EUROCHAMBRES position on the revision of the Renewable Energy Directive

Our economy and the European business community depend on an affordable and reliable supply of renewable energy, which is even more important given our high climate ambitions and the need to decarbonise production processes, as well as the planned closure of fossil fuel power plants – all of which is taking place against the backdrop of rising future energy demand.

Energy constitutes a significant share of industrial production costs. As a result, continuously high energy prices pose a real-world threat to the European industry's ability to continue producing while remaining competitive in a global market.

We must assure a cost-efficient and **accelerated deployment of renewable energy installations** for the energy transition to succeed. The revision of the RED II should consequently focus on lowering barriers and facilitating the uptake of renewable energy installations, as well as setting the right incentives for a targeted and cost-minimising transition of our energy system. Another focus should be on making legislation simple and clear and keeping the administrative burden to a minimum for businesses on their path to decarbonisation and increased renewable energy consumption.

Renewable energy has failed to expand at the required rate to meet our climate goals. The current proposal for the revision of RED II largely omits addressing the **duration of permitting procedures**, a deciding factor for the energy transition to succeed. Businesses are currently consoled with the promise of a review of the relevant provisions within a year after the RED revision comes into force. This is concerning as we know that in practice, those procedures take far too long and are a major cause of project delays and/or project cancellations. Given the short timeline, any additional delays in the rapid uptake must be avoided. The energy transition is reliant on the availability of appropriate infrastructure, which must be adjusted and, in many instances, built at record speed to meet the 2030 – and further afield the 2050 – goals. This by the way also holds true for the existing gas infrastructure, which must be maintained and prepared for the feed-in of green gas.

We must also remove administrative and regulatory hurdles, particularly those linked to **on-site production and use**. In doing so, renewable energy integration possibilities at the firm site will become much more appealing. Many businesses are willing to make such investments, which should be facilitated rather than hampered, given the large financing required to meet our goals. This could involve the removal and/or reduction of certain levies and fees, as well as the modification of regulations governing grid access. The reinforced provisions on **Power Purchase Agreements (PPAs)** are very positive and should receive greater attention as their usage grows.

Despite the fact that electricity will be the primary energy carrier in the future energy mix, studies predict that **gaseous fuels** will play a **significant role**. These should be viewed as a valuable and beneficial alternative where GHG emission reductions are achieved, especially in the years leading up to 2050. These are critical in making a renewable

electricity supply manageable and ensuring energy security. These will further act as a storage medium, whether in the short-term to allow for grid flexibility (e.g., supply-demand management) or in the longer-term to transition energy from summer to winter. Renewable and low-carbon gaseous fuels can also be part of the solution towards long term decarbonisation in other sectors, such as heating and cooling or transportation (e.g., long-distance heavy-duty vehicles). While electricity will become increasingly dominant in the European energy mix, potential challenges (such as a comparatively high volatility) should be pre-empted by sticking to technological neutrality and exploring alternative – and where possible – renewable and green energy sources. With new emphasis on buildings and industry, greater **energy system integration** is becoming increasingly crucial, which must be and is already partly reflected in the RED revision. The transparency and information disclosure requirements for TSOs, as well as the improved integration of industrial waste heat, are both positive in this context.

Ultimately, our transition pathway should be directed first and foremost toward the **overarching goal of emissions reduction**. With this goal in mind, market forces are best positioned to identify the most cost-efficient solutions and to choose relevant and feasible technological solutions. We might miss an opportunity to further develop promising and efficient technologies if we place too much emphasis on electrification.

The **rising CO2 price** should serve as the **primary incentive** for emission reduction and the transition to renewable energies, directing decision-making and investment toward decarbonisation and low-carbon alternatives. Additionally, we must ensure that supportive framework conditions and incentives are in place to facilitate this process. Setting additional, sector-specific renewable energy targets is not the ideal solution as it distorts competition and may result in poor resource allocation overall. Allowing diverse energy carriers, sectors, and technologies to compete on the market with the CO2 price in place as an overall steering incentive - will result in the most (cost-) efficient CO2 abatement technologies, with the least additional cost and lowest risk of carbon leakage.

Businesses require planning security – considering long investment cycles related to renewable energy installations and network adaptations – as well as supportive and **investment-friendly framework conditions** to deliver on the necessary (energy) transition. Businesses must have access to corresponding funding opportunities, such as IPCEIs and RRF funds. For SMEs, we need targeted information and training initiatives, as numerous national chambers of commerce have already implemented. Funding for such programs must also be readily available and accessible.

Furthermore, some sectors, technological developments or promising innovations, such as process heat, hydrogen or CO2 storage solutions, should continue to get strong R&D support.

