

# A closer look at renewables and opportunities for an Energy Union

## Regional Workshop on 2030 RES Target Setting Options

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## Elements of determining a RES

- Strong role of renewables in Europe's future energy mix emphasized already by the „Energy Road Map“ (COM(2011) 885/2): *“Strong growth in renewables is the so-called 'no regrets' option.”*
  - General motivations are security of supply, economic competitiveness and environmental sustainability
  - The European Council adopted a **RES target of 27% by 2030** based on 40% GHG savings and 27% energy efficiency targets
  - Debate on 2030 governance informed by comprehensive impact analysis of all relevant economic drivers caused by renewable energy policy (energy system and macroeconomic impacts)
  - Key argument for a RES target: Lower financing costs for capital intensive technologies and better coordination between generation and infrastructure planning
- Reducing the costs of EU Energy and Climate targets

## Elements of determining and implementing the RES target

- Target design elements
  - Target setting procedure / design of target
    - Ambition level
    - Reference value
    - Bindingness of target
  - Effort sharing
    - Application level (geographic)
    - Target allocation procedure (top-down, bottom-up, pledging, benchmarking, pledging-proportionate contribution to EU instrument)
    - Sectoral target setting flexibility
    - Geographical target setting flexibility

## First results: Identification and qualitative analysis of target setting

### • RES-target on EU-level

EU council agreement  
in October 2014:  
27% RES target,  
binding at EU level

Application level (geographic)	<b>EU target</b>
MS target allocation procedure	not applicable
Application level (sectoral)	<b>GHG target plus RES and EE target</b>
Bindingness of target	<b>Binding</b>
Target setting flexibility	<b>Fixed at EU level</b>

- Effort shared across all EU electricity consumers. Related to GDP?
- Who is held (legally) responsible in case the target is not achieved?
- How are voluntary contributions by MSs incentivised?

# Implementing the EU climate and energy framework - 2<sup>nd</sup> issue paper

## • Policy recommendations

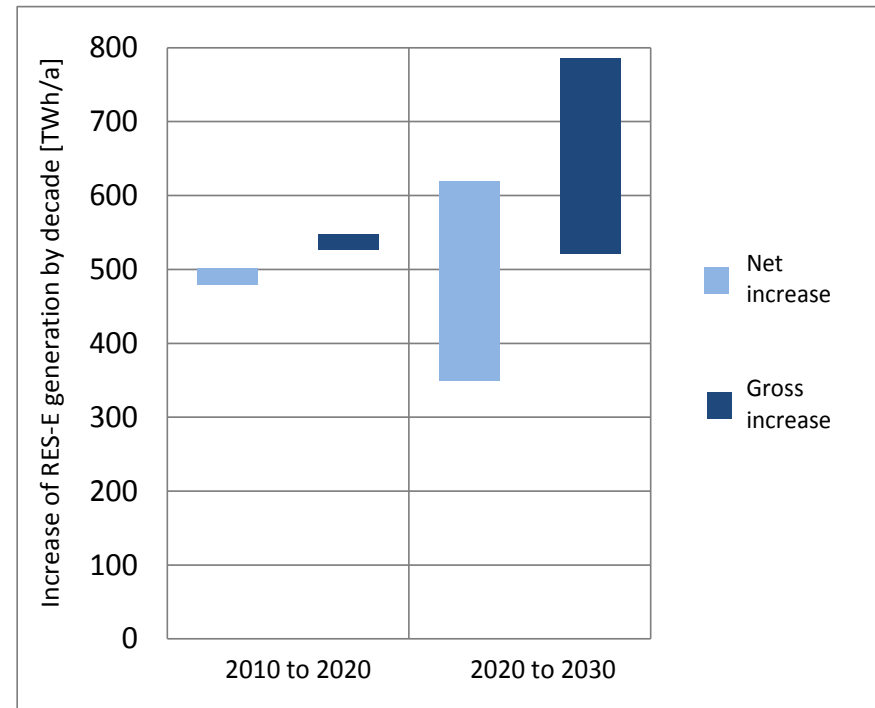
1. Moderate dedicated **support** for renewables is required to reach the 2030 target of 27% renewables.
2. **Benchmarks** of how to break down the EU-wide target to member states should be provided in order to encourage sufficiently ambitious pledges.
3. The concept of an **Energy Union** can be developed further by supporting regional targets for renewables and grid infrastructure.



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## The EU RES target: Need for dedicated policies?

