



RE-Source response to the public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

The RE-Source Platform welcomes the opportunity to share our views on the evolution of EU Competition policy in the context of the EU Green Deal. We believe that, with the right regulatory framework, the EU can deliver on its commitment to be the first climate-neutral continent by 2050. Meeting this challenge will require a deep transformation of the energy system.

The 'Fit for 55' package presented by the European Commission raises the EU renewable energy target from 32% to 40% by 2030. To this end, Europe needs to massively ramp up the use of renewables-based electricity, the most cost-effective and energy efficient way to decarbonise buildings, industry and transport.

To accelerate this deployment, the EU should implement and enable revenue stabilisation mechanisms. Renewables require high upfront investment but have very low running costs due to abundant and free wind and solar resources. This makes capital financing a significant fraction of overall project costs. Stable revenues are therefore essential to secure competitive financing for future renewable projects.

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.¹

Corporate power purchase agreements (PPAs) provide a meaningful form of revenue stabilisation to renewable projects, unlocking financing through long-term, stable pricing. Corporate renewable energy purchasing can play a significant role in channelling private investment into new renewable energy projects, supporting EU recovery and climate neutrality goals in a cost-effective manner.

The European Commission has clearly identified a central role for corporate renewable PPAs in achieving European Green Deal objectives.

The Commission's proposal for the new Renewable Energy Directive strengthens the language on corporate renewable PPAs, clearly identifying the need for Member States to remove barriers and establish frameworks to facilitate their uptake.

¹ RE-Source is the European alliance of clean energy buyers and suppliers. Its stakeholders have over 8 gigawatts (GW) of corporate renewable PPAs under management in Europe.



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Europe has played an important part in the global corporate PPA trend, with over 15 GW of renewable projects now under contract. Despite this progress, Europe still represents tremendous untapped potential for corporate sourcing. According to Bloomberg New Energy Finance, companies used corporate PPAs to purchase six times as much renewable power in the Americas as in Europe in 2020.

1. EU State aid policies should not become a barrier to or disadvantage the continued development of corporate PPAs and corporate renewable energy sourcing.

To this end, we recommend that EU State aid rules preserve the ability to innovate with corporate PPAs and other types of renewable energy sourcing models (for example, by avoiding limits on corporate PPA term lengths). The CEEAG must also ensure market-based support mechanisms and corporate renewable energy sourcing can be used side-by side.

Member States should have the flexibility to adjust national renewable energy levies as a means to encourage renewable electricity sourcing.

The proposed amendment to the Renewable Energy Directive recognizes that barriers still exist to the widespread uptake of renewable PPAs. It makes it clear that Member States should take steps to remove these barriers and establish frameworks to facilitate their uptake. Thus, addressing the barriers facing corporate PPAs and enabling their uptake is a goal that is fully aligned with Green Deal objectives, and therefore relevant to the scope of the revision of the CEEAG.

Several Member States have implemented or proposed measures to achieve this, and support the growth of corporate PPAs including Spain, Ireland and Italy. In particular, Ireland is considering using the renewable energy surcharge paid by electricity consumers as a mechanism to incentivise corporate PPAs. This would be achieved by offering partial relief on such levies, conditional on businesses voluntarily financing renewable energy projects through corporate PPAs or other direct investment methods.

This type of policy measure can, if well-designed, accelerate renewable energy deployment without the use of public support schemes, and reduce overall consumer costs. It can also ensure that electricity consumers contribute fairly to the financing of renewable projects and are not placed at a financial disadvantage when committing to long-term renewable purchases, thereby incentivising the deployment of new renewable energy projects.

Specifically, we propose amending Section 4.7 of the draft CEEAG to ensure it more clearly enables the use of levies to encourage environmentally positive behaviours, such as enabling investments in renewable energy. Paragraph 259 of Section 4.7.1 can be amended as follows:



- "Some environmental taxes or parafiscal levies (such as carbon taxes) are imposed in order to increase the costs of environmentally harmful behaviour, thereby discouraging such behaviour and increasing the level of environmental protection; other types of environmental taxes or parafiscal levies (such as renewable surcharges) are imposed to increase investments in the realisation of Green Deal objectives (such as the promotion of renewable energy), thereby encouraging such behaviour and increasing the level of environmental protection."

If the Commission would find the amendment above insufficient, then Paragraph 261 (a) Section 4.7.1.2. can also be amended as follows:

- "the reductions are well targeted at those undertakings most affected by a higher tax or contributing to the objective of environmental protection;"

Alternatively, the scope of application of Section 4.7.2 of the CEEAG can be broadened to encompass aid for supporting the uptake of renewable energy through alternative forms of renewable energy procurement to public support schemes, such as renewable PPAs. Specifically, Paragraph 273 of Section 4.7.2 can be amended as follows:

- "Where the tax or levy reduction primarily pursues a decarbonisation objective in the form of a direct investment in a project with such objective, Section 4.1 applies and not Section 4.7.2. Where the tax or levy reduction primarily pursues a decarbonisation objective in the form of a partnership with a third party that is investing in a project with such an objective (i.e. an indirect investment), Section 4.7.2 is applicable for the parties indirectly contributing to environmental protection, irrespective of the limitation of the scope to Sections 4.2 to 4.6"

The scope of Section 4.1 can also be broadened to include both direct and indirect investment in renewable energy projects. Consequently, aid in the form of reductions in taxes or parafiscal levies could be provided to those consumers buying renewable energy from renewable energy producers. In this respect, paragraph 74 should be amended as follows: "This section lays down the compatibility rules for aid measures primarily aimed at reducing greenhouse gas emission, including aid for the production of renewable and low carbon energy or aid in the form of an incentive to contribute indirectly to the production of renewable and low carbon energy, aid for efficiency [...].".

