

Friends of Renewables Communiqué: Continuing on the right path to climate neutrality

The adoption of legislations from the European Green Deal including REPowerEU was an important step towards accelerating the energy transition. Great efforts have to be made by Member States (MS) to achieve our 2030 targets and establish a credible trajectory for reaching our 2050 goal of climate neutrality, to be in line with the objectives of the Paris Agreement. The outcome of the first Global Stocktake (GST) at COP28 in Dubai 2023 is historic and gives tailwind with its global goals of tripling renewable capacity and doubling the rate of energy efficiency improvements. To enhance the rollout of renewable energy sources (RES) and energy efficiency, as well as the necessary infrastructure (e.g. grids, storage), we need to focus on how the implementation of the 2030-framework can be enhanced. We also need to look ahead and create an energy sector policy framework post-2030 to ensure the necessary investment incentives in the field of renewable energy, as part of a reliable climate and energy investment framework for post-2030.

The next years will also be crucial for reducing energy prices, for our industry as well as for our citizens. Our high reliance on fossil fuels combined with the Russian war of aggression on Ukraine, as well as Russia's weaponisation of their energy supply, showed itself to be a dangerous mix. Through united EU action, we managed to implement various emergency measures which stabilised prices and prevented further increases. Special attention was given to vulnerable consumers and those experiencing energy poverty. We need inclusive solutions that encompass all citizens and all MS in the climate transition journey; leaving no one behind and achieving strength through unity. Interconnection and cross border cooperation are key to reducing our energy prices, facilitate the transition, the market functioning, alleviate network congestion and accelerate decarbonisation. It is high time to ensure the full participation of all MS in the internal energy market.

Our mission as 'Friends of Renewables' (FoR) is to advance the rollout of renewable energy in Europe to contribute to a dynamic, sustainable, affordable and equitable energy future for all citizens and our economies. We propose a set of measures that should be at the cornerstone of our energy policy priorities and those of the next European Commission to enable the rapid deployment of renewables in the years to come.

What we need to get to 2050

The EU Climate Law requires the European Commission to propose a 2040 climate target in 2024, which shall, inter alia, consider the best available and most recent scientific evidence, including the latest reports of the IPCC and the Advisory Board. In order to achieve this target, we need to create a **reliable policy framework post-2030**

also for the energy sector, building on the 2030 framework and its full implementation. This includes a revision of the governance regulation covering the post-2030 framework as well as a revision of the Renewable Energy Directive III covering post-2030, while providing for more flexibility and taking into account the international context. The framework should be supported by an implementation agenda of the European Commission lifting existing barriers to the energy transition to achieve our targets. Advancing system integration across multiple energy carriers, infrastructures, and consumption sectors is essential for an effective, secure and affordable decarbonisation of the European economy; for this, further integration of renewable energy sources and improving energy efficiency is needed. The design of policies and measures taking into account the energy efficiency first principle shall focus on accompanying the fast deployment of flexibility solutions such as energy storage, electrolysers, cross-border interconnection capacity, heat pumps, electric vehicles with smart charging as well as V2G (vehicles to grid), self-consumption and demand-side management. Renewable gases (such as biomethane) and fuels can also play an important role towards climate neutrality by 2050.

To accommodate a rapid transition and an efficient scaling up of renewables, it is important to identify ways for flexibility solutions to grow at a similar pace. Electrification of end-use sectors should be promoted in a way that stimulates flexible or smart use. As electrification, both direct and indirect, is a key driver for progressing towards climate neutrality and economic growth, any policy or action from the Commission should strive to strongly support RES deployment and integration as a way to foster technological leadership in clean technologies while ensuring affordability, competitiveness and energy security.

Enhanced EU energy-market integration supports the goal of climate neutrality by 2050 and related intermediate EU energy and climate targets. It is at the core of the transition to a future proof, efficient, competitive, resilient and predominantly RES based energy sector. To deliver on the integration of markets, it is key to ensure efficient investments in adequate energy infrastructures with a focus on cross-border electricity and hydrogen networks, including an updated financing mechanism. We encourage the Commission to move forward in the implementation of the EU Grid Action Plan and the Council Conclusions „Advancing Sustainable Electricity Grid Infrastructure“ as a key driver for electrification, focusing on measures that lift restrictions on the smart and efficient use of existing and planned electricity grids as an element to improve the flexibility of the system (combined with time-shift measures such as storage or demand response resources) and to address grid congestion while avoiding overinvestments and redundancies. As we progress towards a climate-neutral electricity system, system stability will be increasingly determined by renewable electricity generation, demand and storage, therefore, additional measures (like new grid connection rules) might become necessary.

The energy transition is an agenda of opportunities. We need to strengthen our frameworks to accelerate the green transition, ensuring the competitiveness of

European industry and boost it in key areas where European companies have the technological lead.

