

WindEurope position on

The resilience criterion in the Net-Zero Industry Act

The Net-Zero Industry Act (NZIA) introduces for the first time **mandatory non-price criteria in renewables auctions – both prequalification and award criteria**. What was only a possibility in the State aid guidelines will now become mandatory for at least 30% of the annual volumes of renewables tendered by Member States.

Assessing the **resilience contribution** of a project is one of the mandatory non-price criteria Member States will have to implement for the auctions concerned. The European Commission and the Member States will detail its implementation in **several texts of secondary legislation** to be adopted by March 2025.

This note communicates to the European Commission and Member States the position of the European wind industry on how the resilience criterion should be implemented.

1. The contribution to resilience must be tailored to the different technologies

Applying a technology-specific approach is inevitable and essential, given the very different supply chain starting points, as well as project sizes and complexity, between different technologies.

Onshore wind, offshore wind, solar, and other strategic net-zero technologies such as renewable hydrogen all have different supply chain resilience levels. It is impossible to apply a one-size-fits-all solution and it is therefore critical for National Governments to conduct technology-specific auctions.

2. Alignment across Member States

It is impossible for the supply chain to deal with 27 different sourcing requirements for the same components or technology. This market fragmentation would come with significant administrative costs, as well as supply chain cost increases and would divert the attention and resources of renewables projects developers away from their core mission: deploying wind and other renewables.

Having a patchwork of rules would undermine the very objective of the NZIA which is to boost the manufacturing and development of net-zero technologies in Europe and to strengthen the global competitiveness of European net-zero technologies. And it would put Europe's energy security and climate objectives at risk.

The wind industry calls on National Governments to apply supply chain resilience as a non-price award criterion and not as pre-qualification. Applying supply chain resilience as pre-qualification may have unintended consequences in particular considering the lack of prior experience with such policies.

3. Alignment of the resilience criterion under public procurement and renewable auctions

Most renewable auctions fall under article 26 of NZIA, but some auctions have included references to the EU public procurement rules. In this second case, article 25 of NZIA applies. This is currently the case of the Danish offshore auctions. It is uncertain whether these auctions will have to follow the rules of article 25 or 26. Moreover, certain State-owned companies are also subject to EU public procurement rules when buying equipment, such as wind turbines. They may also need to comply with article 25 even though they are bidding in a renewable auction under article 26.

Having two different regimes to comply with would fragment the European wind industry and put its viability at risk. It is the opposite of what needs to be done to quickly ramp up the manufacturing capacity in Europe to meet our 2030 and climate neutrality targets.

The resilience criterion must therefore be defined and assessed as similarly as possible under articles 25 and 26 in the Implementing Act. This means in particular having the same list of components, the same methodology to track the dependencies, the same geographical scope, and the same way of demonstrating compliance.

4. List of components to assess the resilience criterion

The resilience threshold of e.g. 50% should be calculated at project level. Project level must be understood as the aggregated value of the main components for the relevant net-zero technology.

The list of key components must be limited to avoid hampering the customization of wind turbines to project-specific needs. Wind turbines are highly customized (there is no standardised mass production as it is the case in the PV industry), and the industry cannot afford to collect EU-origin certificates for each individual component in a wind turbine.

The following list of components must be applied for wind:

Component	HS Heading	Description
1. Nacelle	HS 8502 or HS 8412	Fully assembled Nacelle or Nacelles without “drive” and/or rotor-hub
1.1 Drive	HS 8483 or HS 8501	“Drive” (Drivetrain, powertrain, hybrid drive, direct drive or generator (if not included in previously mentioned components) – only applicable if not included under “nacelle”
1.2 Hub	HS 8412	Rotor-hub – only applicable if not included under “nacelle”
2. Tower	HS 7308	Tower
3. Blades	HS 8412	Blades

The European wind industry does not support the inclusion of permanent magnets as Europe is currently practically fully dependant on China – this applies to the EU economy as a whole and is not

specific to the wind industry. Penalising the use of imported permanent magnets when no alternative sourcing or EU production is available (or available at an uncompetitive price) could hamper the EU meeting its wind targets, delay projects (constrained supply) and make wind less competitive and more expensive for end consumers.

Should the European Commission identify an additional essential wind component where Europe is highly reliant on a single third country supplier, the industry should create a Roadmap to reduce this dependency within a realistic timeframe. This roadmap, in line with the Critical Raw Materials Act, would lead to dedicated "Net-Zero Technology Manufacturing Projects" as outlined in Section III of NZIA (Art. 13 - Art. 16), while also focusing on enhancing diversification through collaboration with partner countries. This would address the root cause without risking to slow wind deployment.

NZIA requires that the supply chain resilience assessment is done in line with the Customs Code (Regulation (EU) 952/2013), which may entail the use of non-preferential rules of origin to verify the source of supply. It should be explored whether there is an easier way to demonstrate compliance with the resilience criterion.

5. Assessment of the contribution to resilience in renewable auctions

The contribution to resilience will have to be in a form of a commitment at the time of the bid. Compliance must be demonstrated at the time of the delivery of the project, ("upon completion of the execution of the contract" as stated in article 25). This is essential considering that the supply chain make sourcing decisions shortly before the construction phase, to adapt to external changes, such as geopolitical events or global sanitary issues.

In article 25 on public procurement, the application of the resilience criterion is triggered by an assessment of the dependency of the technology made by the Commission. This assessment will be detailed in an Implementing Act (article 29. 2) where the Commission will provide updated information on the shares of the Union supply originating in different third countries. The European wind industry supports an assessment of the application of the reliance criterion every 2 years. This would give the supply chain visibility and would be in line with the periodic assessment of the effectiveness of NZIA.

6. Alignment between art. 25 and art. 26 on the geographical scope

Article 25 on public procurement rule specifies that the resilience criterion for public procurement procedures does not apply to countries signatories of the Agreement on General Procurement (GPA), that include the United Kingdom and the US. Exempting these countries also in article 26 would therefore align the scope of the two articles (art. 25 and art. 26).

Neighbouring markets which are deeply integrated with the EU, such as Turkey (part of the EU Customs Union) and the EFTA countries, should be considered on a par with EU countries when applying the resilience criterion.