

IENE Comment

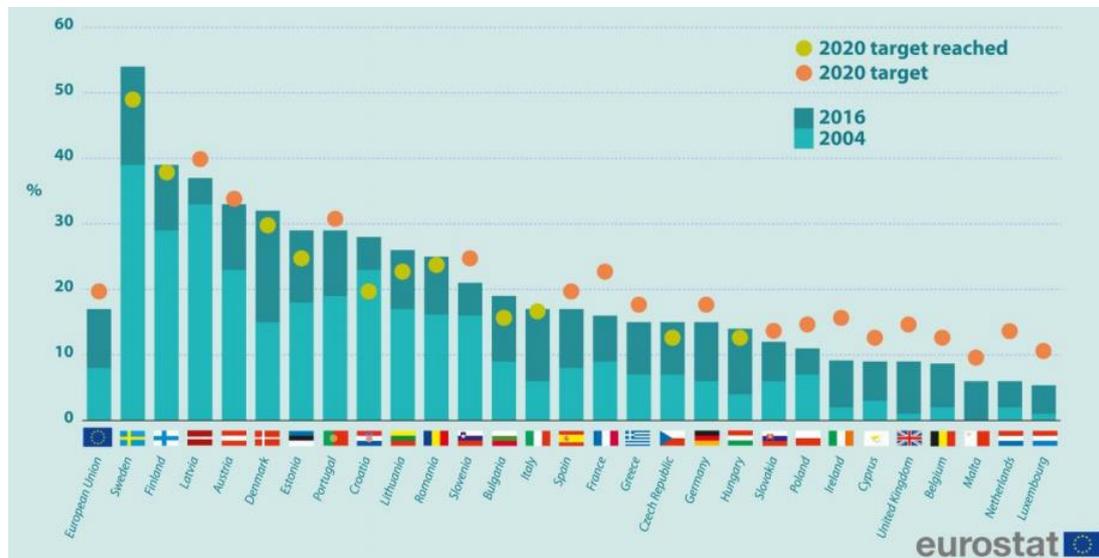
EU's new renewable targets and SE Europe's divergent path

Last week, EU member states and European Parliament representatives have agreed “ambitious” targets to increase the level of renewable energy by 2030, although campaigners argue the plans fall short of the bloc’s commitments under the Paris climate accord. The compromise, agreed on June 14, set two binding targets for 2030: a 32% share of renewables in the EU’s overall energy mix and 14% share in transport fuels. The new rules will also limit biofuel levels and grant stronger rights for people producing their own renewable energy. Miguel Arias Cañete, EU commissioner for climate, said: “This deal is a hard-won victory in our efforts to unlock the true potential of Europe’s clean energy transition. This new ambition will help us meet our Paris Agreement goals and will translate into more jobs, lower energy bills for consumers and less energy imports”.

The deal was a “well-balanced compromise”, according to Kristian Ruby, secretary-general of Eurelectric, which represents the European power industry. He added that “the higher shares of renewable energy must be combined with a more sound approach to market-based integration and electrification”. Campaigners were not so enthused. Molly Walsh, renewable energy campaigner for Friends of the Earth Europe, said: “EU decision makers have agreed a paltry 32% target for renewable energy that is inadequate for a climate-safe fossil-free future, and shows a failure to grasp a shifting energy landscape, including rapidly falling renewables costs.” The 32% target is insufficient to meet the bloc’s Paris commitments and could actually slow down the current renewable energy rollout, according to Roland Joebstl of European Environmental Bureau, a network of environmental campaigners.

The talks saw the UK call for a target of 30%, below the 32% a newly pro-renewables France wanted and the 35% that new governments in Spain and Italy argued for. Whether the target will apply to the UK after it leaves the EU will depend on the exit deal reached by London and Brussels.

Figure: Share of RES (%) in Gross Final Energy Consumption and 2020 Targets in the EU Member States



Source: Eurostat

The measures are aimed at helping the European Union meet its overall goal of reducing greenhouse gas emissions by at least 40% below 1990 levels by 2030, following the Paris Agreement to keep global warming well below 2°C.

