Official UK language on the RES Directive is littered with the words “flexibility” and “cost-effectiveness” – which we can translate into making the targets as weak as possible and ensuring that trading can be used to the maximum. Our lobbying efforts need to address these attempts to turn compliance with the

¹ The draft RES Directive and other documents of the energy package can be found at:
http://ec.europa.eu/energy/climate_actions/index_en.htm

² <http://www.foeeurope.org/agrofuels/index.html>

³ Department of Business, Enterprise and Regulatory Reform (BERR, formerly Department for Trade and Industry): *Briefing for UK MEPs on the Commission's Proposal...* [contact mary.taylor@foe.co.uk if you would like a copy]
The UK statement by the BERR Minister Vadera can be viewed at:
<http://www.guardian.co.uk/environment/2008/mar/29/renewableenergy.climatechange>

Directive into a paper exercise through virtual trading mechanisms and ensure that it boosts concrete achievement in RE through developing the EU's own RE systems.

Trading

The text of the proposal creates “guarantees of origin”, GOs, which are certificates for each MWh of renewable energy produced. These can be traded between Member States and even between “persons” (meaning companies) according to the draft text. In the case of trading between Member States, a country can only sell GOs if it has reached its intermediate target.

We accept that some flexibility may be useful since some countries have less potential to develop renewable energy sources than others. But we consider that unlimited trading would:

- undermine strategic achievement of the EU and national RES targets,
- interfere with development of a coherent EU grid that can integrate renewable energy generators,
- discourage investment in still maturing RES technologies – the market would flock to the cheapest technologies.

In addition, a number of countries already have well-functioning support schemes in the form of feed-in tariffs for renewable technologies and it would be folly to interfere with these schemes by increasing uncertainty in the market. We discuss the arguments around different forms of renewable support schemes in an earlier briefing made in October 2007 (last document attached).

A system of “prior authorisation”, where a company needs to ask its Member State for permission to trade, is foreseen (Article 9.2) but would still be too weak to prevent companies from trading. The purpose of this directive is not to design a trading instrument between companies but to stimulate Member States to make progress in developing renewable energy production. Some very strictly regulated trading between Member States only could be allowed to give some flexibility.

Our proposal: Trading should be limited to government-level trading and there should be a mandatory limit. For example, a Member State might be permitted to buy GOs equivalent to 20% of its intermediate target but need to achieve 80% of its target by domestic action. We absolutely must get rid of trading between “persons” or companies and should be very explicit about this in our lobby meetings or letters.

Trading outside the EU

The UK has proposed that a “cost-effective” approach to renewable energy would permit the purchase of renewable energy certificates from outside the EU. We consider that this would damage the purpose of the Directive and undermine investment in EU resources and skills. In the longer run this would not be good for our competitiveness nor our energy security. Neither would it be consistent with the need to de-carbonise the EU (and world) economy very rapidly - the EU must do this at some point if we are

to avert dangerous climate change. However we could imagine a flow of physical renewable energy (such as electricity from concentrating solar power projects) on a small scale between the EU and third countries close to the EU.

Our proposal: Purchasing RE certificates from outside the EU must not be included in the Directive. However, we consider that purchase of renewable energy itself from outside the EU could be allowed, as long as the RE project providing the energy comes from a country which has its own renewables targets (similar to the EU targets) and we are purchasing excess renewable power. Environmental and social safeguards should also be in place.

Intermediate targets

The draft proposes a set of interim targets for the years 2011-2018, the trajectory being steeper in later years as economies of scale and development begin to pay dividends. If the interim targets are missed, a Member State must submit a revised National Action Plan to the Commission. Some delegations (the UK at least) think the indicative trajectory should be non-binding. Missing the interim targets would carry no penalty, and countries would not be forced to buy or sell GOs (in order to meet the interim target). But non-binding targets can slip with impunity and so contribute to ultimate failure. The urgency of tackling climate change is such that near-at-hand targets are needed, not distant targets which offer the temptation of delaying action yet again.

