2024

23

www.fundacionrenovables.org

Europe's future depends on a

COMMON ENERGY POLICY

—

Towards the European Union's energy sovereignty

FUNDACIÓN RENOVABLES

Fundación Renovables would like to thank the Board of Trustees and the Friends of the Foundation for their collaboration.

COORDINATION:
Fernando Ferrando and Ismael Morales.

The team that worked on this document is:
Raquel Paule, Maribel Núñez, Juan Fernando Martín, María Manzano, Ladislao Montiel, Carmen Crespo, Diego Ferraz, Alexandra Llave and Alba Gonzalez.

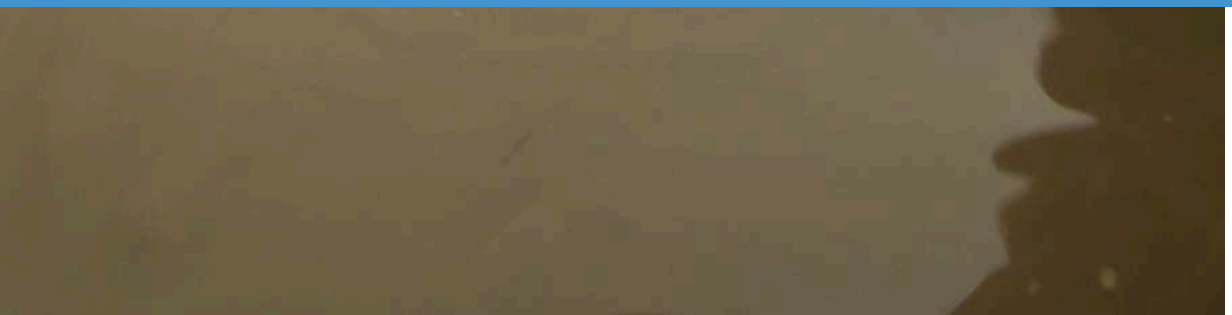
SUPERVISION: BOARD OF TRUSTEES OF FUNDACIÓN RENOVABLES
President: Fernando Ferrando Vitales.
Vice Presidents: Llanos Mora López, Juan Castro-Gil Amigo y Mariano Sidrach de Cardona Ortín.
Trustees: Luis Crespo Rodríguez, José Luis García Ortega, Assumpta Farran Poca, Daniel Pérez Rodríguez, Javier García Breva, Sara Pizzinato, María José Márquez and Manel Ferri.

FUNDACIÓN RENOVABLES
(Declared a public utility company)
Calle Santa Engracia 108, 5º Int. Izda.
28003 Madrid
www.fundacionrenovables.org

Table of CONTENTS

The effects of the GLOBAL CLIMATE CRISIS

Chapter 01



The effects of the
GLOBAL CLIMATE CRISIS

The effects of the global climate crisis are clear. The data not only shows that 2023 was officially the hottest year since records began in 1850, but also that the average global temperature increase has come close to reaching the limit of 1.5°C, compared to the temperature during the industrial era. In addition, the average global temperature was 14.98°C last year.

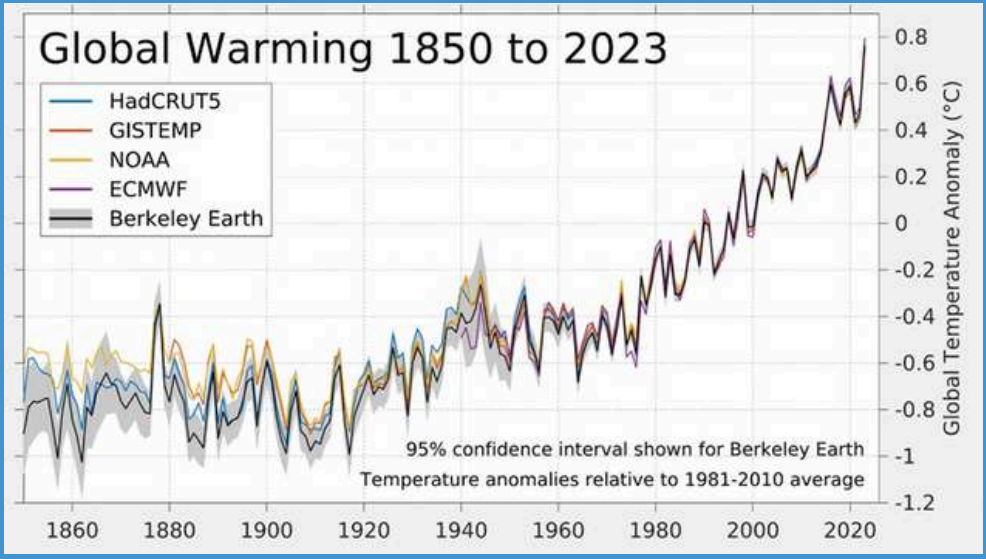


Figure 1. Representation of the anomalous temperature increase over the last century. Source: IPCC.

This increase in global temperature is leading to more frequent, more severe and longer-lasting droughts, floods, fires and other extreme meteorological phenomena. This clearly has a huge impact on people, who face major financial losses and adverse health effects, and on ecosystems as biodiversity is lost and natural systems become more unstable and less resilient.

Every continent, country and region is affected by climate change as new measures need to be taken while we continue implementing mitigation measures. However, the Intergovernmental Panel on Climate Change (IPCC) has cause for hope because humanity still has time to avoid, or at least limit, the worst effects of climate change by adopting ambitious short- and medium-term measures. These measures will lead to significant opportunities in terms of health, equity, employment and social justice.

The IPCC's Sixth Assessment Report reiterates the unequivocal relationship between human activity, primarily through greenhouse gas emissions, and climate change. The report further analyses the predicted impacts, which become significantly more severe and frequent the longer it takes to reduce emissions.

The Earth's boundaries

In 2009, the Stockholm Resilience Centre proposed a methodology for analysing our planet's health by identifying the Earth's nine biophysical boundaries. This methodology has been generally accepted by scientific consensus. It established indicators such as climate change, ocean acidification, the hole in ozone layer (although it has recovered to its previous thickness since the adoption of the Montreal protocol in 1989 and the banning of CFCs), biogeochemical flows from nitrogen and phosphorous concentration, water uses, deforestation and land system changes, loss of biodiversity, aerosols and particles in the atmosphere and, finally, so-called new elements, such as radiation and micro plastics.

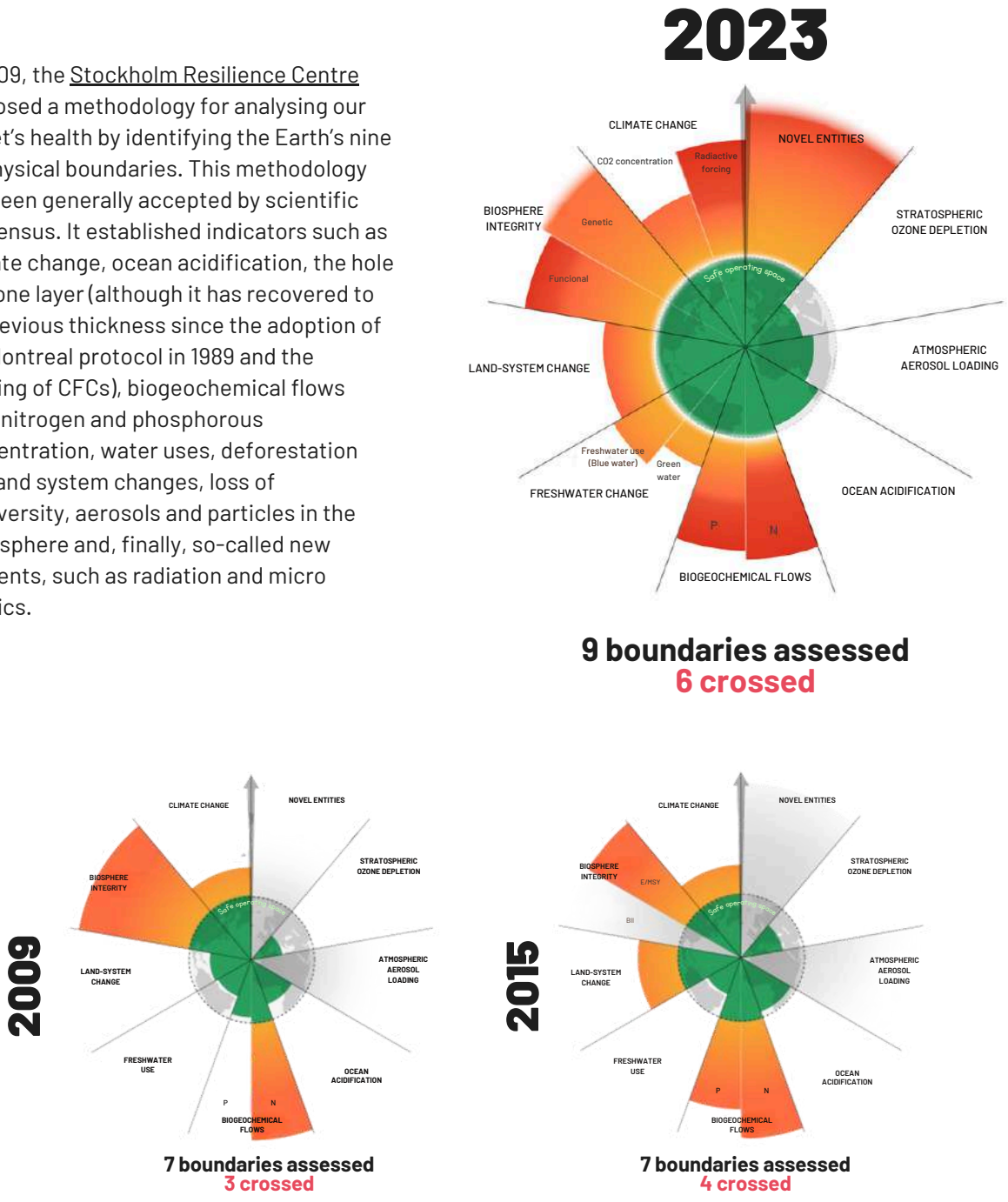


Figure 2: The variation of the biophysical boundaries identified from 2009 to 2023. Source: Stockholm Resilience Centre.

