

The RED revision: How to maximise the potential for communities to contribute to local renewables production

The current Renewable Energy Directive 2018/2001/EU (RED II) entered into force in December 2018, as part of the Clean Energy Package (CEP) introducing legislation to promote renewable energy and emission reductions. It also introduced for the first time a new concept for citizen participation in the energy market, the Renewable Energy Communities (RECs).

With its recent proposed revisions to the RED II, the European Commission (Commission) has recognized the need to increase ambition on renewable energy production in order to adhere to the 2030 and 2050 climate objectives.¹ To meet these objectives, and to speed up the pace of developing renewable energy, more action is required in all segments of society. Citizens, for their part, are increasingly mobilizing through their own community, developing initiatives around the uptake of renewable energy.² Russia's invasion to Ukraine highlighted the pressing need for a faster energy transition to renewables. Thus, the Commission, with its REPowerEU Plan introduced several measures to speed up the decarbonization process, including some new provisions to be included in the Renewables Directive.

In order to maximise the potential for citizens and their communities to contribute towards the replacement of gas by local renewable production, the upcoming Trilogues between the European Parliament and the Council on the Renewables Directive must result in the following:

¹ COM/2019/640 final, The European Green Deal Communication, European Commission, published on 11-12-2019

² COM/2015/0339, A European New Deal for Consumers, European Commission, published on 15-07-2015

1. Increase of ambition for the EU's 2030 renewable energy targets to at least 50%, supported by a long-term 100% renewables target and nationally binding targets;
2. Maintenance of existing provisions of Articles 2(16) and Article 22 the RED II that define and refer to RECs;
3. Provision of support for RECs in integrating renewables in buildings and in collaborating with local authorities, particularly through public procurement;
4. Promotion and support for RECs in the heating & cooling sector, particularly district heating and cooling;
5. Distribution and transmission operators should be capable of monitoring electricity flows in real-time, while system integration should acknowledge a larger role for district heating and cooling, particularly at the local level;
6. Promotion of participation of RECs in cross-border in the development of offshore renewable energy production;
7. A more balanced approach towards the role of biogas in helping the EU move away from imported fossil gas and
8. The possibility to issue guarantees of origin (GO) smaller than 1 MWh, simplify registration processes and reduce registration fees for energy communities and small installations (smaller than 50KW).

Within the scope of the REPowerEU Plan, the Commission proposed further revisions to the RED II, which are also currently being discussed in the European Parliament. This separate process follows a different timeline and should deliver the following:

1. Simplified, special procedures for RECs and renewable energy self-consumers to obtain a grid connection, as well as provision of other technical assistance; and
2. Integrated multilevel planning and mapping to guarantee that the local potential for renewable energy production is assessed and harnessed, and support for development of local policy aims or objectives for the promotion of citizen and community-owned energy.

The Trilogues

1. Higher ambition on the renewable energy target & avoiding support for unsustainable development of biomethane

In order to solve the crisis around energy security and high prices, an acceleration of renewable energy production is vital. With its original Fit for 55 proposal the Commission introduced a new binding 2030 EU level renewable energy target of at least 40%. This target was proposed before Russia's invasion to Ukraine, which signaled a pressing need to lower our dependency from Russian fossil fuels. The target introduced by the EU

Parliament of at least 45% is a step to the right direction and it is also supported by the Commission's latest legislative proposal under RePowerEU.

What still needs to be improved:

An increased renewables target of at least 50% by 2030 should be agreed upon and reinforced with a long term target of 100% renewable energy by 2040. Moreover, an increased target should be backed up by binding national targets, to ensure the 2030 EU target is met.

2. Renewables development at building level

The new Article 15a proposed by the Commission would require Member States to set an indicative target for the share of renewables in final energy consumption in their buildings sector in 2030 consistent with an indicative target of at least a 49 % share of energy from renewable sources in the buildings sector. This target is supported by proposed requirements for Member States to introduce measures in their building regulations and codes and in their support schemes, including measures to promote renewables self-consumption, RECs and local energy storage, in combination with energy efficiency improvements. Paragraph 3 of Article 15a also requires Member States to ensure that public buildings at national, regional and local level fulfil an exemplary role regarding the share of renewable energy used. This obligation would be able to be fulfilled by providing for the roofs of public or mixed private-public buildings to be used by third parties for installations that produce energy from renewable sources.

