



ESTELA
European Solar Thermal
Electricity Association



HUNGARIAN ENERGY
EFFICIENCY INSTITUTE
MEHI / HUNEFF



European businesses at the forefront of the energy transition call for an ambitious Energy Union Governance

8th June 2018

Our organisations are committed to delivering a clean energy future for Europe. To achieve this goal, we call on European policy-makers to agree on a Governance Regulation that mirrors the ambition and the regime agreed in the Paris Agreement on climate change.

In the global race for clean energy investments, Europe needs to step up its game to attract the private investment necessary for its energy transition. Investors and businesses must have a strong signal that a low-carbon economy supported by global leadership in energy efficiency and renewable energy is an industrial mission for Europe.

Energy Union Governance can create an enabling framework by establishing a common scheme for planning and monitoring the energy transition across sectors for the short, medium and long terms. This would allow businesses to plan investments and consequently foster jobs and growth in the European Union.

Design long-term strategies in line with the Paris Agreement

We welcome the call by Heads of States and Governments for a draft European long-term climate strategy to be prepared by the European Commission by Q1 2019. In order to be effective, Energy Union Governance should require that **strategy to be based on the latest scientific knowledge, informed by a carbon budget and shall take in due account demand response, currently ignored in the proposed modelling.**

Energy Union Governance also provides a framework for national long-term strategies. These strategies will greatly inform our investment decisions, within a European framework and should ensure the compatibility of short term-investment decisions with long-term political planning. To be in line with the ambition of the Paris Agreement, **member states must consequently plan for reducing greenhouse gases emissions to net zero by 2050 at the latest.**

The Regulation also aims at reconciling 2050 and 2030 ambitions by requesting that national plans are consistent with long-term strategies. This coherence would be greater if the **climate strategies were subject to the same procedural requirements as the national energy plans: a binding template, a compulsory public consultation and effective monitoring.**

Ensure confidence that targets will be met

The 2030 energy framework is likely to provide member states with the freedom to set their own national targets for renewable energy and energy efficiency. At this moment in time, it is unclear whether the Regulation will provide the right balance between flexibility and investment certainty. **Flexibility must be balanced by mechanisms guaranteeing the effective delivery of the EU-wide energy targets, identifying responsibilities and addressing the risk of free-riding.**



ESTELA
European Solar Thermal
Electricity Association



HUNGARIAN ENERGY
EFFICIENCY INSTITUTE
MEHI / HUNEFF



In particular, the Regulation must include clear, fair and actionable mechanisms if the Commission identifies an ambition or a delivery shortfall on the renewable energy and energy efficiency targets.

While we welcome the ongoing discussions on a formula for renewable energy in case of ambition gap, we insist it kicks-in from the onset of the national plans' iterative process. We would also insist that the regulation includes similarly robust provisions for the governance of the energy efficiency target. For both renewable energy and energy efficiency, progress should be tracked against a predefined trajectory as close as possible to linearity and any deviation from the trajectory should be compensated by swift measures at national or European-level, depending on the gap identified.

Support integrated planning for the energy transition

By giving forward visibility on where and when investments will be needed, the national energy and climate plans will be the industry's reference documents for post-2020 investment. **These plans will enable businesses to plan ahead, cutting costs and reducing transition risk if they are detailed enough – for instance, the plans need to outline concrete deployment volumes for renewable energy.**

The national plans must combine the different dimensions of the Energy Union, including the internal energy market. **Without market design planning, the national plans would present only a partial picture of the investment conditions in Europe. To that end, the plans must cover capacity mechanisms (where relevant), the phasing out of fossil fuels subsidies and include national objectives for increased system flexibility together with a timeframe for their accomplishment.** Their inclusion will provide guidance to businesses and investors about the potential growth of, notably, demand-side flexibility which is currently lacking visibility and relevance in national planning.

Finally, an integrated approach to energy system planning is required. It is clear that a major leap is needed in renewable energy, energy efficiency and system flexibility to reach net zero greenhouse gas emissions. **Governments should systematically consider all three options – renewable energy, energy efficiency and system flexibility – in all investment decisions in the context of their national energy and climate plan.** The national plans and the long-term strategies must also be informed by a public consultation. **The public should be given early and effective opportunity to be involved in the process the same way stakeholders have the possibility to participate in the creation and implementation of the long-term renovation strategies under the Energy Performance of Buildings Directive.**

With this Regulation, the EU has the opportunity to maintain and step up its global leadership on climate action at a crucial point in the international negotiations, while at the same time, providing the robust, stable and predictable policy framework we need to ensure investor certainty for our sectors and the most cost-effective pathway to a low-carbon economy.