The way that the parameters evolved shows that six of these boundaries were crossed in 2023 as a result of human actions and interactions with the environment. This is a clear signal that the efforts and commitments made by various countries have clearly not been enough, especially considering the fact that only three of them had been exceeded when monitoring started in 2009. The three boundaries still within a recovery range are ocean acidification, the ozone layer and aerosols, although there is no consensus on how best to measure the latter and what the benchmarks should be for its recovery.

Global efforts should focus not only on replacing fossil fuels with renewable energies but also on how to implement the ecological transition. This ecological transition is based on environmental resilience, increased wellbeing and preservation of human rights. This must be defined in all fields that shape the nine boundaries and must promote the recovery of the boundaries already crossed. This, in turn, will increase social wellbeing globally.

Evolution of the energy transition

According to the inventory conducted by the UN, global greenhouse gas emissions increased by 1.2% from 2021 to 2022. This meant they reached a new record of 57,4 gigatonnes of CO_2 equivalent ($GtCO_2e$). [1]

All sectors except transport are once again at the emission levels recorded before the Covid-19 pandemic and now exceed the levels of 2019, which is a bigger recovery than expected.

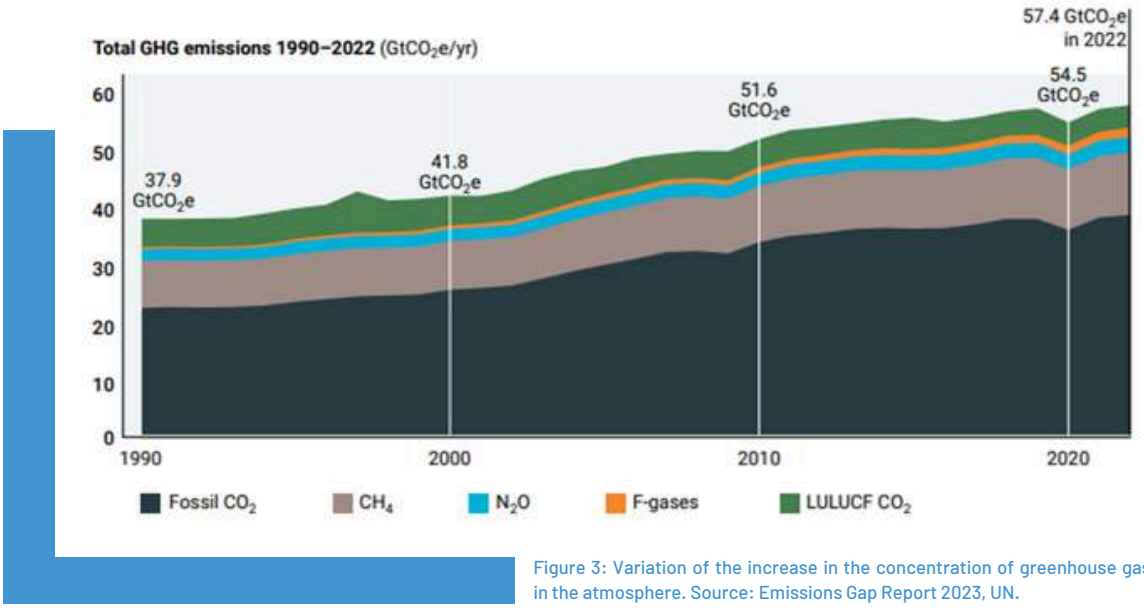


Figure 3: Variation of the increase in the concentration of greenhouse gases in the atmosphere. Source: Emissions Gap Report 2023, UN.

The entire value chain of the global energy sector is the primary focus because it is responsible for 72% of emissions (data from 2023). Despite the progress of renewable energies around the world, the most recent data from the International Energy Agency (IEA) **shows that global CO_2 emissions related to energy increased by 1.1%, or 410 Mt, in 2023**, thereby reaching a new record of 37.4 Gt. Despite this increase, there was a slight reduction of 1.3% compared to the 490 Mt reached in 2022.

[1] There are other greenhouse gases than CO_2. Methane (CH_4), nitrous oxide (N_2O) and fluorinated gases (F-gases) emissions have the highest global warming potential and account for approximately one quarter of current greenhouse gas emissions

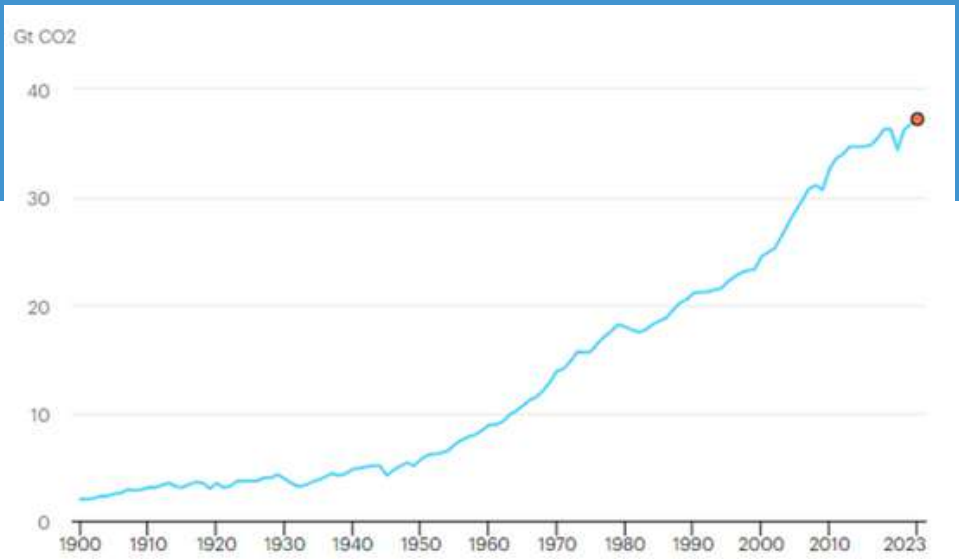


Figure 4: Evolution of the concentration of CO_2 in the atmosphere in the last century. Source: International Energy Agency.

If we focus on recent years (2019–2023), total emissions related to energy increased by 900 Mt. However, without the rapid and growing deployment of the four key green energy technologies (solar PV, wind, heat pumps and electric cars) since 2019, emissions growth would have tripled to 2,700 Mt in that time period.

International expansion of renewable energies

Despite the increase in CO_2 emissions, the global renewable power capacity has not stopped growing. According to the latest data from IRENA, global renewable power capacity was 3,870 GW at the end of 2023. Solar PV particularly stands out with 1,419 GW, which accounts for 37% of the total. This is followed by hydroelectric power with 1,268 GW (33%), wind with 1,017 GW (26%), biomass with 150 GW and geothermal with 15 GW.

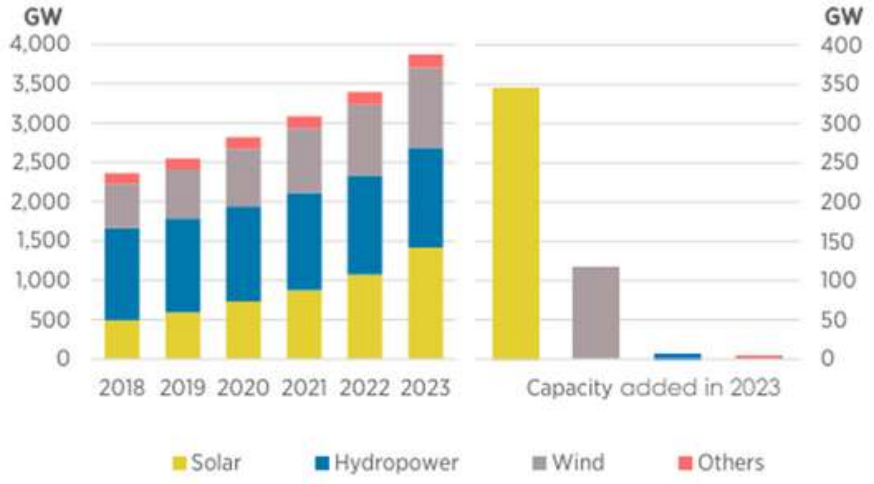


Figure 5: Global increase of renewable power capacity in the last six years. Source: Renewable Capacity Highlights, IRENA.

Outcomes from COP28 UAE

COP 28 was held in Dubai in November 2023, in a geopolitical area unfavourable for significant progress. This was verbalised in its various statements that climate change is a problem for all humanity and that all countries should respect, promote and take into account their respective obligations. Most of the agreements concerned human rights, such as the right to a clean, healthy and sustainable environment, the right to health, the rights of indigenous populations, local communities, migrants, children, people with disabilities and vulnerable people and the right to development. It also committed to gender equality, empowerment of women and intergenerational equity. It also acknowledged that commitments made at previous COPs had not been carried out, especially in terms of making funds available for adapting to and covering the damages caused in countries suffering from the effects of climate change.