Aspects to be defended:

The Parliament position recognises that, as local authorities and RECs are natural partners in the energy transition at the local level, Member States shall promote cooperation between them in the building sector, particularly through the use of public procurement. Such support shall be indicated in Member States' National Building Renovation Plans under Article 3 of the Energy Performance of Buildings Directive (EPBD). These proposed changes should be defended and be part of a holistic approach for the building sector, through a strong coordination of the Renewables Directive, the EPBD and the Energy Efficiency Directive (EED). In order to ensure an effective penetration of renewables in the building sector, it is key to reduce energy demand in line with the energy efficiency first principle.

3. System integration of renewables

In the new Article 20a the Commission proposed a number of measures aiming to facilitate integration of renewable electricity into the energy system. We support more transparency in the grid, both for system operators and for users of the grid, and we

support strengthening language to ensure that system operators are able to measure what is going on in real-time. Nevertheless, we regret that most of the measures contained in this article focus on the interaction between electric vehicles and the electricity grid. This neglects a general approach to foster interaction between renewable electricity in heating and cooling and in industry. Such links need to be addressed in order to make Article 20a a more meaningful tool to promote system integration, particularly at the local level.

Aspects to be defended:

The Parliament added a reference in paragraph 4 of Article 20a highlighting the need to ensure that national regulatory frameworks provide a level playing field for smaller market actors such as RECs. We recommend defending the Parliaments position.

What still needs to be improved:

- The Parliament inserted language in paragraph 1 that would encourage DSOs to provide data on demand response and renewable production potential by renewables self-consumers and RECs. However, the language is entirely discretionary and is, therefore, not likely to be effective. DSOs should be required to develop projections for this type of potential as part of the distribution network plans. This would help provide clarity for energy communities and other market actors that want to develop projects to help optimise the distribution network.
- The Parliament has proposed to include language in paragraph 4 on 'community batteries'. This term is also defined in Article 1(47r). As worded, the text would create confusion and result in legal complexity around the implementation of provisions on RECs. As RECs are defined as a legal entity, any additional definition attaching itself to a REC should be exclusive to RECs. Yet, the language also refers to batteries owned and operated by renewables self-consumers. To avoid confusion, we would recommend re-defining community batteries as 'district batteries', or 'neighborhood batteries'. This would allow the definition to apply to both RECs and other collective initiatives by households or businesses that want to jointly produce, consume or share renewable energy.

4. New binding annual growth rate for heating and cooling

Article 23(1) of the Commission's proposal states that each Member State must increase the share of renewable energy in the heating and cooling sector by at least 1.1 percentage points as an annual average calculated for the periods 2021 to 2025 and 2026 to 2030. That increase shall be 1.5 percentage points for Member States where waste heat and cold is used. In that case, Member States may count waste heat and cold up to 40 % of the average annual increase.

Aspects to be defended:

The Parliament improves the text by adding a more ambitious target, which we support, as there is a need for an increase in the use of renewable heating and cooling, in accordance with the energy efficiency first principle. In line with this principle we also support the proposal of an obligation to Member States to provide information to the owners or tenants of buildings and SMEs on cost-effective measures, and financial instruments, to improve the use of renewable energy in the heating and cooling systems. Member States shall provide the information through accessible and transparent advisory tools based in one-stop shops.

During the trilogues it should also be guaranteed that Member States ensure the accessibility of renewable heating and cooling to all consumers, in particular those in low income or vulnerable households, who would not otherwise possess sufficient up-front capital to benefit. When adopting and implementing those measures, it should be acknowledged that RECs can contribute to the achievement of these ambitious objectives, and ensure the inclusion of vulnerable households. Specifically, concrete language should be included in paragraph 4, which lists measures that Member States may take to achieve the targets. Therefore, we support the Parliament's introduction of a new measure on the promotion of consumer-owned DHC networks, including through regulatory measures and financing arrangements. We urge the Council and the Commission to support this text.

