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European platform for corporate renewable energy sourcing

RE-Source Key Policy Recommendations on the 'Fit for 55' Package

The RE-Source Platform welcomes the European Commission's proposals presented in the revised Renewable Energy Directive (RED) and the broader 'Fit for 55' package, intended to set the European Union (EU) on track to reduce emissions by 55% by 2030.

The clean energy buyers and suppliers of RE-Source welcome the 'Fit for 55' package proposal to raise the EU renewable energy target from 32% to 40% by 2030. Meeting this ambition will require a deep transformation of the energy system. Europe must massively ramp up the use of renewables-based electricity, the most cost-effective and energy efficient way to decarbonise all sectors and reach climate neutrality by 2050.

As corporate clean energy buyers and suppliers for renewable electricity sourcing in Europe, we are committed to playing our part in delivering Europe's climate ambition.

Corporate renewable electricity purchasing is a means for businesses to support and accelerate the cost-effective decarbonisation of Europe's economy. Corporate purchasing can play a significant role in channelling private investment into new renewable energy projects, supporting EU recovery and climate neutrality goals.

It is essential that the revised RED and other texts in 'Fit for 55' are negotiated to allow corporate purchasing to reach its full potential and make a significant contribution towards Europe's 2030 and 2050 targets.

The 'Fit for 55' package is a crucial opportunity to update the EU regulatory framework and ensure Member States are empowered to implement measures needed to meet their ambitious targets and transition to a fully decarbonised, resilient, and flexible electricity grid.

RE-Source Key Policy Recommendations on the revised Renewable Energy Directive

1. **Publish Member State guidelines on PPA frameworks before 2023 so they can be factored into NECP updates.**
2. **Provide guidance to Member States to identify and share learnings of adequate and suitable permitting practices as soon as possible.**
3. **Preserve the Commission's proposal to require GOs to be transferred to all renewable electricity producers.**
4. **Further improve the transparency and granularity of the GO framework, including requiring Member States to time-stamp GOs.**
5. **Remove disproportionate administrative procedures and support innovative business models for C&I self-consumers and prosumers.**

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Corporate Renewable PPAs

The European Commission has clearly identified a central role for corporate renewable power purchase agreements (PPAs) in achieving Green Deal objectives. The Commission's RED proposal strengthens the EU framework for corporate renewable PPAs, clearly identifying the need for Member States to remove barriers and establish frameworks to facilitate their uptake.

The existing RED called on Member States to remove such barriers; however, Member States largely ignored this requirement. Of the 27 National Energy and Climate Plans (NECPs) submitted under the Clean Energy for All Europeans package, 19 did not include any evaluation of the current barriers nor proposed dedicated measures to facilitate uptake.

RE-Source commends the Commission's transition from "removing barriers to corporate PPAs" in Europe to "actively supporting" their uptake. The Commission also commits to provide additional guidance on PPA frameworks to Member States by 2024. This guidance is timed after the first NECP reporting cycle in 2023. RE-Source welcomes this commitment but urges the Commission to release the guidelines before 2023 so Member States can factor them into their NECP updates.

RE-Source also supports the invitation for Member States to use credit guarantees to unlock PPAs. Corporate PPAs provide a meaningful form of revenue stabilisation to renewable projects, complementing market-based support mechanisms offered by Member States and accelerating renewables deployment in a cost-effective manner.

Member States may look to existing policies in Norway, where energy-intensive companies and buyer consortia can benefit from a public guarantee scheme supported by the Norwegian Export Credit Guarantee Agency. The Spanish government also recently announced a financial support scheme for corporates seeking PPAs that will include credit risk guarantees to help drive private investment. RE-Source also welcomes other measures to support corporate procurement proposed by Members States in their NECPs and subsequent policy proposals, including:

- Setting a trajectory or target for corporate PPAs and implementing enabling measures to support the achievement of these targets: done by Italy, Spain, and Ireland.
- Setting dedicated public procurement procedures: done by Italy.
- Establishing model contracts: done by Spain.
- Setting up financing/de-risking facilities: done by Luxemburg.

National policymakers should consult with corporate buyers and renewable developers to best understand what is needed to unlock the potential for corporate procurement.