There was also an unexpected achievement. The president of COP publicly acknowledged that the **era of fossil fuels was coming to an end**, although he was vague when referring to the need to "**transition away" from them in a just, organised and equitable way that is in line with scientific consensus**. In this respect, there was an agreement to speed up the reduction of CO_2 emissions (especially CH_4) by stopping inefficient fossil fuel subsidies that are not aimed at reducing poverty or making fair transitions. The conference also addressed proposals on how to make progress in several mitigation measures, with the following being agreed:

The various COPs held in recent decades are small steps that, although often insufficient, are not reversible in the development of increasingly committed energy policies. The countries that make up the European Union have assumed world leadership in this respect from the outset and they must continue to do so.

X3

Tripling global renewable capacity by installing 11,000 GW, according to the IEA

Doubling the average annual energy efficiency improvement

Increasing efforts to reduce energy generation through coal

NET

Increasing efforts on NET (net zero emission energy systems)

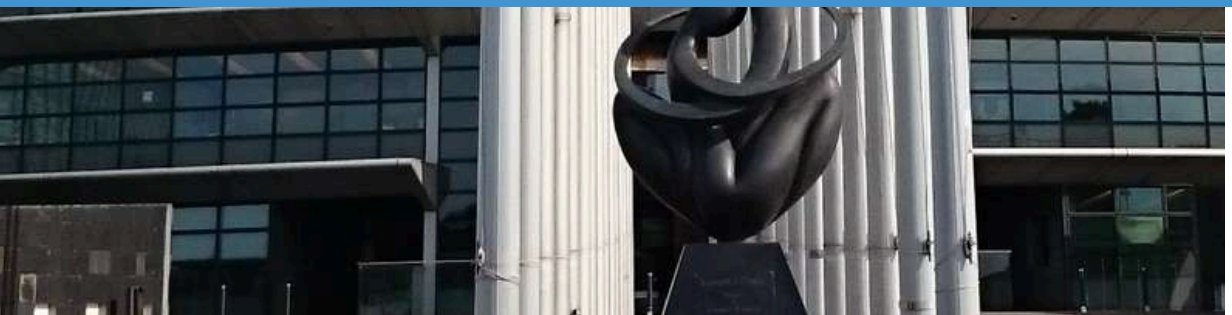
CO2

Accelerating the deployment of zero-emission and low-emission technologies

The solidity and fragility of the EUROPEAN UNION

Chapter

02



The solidity and fragility of the EUROPEAN UNION

In the 21st century, the European Union (EU) has integrated climate policies as the backbone and hallmark of its socio-economic development. Such tools have taken longer to materialise in other countries. The EU does not produce a lot of fossil resources internally, so it has a high energy dependency outside the EU. This means its economy is dependent on certain international markets and, as a result, is exposed to the interests of third countries. The EU is constantly at a crossroads in terms of providing coordinated responses to increasing volatility on international energy markets caused by arbitrary geostrategic positions at source and to the consequences of the successive crises that have occurred over the course of this century: namely, the 2008 financial crisis, Covid-19, armed conflicts and the gradual progress and effects of the climate emergency.

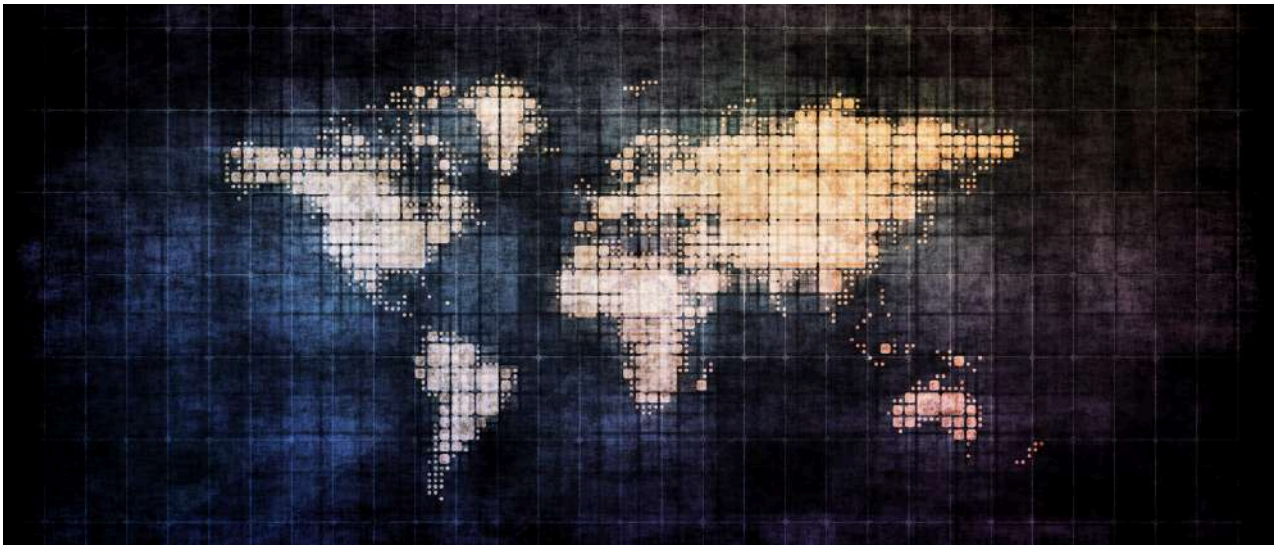
The broad consensus achieved when Fit for 55 was launched in July 2021 and the socioeconomic and geopolitical context in which the EU set its climate proposals and targets is now more uncertain and the plans have been moving in a different, and even opposite, direction to the one planned. Along with the rise of populist pressure and the various fossil fuel lobbies, movements to redesign and rebalance the Green New Deal are sprouting and growing in every country. This is leading to the delay in the ban on internal combustion vehicles (Euro 7) or changes in the green taxonomy, where natural gas and nuclear energy are accepted as sustainable investments. In recent months, as the European Parliament elections approached, these internal tensions were combined with pressure from the agricultural sector, which identified the unfeasibility of maintaining the environmental ambition (defined in the new CAP [Spanish Common Agricultural Policy]) with its idea of the sector's productive development. The far-right parties supported the agricultural sector in this.

Impact of geopolitical instability

In light of the above, the European foundations on which ambitious and exemplary climate policies should be laid is clearly unstable. The Covid-19 pandemic from 2020 to 2022, the accelerated return to normality, supply chain disruptions, inflation, the Russian invasion of Ukraine, volatility and increase of natural gas prices (and also electricity as a result) and the subsequent cost increase of commodities in other sectors have all resulted in the cost of living increasing throughout the EU. These factors have also undermined the competitiveness of international companies based in Europe, some of which are leaders in key technology for fighting climate change.

Russia's invasion of Ukraine exacerbated the situation enormously. The USA and EU imposed a series of financial sanctions on Russia, including a veto on imports of certain resources, and many European countries stated their intention to completely stop imports of Russian gas and petroleum. Meanwhile, Russia has been reducing and even closing off its exporting pipelines, despite imports of uranium from Russia accounting for 19.7% of EU imports in 2023. In contrast, Russia is the largest global exporter of fossil fuels and is an especially important supplier for Europe. In 2021, one quarter of all the energy consumed in the EU came from Russia. However, many countries continue importing Russia gas today.

When the EU tried to replace Russian gas, it drove up the prices of liquefied natural gas (LNG) transported by boat from the USA (as a result of fracking), Australia and Qatar, which in turn raised prices and diverted supply to traditional LNG customers in Asia. Both LNG producers and importers are rushing to construct new liquefaction and regasification infrastructure in order to increase the amount of LNG that can be traded internationally, but these expensive projects can take years to get underway. This situation has caused asymmetrical economic consequences among the various EU member states, especially in terms of inflation intensity and publicly financed aid. The EU countries most affected are those most dependent on Russia, such as Germany, Poland and Hungary.



The economic slowdown and various public aid measures during the Covid-19 pandemic and the energy crisis have led to increased public debt that is unsustainable in some EU member states that combined tax cuts with increased subsidies to contain price rises. This reduced budgetary margin has been met with internal competition when allocating small public budgets to the climate transition, digitalisation, defence spending and investments in improving public services and social initiatives.

The EU's financial aid and stimulus came not from austerity measures but from mobilising public resources (via transfers and loans) to encourage investment. The idea was that economic growth would be the best solution to overcome the Covid-19 pandemic. In Spain's case, the emergence of the Next Generation EU funds (€140 billion), which were channelled through Spain's Recovery, Transformation and Resilience Plan, enabled progress, development and innovation in technologically pioneering sectors, especially for decarbonising locally and regionally thanks to the work of the IDAE (Spanish Government's Institute for the Diversification and Saving of Energy) in the autonomous regions.

The publication of the USA's IRA (Inflation Reduction Act) and China's immediate response of increasing tax dumping of low-carbon technologies and necessary strategic minerals have further jeopardised European companies and has caused more capital and technology to leave the EU. This unexpected chain of geopolitical events has increased the need for Europe to implement an effective, coordinated and ambitious energy transition as quickly as possible.

Need to revise and update plans

The European Climate Change Act makes it binding to reduce greenhouse gas emissions by at least 55% by 2030. The target is to reach climate neutrality by 2050, which requires unprecedented reduction in terms of both speed and scale. Ambitious and effective coordination between all the EU member states is required to achieve this.

In this respect, in February 2024 as part of the revision of the European Climate Change Act, the European Commission (EC) published a communication that started the preparation process for the target of reducing greenhouse gas emissions in the European Union by 2040. This initiative is a starting point for a broad policy debate and dialogue with stakeholders and citizens, and also ensures the necessary transparency throughout the process.