5. Offshore energy

The production of offshore renewable energy is highlighted as a priority for the Commission's agenda and is considered very important for the achievement of the ambitious renewable energy targets, but also for guaranteeing security of supply for the EU. The new paragraph 7a added to Article 9 of the Commission's proposal aims to enhance Member States' cooperation to jointly define the amount of offshore renewable energy they plan to produce in that sea basin by 2050, with intermediate steps in 2030 and 2040. The cooperative movement can contribute to offshore wind deployment and social acceptance of such projects. As a matter of fact, there are already some initiatives active in this field. National and EU legislation should support citizen participation in offshore wind tenders, while there should be also a specific financing mechanism established for offshore projects that allow the participation and involvement of energy cooperatives and citizens.

Aspects to be defended:

The Council and the Commission should align with the Parliament's position on article 9(7a) with regards to ensuring a strong public participation approach so that the views of all stakeholders and affected coastal communities are taken into account. Also the participation by RECs in offshore wind projects should be guaranteed by referencing the

need to include RECs in joint cooperation projects on offshore wind In order to enhance broad public acceptance.

6. Tempering the role of biomethane in moving away from imported gas

In its REPower EU Communication, the Commission stated that it aims to achieve 35 billion cubic meters (bcm) of biomethane by 2030. While this may be supported by industry prognostications, for instance from the European Biogas Association, the potential role of biomethane is a lot more complicated. Biomethane production is quite localized and can be produced from a number of different sources, not all of which have environmental or climate benefits. According to the International Council on Clean Transportation (ICCT), if we discount unsustainable resources used to produce biomethane, the total technical potential of biomethane in the EU-27 could replace only 8% of natural gas demand in 2030, while the cost-viable potential for biomethane is much lower.³ Furthermore, biomethane is not the only use for biogas: it can be used to generate electricity and heat for district heating networks, often at a significantly cheaper cost.

What needs to go:

- The Parliament proposes to push the Commission to develop a strategy for scaling biomethane and integrating it into the IEM. This text should be deleted. The issue of biomethane should be assessed in a more holistic and forward-thinking strategy for the role of biogas in a more locally-based approach that includes heating and system integration.
- The Parliament proposes to include “promotion of the production of biogas and its injection into the gas grid, instead of its use for electricity production” as a measure that may be considered by Member States to achieve their annual increase of renewables in the heating and cooling sector. As the biomethanisation of gas is subject to increased costs and environmental risks, making it unsuitable as a widespread option for heating, this text should be deleted. Alternatively, it should be amended so that it is subject to the efficiency first principle, as well as a proper cost-benefit analysis .

7. Electricity Guarantees of Origin

In the new Article 23 and 143, the European Parliament is calling for the possibility to issue guarantees of origin (GO) smaller than 1 MWh, simplify registration processes and reduce registration fees for energy communities and small installations (smaller than 50KW).

³ [The potential for low-carbon renewable methane in heating, power, and transport in the European Union - International Council on Clean Transportation \(theicct.org\).](https://www.theicct.org/)

This is of tremendous importance in order to raise the potential of small installations and citizen-driven renewable energies expansion. Moreover, an introduction of a green label within the GO scheme provides a clear marker that the power plant was recently installed and has thus contributed to the build-up of renewable energy capacity.

Aspects to be defended:

The Parliament added the possibility to issue fractions of the current 1 MWh of Guarantees of origin to ensure that small renewable power plants are integrated in the GO scheme. Moreover, the Parliament calls for simplified registration fees and processes for energy communities and small installations (smaller than 50KW). Both aspects are important to raise the potential of small installation and citizen-driven renewable energies expansion.