The EC had initially proposed a target of 27%, a compromise backed by member states. But at a meeting of energy ministers on June 11, a group of EU leaders pushed for a higher goal - one rejected by Germany’s Peter Altmaier as unachievable. The agreement reached on June 14 allows for a 2023 review for an upward revision of the EU level target. Until 2020, the European Union is targeting a 20% share of renewables and experts have pointed out that the sharp fall in the cost of renewables would allow for higher targets without increasing budgets.

As part of the package of needed measures, ministers also agreed on the share of renewable fuels to be used in transport, while setting a cap on first-generation biofuels, which critics say compete for agricultural land with food. EU member states set a 14% renewables target for fuels used in road transport by 2030, with bonuses given for the use of renewable electricity in road and rail transport. The inclusion of rail into the renewable transport targets was criticized by the European Commission, as large parts of the European rail network are already electrified.

The new rights for so-called self-producers of clean energy — such as homeowners with solar PV panels or communities with a wind turbines — were welcomed as they are expected to make it easier and more profitable to generate power and integrate it into the existing electricity grid. “A bright future beckons for people interested in lowering their energy bills by investing in renewable energy,” said Monique Goyens, director-general of the European consumer group BEUC. The inclusion of biofuels as a renewable source drew criticism. Marc-Olivier Herman, Oxfam’s EU economic justice policy lead, said: “Biofuels made from palm oil, rapeseed, and other food crops, are destroying forests, pushing people off their land, and could fuel the next spike in food prices. Biofuels made from food crops are not the answer to climate change, they are part of the problem.”

New EU 2030 Energy Efficiency Target

The agreement of June 19 on new EU 2030 energy efficiency targets is the third of eight legislative proposals in the Clean Energy for All Europeans package, presented by the European Commission on November 30, 2016 and now agreed by co-legislators. As analysed earlier, on June 14, a political agreement was reached on the revised Renewable Energy Directive, while on 14 May, the revised Energy Performance in Buildings Directive was adopted. Thus, progress towards making the Energy Union a reality is well under way and the work initiated by the Juncker Commission is being delivered.

The new regulatory framework includes an energy efficiency target for the EU for 2030 of 32.5% with an upwards revision clause by 2023. This new objective shows the EU's high level of ambition and demonstrates the remarkable pace of change of new technologies and reduced costs through economies of scale. Together with the recently agreed 32% renewable energy target for the EU for 2030, Europe will be well equipped to complete the clean energy transition and meet the goals set by the Paris Agreement. Delivering on President Juncker's objective to support the clean energy transition, with this latest agreement the EU is helping to create growth, employment and investment opportunities for the benefit of European energy consumers.

In this context, it is useful to list the main targets of the new regulatory framework on EU energy efficiency:

- It sets a new energy efficiency target for the EU for 2030 of 32.5%, with an upwards revision clause by 2023
- It will extend the annual energy saving obligation beyond 2020, which will attract private investments and support the emergence of new market actors
- It will deliver real energy savings in the next period 2021-2030 and beyond, coming from new energy efficiency renovations or other measures undertaken in the next decade;
- It will strengthen rules on individual metering and billing of thermal energy by giving consumers – especially those in multi-apartment building with collective heating systems – clearer rights to receive more frequent and more useful information on their energy consumption, enabling them to better understand and control their heating bills.
- It will require Member States to have in place transparent, publicly available national rules on the allocation of the cost of heating, cooling and hot water consumption in multi-apartment and multi-purpose buildings with collective systems for such services.
- It will tackle existing market, behavioral and regulatory barriers in order to increase security of supply, competitiveness of EU industries, reduce energy bills of consumers and health costs for society, thereby also addressing energy poverty and exploiting the positive impacts on economic growth and employment.

Summing up EU's latest aspirations in the energy sector, Commissioner for Climate Action and Energy Miguel Arias Cañete noted: "Europe is by far the largest importer of fossil fuel in the world. Today, we put an end to this. This deal is a major push for Europe's energy independence. Much of what we spend on imported fossil fuels will now be invested at home in more efficient buildings, industries and transport. The new target of 32.5% will boost our industrial competitiveness, create jobs, reduce energy bills, help tackle energy poverty and improve air quality. Our path to real energy security and climate protection begins here at home, and this deal shows Europe's determination to build a modern economy that is less dependent on imported energy and with more domestically produced clean energy".