The EC also published an impact assessment together with advice from The European Scientific Advisory Board on Climate Change in which it proposed a recommendation for a 90% reduction of net greenhouse gas emissions from now until 2040. The legal proposal for the 2040 climate target will be up to the next EC, after the June elections, and the discussions and dialogue that will follow.

The 2024–2029 strategic agenda, which will outline the policy lines of the whole EU for the next legislature, will also be presented in July.

There is currently a debate on whether to prioritise two opposing poles: the rearmament and arms financing of member states or the continuity of the Green New Deal. These will be movements and initiatives of great national and international interest, but they will be slow to develop and are unlikely to mitigate the effects of the measures taken by the United States and China in recent years to position themselves as leaders of the energy transition.

Towards a common energy POLICY (CEP)

Chapter 03

Towards a common energy
POLICY (CEP)

The complexity and interdependence of European politics arises from the historical and current cultural, social and economic differences of the member states. The same is perhaps even more true in the energy field, where energy policy decisions on the chosen energy mix make each country hostage to these decisions for years. These **national dynamics must be brought into line with the targets of dependence on the different fossil fuels** in primary energy, the support for distributed generation sources, the model of ownership and integration of energy companies, the energy tax policy, consumer rights and the definition of definitive tariffs and their influence on the welfare state and productive competitiveness.

However, there is a **series of common risks and challenges in the energy transition that need to be addressed collectively** if we want to fulfil the climate commitments made. These include, limiting dependence on third parties when it comes to critical fossil and mineral resources and guaranteeing the security of supply in the EU as a whole and in each member state. Last month, it was clear that joint initiatives and actions (such as gas purchases) as part of a cohesive European market without national splits benefit the various countries involved much more than if they had been done individually.

Fundación Renovables calls for the fundamental basis of a common energy policy for the EU to be that energy is considered as an essential and basic good with universal access. The premise is based on the reality that the EU lacks its own fossil energy resources, so it is economically week and socially vulnerable compared to other countries.

Working collectively for a **common energy policy (CEP)** should be a basic element that runs through our commitment to a coordinated, fair, ambitious and one-directional European energy model. We can no longer create situations of inequality or benefits for some member states based on their geographical location, industrial development or financial capacity due to energy policies that are excessively nationalist and protectionist.

Having and demanding a common energy policy, which is currently broken down into several sectoral directives, should strengthen, improve and consolidate a cohesive and coherent energy policy with the climate targets. It will also facilitate medium- and long-term targets, therefore making the most of the economic potential and size of the EU.

As essential parameters for the implementation of a truly cohesive energy policy, **Fundación Renovables proposes that the following strategic lines for Europe be taken into account within the frameworks defined in greater depth in the directives**:

1 Define, demand and monitor compliance with energy targets, with a binding minimum for each country and a fixed time horizon

The targets must be in line with the provisions of the various integrated energy and climate plans but each country's current reliance on voluntary action must be limited.

The targets to be set must include the following as basic indicators:

- Coverage of final demand with renewables. This should also be applied to both supply and the various demand segments.
- Definition of energy efficiency commitments, both in aggregate values and on a sectorised basis.
- The percentage of electrification of demand in the mix and its evolution over time as a commitment to a future energy model in the various energy consumption segments.
- Commitment to eradicating fossil fuels and setting time targets for every final vector (petrol, diesel, natural gas, propane, kerosene, coal, etc.).
- Reduction of energy dependence and its geostrategic concentration, including energy source diversification targets and reducing supply exposure by origin.
- Commitment to eradicating energy poverty and establishing pricing programmes that guarantee universal access to energy and the existence of a social tariff.
- Reduction of greenhouse gas emissions, which are differentiated by origin, by setting time commitments.

2 Develop instruments to achieve the targets

Setting targets is just as important as creating standardised tools and procedures that enable the various plans to be implemented. These are fundamental in making sure there is both technical and financial cohesion between all countries, so that there are no deviations, distortions and decouplings when implementing the programmes.

The CEP must implicitly include homogenous positioning in various areas, such as:

Green taxation

Although the Energy Taxation Directive is being revised, its function as a key tool in implementing the energy transition must be defined and specified. The following must be taken into account:

- Environmental tax bases.
- Tax cuts for recommended or sustainable practices.
- Taxes on fossil fuels and environmentally damaging practices.

The taxation policy must also be a tool **for changing consumption habits in the various sectors**, promoting public investment processes for rehabilitating houses and acquiring electric vehicles, among others. This also means committing to democratising energy, taxing business practices of sectoral concentration and removing barriers to the implementation of measures.

Its development should lead to the establishment of a common policy on direct and indirect energy taxes.

Direct aid

The EC has maintained suitable criteria, especially given the urgency of a coordinated response to the Covid-19 health crisis and the energy crisis caused by the invasion of Ukraine.

Comprehensive financial aid programmes must be in line with the necessary effectiveness, revision and speed procedures. These must be based on a common policy so that they do not try to replicate the same thing in all countries.

Industrial programmes

A common energy policy must be accompanied by an industrial policy that promotes technological development in accordance with the targets and independence from third countries. The EU cannot replace dependency on fossil fuel imports with dependency on the equipment required to do without them.

The response to the US IRA or the policy of government support for equipment produced in China must be our own technological and industrial development, in line with the EU's leadership in the energy transition. We need a strong, resilient and innovative industry that provides a clear and cohesive response to the programmes of other international competitors. This means we will equip ourselves with tools to respond to current demands and future technological needs.

Circular economy

Committing to sustainable energy sources and technology is as important as reducing the use of materials and raw materials by reusing, recovering and repairing equipment, which is what the new regulation on critical materials and ecodesign of products stipulates.

3 Greater demands on the transposition of directives in terms of time and scope

Directives and regulations have been the real driving force behind the transformation of energy policy in terms of sustainability and increased security. Regulations are applied directly but the transposition of numerous fundamental directives into the legal frameworks of every country has not been carried out in either time or scope. Many of these directives have been worked on and agreed upon in trilogues with the European Council, the European Commission and the European Parliament and have common minimum targets and contents that must be enhanced by each member state when they are transposed.

Enforcement, monitoring and the bodies supervising the scope of the transpositions carried out in every member state must be strengthened, enabling coercive measures so that the measures approved are truly implemented and the targets of the directives are achieved and effective.

Similarly, the administrative authorisation procedures of various technological developments must be reviewed to ensure that they are homogenous and standardised, while also adapted to the different national and regional situations. It should be easier to obtain permits, preserving rights and promoting socioeconomic development in rural areas. Treating renewable power on agricultural land, setting distance limits for locating facilities near buildings and easing social opposition and litigations, among other measures, are especially relevant.

4 Create a European Energy Agency

Just as the European Environment Agency was a milestone that raised European environmental awareness, the development of a CEP must have an operational, analytical and propositional capacity that is currently lacking in the various directorates general.

The EC and most national ministries with responsibilities for developing initiatives that support the energy transition actually lack enough capacity to respond to administrative processes and regulatory development. There is currently a lack of training and capacity to respond to the increase in number of initiatives they have to deal with as the smaller size of initiatives and the greater diversity of agents, companies and institutions have led to more dossiers.

The **European Energy Agency** must take on these and other responsibilities that are currently handled by international institutions, such as maintaining and updating databases—especially in order to analyse them—defining projections, identifying corrective measures and regularly monitoring compliance with the different energy plans of each member state.

5

Electricity and renewable gases as the basis of the European energy supply

The obligation to eradicate fossil fuels as an inherent step in the fight against climate change and the absence of fossil energy sources make it essential to transition rapidly towards the use of renewable energy sources. This transition must identify the availability of renewable sources and be based on technological development in terms of electrification of demand and production of combustible gases of renewable origin that cover the needs that cannot be electrified.

Electrification

In the previous section, we included global and sectoral electrification of demand indices, primarily because the commitment to efficiency and renewables must be based on electricity.

Electrification of demand involves initiatives and targets regarding:

- Growth of electricity demand and its consideration as a replacement for combustion processes in various sectors.
- Progress in managing electricity demand in order to integrate renewable energy sources that have high variability at origin.
- Development and automation of electrical transmission and distribution networks for connecting new generation initiatives. It is important to bear in mind the increase of capacity to cover growing electricity demand and the proximity to consumption in the following activities: transmission of electricity to production centres, use of renewable synthetic gases and green hydrogen.
- Commitment to storage in systems linked to both supply and demand (self-consumption facilities and electric vehicles). Reducing curtailment is essential if we want to have suitable electricity prices and reduce the oversizing of the generation fleet.
- Compliance with the commitments made for interconnection between various countries. The Barcelona agreement made in 2002 set Spain an interconnection capacity of 10% of the installed production capacity by 2020. This figure clashes with the 3% recorded in 2024, which translates to 2,800 MW with France. Increasing interconnection is key for developing renewables and improving the system's manageability.
- Development of competitive models for installing new power based on suitable auctions. This will increase the public sector's presence in developing initiatives that should bear the signal of social investment.

Renewable gases

Although electricity should be prioritised, it cannot cover all our energy needs. That is why we must **promote the use of certain gaseous fuels of renewable origin**, either from the use of electricity (hydrogen) or from anaerobic digestion processes. These fuels must be produced under strict criteria of efficiency and sustainability and avoid facility oversizing.

Firstly, it needs to be guaranteed that **the origin is 100% renewable, that it is not a greenwashing process** that cleans up the image of fossil fuels and, of course, that these fossil fuels are not part of the production or blending process. The national transposition of the directive empowering consumers for the ecological transition must cover the eligibility of these fuels.

It is very important to take into account both the sustainability of production and the selection of energy needs that need to be covered given their lower efficiency in the process. Before incorporating renewable gases, a study identifying the energy coverage, i.e. studying demand before creating supply, must be carried out.

