



European Renewable Energy Council

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EREC POSITION PAPER

Report of Claude Turmes on the Directive on the promotion of the use of energy from renewable sources

Brussels, 28th of May 2008 - The Rapporteur of the European Parliament Claude Turmes recently presented his report on the Directive on the promotion of energy from renewable sources. EREC welcomes most of the proposed changes and urges Parliamentarians to further improve the draft directive.

The report brings significant improvements to the Commission's proposal. All major areas where the Commission's proposal was too weak are tackled in a substantial way, apart from renewable energy in transport. A further removal of administrative barriers, the strengthening of priority grid access, the setting of binding interim targets for Member States while giving them adequate flexibility mechanisms and offering new financing possibilities are all useful tools to meet the 20% target. The specific conditions for a target-oriented directive are now clearly enforced by the Rapporteur who introduces direct penalties against underperforming Member States.

However, the report challenges the mandatory target of 10% renewables in transport. EREC believes this is a big mistake based on wrong assumptions. With this proposal, Europe would lose its ability to influence the world's production of sustainable biofuels and give up a crucial alternative to our oil dependency and its ever increasing prices.

Binding interim target & Introduction of Direct Penalties

The Commission has proposed indicative interim targets for renewable energy. Member States could therefore delay efforts until the very last minute as these targets are not mandatory. The

Rapporteur proposes to make these interim targets binding. The Commission should as a consequence impose direct penalties on Member States which fail to comply with the binding interim targets. The penalty should be set at an appropriate level to provide strong incentives for Member States to invest in renewable energy. *“This provision provides a strong incentive for Member States to commit to active policies on renewable energy sources right from the beginning and is an idea that EREC strongly supports. Most importantly, it will make sure that Member States do not delay efforts until the very last moment”*, says EREC President Arthouros Zervos.

With the introduction of binding interim targets, an increased flexibility mechanism for Member States is proposed by the Rapporteur:

Flexibility Mechanisms for Member States

The Commission wishes that the Directive ensures the acceptance of the national binding targets by introducing flexibility mechanisms. It has based its flexibility approach solely on the trade of guarantees of origin (GOs), changing them from disclosure documents into trade goods and neglecting the fact that this proposal would create the opposite of flexibility: A loss of control for governments over their national targets and at the same time legal uncertainty for existing national support mechanisms.

In the Commission’s proposal, private companies would have control over the GOs at the expense of governments. A complicated, legally uncertain mechanism to opt-out of such a system was proposed. This happened due to last-minute changes in the Commission’s policy and lack of time for proposing a legally sound mechanism.

Consequently the Rapporteur now proposes real flexibility via different mechanisms and creates the possibilities for a trade of transfer accounting certificates for those Member States who want it - without harming others in their ways of meeting national targets.

EREC supports this “opt-in” rather than “opt-out” mechanism. Only with such an approach can governments maintain control over their targets and decide on how to meet them.

Furthermore, the voluntary market for guarantees of origin – with the Rapporteur’s proposal - will not be destroyed while the Commission’s ideas would lead to such a situation.

The additional new mechanisms for those Member States who want to fulfill part of their target across national borders provide Member States with sufficient flexibility in EREC’s view.

Administrative Barriers

The report significantly strengthens the directive proposal on the removal of administrative barriers. These administrative barriers are still a major problem for renewable energy development and need to be removed. There are a number of non-cost related options to be integrated for any Member State in its regulatory framework in order to really push renewable energies. This is reflected in planning regulation and administrative procedures. Without the removal of administrative barriers, RE support mechanisms are handicapped to deliver. A clear deadline is proposed for Member States to come forward with concrete measures on the administrative procedures, regulations and rules for the promotion of renewable energies. *“This provides for administrative barriers to be removed as quickly as possible and paves the way for a strong development of renewable energies”*, says Arthouros Zervos.

The report also foresees that Member States should establish by 31 December 2010 – for instance at regional level - a single administrative body responsible for processing authorisation, certification and licensing applications for renewable energy installations and providing assistance to applicants. *“This provision has been implemented in several Member States already. It allows better streamlining of renewables investments”*, adds EREC’s President.

