

1 March 2017

CLEAN ENERGY FOR ALL EUROPEANS PACKAGE

Proposal for a revised renewable energy directive (COM(2016) 767 final)

Fortum's key messages:

- Following rapidly decreasing technology costs for RES technologies, especially onshore wind and solar PV, renewable energy is already today the most economical solution when investing in new production capacity. Therefore, the RES Directive should largely set its course against the background of more efficient and flexible power markets and a strengthened carbon price. In this context, no additional support for mature RES technologies should be necessary after 2020.
- RES production as well as CHP should be subject to the same fundamental market rules (e.g. balancing responsibility and market-based dispatch/curtailment) as other technologies. In this respect it is disappointing to note that the draft RES Directive and internal market Regulation (Art 4 (2) Art 11 and 12 of COM(2016) 861) have failed to address the current exemptions, whilst opening the door for additional ones for new plants.
- The RES proposal (Art. 4 - 6) outlines the general principles concerning national support schemes, and more detailed rules should be set in the forthcoming State Aid guidelines revision. The Commission should start this work as soon as possible to ensure that the new framework can be communicated in a timely manner before member states start defining their potential national schemes for post-2020.
- Where operating aid for RES is still deemed necessary (following a cost-benefit analysis including parameters such as policy overlap impacts, market efficiency, technology maturity), support schemes (e.g. RES obligations, investment aid, etc.) should be designed in a way to allow exposure to market dynamics and price variations, technology neutrality and be opened gradually for cross-border participation. Retroactive changes in financial support schemes should not, of course, take place without compensation. However, in terms of retroactivity, a distinction should be made between direct financial subsidies and indirect subsidies in the form of exemptions from market obligations. It should be possible to abolish the latter kind of exemptions in order to reach a level playing field.

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- Until recently, the heating and cooling sectors have had a very invisible role in the EU energy policy. Therefore, it is positive that heating and cooling are now addressed in the proposal. The heating and cooling sectors offer big potential for decarbonisation, as approximately half of the final energy consumption in the EU takes place in those sectors. However, in order to avoid overlapping policy incentives, a request to increase RES in heating and cooling (Art. 23) should address activities that are outside the EU ETS. Two-thirds of heating and cooling are still not covered by the EU ETS.
- One of the objectives of the proposal is to increase the use of industrial waste heat (Art. 24(6)), which as such can be supported. However, modern technologies allow for the intake of heat also from other, non-industrial sources, e.g. hospitals, data centres and other buildings. This type of heat should be treated on parity with renewables and should be included in the definition of 'waste heat'.
- In addition, using excess heat from various sources should be based on commercial merits, not mandatory network access like the Commission is now proposing (Art. 24(4)). Single system operator design in heating and cooling is well established and recognised in most EU countries and implementation of TPA would require a comprehensive legal, economic and technical impact assessment. Policies should focus on promoting competition between different heating and cooling methods, including making them subject to similar requirements e.g. in terms of decarbonisation. This would incentivise district heating and cooling operators to purchase heating and cooling from the cheapest sources, including excess heat.
- The development of sustainability criteria for solid biomass (Art. 26) has been a long process and the outcome is very welcome. The proposed sustainability framework allows the use of biomass in a sustainable and responsible manner, enabling the development of the bioenergy sector. However, it is important to avoid additional national requirements for biomass fuels. Such complementary criteria can seriously undermine the principles of the internal market and mutual recognition. The starting point should be that biomass that has been accepted as sustainable biomass fuel in one member state is regarded as sustainable also in other member states.