Therefore, EU countries must commit to:

Green hydrogen. Provided that it is produced via water electrolysis using electricity of renewable origin and is used to cover the energy demands that cannot be directly electrified. Using electricity means that it is produced in locations close to consumption, such as industrial parks, as electricity transmission should be prioritised over hydrogen transmission.

Synthetic gases. Using hydrogen to produce synthetic gases should be monitored by the various sectoral committees so that it does not become an excuse for using natural gas in sectors that are easily electrified, such as the transport sector, for example.

Biogas and biomethane. Production of biogas through anaerobic digestion in all treatment facilities or those that generate organic waste must be regulated by law, with self-consumption prioritised over injection into the grid.

Vegetable oils and liquid biofuels of agricultural origin. The production method, environmental impact and water consumption must be made explicit. It is also important to bear in mind the extension of the agricultural frontier and the replacement of food crops intended for human consumption. International and European certification must be standardised.

6 Governance and transparency

The economic power of the markets and the need to increase commitment to the fight against climate change require a firm position in observing and demanding ethical and transparent actions to implement inclusion, equity and social justice approaches that improve the wellbeing of citizens and maintain biodiversity.

The EU has committed to governance, transparency and control, and in energy matters, these commitments should be specified and promoted through the following actions:

- **Consolidate and place greater demands on EU and national control bodies.** In Spain, bodies such as CNMC, CNMV, CSN, REE, ENAGA, SEDIGA and system operation bodies must improve and expand their capacities and responses in defence of consumers and the environment.
- Control and limit actions of energy and industrial lobbies representing major corporations and their relationships with regulatory institutions: ACER, ENSTO-E and ENTSOG.
- Permanently ban and **control greenwashing practices**, both in terms of product information and operational alibis that seek to maintain the current system.
- Ban fracking to **gradually stop all imports of fossil fuels** from countries that violate human rights and observe compliance with the sanctions imposed.
- The obligation of subsidiarity of the owners of polluting and radioactive plants and facilities, assuming the costs caused by waste treatment, cost overruns and the decommissioning of facilities.

7 Increase the capacity to act on markets

Today's society is based on markets of different basic services and goods. In light of the rapidly changing world, energy markets need to **adapt and be redesigned in accordance with a common energy policy**, whereby the inherent premise behind price setting and guaranteed access is that **energy is a basic need and a right**.

The energy markets have an oligopolistic composition, while the future of energy is based on the diversity of agents and decentralisation. This implies efficiency as an enforceable practice and renewable energy as the basis of supply. On the other hand, wholesale electricity markets have been set up for a high fossil generation mix and not for a renewable one. This requires additional manageability elements on both the supply (storage) and demand (flexibility and storage) sides.

To ensure that energy consumption has a degree of responsibility, markets must recognise and facilitate operational procedures so that there are incentives to achieve this. Therefore, market reform should be seen as a way of facilitating regulatory and technical tools that already existed previously in different member states.

The lines of action to be taken include:

- Stop the way the marginalist model is currently applied.
- Limit the concentration of agents and the vertically integrated model.
- Establish capacity markets and incentives for the manageability of demand and the electricity system.
- Establish a fair CO_2 market.
- Adopt homogenous actions in terms of domestic production and imports.
- Establish procedures for joint purchases of primary energy.
- Expand markets through interconnections.
- Promote PPAs and CFDs.

8

Basic pillars of the energy transition

On the supply side, the transition is more than just replacing fossil fuels with renewable energy. It must be a joint action proposal for both supply and demand. It is essential for consumers to participate and take responsibility for responsible consumption that is committed to savings and efficiency. This is not only to achieve the objectives of decarbonisation, but also to democratise an energy model currently in the hands of business lobbies.

For example, the pillars of this energy transition are common throughout society and, regardless of the industrial and primary production sectors, must focus on:

Sustainable mobility

- Commitment to active and non-motorised mobility.
- Urban development by recovering public space and restricting access to polluting vehicles.
- Targets for electric vehicle deployment, public charging points and implementation of financial instruments.
- Commitment to improving public transport.
- Promoting and improving international railway connections.
- Limits on flying.
- Environmental labelling of vehicles according to real emissions.

Rehabilitation of buildings and takeover of NZeBs

- Eradication of energy poverty by establishing social tariffs and a guaranteed vital energy minimum.
- Modification of technical regulation basis for constructing nearly zero-energy buildings.
- Rehabilitation targets based on public participation models, recovery of CAEs and the modification of taxation pressure according to energy certificates, etc.
- Minimum commitment of 5% annual rehabilitation of public buildings.
- Ban on fossil fuel facilities and commitment to electrification and heat pumps.

MAss deployment of renewable energies

The objective of 100% renewable supply necessarily entails social acceptance of the installations to be developed. This is achieved by:

- Promoting self-consumption and distributed generation related to consumption, therefore removing access barriers and reserving access and connection capacity.
- Committing to storage at self-consumption facilities and demand management programmes.
- Establishing territorial planning for locating centralised electricity generation plants. This would establish preferred locations, such as renewable acceleration areas, and agriculturally valuable land is not affected. Considering land consolidation models for developing plants.
- Creating fair, distributed remuneration models for the affected areas, and not only for the owners of the land.

The constitution of Europe's ENERGY FUTURE

Chapter 04

The constitution of Europe's
ENERGY FUTURE

The EU has an institutional framework in which the decision-making system is constantly evolving. This is why this CEP represents another step towards improving a basic need such as energy. The work is united and coordinated across the seven European institutions, the seven EU bodies and the more than 30 decentralised agencies located around the EU. All have specific tasks, from drafting legislation and formulating EU policies to applying these policies and working in specialist fields such as health, medicine, transport and the environment.

There are four main decision-making institutions that run the EU administration, providing political guidance and performing various roles in the legislative process: the European Parliament (Brussels, Strasbourg and Luxembourg), the European Council (Brussels), the Council of the European Union (Brussels and Luxembourg) and the European Commission (Brussels, Luxembourg and representations in the member states). Their work is complemented by that of other institutions and bodies, including the Court of Justice of the European Union (Luxembourg), the European Central Bank (Frankfurt) and the European Court of Auditors (Luxembourg).

INSTITUTIONS OF THE EUROPEAN UNION

LEGISLATIVE

European Parliament
Approves and rejects legislation
720 MEPs plus the President.
Elected by the citizens.

Formado por los **ministros y ministras** de cada Estado miembro.
Approves and rejects legilsation
Council of the European Union

EJECUTIVO

European Council
Establishes the political agenda
Composed of the EU **heads of state**

27 commissioners, **appointed by the European Council and approved by the Parliament**
Proposes and implements legislation
European Commission

JUDICIAL

Court of Justice of the European Union
Interprets EU legislation and resolves disputes
Two courts with judges **appointed by the national governments**

27 members **appointed by the Council of the EU**
Checks the legitimacy of the budget
European Court of Auditors

FINANCIAL

European Central Bank
Maintains stability of the euro and monitors the European financial system
President and executive board **appointed by the European Council**

The structure of the legislature

LEGISLATIVE

European Parliament

Represents the citizens

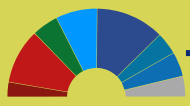
720 MEPs

Elected by direct universal suffrage

Period of **5** years.

27 Committees

7 Political groups



49 Delegations

Establish contacts with parliamentarians from other countries, regions and organisations

Council of the European Union

Composed of ministers from each country depending on the subject matter

- General affairs
- Foreign affairs
- Agriculture and fisheries
- Education, youth, culture and sports
- Competitiveness
- Economic and financial affairs
- Justice and home affairs
- Employment, social policy, health and consumer affairs
- Environment
- Transport, telecommunications and energy

27 Committees of the European Parliament

AFET DEVE INTA BUDG CONT ECON PETI EMPL ENV ITRE

IMCO TRAN REGI FEMM AGRI PECH CULT JURI LIBE AFCO

SPECIAL COMMITTEES

BECA COVI PEGA INGE ING2 AIDA ANIT

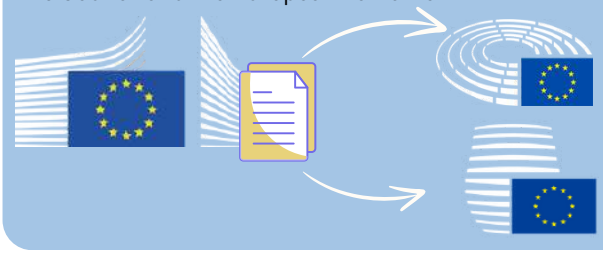
European legislation

The EU has mechanisms for creating its own legislative tools. These tools vary in their application, jurisdiction and binding nature and are used to regulate the various technical, economic and social aspects of the member states. The quality they all share is that they are the result of decisions made jointly, which entails different processes of construction, ascertainment and dialogue in order to incorporate a wide range of national views and interests.

THE PROCESS OF A EUROPEAN DIRECTIVE

1 Initiative

The Commission drafts a proposal and sends it to both the Council and the European Parliament.



2 First reading

The European Parliament studies the proposal and makes amendments if necessary.

OPTION A

The Council approves the text with the Parliament's modifications. **The procedure ends.**

OPTION B

The Council modifies the Parliament's proposal, moving on to a second reading.

3 Second reading

The European Parliament studies the proposal and makes amendments if necessary.

- Rejects, **the text is annulled**
- Modifies, **the text returns to the Council**
- Accepts, **the text is approved**

OPTION A

OPTION B

The European Parliament has modified the text, the Council takes a further decision on this issue.