Developing Infrastructures and Priority Grid Access

EREC President Arthouros Zervos states: *“The Rapporteur complements the Commission’s proposal on infrastructure development and priority access for renewables: indeed the report broadens development of infrastructure and priority access to include district heating networks and gas pipelines. This is crucial for the renewables sector”*.

The Rapporteur also proposes to speed up the development of interconnectors and network infrastructures to develop renewable energies in neighbouring countries in the North Sea and the Mediterranean area. The report provides for a better sharing of the costs related to grid infrastructure and therefore addresses the key issue of non-socialisation of grid adaptation costs for renewables which discriminates against renewable energy sources. Member States shall require Transmissions system operators and Distribution system operators to bear the costs of grid reinforcements related to renewable energies.

Renewable Energy Obligation in Buildings

The building sector is responsible for 40% of today’s energy demand. As changes in this sector come very slowly, the European Commission proposed to make the use of renewable energy obligatory in new or refurbished buildings. Such a measure has proven to successfully stimulate healthy market growth in several Member States. The Rapporteur has further strengthened the Commission’s proposal in particular by deleting exemptions to the obligations and by including a provision to make plus energy buildings the building standard at the latest in 2015. EREC welcomes both, the original proposal of the European Commission and the amendments of the Rapporteur. Together the proposed measures would have a significant impact on the uptake of renewable energy in the buildings sector – already in the short term.

Strengthening of “Renewable Action Plans”

The Rapporteur proposes a concrete outline for the so-called “Renewable Action Plan” – the former National Action Plans. These plans should provide for two things: They give Member States the flexibility to decide for themselves how they want to meet their national targets, but at the same time they create investor security by setting clear goals and mechanisms on the national level. With the improvements proposed by the Rapporteur, these plans can become a very important tool. They should include detailed mandatory outlines and targets for the different renewable energy sectors (heating/cooling, electricity and transport fuels), which show the way ahead on the national level. In addition, support measures to meet the national targets must be outlined. If a Member State falls short of its interim target, it must produce another action plan which will make sure that the Member States can catch up on their delay. *“For the industry, it is very important to know how a Member State wants to meet its target. This creates investor security and mobilizes private capital. This goes in the logic of the Commission’s proposal and further strengthens this provision”*, says EREC President Arthouros Zervos.

Public & Private Financing for Renewable Energy Sources

In order to improve the financing of the 20% target, the Commission and the Member States should present in 2009 a plan aiming at a better use of structural funds and funds from the European Investment Bank for renewable energies. *“This provision will in particular help Member States with a lower GDP per capita to finance renewable energy development”*, states EREC’s President. These Member States are eager to invest but sometimes lack the resources. EU funds should be used in a coherent way to promote the overarching principle of sustainable development and its specific application in the sector of renewable energy.

Removal of the “Biofuels” Target

EREC firmly believes that the Rapporteur is making a big mistake in removing the binding target for renewables transport fuels. His suggestion to delete the binding biofuels target and to regulate most of the biofuels issues in the Fuel Quality Directive is rejected by EREC.

The on-going media debate on biofuels – driven by a strange alliance of big oil companies, multinational food-producers and some environmental NGOs- is to a large extent an emotive debate and neglects an analysis of the overall market concentration in the food and agricultural market, where biofuels only add a tiny fraction. EREC regrets that despite these clear facts which need to be stressed in the public debate and which should be well-known to the Rapporteur, he suggests removing the scientifically-based target proposed by the European Commission, supported by the Council and by the European Parliament’s Thomsen Report which was adopted last year.

EREC urges to maintain the mandatory 10% target for renewables in transport and encourages the development of strict sustainability criteria.

As the European Commission points out, the EU transport sector depends on imported oil for 98 per cent of its needs. 80 per cent of the EU imported oil comes from Russia, Saudi Arabia, Libya, Iran and Norway. Increased demand for food in countries such as China and India, high oil prices and speculation are the main causes for increased food prices. Indeed, there are good and bad biofuels. To separate the two, the Commission proposed strong sustainability criteria to make sure that only those biofuels that comply with the criteria count towards the target: sustainability criteria and the binding 10% target are linked to each other.

