

Elettricità Futura's Reply to the Public consultation on Inception Impact Assessment Revision of Directive (EU) 2018/2001

21st September 2020

General considerations

Elettricità Futura welcomes an overall review of the European energy and climate legislation: improving the effectiveness of the policy framework is a crucial step to better pursue ambitious decarbonization targets, in line with the European Green Deal (EGD). The ongoing REDII impact assessment is part of this wide review process, which should include the Internal Market for Electricity Directive and Regulation as well as the EU competition law, due to the high interdependence between international market and energy policies. The review of state aid, market liberalization and competition policies are also needed to adjust the current market environment to a deep decarbonization strategy.

The climate change challenge needs a series of policy actions and coordinated effort at the global, regional and national scale to mainstream the deployment of RES, electrification of final consumption, energy efficiency measures and the smart sector integration. The RED II presents relevant synergies with other directives, regulations and strategies, linked to Energy Efficiency, Energy Performance of Buildings, Electricity, Mobility and ETS. Besides it is necessary to undertake a harmonized review of the Renewable energy Directive with the other strategies and legislative initiatives in the energy, climate field and circularity of economy, in order to provide a clear, consistent and stable framework to support the transition.

Detailed observations

Elettricità Futura quotes the fifth of the options listed in the inception impact assessment, as a combination of non-regulatory measures (option 2), raising the ambition level of the REDII targets and subtargets in line with the 2030 Climate Target Plan (option 3), and amending REDII to translate into legal measures the actions proposed in other energy strategies of the EGD (option 4).

Elettricità Futura strongly believes that the EGD and Carbon-neutrality commitments require an upward review of the RED II targets, based on the available energy production and consumption data sets, including the quantified effects of Covid-19.

We at Elettricità Futura believe that the energy transition is a vital opportunity for the European and Italian society as a whole. Raising 2030 EU GHG emissions target of at least 55% is not only a necessary step towards our climate ambitions but also a great chance to promote job creation and investments.

This transition could be driven by increased electrification of economy and increased share of RES in final energy consumption in 2030 to at least 35% (EU target).

The smart integration of electricity with final electric uses in every economy sector will contribute to integrate larger shares of variable energy generation, while reducing EU import dependency and improving security of supply.

The policy framework should pave the way to a massive development of additional renewables, both new green-field projects and repowering and refurbishment of existing plants) by the implementation of focused measures:

- a long-term perspective for investors, with a set of clear rules and available instruments to unlock public and private investments, such as auctions, PPAs, grid services, GO. A well-balanced RED and a concerted regulatory framework can create a level playing field for existing players and newcomers to invest in clean technologies.
- a growth of the RES share in energy consumption in all sectors (transports, industry, and buildings). To this purpose, it would be useful to implement relevant regulatory measures such as green procurements for public administration and Renewable Portfolio Standards. The current GO system represents a suited tool to enable the development of a green offers market, for consumers willing to pay a premium for certified renewable energy. In addition, it's also important to cut off from the electricity tariff all charges due to social and environmental policies but not related to the supply.
- a new authorization framework allowing faster and easier procedures for both the realization of new renewable capacity and the refurbishment or repowering of existing plants, in line with the RED Directive targets (Art. 16). "Areas suitable for low-ecological-risk deployment", as mentioned in Art. 15, paragraph 7, should be intended as areas where the installation of new renewable power plants can follow faster and easier authorization procedures. However, suitable areas are not the only eligible for RES plants installation, which can be authorized elsewhere as well. Despite the authority for this sits at the Member States level, the European Commission can define guiding principles, share best practices and harmonize such procedures/timing at EU level). Moreover, also the connection process should be simplified.
- a guide on how to engage with local communities to raise the awareness on the environmental, economic and social benefits of the energy transition and RES development.
- the promotion of hybrid projects such as RES coupled with Storage to minimize RES imbalances, supply more flexibility and balance to the grid while providing a back-up to intermittent renewable energy.
- a specific target for renewable hydrogen in the transport and in the heating and cooling sectors to underpin the production targets envisioned in the EU's Hydrogen Strategy and the 2x40 GW initiative. As highlighted by the EU's Hydrogen Strategy and the Communication on Energy System Integration, carbon-neutrality across all sectors of the economy requires hydrogen and derived renewable and low carbon gases, liquids and chemical feedstock as one of many solutions.

- sub-targets for the so called “hard to abate” sectors. (e.g. steel production, aviation and maritime) may also be considered in the upcoming revision of the RED to further incentivize and speed-up deployment and adoption of renewable energy in specific sectors and industrial segments. With specific regard to renewable hydrogen and hard to abate sectors, it is important to stimulate the demand by targeting the industrial consumers via market-based tools.
- confirming the value of ETS as the one of the most effective systems to decarbonize the industrial sectors, a possible introduction of EU carbon pricing will have to be evaluated in the context of a broader review of a restructured EU carbon pricing covering all sectors and increasing in a progressive and predictable manner. For carbon pricing to be effective, the EU will also need to revise the Energy Taxation Directive and to ensure that environmental considerations are included in all national schemes. In doing so, besides internal dimension avoiding potential distortion among sector in and out from ETS, external dimensions will need to be identified and addressed. Otherwise, the European Union will face a loss in competitiveness, a weakening of its economies and companies, with imports replacing carbon-intensive production in the EU (“carbon leakage” affecting energy intensive industries - e.g. steel, chemicals; pulp and paper, etc.) and external actors leveraging on EU’s innovations and technologies.

Circular economy, sustainable biomass and biofuels, synthetic fuels produced from renewable sources (such as hydrogen or hydrogen derived fuels) could offer a complementary solution to decarbonize industrial processes and economic sectors where reducing carbon emissions is both urgent and hard to achieve through direct electrification only. When assessing the preliminary environmental impacts of the Directive, the Commission mentions the risk of unintended incentives to unsustainable biomass. Sustainability criteria that will be implemented as of July 2021, will ensure that incentives and public support will only be granted to sustainable biomass, also promoting a “scheme” that ensure the continuity of operation for the existing plants at the end of their incentive period. With regards to sustainability criteria, we list below 3 main considerations:

- The availability of organic and wood waste is constantly increasing. In fact, in many EU countries woods are gaining space due to the abandonment of rural areas, while extreme weather events, infestation and attacks from parasites make available increasing amounts of solid biomass. As the recycling capacity is almost depleted, such feedstocks, suitable for energy production, should be destined to new sustainable paths.
- The European energy system should conveniently combine sustainability with competitiveness. In case the implementation of strict sustainability criteria is limited to the EU, the implications on the energy generation cost could stimulate industrial relocation strategies. A massive relocation towards less environmental conscious countries could dramatically lower the energy demand at EU level, thus limiting new investments in renewable technologies. That’s why a comprehensive policy framework should consider the sustainability of imported products.
- Locally produced biomass or from short supply chain should be adequately supported, preventing risks of unintended incentives to unsustainable feedstocks.