- Rejects, **the text is annulled**, goes to the **conciliation** phase
- Accepts, **the text is approved**

4 Conciliation

A **committee of representatives from the Parliament and the Council** is appointed to try to reach an agreement

- There is no agreement, **the text is annulled**
- There is agreement, **the text is returned to the Parliament and the Council**

5 Third reading

The Parliament and the Council

- One or both reject it, **the text is annulled**
- Both approve the text, **it is adopted**

The member states transpose the text into their legislation

As this procedure is long and tedious, a solution has been created to streamline it:

Trilogues

These are informal and technical groups that are formed for each of the legislative proposals

1. Agree internally on their position on the text in the body responsible for it
2. The three representatives discuss among themselves whether to approve or reject the text

The degree of influence and the binding nature is determined by the importance of the situation as some of the legislation is mandatory, some has to be adopted and there are also recommendations. The legal instruments are divided into two categories: binding and non-binding. In any case, the creation process has to be done with the EU powers of the policy area specifically concerned.

This means the energy position of the EU is based on five core pillars:

1. The development of EU law by the European Parliament passing **acts**. These acts contain directly applicable rules designed to ensure that national law is brought into line with European law, with particular attention on cases of incorrect transposition of European legislation.

2. The development of **directives** that are the regulatory basis passed on to member states with the obligation to transpose them. It is binding legislation in the long term with an adaptation period. It sets targets to be achieved and met, so it is a form of framework legislation. Later, within the given deadlines, member states are free to set the measures to be taken to achieve the targets, many of which are included in the directives. They usually have two years for implementation.

3. The drafting of **regulations**. This is a binding legislative tool that is directly applicable to all member states. It is comparable to national regulation in terms of the impact and effects it has on legislation.

4. **Delegated regulations**. This is a written instrument to verify a legislative act. Acts in the EU are sometimes used as a basis for treaties that may enter the legislative process at a later date.

5. The approval of **specific plans**, such as the Green Deal or Fit for 55. These are non-binding acts that establish a framework for future acts in a policy area. These frameworks tend to be broad and general, and "future acts" usually take the form of legally binding instruments.

Directives

The starting point for shaping the common energy policy is to continue with the excellent development of the various directives of recent years. They have been a great support thanks to their perspective aimed at energy saving, efficiency and the commitment to a 100% open and diversified renewable model, prioritising electricity as an energy vector to cover our needs.

The CEP must include increased requirements and ambition in its transposition, as well as an update, extension and improvement, and the tightening and control of penalties for countries that fail to comply with them. Furthermore, it is essential to consider the rational use of energy for the introduction of a new energy culture as a structuring and cooperation element, both between countries and between rural and urban areas.

In the following sections, Fundación Renovables proposes new objectives to be included, both in national transpositions and in future updates of European legislation.

Renewable Energy Directive (RED III)
2023/2413

Areas	Target of the European Commission	Target of the update
Global renewable energies	At least 42.5% of final energy consumption throughout the EU. Can be extended to 45% for countries with greater potential.	**50%**
Building sector	Minimum national share of 49%.	**Electrification 80%**
	Air conditioning: annual average increase of 0.8% until 2025. Annual increase of 1.1% until 2030.	
Transport sector	Minimum of 29% of electricity and renewable fuels by 2030.	**40%**
	14.5% reduction of greenhouse gas emissions by 2030.	**20%**
	Renewable fuels: 1% by 2025 and 5.5% by 2030.	
Industrial sector	1.6% increase in annual share of renewables until 2030.	**5%**
	Renewable fuels of non-biological origin. At least 42% of hydrogen used as final energy by 2030 and 60% by 2035.	

General lines and ideas

1

Renewables mapping
Prioritise the member states making a map of the deployment of renewable energies to assess the domestic potential, surface land areas, subsoil and maritime or inland water areas (lakes, reservoirs, etc.) suitable for installing renewable energies and their evacuation and storage infrastructures that are compatible with pre-existing uses in each area.

2

Acceleration areas
Start designing renewable acceleration areas. The procedure will not exceed 12 months for photovoltaic and wind power land and two years for marine energy, although the latter can be extended. For repowering, installations up to 150 kW and co-location storage not exceeding 6 months and 12 months for marine energy, although this can be extended.

3

Social licence
Strong support for renewables and a permanent dialogue with adjacent and stressed regions is essential. Set up roundtables with developers, producer associations and affected neighbours. Improve and provide benefits to affected populations: bill reduction, energy communities, restoration funds and promotion of rural tourism.

4

Management and flexibility
The national regulatory framework must ensure that domestic batteries, electric vehicles and small distributed generation facilities can participate in the electricity markets, in the provision of flexibility and balancing services and through demand aggregation.

5

Promotion of supply
The modifications introduced in the new 2023 directive (compared to 2018) advocate for a massive supply of renewables outside of actively engaged consumers, taking advantage of built and unbuilt territory regardless of demand. It is the speculative model of centralised renewables based on corporate operations that do not so much accelerate the process of decarbonisation and electrification as engage consumers and active customers through distributed energy resources.

6

Taxonomic undefinition
The low-carbon taxonomy includes a new definition of 'renewable energy' as coming from 'non-fossil renewable sources', as if there could be fossil renewables. There is also a distinction between 'renewable fuels', i.e. those from biomass, and 'non-biological renewable fuels', i.e. from renewable sources other than biomass. The definition of 'non-biological renewable fuels' is actually the definition of 'alternative fuels' in the transport directives, i.e. fossil gas, or 'low-carbon energies', ranging from hydrogen to eco-fuels and e-fuels.

7

Application and transposition
The application of the directive will depend on the willingness of national, regional and local authorities to exercise their powers to ensure the progress of renewable energies in a way that is consistent with forecasts of demand developments and emission reductions. It will also depend on national legislation incorporating the rights of active consumers under European directives to access energy efficiency instruments and participate in energy markets.

Energy Efficiency Directive (EED)
2023/1791

Areas	Target of the European Commission	Target of the update
Energy saving	1.3% cumulative savings of the final energy consumption until 2025, averaged over the previous three years.	**1.5%**
	1.5% until 2027.	**2%**
	1.9% until 2030.	**5%**
Public sector	1.9% annual reduction of final energy consumption until 2027.	**20% with public implementation by 2030**
	3% of public buildings rehabilitated every year.	**5%**
Global efficiency	11.7% reduction of energy consumption throughout the EU by 2030 (compared to 2020).	**20%**
	40.5% reduction of primary energy consumption and 38% of final consumption.	**50%**
Emission limit for air-conditioning systems	200 gCO_2/kWh until 2025.	**150 gCO_2/kWh**
	150 gCO_2/kWh from 2026.	**100 gCO_2/kWh**
	100 gCO_2/kWh from 2035.	**50 gCO_2/kWh**
	50 gCO_2/kWh from 2045.	**0 gCO_2/kWh**
	0 gCO_2/kWh from 2050.	

General lines and ideas

1 **Differences in competence**
However much the articles repeat that regional and local authorities play a leading role, the directive does not bind them. It also conceals the serious problem of energy efficiency, which is derived from the distribution of powers that means the sectors that consume and emit the most can take their own actions. That is why Fundación Renovables advocates for energy efficiency to be applied and be the basis of the different energy sectors, promoting its implementation and improvement in a cross-cutting manner.

2 **Efficiency is still not a priority**
The treatment of final consumers is indicative and outside the application of the 'energy efficiency first' principle. This means that measures are only subject to the will of national, regional and local authorities in the face of the interests of the energy markets. The prioritisation of energy efficiency is not matched by the treatment of final consumers, yet the achievement of energy savings and decarbonisation targets will largely depend on them.

3 **Enabling instruments**
The instruments listed range from tax incentives or one-stop shops and professional qualification schemes to building renovation or energy efficiency partnerships and energy services, which would constitute elements of a national energy efficiency strategy that is not specified in the directive.

4 **No banning of gas**
The demand for natural gas, which is 100% fossil fuel, is allowed to grow. It is specified that "energy savings from policy measures regarding the use of direct fossil fuel combustion may be eligible energy savings under the energy savings obligation under certain conditions and for a transitional period." Therefore, there is still a need to define an action plan to eradicate fossil fuels.

5 **Electricity market**
Energy efficiency in electricity markets is left to national regulators and electricity and gas grid operators on an indicative and voluntary basis. They are also responsible for the assessment and cost-benefit analysis of energy efficiency solutions, demand-side flexibility and climate change mitigation investments.

6 **Local climate change plans**
According to Article 25, member states shall submit a comprehensive assessment of heating and cooling, including cost-benefit analyses of the most efficient solutions, taking into account the 'energy efficiency first' principle. In order to phase out fossil fuels, regional and local authorities will draw up local heating and cooling plans for municipalities with 45,000 inhabitants or more, with the widest possible participation, including taking advantage of synergies with neighbouring localities. Fundación Renovables demands that this plan prioritise electrification ahead of thermal uses of renewables.

