

The European Commission Presents Its 2030 Clean Energy Package

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Energy

Last week the European Commission presented an extensive [package of legislative proposals](#) (“Clean Energy Package”) that are intended to achieve and implement the European Union’s [climate change and clean energy targets for 2030](#): a 40 percent cut of CO₂ emissions, a share of 27 percent for renewable energies, and energy savings of 30 percent.

The package presents both opportunities and challenges for energy-related industries as well as for information technology companies whose products will help to achieve Europe’s energy efficiency objectives. According to the Commission, its proposals should mobilize up to 177 billion Euros of public and private investment per year from 2021, and generate up to a 1 percent increase in GDP over the next decade.

The Commission’s proposals are a first step of a legislative process in the European Parliament and Council that is likely to last at least 18 months, and will provide industry with opportunities to influence the legislation on renewable energies and energy efficiency that will apply in the EU as of 2021.

Renewable Energies

The Clean Energy Package includes a proposal to amend the current [EU Renewable Energies Directive](#) in order to ensure that the EU reaches a binding target to source at least 27 percent of the energy consumed in the EU from renewables by 2030. The proposal would introduce the following principal amendments:

- **Absence of National Binding Targets:** The EU’s binding renewable energies target would be increased from 20 percent in 2020 to 27 percent in 2030. However, this would be an EU-wide target, and Member States would not be subject to individual national targets, provided that from 2021 onwards they do not go below their 2020 national targets defined in the current Renewable Energies Directive. The Commission will regularly monitor whether the EU is collectively on track to meet its 2030 target and may issue recommendations to those Member States that lag behind on their contributions. Member States must “take the utmost account” of such recommendations.
- **Support Schemes for Electricity from Renewables:** The Commission anticipates that the EU-wide renewable energies target of 27 percent will mean that half of the electricity produced in EU will be sourced from renewable energies by 2030. To achieve this, Member States will be able to implement financial support schemes that comply with EU State aid rules and avoid unnecessary distortions of electricity

markets. Such support schemes must integrate renewable energies in the electricity market while also ensuring that renewable energy producers respond to market price signals and maximize their revenues. Any support must be granted in a manner that is open, transparent, competitive, non-discriminatory, and cost-effective.

Member States will also be required to progressively open their support schemes to producers located in other Member States: at least 10 percent by 2021, and 15 percent by 2025.

- **Stability of Financial Support for Renewable Energies:** In response to prior swift regulatory changes in different Member States (e.g., Spain), the proposal requires Member States to ensure that the level and conditions of support schemes are not revised in a manner that impacts negatively rights already conferred and economics of supported projects. This should provide more certainty and predictability to investors.
- **Sustainability Criteria for Biofuels:** The proposal modifies the sustainability criteria for biofuels and extends it to cover solid biomass and biogas used in large heat and power plants (e.g., plants with above 20 MW fuel capacity). Biofuels and bioliquids produced in new plants (i.e., plants starting operation after January 2021) must carry a 70 percent greenhouse gas emission saving in comparison to fossil fuels.
- **Transport Fuels:** The proposal deletes the current national target of a 10 percent share for renewable energies in transport. Instead, transport fuel suppliers must ensure that, as of 2021, at least 1.5 percent of the fuels they supply in Europe are low-carbon fuels (e.g., advanced biofuels, hydrogen, renewable electricity). This share will be increased to 6.8 percent as of 2030. Moreover, by 2030, the share of advanced biofuels must be at least 3.6 percent.

The proposal also reduces the share of food-based biofuels in rail and road transport from 7 percent in 2021 to no more than 3.8 percent in 2030.

- **Renewables in the Heating and Cooling Sector:** The proposal requires Member States to “endeavour to increase” the share of renewable energy for heating and cooling by at least 1 percent per year from 2021 to 2030.
- **Consumers’ Self-production and Consumption of Renewables:** Member States will be required to ensure that consumers can self-consume the renewable energy they produce and sell their excess production without being subject to “disproportionate procedures and charges that are not cost-reflective.” The remuneration of the renewable energy that consumers feed into the grid must reflect its market value.