We strongly support the Parliament's suggestion to introduce a Union-wide green label for renewable energy from new installations within the GO scheme. More than just an indication of renewable energy production, the GO green label information renders visible the additional installations of renewable power plants – essential to reach climate targets. Moreover, we favor a better correlation in terms of time: information on energy source shall disclose start and end dates as close to real time as possible, with the objective to arrive at intervals of no more than one hour of production.

What needs to go:

The standard size of a GO of 1 MWh should be abandoned, because by issuing fragments of 1 MWh GOs, small renewable actors are integrated in the GO scheme. We regard it to be important that the Member States have the right to decide not to issue a guarantee of origins to a producer who receives financial support from a support scheme. Thus, we endorse the Parliament and Council mandate of the new Article 23 (instead of the Commission's proposal).

RED Revisions under the REPowerEU Plan

1. Simplification of permitting and grid connection processes

To start with, we propose an inclusion of a new recital 7a which will highlight that citizens, local authorities and small and medium enterprises, acting as individual and collective self-consumers, and through RECs, are disproportionately impacted by complex, lengthy and opaque administrative procedures. This is often due to a lack of experience or expertise, financial and human resources to navigate permitting and grid connection processes in particular. There is a need to make it easier for non-professional and non-commercial market actors to successfully navigate procedures to obtain relevant

approvals. This should be facilitated by simplification where necessary, as well as dedicated windows where these actors do not have to stand in line with other professional well-resourced market participants. In line with the REPower EU Communication, national governments have the duty to make it easier for citizens to uptake and install local renewable energy production to meet their needs.

Therefore, there is a need to simplify and reduce burdensome administrative procedures, by providing further clarity to the overarching rules, so that barriers at national level are removed. The proposed Article 15(8) obliges Member States to remove barriers to Power Purchase Agreements (PPAs), including the transfer of Guarantees of Origin (GOs). Those changes as well as the changes in the new Article 15(9), would oblige the Commission to review administrative procedures and where appropriate, propose modifications to the rules set out in Articles 15, 16 and 17 and their application by one year after the entry into force of the Directive. However, this might be too late, and it probably means that no improvements are to be expected before 2024.

In more detail, Member States should address the different target groups of renewable projects and in order to foster the take-up by citizen and to increase public acceptance, make citizens aware of their rights, duties and technical aspects as well as to facilitate the fulfilment of the solar rooftop targets as set out by the REPowerEU Plan. To ensure fairness and equality, RECs and renewables self-consumers should be able to access special assistance in obtaining permits and a grid connection for local projects. This will reduce barriers for non-commercial and non-professional market actors, ensure public acceptance, facilitate the growth of local renewable energy production, and promote citizen participation in the energy transition. A new relevant paragraph 5 should be added in article 16 making sure that administrative procedures, in particular permit granting and grid connections, provide for the provision of other technical assistance to RECs and renewable energy self-consumers, including through simplified procedures and dedicated application windows.

2. Local planning and mapping of renewables

In response to the Commission's latest proposal under RePowerEU, the European Parliament is also discussing proposals on 'go to' areas for renewable energy development. Going beyond the Commission's proposal, there is a need to ensure integrated multi-level planning and mapping of renewables production potential in order to optimise the local exploitation and use of renewable energy sources. This should include different development scenarios, and be focused at the local and regional levels. Local plans should prioritise the development of potential to involve renewables self-consumers, both individual and collective, as well as RECs and local authorities. In line with this, Member States should support local and regional authorities to set objectives for the development of locally owned and developed renewable energy. In order to

assist local and regional authorities with undertaking these monumental tasks, technical, human and financial support will be necessary.

Moreover, in the context of the identification of priority areas suitable for the immediate fast-tracked installation of renewable energy technologies, Member States should give priority to renewable projects developed by RECs to guarantee that they are not excluded from the designated areas and are able to promote the public acceptance of renewable projects by the local population. Support and acceptance by the local population and administration can be enhanced by ensuring that they benefit economically from being able to take partial financial ownership in new renewable plants and are respectively involved from the outset in the development of the projects.