

REPowerEU: EU wants to break free from fossil gas dependency

Yesterday (18 May 2022), the European Commission unveiled a fleet of energy-related package measures – REPowerEU - which details primarily on how to undertake an orderly and affordable phase out of Russian gas by 2027 while also keeping energy prices in check and green goals on track.

It equally proposes EU-level backstop options in the face of the plausible risk of a sudden interruption of Russian gas supplies, notably after the supply cuts to Poland and Bulgaria.

The ambition of the plan, both desirable and laudable, is also an opportunity to achieve the decarbonisation required to accelerate green transformation. However, the success of the plan is left in the hands of Member States since most of proposed measures require either national implementation or coordination between EU countries. E.DSO support the dual strategy which seeks to reduce dependence on Russian fossil fuels and fast forward towards the green transition.

Mr Christian Buchel, E.DSO Chairman stated: “REPowerEU sets challenging objectives, but feasible, DSOs will keep deploying all their efforts to foster rapid deployment of renewables and their connection to the grid.”

He further confirmed that:

“As mentioned by Commissioner Simson, “the production of renewable energy is an overriding public interest” and so does the relying infrastructure in the proposed revision of Renewable Energy Directive. This shows how DSOs are essential to achieve REPowerEU objectives.”

Pillars of actions

The plan entails four pillars of actions: (1) saving energy, including by increasing Energy Efficiency Directive target; (2) boosting renewables; (3) diversifying imports of oil, gas, electricity and (in future) hydrogen; and (4) “smart investment” in tomorrow’s energy infrastructure. We will address beneath three main issues impacting distributions system operators (DSOs).

1. Enhance Energy efficiency

The European Commission proposes to enhance long-term energy efficiency measures, including an increase **from 9% to 13%** of the binding *Energy Efficiency Target* under the 'Fit for 55' package. To back up the promise, the Commission published today the '[EU Save Energy Communication](#)' detailing short-term changes which could ditch gas and oil demand by 5% .

Member States are also encouraged to use fiscal measures to encourage energy savings, such as reduced VAT rates on energy efficient heating systems, building insulation and appliances and



products. **We are pleased to see that the Energy Efficiency target has been taken seriously in the REPowerEU and we advocate for continuing to step up efforts to achieve the energy efficiency goals.**

2. Scaling up the renewables

REPowerEU emphasises the acceleration of green technologies and proposes to increase the EU's headline 2030 target for renewables from **40% to 45%**. E.DSO reiterates that for a correct implementation of this target, the plan shall go hand in hand with the security of supply and grid investments. The RepowerEU is also triggering quick and massive PV deployment via the European Solar Rooftops Initiative and proposes to amend the Energy Performance of Buildings Directive (EPBD) to make solar panels on the roofs of buildings mandatory in the coming year. This is a development which E.DSO will monitor closely since it will greatly impact DSOs' activities in terms of connection + self-consumption schemes to be deployed.

The plan rightly focuses on faster permitting, with slow processes today represent a major constraint to the deployment of renewable energy sources (RES). National rules and capacities unnecessarily slow down permits, and the time to obtain a permit varies significantly between EU countries. REPowerEU seeks to overcome this issue by removing ambiguity in the application of EU legislation and setting out good practices in EU countries. Countries must fix long-lasting administrative inefficiencies and implement the necessary changes quickly.

The Commission proposes to allow certain renewable energy projects to receive permits within a year. Member States would have to designate "go-to areas" where renewable energy projects would have a low environmental impact. For new projects in such areas, permit granting process should not exceed six months for repowering of plants and for new installations with an electrical capacity of less than 150kW. Two major advancements in the REPowerEU plan, which E.DSO welcomes:

- The recognition of the grid infrastructure as an overriding public interest (*new Article 16d*)¹.
- The recognition of grid capacity/to be built when identifying "go- to areas".

However, to slash the permitting red tape, E.DSO suggests the following:

- Outsource the environmental analysis imposing stringent deadlines;
- A 2-to-4-week deadline for the administrative authority to issue the industrial permit to let grid operators enough time to proceed to grid connection for installation of less than 150kW;
- Introduce new urban planning permits fast-lanes;
- Prioritise mature projects.

¹ Proposal to amend the directive on RES promotion and the EPBD COM (2022)222 (18 May 2022) https://energy.ec.europa.eu/proposal-amend-directive-res-promotion-and-epbd-com2022222_en



3. Smart investments

- REPowerEU unlocks additional funding opportunities for our PCI projects
- Today the European Commission launches CEF Energy 2022 with an increased budget
- The Innovation Fund will have an increased budget as well as higher funding rate

The European Commission's (EC) predicts REPowerEU will unlock additional €210 bn on top of what's needed to realize the FF55 and that the EU will be fully independent from Russian gas in 2027 by reducing demand, ramping up production of biogas/biomethane and hydrogen and some additions of gas infrastructure.

The EC has very high ambitions when it comes to renewables and by 2030, 45 % of the energy mix will be renewable. The biggest share will come from solar power, which by 2030 will be the largest source of electricity in the EU with 600 GW of installed capacity. This will happen by creating a European PV Alliance and make PVs mandatory on all rooftops. **€29 bn of additional investments are needed in electricity grids to make them fit for the increased generation of renewable electricity.**

The Recovery and Resilience Plans (RRP) will be used to deliver REPowerEU objectives and Member States (MS) can add a dedicated chapter in their RRP. RRP will be able to support PCI projects to free Connecting Europe Facility (CEF) funds. This means that projects receiving PCI status will have additional funding opportunities besides the CEF. **This is very welcome and something E.DSO have been advocating for some time.** On the negative side, it also indicates that there will be a higher threshold to obtain funding from CEF with the risk of marginalizing DSOs in the TEN-E/CEF framework.

To finance REPowerEU, there will mainly be a reshuffling of budgets of programmes already in place, such as the cohesions funds. But there will also be some new money added, coming mainly from the EU Emission Trading System (EU ETS).

Today the European Commission also launched the call for **CEF Energy with a budget of €800 million (which is higher than we expected) for 2022.**

The Innovation Fund will receive a higher budget thanks to the expansion of the EU ETS as well as a boost from the REPowerEU and with the possibility to receive 100 % of the additional cost This is more than welcome, since the Innovation Fund in its first call received applications with aggregated budgets of 2000 % compared to its budget. At the same time, we would like to mention the gap between the size of projects that are awarded since neither the big call, nor the small call fits for DSO projects.