- The ambition level of the 2030 target on EU-28 level
  - In terms of the resulting macro-economic impacts the agreed target of 27% is only **moderately ambitious**
  - In terms of overcoming economic and non-economic barriers the ambition level of a 27% target should not be underestimated due to the need for **replacement of RES** plants build before 2010
- ⇒ **Moderate but dedicated support for renewables will be required to reach the 2030 target of 27% renewables**



Net and gross increase of renewable electricity generation at EU level by decade (2010-2020 vs. 2020-2030)

## The EU RES target: Need for national planning?

- What are the requirements for the future RES governance?
  - EU target should be “*fulfilled through Member States contributions guided by the need to deliver collectively the EU target*”
  - All Member States should contribute → need to define their fair share
  - Member States should be aware that EU-wide binding target means (financial) commitment for all Member States
  - Increased flexibility for Member States (compared to 2020 framework)
  - RES investors will need transparency and reliability to deliver the target → need for transparent and reliable planning framework; enforcement of EU target
  - Reliable national commitments also needed to coordinate investments in grids and generation assets
  - National energy and climate plans will be an important element

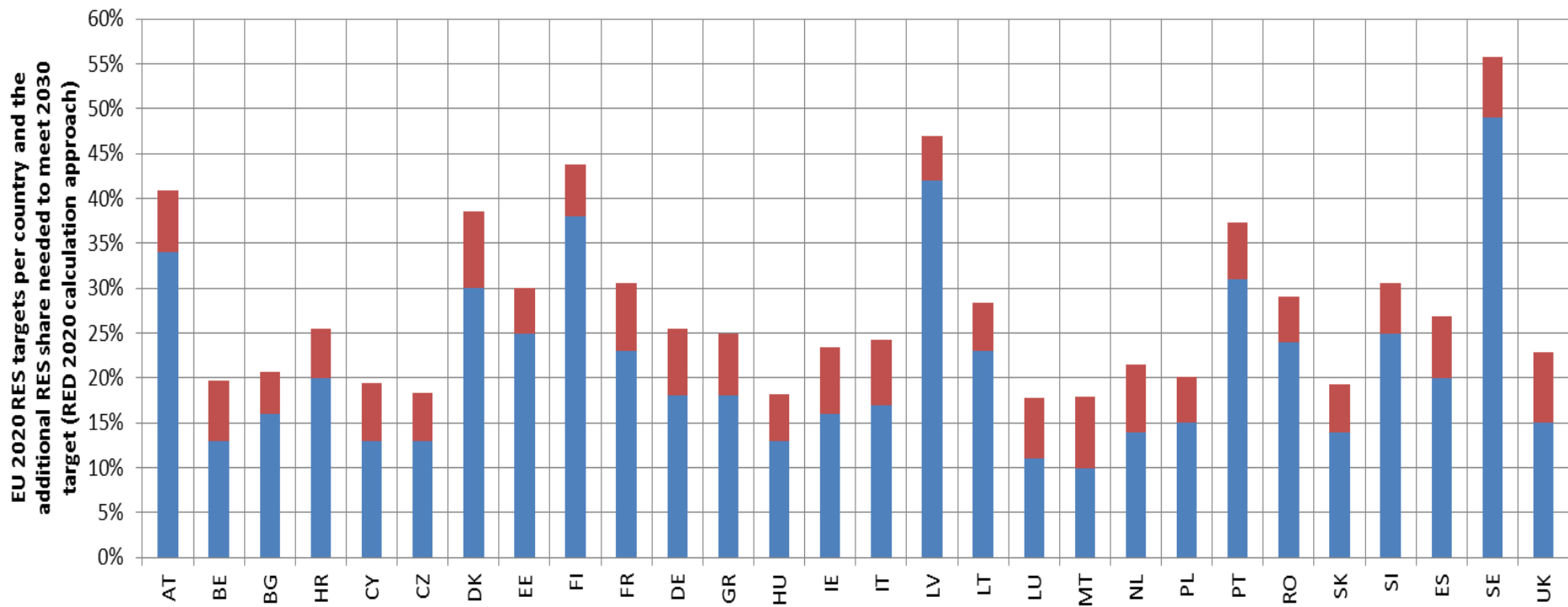
## The EU RES target: Need for EC guidance on national contributions?

- How to break down the EU wide target?
  - EU target allocation to smaller regional entities via **top-down** or **bottom-up** approach
    - Under a **top-down allocation** individual targets typically sum up to the overall target of 27%
    - **Individual (bottom-up) pledges** may fall short of the overall EU-target => in this case financing mechanism or iteration of pledges would be required to close the gap
  - **Benchmarks** by the EC (on regional or national targets) could better guide the pledging procedure and require MS to specify a higher or a lower target
  - **Combining** national or regional **pledges with** a top-down **benchmark** provide quantitative indication for a potential national or regional target
  - A **first benchmark** could be based on the logic of the **2020 target allocation** (flat-rate increase + econ. strength + past efforts) + other transparent criteria (costs, potentials)
  - ⇒ **EC should publish benchmarks /indicators of how to break down the EU-wide target in order to encourage sufficient pledges of member states**



## The EU RES target: Need for EC guidance on national contributions?

- How to break down the EU wide target?
  - Base case is the 2020 allocation method