Our proposal: The interim targets should be legally binding.

Compliance and Enforcement

There is a very urgent need for both rapid development of renewable energy (i.e. a phase out of fossil fuel use) and steep emission cuts if we are to do our fair share in limiting temperature rises to 2 degrees. Existing infringement procedures against Member States for non-compliance in environmental matters are very slow and do not encourage speedy catch-up when targets fail to be met⁴. In lobby meetings it makes sense to refer to the bigger picture pursued under the Big Ask campaign and coherent with the compliance demand under the RES directive.

Our proposal: The compliance mechanism of the RES Directive should be strengthened by including:

- legally binding interim targets that should be met before trading between EU countries can be considered;
- a direct, swift and effective penalty system with fines considerably higher than the average price for

⁴ Friends of the Earth Europe has undertaken a study on compliance for the Effort Sharing Decision and some of these points are further developed there. Fouquet (2008). Towards a Better Compliance Structure for the European Emission Reduction Policies until 2020: A Legal Evaluation, a Direct Penalty Proposal and a Call for an Independent European Emission Abatement Agency. Brussels, Friends of the Earth Europe.

the support of renewable energy across the EU in case of non fulfillment of the mandatory intermediate and final targets.

Large RE projects with long lead-times

The text proposes that large projects (above 5000 MW) started by 2016 but only to become operational in 2021 or 2022 should be taken into account when calculating the RE contribution (Article 5.2). The threshold is set high in order to allow for projects that might take more than say ten years to complete (if planning begins in 2010). This is already a concession and dilutes the 2020 target, but some delegations (the UK included we understand) want to further lower this threshold and change the dates for start and finish.

Opening up this special consideration to smaller projects would undermine the 2020 target itself; how much it is undermined depends on how much lower the threshold might become and how much longer the date stretches beyond 2022. But clearly such an approach would create a disincentive to get moving on the timely construction of projects and encourage delay, significantly weakening the purpose of the Directive.

Our proposal: Delete the text that would allow extensions for 5000 MW projects.

Off-shore Wind Farms and the Grid

Offshore wind power has huge potential to deliver renewable energy to EU countries⁵. To do this most effectively this will require grid connections that interconnect a wide spread of offshore turbines with more than one country⁶. This helps to utilise wind power more fully since it can then supply energy demand across a wide geographical base. The draft urges the development of grid infrastructure, including interconnectors between Member States, but we consider that the establishment of an offshore grid should be seen as a strategic investment and supported at EU level.

Our proposal: Timely financial support is needed from the EU to create a large network of offshore wind power that can provide energy to the EU.

Carbon capture and storage

The UK is proposing to incentivise CCS demonstration projects in the RES Directive. We are not sure that this is gaining ground with any other MS, but this could be a very dangerous idea, opening up the

⁵ The UK for example is looking to develop 33 GW of wind energy offshore by 2020.

⁶ Airtricity has developed the notion of a “supergrid” – for more detail see:
http://www.airtricity.com/ireland/wind_farms/supergrid/

Directive to other ideas potentially – such as nuclear technologies. If CCS is promoted, why not nuclear, the French (or whoever) could argue. We suggest that you use your judgement as to whether you raise the issue with your Energy Minister or not – if you think your Minister might think “oh, that’s a clever idea...” you might just want to remain silent until you know they are considering the idea. Raising the issue now may make it seem more important already.

Energy Efficiency

It is also worth pointing out that energy efficiency and reducing demand will make the renewable energy target smaller in absolute terms. It is also very good for reducing emissions and is COST-EFFECTIVE.

Our proposal: In each and every lobby meeting that we have we need to point out the missing energy efficiency target in the Energy package in general and in different pieces of legislation more specifically. Existing legislation on energy efficiency in housing and cars for instance needs serious backing up by setting a mandatory energy efficiency target by the Spring Council 2009 at the latest.