2. Tendering obligations should not put at risk the potential of the commercial and industrial (C&I) on-site renewable energy market.

In addition to corporate renewable PPAs, the C&I on-site sector could contribute significantly to achieving Europe's 2030 renewable targets and will be a critical component of Europe's



upcoming Renovation Wave initiative. It is at the core of the European Green Deal, the green recovery, and the New Industrial Strategy for Europe. The cumulative on-site renewable capacity in the C&I sector remains largely untapped in Europe. In 2020, installed capacity reached 66 GW, while forecasts for EU-27 show that cumulative installed capacity could account for 381 GW by 2030.

Tendering procedures create barriers to entry for corporates on different fronts. They represent a **high administrative burden**: corporates must evaluate their business case over a long time period, fill in the required papers to submit the bid, then wait for several months for the award decision. They also create **high levels of uncertainty** for businesses. At the time of investment, the on-site owner is not sure whether they will obtain necessary levels of support and realise their business case. Whereas this can be borne by certain large companies, this is not the case for many smaller companies, which are likely to disengage from investment.

Such disincentives have been observed in several Member States. In France, the on-site renewable energy tender threshold for self-consumption support was lowered to 100 kilowatts (kW).² The tenders were largely undersubscribed, and the government decided to increase the tender threshold to 500 kW.

In Germany, for systems between 300 kW and 750 kW, on-site renewable owners have two options, either a Feed-in Tariff through a funding gap approach or a contract-for-difference through tenders. The results of the first auction round (of the second approach) in July 2021 showed an important decrease of the market. The first round yielded 210 megawatts (MW) of bids. This could result in a total ~400 MW of bids in 2021, if the second round produces a similar result, but this would be much lower than the total volume of 800 MW realised in 2020. In addition, the average project size in the July 2021 tender was 1.3 MW, showing that smaller projects were not able to compete in the tender.

We therefore urge you to ensure large C&I on-site renewable energy projects are exempted from competitive bidding processes, in the same way that small- to medium-size projects are already exempted.

Such exemptions from tendering processes would not lead to overcompensation. Clawback or cost monitoring mechanisms, through which the level of the aid is re-evaluated regularly, for instance on the basis of electricity market prices, are examples of frameworks which can mitigate any overcompensation risk.

² A contract-for-difference and a premium on the self-consumed electricity.



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Alternatively, a dedicated state aid framework could be developed to address the specific barriers and characteristics of project developers investing in C&I on-site renewable energy projects.

- 3. Renewable energy stored in a battery and later consumed or reinjected in the grid should not lose its definition as renewable energy, and therefore access to its Guarantee of Origins (GOs) and support schemes.**

The renewable energy definition in Section 2.4 (34) differs from the definitions in existing legislation, such as the Renewable Energy Directive and the Electricity Market Design Directive, by including a provision on hybrid plants. It also creates ambiguity by adding to the end of the sentence: “but excludes electricity produced as a result of storage systems.”

We ask for clarification on what the proposed renewable energy definition actually means and what the Commission wants to achieve with its proposed changes. Whether or not the electricity extracted from the storage system is renewable will depend on the source of the electricity injected into the storage system. **Electricity that is produced using renewable energy should be counted as renewable – irrespective of whether it has been stored in a battery.**

Co-located renewable energy and storage can improve the business case of on-site projects, reducing or refocusing the need for public subsidies. It improves the remuneration of on-site renewables by making it more flexible and allows on-site renewable owners to save on grid costs, with benefits for public infrastructure costs. For instance, coupling of a solar plant with battery storage allows the owner to undersize the grid connection necessary to connect the project, reducing associated connection fees.

Yet in practice, electricity markets and regulatory frameworks are not fully adapted to storage. The business case for on-site renewable energy and storage faces several obstacles:

- Electricity and flexibility market designs are not fully adapted to storage, in particular to aggregators of decentralised battery storage, not allowing these producers to sell services.
- Electricity and flexibility market designs are not putting battery storage at a level playing field with other technologies (for instance, not valuing its capacity for a very fast response), not allowing storage to fully value its services.
- Markets particularly suitable for prosumer storage, such as markets for decentralised flexibility, i.e., flexibility used in certain area of the grid by distribution system operators, or non-frequency ancillary services markets, are simply non-existent and should be developed in the coming years.



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- Due to outdated taxation rules, battery systems remain subject to double taxation, which put them at a competitive disadvantage with other sources of flexibility. In addition, where double taxation is prohibited, additional burdensome conditions exist, such as the installation of too expensive equipment (industrial meters) resulting in concrete financial barrier to entry.

Until electricity markets are fully modernised, regulatory frameworks are adapted and affordable technical solutions are found, stored renewable electricity will not find proper market remuneration. A loss of the “renewable quality” for stored electricity would consequently lead to more dependence on subsidies in most European markets.

In parallel, GOs are central to the corporate renewable energy sourcing model, as it allows for clear traceability of the renewable electricity produced and consumed by the corporate. Losing the GO when renewable electricity is stored and later consumed would be a clear disincentive for the corporate to invest into storage assets and create a missed opportunity for future C&I prosumer models.

We therefore urge you to ensure that stored renewable electricity retains its renewable definition, and therefore its access to attached support schemes and GOs.

RE-Source believes corporate renewable energy sourcing can be a key asset for the energy transition in Europe. To this end, we stand ready to engage on modernising the EU’s Competition rules.