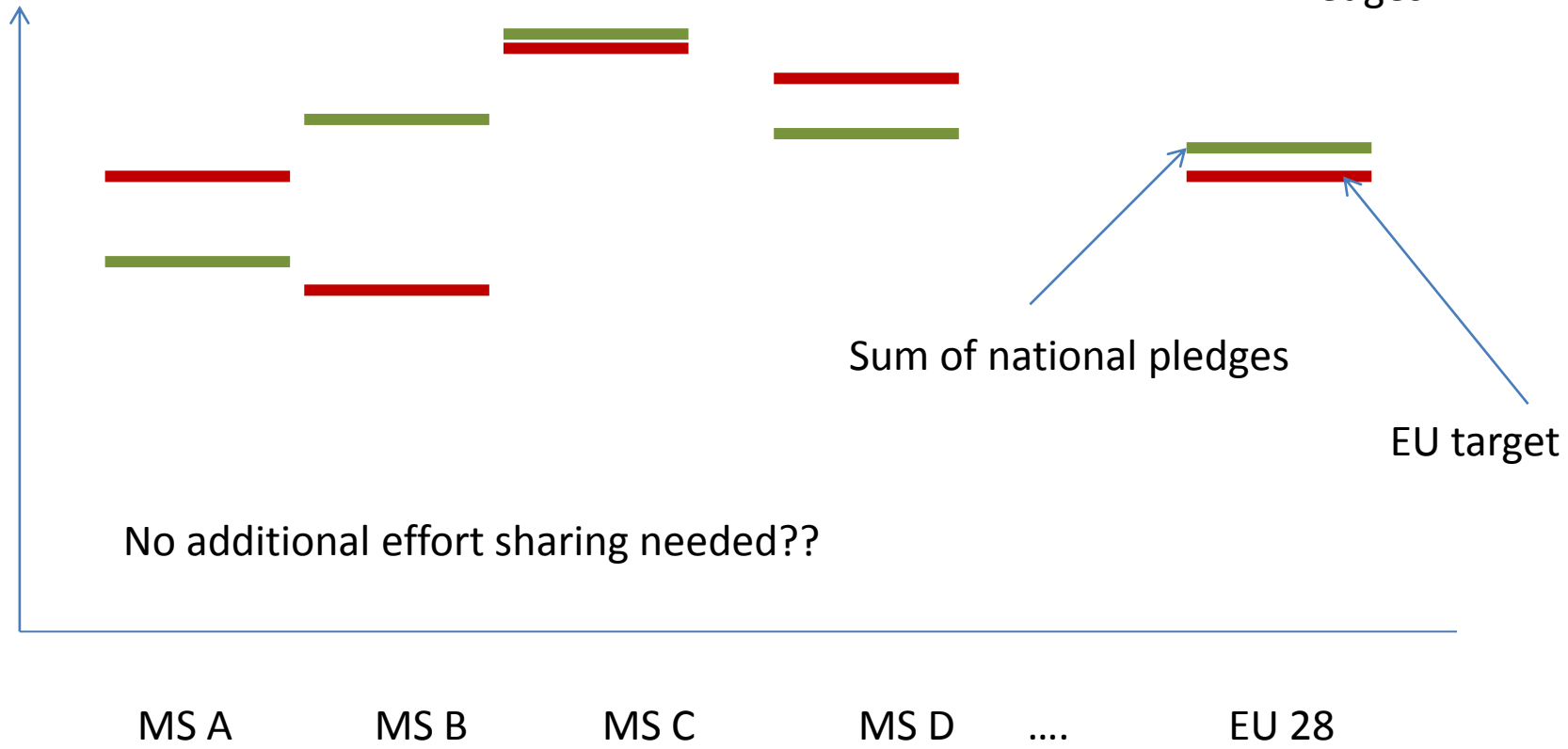
## How to fill a potential gap between target and pledges?

- National pledges as main tool for distribution of EU level target to MS level
  - Pledges may or may not add up to EU target of 27%
  - In case that pledges do not add up a pledge and review procedure could be implemented
  - Remaining gap will have to be filled by an EU gap-filler instrument
- Differentiate between
  - Pledging gap
  - Compliance gap