The Council, in close cooperation with the Commission, is now further developing sustainability criteria to be presented soon to the European Parliament. These criteria are a world premiere and would apply to both domestic production and imports. Deleting the EU target will have only a marginal impact on global biofuel production and use (90% takes place outside the EU and the 10% target will not change this ratio dramatically). Furthermore, biofuels development will happen in any case on the planet: The EU is creating the opportunity of setting a new standard in the world; dismantling our own biofuel target will take away justification for a new global standard on sustainability. It is up to us to make this happen or not and to trigger a debate on sustainability criteria at global level. The EU should not miss this opportunity. Introducing sustainability criteria for biofuels is just the start for eventually having such criteria for all forms of fuels. However, only a binding objective can justify this important step.

Furthermore, the mandatory target will create the necessary incentive for industry to develop advanced - also called 2nd generation - biofuels from biomass. Without an incentive for the 1st generation, which the 10% provides, we will not see the investments for large scale 2nd generation biofuels emerging in the future.

EREC also believes it is wrong to discuss the biofuels sustainability criteria within the fuel quality directive. Oil companies can reduce their emissions significantly without biofuels. Therefore we should impose measures on the oil companies within the fuel quality directive to reduce their emissions structurally and not via biofuels. In addition, sustainable biofuels could then lead to an even further reduction of emissions in the transport sector. We can create a win-win situation in terms of GHG savings in the fossil fuel production chain and in the transport sector at the same time.

Application of Biofuels Sustainability Criteria to the Biomass Sector

The biomass sector is much more complex than the biofuel sector. The biomass sector entails not only the biofuels sector but also biomass for heating/cooling and biomass used to produce electricity. Therefore, it is composed of a larger variety of raw materials, transformation processes and end-uses. As a result, it also has a much larger market share. Therefore, the specificities of the biomass sector should be appropriately taken into account in the drafting of sustainability criteria. Indeed, one cannot just use biofuels sustainability criteria – tailor-made for biofuels - to tackle the different issues of a much larger sector.

EREC has been calling for biomass sustainability criteria for a long time, but these must be adjusted to the specificities of the biomass sector. Therefore, EREC proposes to wait for the results of the consultation the European Commission organizes to identify sustainability criteria adapted to the biomass sector. The Commission will soon launch this consultation and present a communication followed by a legislative proposal incorporating the results of the consultation and addressing this specific issue. EREC fully supports this process which will ensure that sustainability criteria for biomass will be drafted in a relevant way.

Information and training

In its Directive proposal, the European Commission included a specific article on information on support measures, costs and benefits and energy efficiency of renewable energies. EREC agrees that awareness and transparency are vital to the success of renewable energies. Furthermore, the proposed introduction of a certification of installers by accredited training programmes should also positively contribute to the widening of knowledge of renewable energy technologies.

The proposal of the Commission nevertheless lacks clarity and consistency and inter alia mixes-up the issues of accreditation of training courses/bodies and certification of installers. EREC therefore regrets that the Rapporteur did not propose to clarify these provisions; especially by distinguishing certification from accreditation in Annex IV and describing more precisely the theoretical part of training for each technology. In addition, EREC considers it vital that relevant stakeholders are closely involved in the development of the accreditation and certification schemes in order to be able to deliver their technical expertise.

EREC believes it is essential that the quality of the installations is ensured via certified installers in the framework of the obligation to introduce minimum levels of renewable energy sources in new or refurbished buildings. A sufficient adaptation period should however be granted for the development of certification schemes as the latter are still in an embryonic stage in a number of Member States.

EREC, the European Renewable Energy Council, is the umbrella organisation of the major European renewable energy industry, trade and research associations active in the field of photovoltaics, small hydropower, solar thermal, bioenergy, ocean & marine, geothermal, wind energy, concentrated solar power and biofuels. It represents an industry with an annual turnover of more than 40 billion € and more than 350.000 employees.

EREC represents:

- AEBIOM (European Biomass Association)
- eBIO (European Bioethanol Fuel Association)
- EGEC (European Geothermal Energy Council)
- EPIA (European Photovoltaic Industry Association)
- EREF (European Renewable Energies Federation)
- ESHA (European Small Hydropower Association)
- ESTELA (European Solar Thermal Electricity Association)
- ESTIF (European Solar Thermal Industry Federation)
- EUBIA (European Biomass Industry Association)
- EU-OEA (European Ocean Energy Association)
- EUREC Agency (European Renewable Energy Research Centres Agency)
- EWEA (European Wind Energy Association)