

Orgalim position on a proposal for revising the Renewable Energy Directive

Introduction

Representing the technology sectors providing innovative solutions which can unlock a greener and more prosperous future for the European Union and its citizens, Orgalim welcomes a new proposal for the Renewable Energy Directive ([COM \(2021\) 557](#)) (henceforth the Directive), published by the European Commission on 14 July 2021.

The revision of the Directive is an opportunity for further alignment with the new climate ambition.

Orgalim position on key elements

- **Binding overall EU target for 2030 and electricity production from biomass (Article 3)**

We strongly support a new EU target of a minimum 40% share of renewable energy sources (RES) in final energy consumption by 2030. However, the target alone is not enough to achieve the necessary deployment of renewable energy – a joint effort to facilitate and accelerate the permitting processes in the Member States is needed.

Correspondingly, the Commission needs to monitor progress to allow for a timely course correction in case the EU target might be missed.

Moreover, we are concerned about the obligation to phase out support for electricity production from biomass from 2026 as this violates the technology neutrality principle. If electricity-only plants are regarded as sustainable when they fulfil the requirements on reduction of greenhouse gas (GHG) emissions (Article 29(10) and conversion efficiency (Article 29(11)), they should be treated equally with other sustainable renewable energy technologies as regards their eligibility for state aid.

- **Joint projects between Member States (Article 9)**

We welcome the introduction of an obligation on Member States to have a cross border pilot project within three years, and to jointly define and cooperate on the amount of offshore renewable generation to be deployed within each sea basin by 2050. These provisions are a step in the right direction for strengthening regional cooperation.

- **Mainstreaming renewable energy in buildings (Article 15a (new))**

Buildings are the largest energy consumers in the EU, responsible for 40% of energy consumption and 36% of greenhouse gas emissions. Heating and cooling account for around 80% of the energy consumption in buildings; 76% of that energy comes from fossil fuels.¹ Therefore, Europe's technology industries welcome a new indicative EU target of a 49% share of RES in buildings by 2030. Also, it is a positive sign that the Commission proposes to strengthen provisions on renewable self-consumption, which is key to unlocking the demand-side flexibility and empowering consumers.

➤ Guarantees of origin for energy from renewable sources (Article 19)

The revised rules on guarantees of origin are needed to accelerate renewable electricity uptake. The revision of the Directive should also aim at designing a robust certification system across the EU for renewable hydrogen linked to Article 19 that ensures the compatibility between renewable support schemes and guarantees of origin to enable the uptake of the European renewable hydrogen market over the next decade.

➤ Facilitating system integration of renewable electricity (Article 20a (new))

We support the Commission proposal for a new Article 20a to further promote the uptake of renewable electricity in an ever more integrated European energy system. Already today, at least from technical point of view, there is no reason why heat pumps, battery storage facilities or charging stations should not be supplied with renewable energy at reduced prices during supply peaks. Economically, however, the current electricity market design, largely consisting of levies, surcharges, and fees, often prevents price signals from reaching (end-)consumers. Yet, considering the cost of electricity and CO₂ pricing, renewable energies, if sufficiently available, are cheaper than fossil alternatives. If price signals reach the consumer, there is both an incentive for optimised, flexible consumption and an incentive for a flexible supply-side. By setting requirements for the provision of dynamic electricity prices, the Directive can contribute to strengthening the coordinating function of the market through flexible pricing systems. Dynamic electricity prices are therefore a key prerequisite for a full integration of renewable energies and allow the flexibility of the future energy grid which is urgently needed. Consumers must be enabled to purchase electricity flexibly through smart grids and smart metering systems.

Moreover, network charges and transportation costs currently account for a considerable share of the retail price of electricity. They must both finance the upgrading (i.e. the required expansion and digitisation) of electricity grids and stimulate flexible load management. If the potentials of flexible load management are optimally utilised by means of digitalisation, the physical grid expansion requirements can be reduced and the increase in grid charges, which burden the electricity price and sector coupling, can be limited. The Directive should require Member States to review and, if necessary, reform their grid charging systems. Such network charge reforms require a comprehensive digitalisation of the electricity networks. Here, Member States should review the incentive structures vis-à-vis network operators and adjust them if necessary. The introduction of a 'smart grid indicator' creates transparency about the performance of the infrastructure and makes it possible to attract investments in efficient solutions.

Finally, we strongly support the obligation for Member States 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.

➤ Mainstreaming renewable energy in industry (Article 22a (new))

We welcome the fact that the Directive now also focuses on the use of renewable energy in industry for the first time. The target of increasing RES use annually by 1.1% and the requirement to replace 50% of the hydrogen used as feedstock or as an energy carrier with green hydrogen by 2030 is very ambitious. Industry not only needs to switch to green hydrogen,

¹ https://ec.europa.eu/commission/presscorner/detail/en/QANDA_21_3544

but also to invest in new technologies and processes. Instead of a subsidy-driven market ramp-up of hydrogen in industry, we prefer a market-driven ramp-up. To that end, provisions in the Directive that hinder the market breakthrough of hydrogen and other renewable fuels of non-biological origin (RFNBOs) should be removed.

➤ Mainstreaming renewable energy in heating and cooling (Article 23)

Orgalim supports that the use of waste heat and cold is recognised as a renewable energy resource that counts towards the 1.1% increase in renewables in heating and cooling.

➤ District heating and cooling (Article 24)

We welcome the higher target of energy from RES and from waste heat and cold in district heating and cooling systems. We also support the obligation to connect third party suppliers for most district heating and cooling systems (>25 MWth).

➤ Greenhouse gas intensity reduction in the transport sector from the use of renewable energy (Article 25)

Our members support the introduction of a new 13% GHG intensity reduction target. We also welcome the introduction of a new 2.6% sub-target for RFNBOs which provides an additional incentive for this initially cost intensive technology. The RFNBOs quotas are the most effective instruments for reducing emissions by ramping-up green hydrogen and derived fuels. However, the proposed quota is not high enough to incentivise sufficient investments in RFNBOs in many Member States.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,076 billion, manufacturing one-third of all European exports and providing 11.33 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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