

# REKK POLICY BRIEF

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## REGIONAL VISION OF EU-LEVEL RENEWABLE ENERGY GOVERNANCE AND EFFORT SHARING FOR 2030

■ *Central and South East Europe Energy Policy Forum*

■ How could the European Commission motivate member states to pledge to sufficiently ambitious national renewable targets?

■ How should the European Commission proceed, if the aggregated national pledges do not reach the needed 27%?

■ Are country level benchmarks needed for the 2030 RES target setting? If so, what should be the methodology – flat rate, GDP/capita or RES potential based distribution or other?

The “Central and South East Europe Energy Policy Forum: Regional vision of EU-level renewable energy governance and effort sharing for 2030” organised by the REKK Foundation on June 7, 2016 in Budapest, and also serving as the regional event of the Towards 2030-Dialogue project, brought together government representatives of various Central and Eastern European member states (Czech Republic, Hungary, Lithuania, Romania, Slovakia and Slovenia) and the European Commissions to discuss renewable energy use target setting and governance options for the period beyond 2030. Mr. Jos Delbeke from the European Commission (Director General for Climate Action) presented his views on the Paris Agreement and on the functioning of EU climate policy. He emphasised the universal participation in the Paris Agreement and the importance of Nationally Determined Contributions (NDCs) submitted by 189 states. A good indication of the success of the current EU climate policy is the decoupling of economic growth from GHG emissions in the last decades, irrespective of economic cycles. ETS can be considered successful in delivering the policy target in a cost efficient manner, however the current low carbon price-level provides a weak incentive for alternatives. Based on the Intended Nationally Determined Contributions INDCs, renewables account for 62% of global planned cumulative investment into new power plants between 2015 and 2040, whereas 42% of total investment will go into infrastructure development (replacing and extending transmission and distribution networks, and further infrastructure requirements for renewable integration) signalling a fundamental shift in electricity systems. The representative of Member States expressed the views of their government on the 2030 RES target setting, the process of target pledging and the possible course of action if the EU fails to reach its 27% renewable target. The main questions discussed were the following:

- How could the European Commission motivate member states to pledge to sufficiently ambitious national renewable targets?
- How should the European Commission proceed, if the aggregated national pledges do not reach the needed 27%?
- Are country level benchmarks needed for the 2030 RES target setting? If so, what should be the methodology – flat rate, GDP/capita or RES potential based distribution or other?
- Are there any suggestions for the methods for closing the gap to the target, if necessary?

### Renewable target for 2030

The current renewable policy period ends in 2020 and the preparation for the post 2020 period is underway, driven by the next EU climate and energy package agreement on a new renewable energy target of at least 27% of final energy consumption in the EU as a whole by 2030. Unlike the current period, this community level target will not be disaggregated into obligatory national targets, but member states are to pledge their contribution to the 27% target. With this type of agreement the achievement of the EU target is not guaranteed, even in the commitment phase, and therefore plans must be devised on how to fill the gap to the target if necessary.

The conclusions of the intensive one-day discussion were:

- The question of how to determine national contributions to the union-level renewable target is central to the discussion. Options include a “top-down” approach where Member State contributions are closely guided by benchmarks determined by the European Commission on the basis of pre-determined criteria. These criteria potentially include the GDP, resource potential, energy consumption or a mixture of all three to arrive at a fair distribution for closing the gap to the 2030 RES targets. A second possibility is to follow a bottom-up method where member states pledge their national contribution independently, based on their own assessment. **Member States expressed their preferences toward the bottom-up methodology where they themselves decide on their pledges without any intervention from the European Commission. This opinion was shared by all participating state representatives.** Any benchmarking should only serve for information purposes to assist Member states in determining their pledges.
- Benchmarks can be set on the basis of various parameters: on a single criterion (GDP, resource potential, energy consumption) or a weighted mix of these criteria as for the 2020 target. **In the discussion, Member States expressed their opinion that benchmarks should be based on several criteria.**
- The 2020 framework sets a single national target for renewable use, even though member states have to set a trajectory for each renewable sector (RES-E, RES-H) in their National Renewable Action Plan. The flexibility provided by the single target can potentially be displaced by sectoral targets stepping beyond the reporting requirement. In addition, setting a separate target for the transport sector, as in the 2020 framework, is yet to be decided for the 2020-2030 period. **Most Member State representatives shared the opinion that sectoral shares should be left to their own discretion, keeping the flexibility provided in the current regime. Concerning the separate transport sector target, the participants were indecisive since it could require individual treatment.**

- In order to follow compliance more closely and to be able to intervene when a Member State is lagging behind in compliance, setting interim target(s) (e.g. a single target for 2025 or biannual targets) is a viable option. **Member States stated that they prefer to support the Council conclusions from November 2015** which states the procedure for interim assessments of the progress achieved (in mid-2020s). No interim targets should be stated due to the character of the 2030 target as agreed by the European Council in October 2014.
- If the aggregated Member State pledges do not reach the 27% threshold then some sort of 'gap filling' mechanism will need to be implemented. One possible solution is to organise EU wide auctions, where all MSs can make an offer for additional capacities. Another option is that gap-filling would be based on pre-agreed benchmark values whereby Member States would contribute to the coverage of the missing RES production according to the ambitiousness of their pledge (compared to pre-set benchmark). **The preferred gap-filling method of the participants was the EU-wide auctioning**, but they cautioned that such a scheme should consider additional RES deployment investment requirements, such as network development for RES integration. Benefits – such as security of supply and employment impacts – need to be factored at the national level with the possibility **to opt out from hosting the projects of such an EU wide auction.**
- If the missing renewable production would be procured by an EU-wide auction, the financing mechanism that would directly affect the financing requirement of each Member State would need to be established. The main options are to finance the auction from the sale of EUAs (ETS auction revenues), cover its cost from the EU central budget, or distribute costs according to the pre-agreed benchmark. **The preferred financing options were ranked in the following order by the participants: ETS financing, EU budget financing, pre-agreed benchmark.**
- Up to now regional cooperation to reach RES targets was used in a limited fashion. But as targets become more stringent in the 2030 framework its role is likely to increase. The question remains whether there is a need for such a cooperation option and if so under what conditions. Member State representatives expressed their view that to foster regional cooperation **the European Commission should come up with guidelines on good practices in order to help facilitate such cooperation.** Also the EC should provide guidelines on the good practices of opening up support schemes to other member states.

In summary, Member State representatives welcomed a system in distributing the efforts for the 2030 EU target where the decision on the pledge itself is fully under their control. They foresee a system where Member States announce their pledge on their own initiative, both the associated implementation measures and the enforcement mechanisms. MSs welcome the EC to help them in this procedure by providing guidelines on good practices in the regionalisation of effort, providing benchmarks (probably on a mixed criteria, similar to the 2020 target sharing method) to help their assessment of potential contributions but with a limited role in the enforcement of the pledges in the interim period and maintaining the flexibility provided by a single renewable target.

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