

EU Renewable Energy Directive (recast)

Position Paper

At Vattenfall, we focus on the increased development of renewable energy production in several areas. As one of the largest wind power developers and operators in Europe, we manage and conduct all key processes and have developed agreements on operations and maintenance with other parties along the supply chain. We plan to grow our wind energy portfolio by up to 600 MW per year and to invest up to EUR 5 billion until 2020. Moreover, we operate several assets running (partially) on solid biomass, e.g. wood and biogenic waste. As one of Europe's largest heat suppliers and district heating system operators, we provide sustainable and resource-efficient heating concepts, in particular for the urban building stock.

Make tenders the default system for financial renewable electricity support and concretize the design principles

- We highly welcome the intention to create a design framework for financial support in order to avoid unnecessary market distortions and to provide more certainty to investors. However, we are firmly convinced that **every renewable electricity support system** in Europe **should be transformed into a tender system**, above all in order to reduce the costs of the energy transition to the necessary minimum. More detailed criteria for financial support would be desirable. We therefore recommend a **concretion of the proposed principles** ("open, transparent, competitive, non-discriminatory, cost-effective") within Article 4, in particular with regard to tender design (yearly updated long-term schedule, reasonable bid preparation and project realization times, non-discriminatory and transparent pre-qualification criteria, basis for awarding support).
- We welcome the proposed 3-year schedule for public renewable electricity support, set out in Article 15(3), and we believe it should be incorporated in Article 4. Given the longer lead times for offshore wind projects, we call for an **additional provision requiring Member States to provide a 7-year schedule for offshore wind support**.
- We appreciate the inclusion of an investment protection clause in Article 6. However, the wording of the article **should clarify that**, even if support schemes are modified to comply with State aid rules, **the rights conferred to existing assets will remain intact**.

Recommendations:

- Make tenders the default system for awarding financial support for renewable electricity; concretize tender design principles [Article 4];
- add a provision requiring Member States to provide a 7-year schedule for offshore wind support [Articles 4 and 15];
- ensure that the rights for existing assets remain intact even if support schemes are modified to comply with State aid rules [Article 6].

Make the cross-border opening of support schemes for renewable electricity viable for Member States

- We appreciate the intention to open up renewable electricity support schemes to generators located in other Member States, as laid out in Article 5. This measure can trigger regional renewable energy cooperation, and it can lead to the exploitation of considerable cost reduction potentials.
- **Member States should however be given the flexibility to accumulate the volume of newly supported capacity to be opened over a longer period between 2021 and 2030.** This would avoid an inefficient and costly renewable energy deployment. Member States should be requested to **create transparency** on the tender schedule, in line with the currently proposed provisions in Article 15(3).
- It is difficult for Member States governments to anticipate the number and size of projects in their country, receiving financial support from other Member States. The opening of support schemes could thereby lead to national growth ambitions being fulfilled well ahead of schedule. This, again, would significantly impact the supply situation within a Member State in case of a lack of adequate transmission infrastructure development. To avoid those disruptive developments, **Member States should be required to integrate the interaction between possible foreign support for national renewables installations and grid development in their National Energy and Climate Plans** within the meaning of the Energy Union Governance Regulation.
- In order to avoid a patchwork of bilateral agreements between Member States, the **European Commission should issue a detailed blueprint** for such agreements **as well as biannual progress reports.**

Recommendations:

- Provide Member States with flexibility to accumulate the volume to be opened over several years between 2021 and 2030 [Article 5(2)];
- require Member States to consider the interaction between the opening of support and national grid development [Article 5];
- ensure European Commission blueprint for bilateral agreements and regular progress reports [Article 5].

Allow producers of financially supported renewable energy to retain their guarantees of origin

- We welcome the proposed disclosure of all renewable energy generated in Europe through the improved system of guarantees of origin (GOs) in Article 19(1).
- However, Vattenfall **disagrees with the provision in Article 19(2) completely abolishing the issuing of GOs to producers receiving financial support** for the same production of renewable energy and requesting Member States to auction those GOs instead.
- Giving those GOs to the national governments for centralized auctions would break the link between the renewable energy production of an installation and an end-consumer who is interested in purchasing renewable electricity from that specific installation. Consequently, various active renewable market players would not be able to continue their “asset-to-client” strategies, losing the value which GOs provide to renewable energy producers.
- The GO market has finally grown up and is stimulating multinational companies to sign power purchase agreements (PPAs) with operators of renewable energy installations. Not issuing any GOs for renewable energy installations receiving support from a support scheme would in particular be a step back with regard

to those large end-consumers' demand for renewable energy. The provision would thereby constrain the development of public acceptance for renewable energy projects.

