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Achieving the EU 2030 renewables target - a closer look at governance options -

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Policy background

- ❖ October 2014 Council Conclusions
 - EU Heads of State agreed on a *binding* EU 2030 renewable energy target, (unlike the 2030 energy efficiency target which will be *indicative*).
 - The 2030 RES target is binding at EU level only.
 - “*Targets will not be translated into nationally binding targets*”
- ❖ 26th of November 2015: Council conclusions on 2030 governance
- ❖ End of 2016/beginning of 2017: Review or new RES Directive



In case MS pledges are insufficient to reach the 2030 RES target, how will the EU meet its binding EU target?



- ❖ There is a risk that the EU RES target, in the absence of national targets and implementing measures, would be missed.
- ❖ When calculating investments risks, RES developers and banks look at the stability of the national policy framework, which is driven by national targets and support measures.



Portugal proposal: Payments by underperforming Member States

- ❖ Payment by Member States *“who do not comply with their pledges (a scale of payment would be designed for this purpose), and the amount collected should be reoriented for projects on over performance countries”*
- ❖ Pros:
 - Incentive for MS to go beyond their pledges
 - burden-sharing between under- and over-performing MS.
- ❖ Cons:
 - incentive for MS to pledge strategically low, so they can easily over-perform their pledges.
 - If all MS pledge strategically low, significant actions will be needed at EU-level to fill the gap between pledges and the EU target. This risks putting a strain on the EU budget.



Portugal proposal: what is needed to make it work?



- ❖ In order to avoid strategically low pledges, benchmark should define MS' fair contributions.
- ❖ Without benchmark, it will be difficult to assess whether MS pledges contribute to meet the EU target collectively.
- ❖ Only MS who pledge above this benchmark, should receive payments.



Portugal proposal: Linking the achievement of the RES pledges and European financial instruments

- ❖ *“A link should be established between the accomplishment of the targets of renewables generation and energy efficiency at the pledged trajectory and funding by the European Financial instruments”*

- ❖ For this proposal to work:
 - a trajectory of pledges should be set.
 - The assessment of whether a MS is on track to reach its pledge should be made early enough on the road to 2030 e.g. in 2025.
 - a minimum share of the ERDF and Cohesion funds could be earmarked solely to RES investments under the 2020-2030 Multi-annual Financial Framework. These funds would only be attributed to MS who are on track regarding their pledges.



German proposal: Regional binding targets

- ❖ For this proposal to work, the following questions need to be addressed:
 - The definition of regions: should the regions be defined in a top-down manner or bottom-up manner? Letting MS group themselves within regions would have the advantage of creating ownership of a specific region, however, it would also imply the risk of leaving out certain MS.
 - Regional liability: MSs' accountability within regional cooperation would need to be defined, e.g. in case of infringement procedures.

German proposal: EU Back-up mechanism

- ❖ For this proposal to work, design options would have to be defined:
 - The EC could implement a European support mechanism, e.g. an EU-wide tender or a European quota obligation.
 - How will such an EU mechanism interact with national support schemes?
 - Should it be limited to renewable electricity or include renewable heat and transport?

- ❖ The EU mechanism would come at a cost. MS need to be aware of the costs to decide to pledge high or low.

MS need to know before they submit the national plans what the consequences of their pledges will be

- ❖ If a MS does not know - before it pledges - what will be the consequences of its pledge (if it is rewarded for over-performing or fined for not complying with it, as in the Portuguese proposal), it may present unambitious pledges.

- ❖ MS should know:
 - whether the pledging level will lead to financial consequences.
 - what their fair share of the EU target would be.



To provide reliable pledges, MS need to know their commitments in other climate policy areas

- ❖ To make consistent and reliable renewable energy pledges, it will be crucial for MS to have a clear idea of their commitments under:
 - the effort sharing for non-ETS sectors
 - the energy efficiency target

- ❖ Each of these commitments interacts with each other.

Timeline

DATE	STATUS OF THE PIECE OF LEGISLATION
JUNE 2016	Legislative proposals on the Effort-Sharing Decision
END OF 2016	Review of the Energy Efficiency Directive (EED), possibly already accompanied by a proposal for a new RES Directive
EARLY 2017	Submission by the MS of the National Plans (as suggested by the COM Guidance of the Secretariat General)
END OF 2017	Adoption of Legislative proposals on Effort-Sharing and ETS ⁴
MID - 2018	Adoption of Legislative proposals on Energy Efficiency and Renewable Energy ⁴

⁴ provided there is a first reading, and based on the assumption that a first reading will take 17 months, as was the case on average in 2009-2014 codecision procedures.



To provide reliable pledges, MS need to know their commitments in other climate policy areas

- ❖ Early 2017, when MS will be asked to present their draft national plans, they will not:
 - be aware of their commitments e.g. for the non-ETS sectors
 - know about the provisions of the RES and EE post-2020 directive

- ❖ Hence, this timeline raises question regarding Member States' ability to make meaningful and reliable pledges when submitting their national plans early 2017.

Conclusions

- ❖ If the pledges do not add up to the EU target, EU-level action will be required to ensure EU target achievement (additional EU-level incentives for national action or EU gap-filler mechanism).

- ❖ In order for MS to make meaningful and consistent pledges, MS will need, before they make their pledges, to:
 - ❖ to know the consequences of their pledges
 - ❖ to have clarity on their commitments under the effort-sharing decision and energy efficiency target.

Comments or Questions?

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