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Permitting Procedures

In the revised RED, the European Commission rightly acknowledges permitting as a major bottleneck to renewables deployment.

Permitting procedures are one of the major barriers to the development of renewable and storage projects in Europe. Procedures are too complex, too restrictive, too lengthy, and involve too many contact points. This results in project delays, inability to use the latest technologies, and higher project development costs. Project delays also increase perceived risk for projects, and thus the cost of capital, a significant cost for renewable projects.

Article 16 of the existing RED requires Member States to shorten and simplify permitting process for new and repowered projects. Despite this, very few NECPs specify what national measures will be taken to reduce permitting burdens. This will delay renewables deployment and hamper the achievement of EU 2030 and 2050 climate and energy targets.

RE-Source therefore supports revisions to Article 15, which grant possibility to the Commission to review administrative and permitting procedure rules within 1 year of the entry into force of the revised Directive, i.e. 2024. In that same timeline, the Commission may take additional measures to support Member States in their implementation. The Commission must provide guidance to Member States to identify and share learnings of adequate and suitable permitting and grid interconnection practices as soon as possible, as early as 2022.

The European Commission must also develop a benchmark system on permit-granting procedures that is measurable and against which Member States can weigh their performance. This will allow close monitoring of the implementation of RED provisions.

In addition, large-scale decarbonisation depends on connecting renewable installations at scale to the electricity grid. Delays in interconnection and grid infrastructure development continue to jeopardise the ability for Europe to deliver on climate neutrality.

Member States, especially those facing grid constraints, must prioritise transmission infrastructure investments to support interconnection, while maintaining environmental standards. Focus should be given to regions with high renewable potential, and to investments purposely dedicated to driving decarbonisation.

The Commission should ask Member States to identify areas where transmission systems would benefit from reinforcement or where new infrastructure or digital solutions are needed to enable more renewables. Member States should also provide information on how solutions will be developed and do so in full alignment with their NECPs. These efforts would align with ENTSO-E's ongoing 10-year network development plan (TYNDP).

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Guarantees of Origin

Guarantees of Origin (GOs) are designed to trace green electricity in the power system and are critical to demonstrating use of renewable electricity. Moreover, corporate energy buyers and other consumers are increasingly seeking more detailed information on the origin of their electricity. For this reason, a well-functioning GO framework is critical to corporate sourcing.

However, some Member States continue to retain GOs from renewable projects benefiting from State Aid because they fear projects could receive double compensation. This practice breaks the link between renewable energy producers and consumers and prevents PPAs from being signed. Article 19 of the existing RED already states that GO prices must be factored into support levels to avoid double compensation.

RE-Source commends the Commission's proposal to require GOs to be transferred to all renewable electricity producers. Based on the proposal for Articles 19.2 and 19.8, Member States would no longer be able to retain GOs from assets that, for example, receive State support or are installed behind-the-meter.

However, the Commission's proposal stops short of improving the transparency and granularity of the GO framework, which would empower producers to market their renewable electricity, enable more accurate matching of renewable energy supply and demand, and enable more accurate identification of the emissions benefit of particular renewable projects.

GOs should contain an increased level of information, and timing of generation should be provided at a more granular level than simply annually or monthly, to support corporate buyers pursuing voluntary temporal matching of supply and demand and/or emissions-based procurement strategies.

Member States should be required to time-stamp GOs issued to energy producers to know the precise time at which the underlying unit of energy was produced. RE-Source supports time-stamping implementation as soon as 2023, when the revised Directive enters into force.

The current RED allows issuing bodies to define GO production periods, and most use annual or monthly periods – not the day, hour, or 15-minute balancing period. Although issuing bodies can already implement time-stamping if they wish to, they are not currently obliged to, and so they are at liberty to refuse requests from buyers and suppliers who require this information.

Time-stamping would be compatible with and would not undermine existing GO frameworks. Of course, the framework should still allow corporate buyers to continue validating their renewable energy consumption on an annual or monthly basis, if they prefer. The GO

framework should function so that it can facilitate the issuance and cancellation of GOs at the level of granularity requested by the corporate buyer.