To achieve this, we must make progress on the following fronts:

- Increasing **open strategic autonomy** by reducing external energy dependence. This should be accompanied by specific measures such as the implementation of legislation such as Net Zero Industry Act and Critical Raw Materials Act to safeguard strong EU value chains for strategic manufacturing capacities for key technologies and the needed raw materials.
- Reinforcing the **production capacity and the supply of strategic raw materials** for energy. To this end, it is necessary to establish foundations for a transformation of the strategic mineral raw materials industry, in a circular economy context, to guarantee supply in a more sustainable and efficient way. This would maximize benefits along the value chain and diversify supply, thus contributing to European industrial sovereignty.
- Establishing **alliances with reliable partners** who share the same strategic vision of the energy transition, to move jointly towards an open strategic autonomy.

Permitting of RES projects & sustainable energy infrastructure

Speeding up investments into renewable energies and sustainable energy infrastructure is key to reaching our climate and energy targets, ensuring affordable energy prices and preserving energy security. The Impact Assessment of the 2040 Climate Communication shows that we need to significantly increase renewable energy capacity by 2040, which also leads to investment needs for energy infrastructure. To be able to realise these investments in due time, permitting procedures need to keep pace with investment needs. We have made significant progress through the emergency permitting regulation and the latest revision of the RED, where this aspect was for the first time seriously addressed. However, we are not yet on track with the necessary speed for reaching the 2030 targets. Fast and efficient planning and permitting for renewable energy and grid projects must become the norm, not the exception. While streamlining administrative procedures, it is also important to ensure that no significant harm is caused to protected species' populations. Moreover, cultural and societal circumstances, and spatial and demographical conditions in Member States as well as the early involvement of local communities should be taken into account to ensure public acceptance. The FoR welcome the Commission's initiatives to support Member States' implementation of the already existing legislation as well as measures aimed at facilitating Member States' compliance and early application of RED III provisions.

We recommend the next Commission to:

- Thoroughly **analyse any remaining barriers for fast deployment of RES and grids** in the EU acquis. A cross-sectoral evaluation that would look into maritime spatial planning, environmental and nature regulations and other relevant procedures could help to identify barriers and bottlenecks to the energy transition, and to develop an implementation agenda on this basis to help address these barriers and bottlenecks to facilitate the energy transition.
- Put forward a targeted legislative proposal for a **Directive on the Acceleration of Permitting of RES and Energy Infrastructure**. Such an initiative should address identified barriers to ensure more efficient permitting procedures and implementation and reduce bureaucracy for RES and electricity and hydrogen grids, in order to speed up these procedures and the implementation significantly while ensuring the protection of the species' population for considering biodiversity concerns, local and public acceptance and avoiding delays of the RED III implementation.

Concerning the abovementioned proposal, we suggest that this should be based on the revised RED III as well as the permitting emergency regulation and focus on the factors causing delays with permitting procedures. The proposal should focus on enabling Member States to limit obligations, simplify assessments and focus on the population of species where Member States want to apply such rules ("may clause").

One single market for all

The explosive growth in renewables must be accompanied by more flexibility. Cross-border energy interconnections are key for a fully functioning energy internal market, and urgent measures are needed to ensure the further integration of cross-border EU power systems, including the achievement of the EU electricity interconnection targets for 2030. Moreover, greater emphasis should be placed on demand response, storage and flexibility and solutions to better integrate volatile production of RES. Although these elements will help to address the challenges mentioned above, electricity prices are still expected to fluctuate more than before.

We recommend that the next Commission:

- Develops a general toolbox for Member States to better **manage the integration of volatile production**. In this regard, locational signals might become more important so that scarcity can acquire a spatial, and not just a temporal, component.
- Considers how the broadly used model, where renewable project developers typically rely on some kind of state support, could be gradually improved by a system where producers and end-consumers bear more market risk. It is

important that all market participants, including operators of renewable energy plants, have the **right incentives in terms of dispatch and investment decisions**. To allow market signals to drive a sustainable and economically logical green transformation, related state aid mechanisms approval processes that accommodate system integration needs while deploying renewables should be simplified and accelerated. Launch an assessment on the grid tariffs framework, including on current restrictions set at EU-level for network tariffs paid by energy producers, since they will constitute an increasing proportion of electricity costs.

Delivering on the full renewable energy potential

It remains a key challenge that the renewable energy potential across Member States is geographically unevenly distributed, and does not always align with the location of greatest demand. Some Member States have an offshore potential that is significantly larger than their consumption needs while others have a significant demand for renewable energy, but lack the potential to produce it in sufficient quantities. Therefore, we must find collective European solutions to ensure that we realise the EU's full renewable energy potential, including offshore hybrid projects with radial or meshed connections. Delivering on the Projects of Common Interest (PCIs) needed to overcome the lack of interconnectivity of many regions in the EU and to get to a highly connected, integrated internal energy market remains crucial in this respect. We need to make sure that renewable energy projects benefit all communities fairly.