Effort sharing for a potential gap – benchmarks versus pledges



Option 1: national pledges add up to the EU target

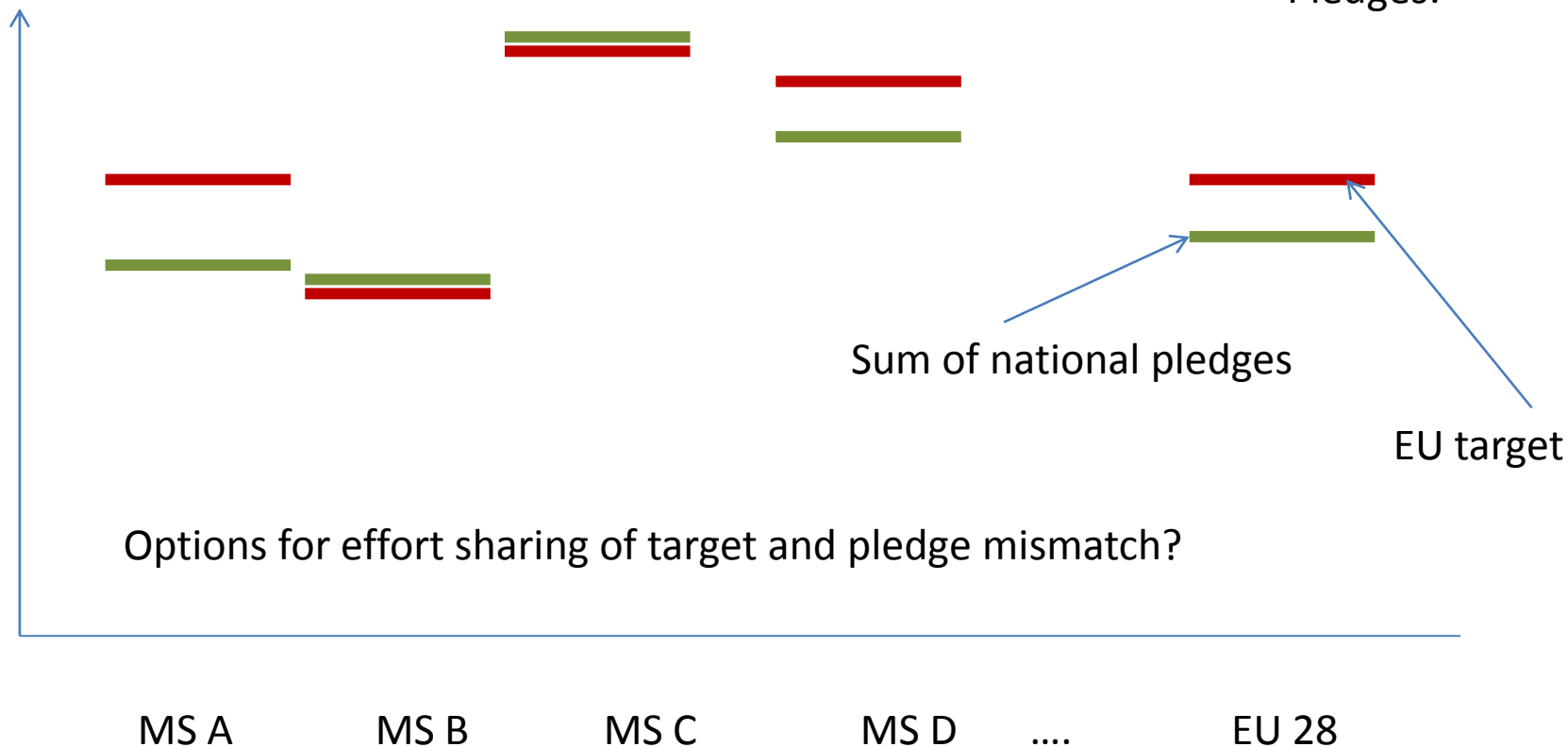
Benchmarks :   
Pledges: 



Effort sharing for a potential gap – benchmarks versus pledges

Option 2: national pledges do not add up to the EU target

Benchmarks :   
Pledges: 



Options for effort sharing of target and pledge mismatch?



## How to fill a potential gap between target and pledges?

- Requirements for the allocation of the MS contribution to the gap filler:
  - Minimize pledging gap by enabling conditions and proper pledging incentives
  - Minimize compliance gap by enabling conditions and proper compliance incentives
  - Have to take the fear of paying twice into account in designing the way to finance the gap filler
- MS contributions to the gap-filler need to account for ambitious pledges in order to minimize pledging gap
- The commitment level of the pledges needs to be sufficiently high in order to minimize compliance gap

## Regional targets as a step towards an Energy Union

- Energy Union Communication (Feb. 2015):
  - EC will facilitate cooperation and convergence of national support schemes
  - encourages regional approaches to ensure compatibility with internal energy market
- Top-down vs. bottom-up convergence
  - **Top-down:** prescription of specific types of instruments, harmonised EU-wide support scheme
  - **Bottom-up:** increased coordination of national policies, regional RES support schemes
- In terms of target allocation: **regional targets** as a first step towards policy convergence and an Energy Union
  - Groups of several MS could pledge themselves to a joint or regional target
  - Regional targets require coordination of national energy policies
  - MS would assess and understand **cross border effects** => enables more integrated planning approach of supply and grid infrastructure (avoid loop flows)

Let's make the European Union the world  
leader in renewable energy!

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