Energy Performance of Buildings Directive (EPBD)

Areas	Target of the European Commission	Target of the update
Zero-emission buildings (ZEB)	Public administration: new buildings to be ZEB from 1 January 2028.	**ZEB required in new tenders from 2025**
	All new buildings: ZEB from 2030.	**ZEB required in new tenders from 2028**
Residential buildings	At least 16% rehabilitation by 2030 (compared to 2020).	**Rehabilitate 20% by 2030**
	At least 20–22% rehabilitation by 2035.	**25–27%**
	By 2040, a percentage will be established based on primary energy reduction.	
	At least 55% reduction in primary energy consumption by renovating 43% of the worst-performing buildings.	
Non-residential buildings	At least 16% rehabilitation by 2030.	**20%**
	At least 26% rehabilitation by 2033.	**30%**
	By 2040 and 2050, depending on primary energy reduction.	
Photovoltaics in buildings	New commercial and public buildings by 2026 (+250 m_2)	**New commercial and public buildings by 2026 (without a minimum surface area)**
	In commercial and public buildings undergoing major renovation by 2027 and larger than 2,000 m_2.	**In commercial and public buildings undergoing major renovation by 2027 and larger than 1,000 m_2**
	In new residential buildings and new covered car parks by 2029 and in existing public buildings by 2030 (250 m_2).	**In new residential buildings and new covered car parks by 2027 and in existing public buildings by 2030**

General lines and ideas

1

National Building Renovation Plan

The directive requires a **National Building Renovation Plan** to be created for each member state. It defines a series of requirements the plans must contain, such as a national building stock that includes construction periods and the climatic zones where they are located. This will enable the member states to create a national roadmap with targets for 2050, including reducing the number of people affected by energy poverty and intermediate targets for 2030 and 2040. The first draft has to be presented on 31 December 2025.

2

Consultations

The requirement to hold public consultations before finalising the plans and roadmaps (including civil society and bodies that work with vulnerable people) is positive. However, Fundación Renovables calls for ex-ante and ex-post consultations to guarantee maximum ambition, inclusion and transparency.

3

Photovoltaics in buildings

The directive requires member states to "ensure" that they will create photovoltaic installation targets in all types of buildings, "provided that they are economically and technically viable". The problem is that these viability criteria are not defined, bearing in mind that the regulatory frameworks and economy of scale for solar panels have meant that installing them has been profitable for years.

4

Banning boilers

There is no article in the directive that explicitly bans the use of boilers before 2030 and commits to eradicating fossil fuels. It promotes or permits the use of fossil fuels in boilers until 2040. This will cause both delays in the decarbonisation of this sector and differences between countries, instead of a shared line with the new CEP.

Fundación Renovables believes that 2040 as a date for completely banning fossil fuel boilers to be extremely late. This is especially the case considering the probable introduction of a ban on new autonomous boilers that will enter the market in 2029 (through the ecological design). The text is clearly very vague to ensure maximum flexibility for the member states, so that they can decide how much they want to decarbonise heating and refrigeration in buildings. This is something to improve if we want a CEP and something to control in the national plans.

5

Building permits

Fundación Renovables believes that building permits should not be granted for buildings that use fossil fuels from 2025. Building permits must be adapted to favour the rehabilitation of buildings, considering their quantification according to the area of action (centre and neighbourhoods in need of urgent intervention). In addition, gas for air conditioning in all public buildings must be stopped before 2025 and replaced with aerothermal heat pumps.

6

Rents according to energy rating

Prior to final approval of the directive, the EU executive branch included that properties with a poor energy rating could not be sold or rented in the near future unless the owner rehabilitated the property. However, this measure was removed during negotiations with the MEPs. Fundación Renovables believes this measure should be included in the national rehabilitation plans of member states that are to be presented before the end of 2025.

7

Residential sector

The residential focus is too flexible (with very low targets) and could become just an administrative exercise rather than a real requirement to renovate residential buildings, which will do nothing to change the current situation. The measures that could be eligible are different (and slightly lax) and do not really restrict the MEPs.

Directive on consumer protection in the ecological transition

General lines and ideas

1

Advertising that does not mislead consumers

Better known as the greenwashing directive, **it covers all sustainability advertising and announcements regarding a product, a brand, a company or a service made in a business-to-consumer (B2C) context**.

According to the directive, sustainability adverts cover both environmental or green claims and so-called "social characteristics" (bluewashing). The main demand of Fundación Renovables regards control and transparency of the complete transposition, with knowledge of the committee responsible for reviewing advertising and the application of the following criteria:

2

Misleading advertising

- Contains false information.
- Contains correct information but misleads or may mislead the average consumer in relation to the main product features, such as the environmental or social features.
- Announces irrelevant benefits that are not the result of any feature of the product or the company. In other words, they are required by law and are not an added value provided by the product or the company.

3

Bans

- Displaying sustainability labels that are not based on a third-party independent certification system or established by public authorities.
- Environmental claims that refer to an entire product or business when it actually concerns only one specific aspect of the product or a specific business activity of the company.
- The use of generic environmental claims (i.e. broad and unspecific claims that do not have a sustainability label) such as "green" or "environmentally friendly".
- The use of generic claims that encompass environmental and social aspects such as "sustainable", "conscious" or "responsible" cannot be based solely on environmental aspects without being tested.

Industrial Emissions Directive (IED)
2023/2413

General lines and ideas

1

Consumption and efficiency targets
Environmental behaviour targets will be mandatory for water consumption in the member states to combat water scarcity. In terms of resource efficiency, energy efficiency and the use of raw materials, the targets will be within a range and will be indicative for new techniques to be applied. However, Fundación Renovables believes that some minimum levels should have been considered for each target.
The new regulations in the directive will require the strictest achievable emission levels to be set for different sectors, but the problem is that these levels are not spelled out in detail.

2

Industrial emissions portal
According to the directive, energy uses will have to be reported to the industrial emissions portal, while the energy audits and monitoring measures required by the recently revised Energy Efficiency Directive will be incorporated into the reinforced environmental management systems. This means that all these instruments will support each other with reports and monitoring to ensure that the recommendations from the audits are implemented.

3

New activities included
It includes activities that entail a high risk of causing environmental pollution and large individual facilities could benefit from the IED's integrated approach to environmental management of resource use and pollution control. The new sectors proposed for the coverage, excluding a monitoring methodology, include in particular:

- Extractive industry facilities (mines) that cover metals, rare earth metals and industrial minerals. Energy minerals such as coal and aggregate quarries are excluded.
- Gigafactories of electromobility batteries is a growing sector that is relevant for the industrial transformation and complementary to the Batteries Regulation for larger plants.
- Large-scale livestock farms and additional farms for pigs (350 livestock units [LU]) and poultry (300 LU for hens and 280 LU for broilers). The limit is 380 LU for farms rearing both pigs and chickens.
- Revision before 2026.

It is important to note that before the final negotiations, the draft text of the directive included cattle, pig and poultry farms with over 150 LU in the scope of application.

4

No binding emissions limits
Fundación Renovables is critical of the fact that the directive does not have binding limits on greenhouse gas emissions nor energy efficiency regulations for all industries currently involved in the energy crisis. Decarbonisation and climate protection are officially part of the directive but it will take decades to be implemented.

5

Transformation plans
The transformation plans are a step in the right direction towards the EU's targets for 2050. However, the EC's position of keeping plans indicative stifles ambition and opens the door to corporate plans instead of the necessary assessment of industrial sites.

Gas and hydrogen package
(Amendment of Directive 2009/73/EC)

General lines and ideas

1

Dismantling and reconversion plans
After being definitively approved in the final vote, the directive established an **obligation to create dismantling plans for operators of gas distribution grids and reutilisation plans for distributing hydrogen**, following a methodological analysis of the technical and economic efficiency of the reconversion. Fundación Renovables believes transparency and public involvement of civil society are essential during the creation, development and dismantling process in order to understand the methodology applied and the sections to be reconverted or dismantled.

2

Plans and operators of the hydrogen network
Every four years, the **operators of hydrogen distribution networks will have to submit a network plan update for the infrastructure** they plan to develop. This includes an assessment of the needs of end users that are difficult to decarbonise. The key is that these plans must only take into account the sectors that are difficult to reduce. It also requires transmission and distribution activities to be separated, which could open the door to hydrogen uses in other sectors that are easy to electrify, such as heating.

3

Blending hydrogen, biomethane and fossil gas
It allows at least 2% hydrogen blending in the gas system and includes a key exception from blending, which is at cross-border level for hydrogen flows. It states that "***transmission system operators shall cooperate to avoid restrictions to cross-border flows due to gas quality differences at interconnection points between member states. When so cooperating, transmission system operators shall take into account the characteristics of installations of final natural gas customers.***" However, the article will not be applied when the content of hydrogen blended into the natural gas network is greater than 2% in volume. It also states that a variable blending percentage may be created according to the regions and their energy and consumption needs, which will allow fossil gas to continue being used as an energy instead of 100% green hydrogen in the coming years.

4

The end of fossil gas is not set
Fundación Renovables believes that the gas package does not include a defined and detailed path for eliminating fossil gas as an energy source in the European mix or the mixes of the member states. There is also no national strategy for implementing green hydrogen. Sectorised limits need to be set to end the use of fossil gas in sectors that are difficult to decarbonise by 2035 at the latest.
The language used in talking about the phasing out of fossil gas to respect the EU's climate target is very weak (without gas elimination target and without a legal obligation on member states to plan a phasing out date).

5

Hydrogen demand studies
Fundación Renovables believes that the national demand of every member state to be covered with hydrogen in the short, medium and long term must be studied correctly in order to correctly assess production needs. This is why establishing specific targets on hydrogen penetration can be dangerous, and even more so if they are established in a specific sector, with the priority being to replace the grey and brown hydrogen currently consumed in the EU.

Electricity market reform regulation

General lines and ideas

1

It is not a reform

Fundación Renovables believes that the regulation does not really reform the electricity market. Rather, it agglomerates and provides legal and technical support to initiatives that already existed in various member states. While it is true that long-term markets already existed before the reform, the regulation provides guidelines and legal support for their expansion and implementation in the member states.

2

Financial products

PPAs and CFDs are promoted as financial products to give economic stability to developers, but without a common standardisation and structure. They also allow CFD schemes to be used in old and new nuclear power plants, which is something that Fundación Renovables totally rejects.