We recommend that the next Commission:

- Assesses the challenges in **delivering on the full offshore and onshore renewable potential** on coordination and cost and risk sharing between those concerned, including uncertainties about market revenues and investment risks.
- Creates an EU framework that supports and incentivises the required renewable investments, including large-scale offshore infrastructure projects with cross-border effects, inter alia by looking into a **voluntary, fair and balanced cost-benefit sharing mechanism** that is based on objective criteria. The allocation of costs of cross-border projects has to take into account PCI projects already under development and the very different degree of market integration across the EU. Such a future policy framework should take into account the unique circumstances of all Member States which are at the periphery of the European electricity grid, including for smaller sized offshore projects which could still yield significant high impact for at least one participating Member State.

- **Strengthens cross-border coordination and cooperation** between institutions such as ACER and ENTSO-E and their national counterparts (TSOs and NRAs) to ensure a common regional approach and perspective.
- Without prejudice to the future MFF, re-thinks the approach towards EU funding, aiming to **make EU support more accessible** when a project offers significant EU wide or regional benefits, bearing in mind the specific needs and circumstances of less connected, peripheral, outermost or isolated regions. In particular, adequate Union funding for the energy transition and sectoral decarbonisation such as via the Connecting Europe Facility (CEF) and the EU Renewable Energy Financing Mechanism (REFM) post-2030 needs to be ensured to reap the benefits of cross-border cooperation.
- Provides guidance (e.g. in form of a basic methodology and recommendations) on the **cross-border cost allocation procedure** with the aim of facilitating and speeding-up the negotiation process between Member States.

Rapid ramp-up of the European hydrogen economy

According to the Commission's projections, green hydrogen could represent a considerable part of the renewable energy consumed towards 2040 and 2050, particularly in decarbonising hard-to-abate sectors, such as heavy industry, maritime transport and aviation. Therefore, advancing the market for renewable hydrogen will be crucial for the future energy systems and an important next step in making full use of EU's renewable energy potential, while providing an important cornerstone for flexibility and adaptability needs. However, to effectively realise the potential of green hydrogen in the future energy system, more action will be needed.

We ask the next Commission to:

- Create an enabling and supportive regulatory framework by ensuring reliable, transparent, predictable and international-oriented **certification schemes**.
- Foster the roll-out of an integrated and cost-efficient European hydrogen **infrastructure** by incentivising the development of cross-border infrastructure planning and closely coordinating with other energy infrastructure planning.
- **Boost targeted demand and scale up the production** of renewable hydrogen and derivatives by aligning the legislative set-up and upholding an ambitious approach to sector-specific utilisation. An appropriate auction design under the European Hydrogen Bank and fair cross-border access to the supported hydrogen could help mitigating any regional imbalances. The auctions are considered to be an important element in scaling up the production capacity in Europe and foster effective price disclosure. The design elements and the

qualification requirements should duly take account of the maturity state of current projects and of the availability of the envisioned RE sources. In this regard, the additional budget cap in auctions-as-a-service within the national windows should also be deleted.

- Intensify the development of **strategic partnerships** and support the development of import infrastructure and cross-border infrastructure with third countries. When negotiating Memoranda of Understanding with third countries, the Commission should take into account factors like environmental protection, social safeguards, protection of water resources and local land use rights.

Funding our future - Scaling up sustainable financing for renewables and efficiency

Besides ensuring adequate Union funding for renewables such as via the Connecting Europe Facility and the EU Renewable Energy Financing Mechanism up to 2040, Europe primarily needs to scale up private finance for investment in renewables, electricity grids and interconnections, net zero infrastructure and the renovation wave.

The EU's Sustainable Finance Framework is a competitive asset that we should leverage and build on. Innovative solutions could help maximise the benefits and impact of sustainable finance tools and generate tangible financing advantages for renewable energy as well as for energy efficiency. Tailored to the specific financing needs of the energy transition, such solutions could yield a double impact: building a competitive, sustainable finance market in the EU and channelling investments to renewable energy and energy efficiency projects to downsize the investment gap.

Without prejudice to the future Mid-term Financial Framework, we further identify the following example of how the Commission and both European and international financial institutions could help address the green transition, along with the challenges in this regard:

- A voluntary **EU Green Loan Standard** could be developed and its use incentivised similar to the EU Green Bond Standard, in that it can help leverage the banking market and steer investments into renewables and energy savings, as well as support financing the renovation wave. As a voluntary standard, an EU Green Loan Standard would not lead to additional regulatory burden but rather support the voluntary uptake of green loans.

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