Energy Efficiency

The Clean Energy Package also includes proposals to amend the EU [Energy Efficiency Directive](#) and the [Directive on the Energy Performance of Buildings](#) as well as several product-specific measures on ecodesign. In particular, it would introduce the following main changes:

- **New EU-wide Energy Efficiency Target:** The most important change to the current Energy Efficiency Directive is the introduction of a binding EU-wide target of 30 percent for energy efficiency by 2030. While not subject to national mandatory targets, Member States would be required to set national energy efficiency contributions in accordance with a newly proposed [Energy Governance Regulation](#) and take into account that the EU's 2030 energy consumption should not be more than 1,321 million tonnes of oil equivalent ("Mtoe") of primary energy and 987 Mtoe of final energy.

It is expected that the proposed EU 30 percent energy saving target will push down by 9 percent the price of allowances under the Emissions Trading System ("ETS").

- **Energy Savings Obligations:** Member States will be required to ensure that energy suppliers and distributors achieve new savings of 1.5 percent of annual energy sales to final consumers between 2021 and 2030. The Commission expects that this target should have "a strong 'pulling' effect to trigger end-use energy savings, attract private investment in energy efficiency and support the emergence of new market actors."

In practice, Member States will have flexibility to achieve these energy savings. First, they may achieve the savings through energy efficiency obligation schemes on energy suppliers or through alternative measures that ensure consumers achieve the savings. Second, Member States may achieve the savings during the entire 2021-2030 period, and not each year, as long as they achieve a total savings of 15 percent by 2030.

- **Energy Efficiency of Buildings:** Buildings account for 40 percent of Europe's energy consumption, and the large majority of them are energy inefficient. Thus, the proposal to amend the [Directive on the Energy Performance of Buildings](#) aims to accelerate the cost-effective renovation of existing buildings and ensure that new buildings operate efficiently through the effective use of information and other technologies. The proposal requires Member States to set up mechanisms that would make it easier for investors to fund the renovation of buildings, and to ensure that their financial support for energy-efficiency improvements is linked to achieved energy savings as shown in energy performance certificates. The proposal also requires that new residential and non-residential buildings with more than 10 parking spaces be equipped with recharging points for electric vehicles.
- **New Product-specific Ecodesign Measures:** The Clean Energy Package also includes an updated [Ecodesign Working Plan](#) under the [Energy Related Products Directive](#) for the period 2016-2019. The plan proposes introducing new energy efficiency requirements for seven different product categories (e.g., building automation and control systems, electric kettles, hand dryers, lifts, solar panels and inverters, refrigerated containers, and high-pressure cleaners). The Working Plan also announces that the Commission will launch an in-depth assessment of the savings potential of ICT products, such as smart phones. The plan, however, does not contemplate criteria on the reparability, recyclability and durability of products.

Next Steps

The European Parliament and Council must now consider the Commission's proposals for their adoption through the so-called "ordinary legislative procedure." This procedure provides that the Parliament and the Council have as many as three rounds (known as "readings") to amend the proposals and agree on a common text.

In practice, the Parliament and Council are increasingly adopting legislation in a delayed first reading through trialogue negotiations that also involve the Commission. Thus, it is possible that the proposals will be adopted by the end of 2018.

The Council already had an [initial discussion](#) on the Clean Energy Package on December 5, 2016, but the real work on the proposals is not likely to start until the beginning of 2017 under the Maltese presidency. Malta has already indicated that it will give priority to the amendment of the Energy Efficiency Directive. It is unclear the impact that [BREXIT](#) will have on this legislative package and the role that the United Kingdom will play in its adoption.

Companies are advised to engage in advocacy efforts to influence the upcoming legislation in the Parliament and Council as soon as possible. The opportunities to influence and amend the legislative proposals will decrease significantly once the relevant committees in the Parliament prepare their draft reports and the Council's working groups agree on the main changes to the proposals.

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