Recommendation:

- Alter the provision abolishing the issuing of GOs to producers receiving financial support for the same production of renewable energy [Article 19(2)].

Increased renewables share in heating and cooling – provide more flexibility to Member States and improve prerequisites for the collaboration between heat suppliers

- We share the ambition to increase the renewable energy deployment in heating and cooling. However, such an increase has previously been achieved in different Member States through other policy measures than obligations. Any related **targets for Member States in Article 23 should be defined as individual national renewable energy share in heating and cooling** (including waste heat) **in the non-ETS sectors** for 2030. This would provide Member States with sufficient flexibility and investors with adequate certainty. Member States should be encouraged to consider dedicated policy measures in order for them to fulfill the above-mentioned targets and to provide for a level playing field within the heating and cooling sector.
- The **removal of any national obstacles to the envisioned increase of the renewable and waste heat share** in district heating systems at national level is key, in particular with regard to the urban building stock.
- We acknowledge the potential of Article 24 to trigger an increased collaboration between heat suppliers, in order to make use of renewables-based heat and heat which would otherwise be lost and to incentivize the further integration of the electricity and heat sectors by unlocking power-to-heat solutions. The proposed mandatory access however would lead to increased administrative costs for the system as a whole and to a technically complex situation with little increase in customer value. The collaboration must rather take place under **market-based conditions**, and based on a **bilateral agreement between the actors**. The provision needs to **take into account the varying characteristics between district heating systems**. District heating system improvements thereby directly reach all connected customers, in particular those in the building stock. Most importantly, the **contract with the customers must remain exclusively with the operator** of the district heating system.

Recommendations:

- Introduce individual national targets for the renewable energy share in heating and cooling (non-ETS sector) by 2030 and 2050 [Article 23];
- encourage Member States to develop specific policy measures for target achievement [Article 23];
- require the removal of any national obstacles for market-based collaboration between heat suppliers and for sector integration; provide for the contract to remain exclusively between customer and district heating system operator [Article 24].

Keep the proposed biomass sustainability criteria and adjust some details

- We strongly believe that harmonized EU sustainability criteria will considerably increase the credibility of the bioenergy sector and therefore **support the proposals in the Directive**. We are confident that we will meet the requirements and provide sustainable heating solutions to our customers. While the proposed

risk-based approach is reasonable and reflects our intentions, we see room for improvement on some details.

- The level on which the **verification and application of mitigation measures** take place in the value chain should be broadened in Article 26(5b). It **should also include biomass producers** (e.g. pellet mill or sawmill level).
- Demonstrating that management systems are in place at forest holding level – as outlined in Article 26(6) – is one method to prove compliance with requirements. Other, more economical, methods to be introduced include for example the **use of national forestry statistics to demonstrate that standing forest stocks are increasing over time**.
- The Directive is supposed to enter into force in January 2021, with national implementation by June 2021. A re-assessment and potential modification of the proposed criteria in 2023 is too early and would lead to uncertainty for market participants. **The review** foreseen in Article 26 **should rather be done in accordance with the general review of the Directive in 2026** (as outlined in Article 30 (3)).
- The proposed methodological choices in Annex VI/B(11) risk excluding pellet usage for sustainable bioenergy solutions in heat-only boilers starting operation after 1 January 2021. **Pellet mills should be enabled to use the actual value of the CO₂ intensity of their regional or national electricity mix**.

Recommendations:

- Include biomass producer level as possible level for verification and application of mitigation measures [Article 26(5)];
- introduce national forestry statistics as method to prove compliance with the requirements [Article 26(6)];
- change review date for criteria to 2026 [Article 26];
- enable pellet mills to use the actual value of the CO₂ intensity of their regional/national electricity mix [Annex VI].

Reward for the use of renewable electricity in transport

- We strongly support the target for the amount of renewable energy in transport fuels, as it will drive the development of renewable electricity-powered e-mobility. **We however doubt the need for a separate (sub-)target for advanced biofuels**. As long as transport fuels fulfil the proposed sustainability criteria, the market should decide about the fuel mix used to meet the desired renewable energy share in transport.
- We believe that **the renewable energy target for the transport sector should explicitly reward for the use of renewable electricity in transport** – be it as end-fuel in electric vehicles or as fuel for the ‘production’ of hydrogen or biofuels. This will also be an additional trigger for renewable electricity capacity.

Recommendations:

- Delete separate (sub-)target for advanced biofuels [Article 25(1)];
- determine the share of renewable electricity used in transport exclusively through the national share of electricity from renewable energy sources [Article 25(3)];
- ensure that renewable electricity used in electric vehicles only counts towards the target for the renewable energy share in transport if the equivalent amount of guarantees of origin of the electricity used is cancelled [Article 7(3)].