3

Capacity mechanisms

In light of the climate commitments made previously, the regulation now allows for the emission limits to be temporarily removed so that plants that use fossil fuels can access capacity mechanisms until 31 December 2028. Fundación Renovables believes that this is a hidden subsidy that channels public funds into making profitable thermal power plants that cannot compete with renewables in terms of price.

4

Public interventions

The regulation allows for interventions without modifying the signal price of electricity in order to avoid high prices. This means that member states can make selective public interventions to alleviate energy poverty by setting prices for electricity supply as long as an energy crisis is declared. There needs to be a commitment to specific additional and palliative aid when there are high prices and progressive aid based on income criteria. Governments must also be presented with a proposal for creating a social tariff to replace the electricity and thermal subsidy, with a guaranteed subsistence minimum.

5

A real reform

Fundación Renovables advocates for taking energy quotas out of the market by using bilateral contracts made through auctions of infra-marginal technologies (as approved by RDL 17/2021 (link in Spanish only)), in the case of electricity generated by nuclear plants, and by changing to pay-as-bid, cushioning the increases in an energy mix in which 70% of generation is infra-marginal and 30% of the RECORE, and at an acceptor price (renewables, co-generation, nuclear and flow hydro bid at lower prices than technology with a higher marginal cost, as in the case of combined cycle plants).

Amendment of regulation 852/2020 on a taxonomy of sustainable investments

General lines and ideas

1

Sustainability
The EU's position on Regulation 852/2020 must be categorical and not allow a taxonomy that casts doubt on sustainability as an absolute concept and that allows investment in fossil fuels and nuclear energy for the sake of operational improvements.

2

Financial greenwashing
The regulation contains several key points with inaccuracies. Article 3 grants the qualification of "environmentally sustainable" to an investment that "contributes substantially" to one or more of the environmental objectives considered in Article 9 and "does not cause significant harm" to any of these targets. The European Parliament itself calls on the European Commission to propose a framework for graduating this "significant harm" which, in any case, implies a marketing of environmental assets as yet generally avoided by considering them as non-substitutable, exchangeable or interchangeable for the most part.
These ambiguities and possibilities for bartering environmental assets could undoubtedly open the way to greenwashing for companies that are already experts and that once traded real environmental impacts for projects that offered virtual socio-economic benefits.

3

Technological neutrality
Most notably, Article 16 of the Taxonomy Regulation defines "enabling activities" as any economic activity that enables other activities to contribute substantially to one or more environmental sustainability targets and can therefore be labelled as sustainable. It **applies the principle of technological neutrality**, whereby all activities serve to combat climate change and are to be treated equally, even if they pollute or emit greenhouse gas emissions. It takes precedence over the principle of climate neutrality, which excludes activities that use fossil fuels.

Article 19 sets out "technical criteria for determining the conditions under which a specific activity qualifies as contributing substantially". The criteria include respecting technological neutrality, which is based on conclusive scientific evidence and the precautionary principle (without mentioning that this applies in the absence of such conclusive evidence) and without stating by whom they are to be drawn up and whether they are subject to a veracity and objectivity check.

4

Fossil fuel efficiency
Validating **efficiency improvements in the use of fossil fuels** as sustainable, bearing in mind that electric equipment will always be much more efficient, **is not a valid tool for eradicating them** from electricity generation, air conditioning and transport.

5

Positioning
The CEP proposal must maintain a clear position and demand that the EU Council of the European Union not approve the proposal of the European Commission and the European Parliament on the change of taxonomy of sustainable investments to accept as sustainable those investments made throughout the value chain of natural gas and nuclear.

European regulation on CO_2 emissions from heavy vehicles

Areas	Target of the European Commission	Target of the update
Emissions reduction in the fleet of new heavy vehicles	45% by 2030.	**55% by 2030**
	65% by 2035.	**80% by 2035**
	90% by 2040.	**100% by 2040**
Emissions reduction for urban buses	90% in the period until 2030.	**100% by 2030**
	100% by 2035.	**100% by 2030**
Emissions reduction for trailers and semi-trailers	Towed or trailed: 7.5% from 2030.	**10% by 2030**
	Hitched or coupled to a wheel on the tractor unit: 10% from 2030.	**15% by 2030**

General lines and ideas

1

Definition of zero emissions
The definition of a zero-emission heavy vehicle needs to be improved because the regulation currently allows heavy internal combustion vehicles that do not emit more than 3 gCO_2/(t.km) or 1 gCO_2/(p.km), but these vehicles do not have zero emissions.

2

Biofuels
It should not include the use of **advanced biofuels, biogas or non-biological renewable fuels in general because they are still combustion processes that concentrate emissions in urban environments**.
The main option should be electrification as is it the most beneficial in terms of cost and emissions. The other options should be reserved for cases in which electrification is technically or economically impossible.

3

Taxation
There should be tax measures that favour the acquisition of these zero-emissions vehicles in SMEs.

4

Prioritise the railway
As efficiency is a key pillar of European policy, freight should be transported by railway primarily, increasing the modal share of rail transport, especially as global freight transport is growing.

5

Public vehicles
The application of an exemption from meeting the CO_2 reduction targets set out in the regulation for public service vehicles is incomprehensible when they should actually set an innovative example for other private owners and users. Exemptions apply to small manufacturers and vehicles used for mining, forestry and agricultural purposes, vehicles for the armed forces and fire services and vehicles for civil protection, public order and medical care.

Regulation on critical minerals

Areas	Target of the European Commission	Target of the update
Mineral extraction	Produce at least 10% of the annual consumption of raw materials in the EU.	**15% and upward revision every three years**
Product transformation	Produce at least 40% of the annual consumption of raw materials.	**Upward revision every three years**
Recycling	Produce at least 25% of the annual consumption of raw materials in the EU.	**30% and upward revision every three years**

General lines and ideas

1

Resource recycling strategy
An ambitious mineral recycling strategy is required because it has a smaller environmental footprint than mining and it is strategic for the EU to reuse these stocks of metals in use. A major challenge for the implementation of this policy is the lack of public information on the consumption of critical minerals at product and EU level.
In the circularity approach, the role of recycling is crucial, but it must be placed in a hierarchy of material management strategies that is currently not covered by the regulation. There is an urgent need to increase coherence on waste, prioritising prevention, repair and reuse over recycling.

2

New projects
According to the regulation, the administrative burden will be reduced by streamlining permission procedures for critical raw materials projects in the EU while ensuring high social and environmental protection, although the latter two parameters are not clearly defined and methodological linkages are not added. In addition, the selected strategic projects will benefit from aid for access to financing and shorter permission periods (24 months for extraction and 12 months for processing and recycling).
Fundación Renovables requests that these permits not be accelerated by shorter deadlines for public consultations and transparency of the permits granted and their processes.

3

Increase stability and strengthen labour rights
International trade is key to ensuring diversification of supply, but **measures and agreements do not ensure human and labour rights in the countries from which materials are sourced**. EU measures include a critical raw materials "club" for all countries concerned where they can strengthen global supply chains and use trade agreements to secure and diversify trade in these critical raw materials.

4

Control of sustainability standards
The regulation should provide the European Commission with the mandate and resources to conduct its own analysis, regardless of whether a potential strategic project complies with the sustainability and human rights standards set out in the law.
A strategic project, by virtue of being strategic, should not be allowed to "certify compliance" with sustainability requirements without being integrated into a system of independent analysts that goes beyond these schemes. They will then have a higher level of governance. Schemes cannot replace environmental and social due diligence.

Regulation on methane

General lines and ideas

1

Quantification of leakage
The obligation for operators to report regularly to the competent authorities on the quantification and measurements of methane emissions at source, including for non-operated assets, shall be encouraged. These emissions shall be quantified within 18 months for operated assets and 30 months for non-operated assets (Article 12).

2

Inspections
Obligation for oil and gas companies to carry out regular inspections of their equipment to detect and repair methane leaks within the EU territory and within specified time limits (Article 14).

3

Venting and flaring
Ban on routine venting (release of methane into the atmosphere) and flaring by the oil and gas sectors, and restriction of non-routine venting and flaring to unavoidable circumstances (Articles 15, 16, 22 and 26).

4

Inventory of assets
Obligation for companies in the oil, gas and coal sectors to conduct an inventory of closed, inactive, plugged and abandoned assets, such as wells and mines, to monitor their emissions and to adopt a plan to mitigate them as soon as possible.

5

Imports
From 1 January 2027, the same monitoring, reporting and verification (MRV) measures that apply in the EU will be extended to fossil fuel importers.
Specific mitigation measures (LDAR, BRFV) are not part of the framework for imported energy sources and the deadline for implementing a maximum methane leakage rate has been excessively extended. This makes the regulation incompatible with the urgency highlighted in the latest IEA report on methane emissions and certainly inconsistent with the commitments made under the Global Methane Pledge (to reduce global methane emissions by at least 30% by 2030, compared to 2020 levels).

6

No targets or improvements
Methane is the main component of fossil gas, yet the regulation does not include an overall methane emission reduction target, as proposed by the European Parliament, nor a general reference to reducing methane emissions as part of a long-term strategy to phase out fossil fuels.
The regulation does not cover the petrochemical sector, despite the fact that it is set to be the biggest driver of global oil demand and the IEA estimates that it will consume an additional 56 billion cubic metres (bcm) of fossil gas by 2030 and 83 bcm by 2050.

7

National plans to reduce methane
All this is why Fundación Renovables is calling for the creation of national plans to reduce methane for member states, including the initiatives of the regulation and the various improvements proposed above.

FUNDACIÓN RENOVABLES

EUROPE'S ENERGY FUTURE DEPENDS ON A COMMON ENERGY POLICY

2024

www.fundacionrenovables.org