SEE's Backtracking

As shown in the above figure, the EU-28 share of renewable sources in gross final energy consumption reached 17% in 2016, double the share in 2004 (8.5%), the first year for which Eurostat data are available. The share of renewables in gross final energy consumption is one of the headline indicators of the Europe 2020 strategy.

According to Eurostat, the EU-28 targets aim to achieve a 20% RES share in gross final energy consumption by 2020 but each country has its own national target based on different starting points, its RES potential and economic conditions. Overall, eleven of the bloc's 28 member-states have already achieved their 2020 objectives. These include Denmark, Hungary, Sweden, Finland, Romania, Bulgaria, Italy, Croatia, Lithuania, Czech Republic and Estonia, where Romania, Bulgaria and Croatia also stand as SEE countries.

Furthermore, the EU's RES Directive requires member states to produce a national action plan, setting out how that member state intends to meet a new EU level target of 32% of national gross final energy consumption from RES by 2030. The Energy Community in the region has also set binding goals to the member countries (i.e. contracting parties) in full accordance to EU targets. Albania and BiH have committed to a binding 38% and 40% target of energy from RES in gross final energy consumption by 2020 respectively, while the related national target for FYROM, Kosovo, Montenegro and Serbia is 28%, 25%, 33% and 27% respectively, as shown in the following Table. It is clear that with the exception of Albania and Montenegro, the rest of the Western Balkans need to do a lot more in order to achieve their 2020 RES targets.

Table: 2016 Share of RES (%) in Gross Final Energy Consumption and 2020 Targets for Selected SEE Countries

	2016	2020 Target
Bulgaria	18,8	16,0
Greece	15,2	18,0
Croatia	28,3	20,0
Cyprus	9,3	13,0
Romania	25,0	24,0
Slovenia	21,3	25,0
Montenegro	41,5	33,0
FYROM	18,2	28,0
Albania	37,1	38,0
Serbia	20,9	27,0

Source: Eurostat

Given EU's latest drive and determination to increase RES penetration in the various member countries' energy mix and also promote far more seriously energy efficiency, it strikes as odd that in SE Europe currently pursued energy policies by most governments are in conflict to EC thinking and planning. Not that EU member countries or Energy Community contracting parties are not committed to increased RES use and energy efficiency goals. On the contrary, several of them are moving to expand current plans and aim towards achieving 2020 targets, as shown in the above table.

However, at the same time, most countries in the region are pursuing a parallel carbonization agenda as we have several coal-fired power plants under construction or at in advanced planning stage. In short, carbon-based power generation is also moving ahead, adding substantial capacity from now until 2025 (1.5 GW per year for SEE and 2.5 GW for Turkey, i.e. total 4 GW per year over the next 7-8 years). In parallel, new RES capacity over the last three-year period is less than 500 MW per year of installed capacity and approx. 1.5 GW including Turkey. As a result, there is a substantial gap between new coal-fired power plants and RES installations.

If we view SE Europe as a whole, it is fair to point out that although considerable progress has been achieved in recent years on energy market integration, the region faces today serious challenges when it comes to adapting its energy systems and energy markets to meet EU basic targets and trends (i.e. decarbonization, RES penetration, energy efficiency). Today, we observe great divergence in the degree of adaptation between the different country groups of the region. EU member states having achieved market integration to a large extent with further progress ahead, while West Balkan countries, with the help of Energy Community, trailing behind but on a firm footing as their regulatory authorities and other institutions are now taking the lead.

Therefore, the need for radical change in the energy policies of most countries in SE Europe is quite obvious since under present conditions planned and ongoing projects on coal/lignite power plants far exceed investments in renewables and energy efficiency. The European Commission has an important role to play in this much needed energy transition, but the strategic goals it has set have no chance of being implemented by individual countries in SEE, including Western Balkans, in view of policies and methods currently pursued.

The “IENE Comment” is an occasional communication published by IENE in its effort to broaden the dialogue on current energy issues of regional and global interest. Contributions to the “IENE Comment” may come from published sources but also from original material contributed by IENE members, associates and staff. Contributions should be sent to admin@iene.gr attention the Editor, “IENE Comment”.

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