At present, the current definition of the standard size of a GO is 1 MWh, as set out in Article 19.2. While there are clear benefits to having a standard volumetric unit of energy for GOs, the current definition poses challenges for smaller buyers.

The 1 MWh unit is well adapted to annual or monthly matching of electricity production and consumption. However, for smaller buyers pursuing more granular hourly or sub-hourly matching strategies, the 1 MWh standard could prevent them from accurately certifying their renewable energy consumption. Allowing a smaller minimum unit would enable greater adoption of temporal matching strategies by clean energy buyers and prevent a situation where a buyer is unable to certify the matching of their generation and demand.

RE-Source requests further review of Article 19.2 to ensure GOs can be issued in increments smaller than 1 MWh. These GOs would not replace the current framework for 1 MWh GOs, and corporate buyers would be able to continue validating their renewable energy consumption with 1 MWh GOs, if they prefer. However, also allowing for sub-MWh GOs would enable a certification system that is better adapted to hourly timescales and that allows more consumers to support the grid with temporal matching. Stakeholders working on temporal matching solutions, including buyers, suppliers and issuing bodies, can work with EU policymakers to identify the amendments needed to accommodate sub-MWh GOs

In addition, as corporate buyers increasingly consider the emissions associated with their GO purchases, adding information useful for carbon accounting purposes could help corporate buyers to make more impactful investments based on potential decarbonisation impact.

Member States should harmonize environmental attributes on a single system across Europe. This will reduce complications for businesses operating across multiple countries and facilitate the development of liquid markets. Moreover, rules to guarantee traceability and ensure issuance of GOs to all renewable electricity producers should follow a consistent approach across all Member States. Arbitrary rules for the retirements of GOs, such as requirements that only allow suppliers to retire GOs, or that GOs must be retired within the same month as they are generated, should be eliminated.

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Commercial & Industrial On-Site Renewable Energy and Storage

In addition to corporate renewable PPAs, the commercial and industrial (C&I) on-site renewable energy and storage market could contribute significantly to achieving Europe's 2030 targets and will be critical to Europe's upcoming Renovation Wave initiative. The potential for on-site renewables in Europe remains largely untapped: in 2020, installed capacity reached 66 GW, but forecasts show cumulative installations could reach 407 GW by 2030.

The RED proposal introduces a new indicative target on buildings to achieve at least 49% renewable energy use as a share of gross final energy consumption by 2030. It also proposes Member States to require minimum levels of renewable energy use in all buildings, no longer only those which are new or undergoing major renovations.

These proposals are a step in the right direction; however, the focus on renewable energy consumption in buildings is insufficient as it does not account for the potential for buildings to play an active role as prosumers in an integrated energy system.

Further, the RED proposal does not go far enough to remove disproportionate administrative procedures for C&I self-consumers and prosumers. Despite provisions in the current RED, these disincentives have been observed in several Member States. For example, in France, the on-site renewable energy tender threshold for self-consumption support was recently lowered to 100 kilowatts (kW). The tenders were largely undersubscribed, resulting in low C&I development. The government had to subsequently increase the tender threshold to 500 kW.

To this end, Member States should define appropriate measures to facilitate the development of C&I renewable energy and storage projects, i.e., 30 kW – 3 MW. Installations above 30 kW fall under a regulatory grey area in the current European framework, with few specific enabling provisions. The RED revision must do more to support innovative business models for C&I self-consumers and prosumers, including:

- Allowing C&I consumers to self-supply renewable energy through a direct line.
- Removing restrictions on third-party ownership of on-site installations.
- Removing construction permit requirements for rooftop solar installations.
- Ensuring rooftop solar installations can be completed and/or connected to the grid independent of the practical conclusion of building construction. Licences to operate the buildings should reflect this essential flexibility.
- Supporting regulatory frameworks that enable monetisation of renewable energy and storage assets providing flexibility and decarbonising the grid. Depending on the structure, monetisation may benefit the C&I or the third-party developer/owner.

Member States developing and implementing such policies will support a more competitive clean energy economy with more consumer choice, driving socio-economic fairness while accelerating decarbonisation.