With regard to **sectoral measures**, sectoral goals fail to provide support in and of themselves and may lead to inefficient market solutions. Instead of imposing more and stricter targets, appropriate incentives for desired actions should be provided. One such example is the CO2 pricing system, which will lead to increased demand for renewable energy, be it electricity, gaseous fuels or heat and cold. However, in order to trigger further renewable energy demand and support the green transition, the CO2 pricing system must be further accompanied by proper supportive incentives and provisions for businesses.

The rising CO2 price, together with supportive framework conditions, will amplify the

changes already underway in industrial processes, whether it is a shift in energy supply or a change in the manufacturing process itself. This can be supported even further by removing administrative barriers to the self-supply with renewable energy and the promotion of PPAs. An obligatory share of renewable energy is not the best answer since it may force businesses to purchase scarce renewable energy at high market costs, lowering their competitiveness. In the industrial heat segment, more hydrogen will be used, which should be accountable towards the renewable energy goal.

Similar is the situation for district heating; Instead of merely setting new targets, measures such as facilitating grid feed-in or limiting the denial of grid access to only very exceptional cases can be beneficial. It is a positive development that the rights of entities that produce and consume at the same time are strengthened.

In the building sector, companies should be free to make the most cost-optimal choice between energy efficiency improvement measures (building renovation and retrofitting) and the usage of renewable energy. The CO2 pricing system will incentivise the switch of heating systems to more efficient options. Additional specific target setting is therefore redundant and would merely increase the cost.

As a general rule, we should focus on the fuel used in a sector's infrastructure or appliances (e.g., heating system or vehicles) and whether this fuel reduces emissions, rather than the infrastructure or appliances themselves.

With regard to green and low-carbon **hydrogen and other gaseous fuels**, while we believe that expanding the use of RFNBOs in the industrial sector is a positive step, EUROCHAMBRES is sceptical about the availability of the necessary quantities at affordable prices by 2030, which is linked to the question of whether there will be enough renewable electricity to meet the demand? This is further exacerbated by the proposal's ambiguous wording: the additionality criterion could indicate that hydrogen will only be included in the targets, if it is produced using newly deployed renewable energy infrastructure, instead of existing one. This could have a negative knock-on effect of deterring investors from investing in green hydrogen and existing renewable energy installations. It is imperative that existing or subsidized renewable energy installations should not be penalised when it comes to the production of hydrogen. These requirements will become the stumbling block of renewable hydrogen expansion and are therefore strictly rejected. We should aim for an administratively easy and clear regulatory framework for a rapid scale-up of the hydrogen industry, eliminating any trade or other barriers linked to certification processes. Third countries will be included in this as well, as we will most likely import a major share of the hydrogen we utilize.

Green and low-carbon hydrogen must be cost-competitive with fossil fuel alternatives and readily available on the market. The major guiding instrument for the development of a cost-efficient and demand-driven market for renewable and low-carbon hydrogen will be the CO2 pricing system. Setting specific goals would only distort the functioning of the market.

Similar to the electricity market, a book-and-claim system in combination with guarantees of origin should be implemented for renewable and low-carbon gaseous fuels. This would permit businesses to buy hydrogen 'virtually', even if they don't currently have a network access established, while allowing for demand-driven market growth and infrastructure development just where they are needed. For this to happen, we also need a clear and

common terminology across Europe (renewable/low-carbon/decarbonised/synthetic, etc.).

International competitiveness & role of cooperation

Globally operating European businesses are exposed and extremely sensitive to potential economic disadvantages resulting from higher production or energy bills as a result of unilateral European or nationally implemented regulations. Any measures and their potential consequences must therefore be evaluated in the context of sustaining international competitiveness.

Support scheme tenders for new renewable energy installations should be competitive and offered on a European level. Investments should take place across national borders, and member states should work together to realise projects. While the provision for one mandatory common project by 2025 is a positive step – as is the broadening of the mechanism to include hydrogen – it will be insufficient to meet the 2030 targets. Each region should build on its unique geographic characteristics, contributing to an integrated European network approach, while taking into consideration certain limitations of island states. In addition, the EU should collaborate with third countries to ensure a future energy supply that is renewable and affordable. The EU must take a proactive role in promoting cross-border collaboration agreements and infrastructure deployment so that high-potential areas can be efficiently and securely developed and utilized.

Further information: Ms Stefanie Sieberer, Tel. +32 2 282 08 90, sieberer@eurochambres.eu
Press contact: Ms Karen Albuquerque, Tel. +32 2 282 08 72, albuquerque@eurochambres.eu

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