



Policy Proposals for the next European Parliament and Commission:

**Accelerating Europe's Transformation
towards a Renewables-based Energy System**

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1 RENEWABLE ENERGIES – the backbone of a liveable, resilient and climate neutral Europe

The next legislative period after the European Parliament Elections in June 2024 will be critical for advancing and enhancing the energy transition in Europe and accelerating the transformation towards a fully renewable energy based system. Germany is one of the major economies in Europe and therefore must play a pivotal role as a key partner and driver in this transformative journey. The next European Parliament and Commission must live up to the challenges and opportunities arising from the urgency of addressing climate change. Rapid build-out of renewable energy is the major solution for maintaining welfare, reducing import dependencies and growing resilience of Europe's energy supply. Although full and ambitious implementation of existing legislation and regulation will be of critical importance in the years ahead, the next European Commission must come up with policy proposals that push forward and further accelerate renewables deployment and energy efficiency increase, while at the same time pursuing a clear and unambiguous fossil fuels exit strategy.

Ambitious and meaningful EU 2040 targets for 90-95% Greenhouse Gas Emissions reductions must clearly aim beyond business as usual. And these reduction targets need to be underpinned by a 2040 Renewable Energies target of at least 80% and ambitious targets for Energy Efficiency increase. The electricity sector should be close to 100% renewables by then. All targets should be binding on EU level as well as for each Member State.

Building on the European Green Deal, the Fit-for-55- and REPowerEU packages, which must be fully transposed in national legislation and fully implemented, we need a "Fit for 90plus" package. Maintaining and strengthening European manufacturing capacities for renewable energy and efficiency technologies across the value chain through targeted implementation of the Net Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA), which will soon enter into force, as well as the Carbon Border Adjustment Mechanism (CBAM) and the phase-out of free allowances in the Emissions Trading Scheme (ETS) will be key to building a sustainable future and claiming back and solidifying the continent's role as a leader in the global fight against climate change.

A wide range of renewable energy applications in all end users will be key. Further accelerating permitting and a wide range of options for Member States to increase renewable energy deployment together with a flexibility driven market design which is fit for dominant renewable energies across all end-uses, will be necessary to reach climate neutrality in a thriving economy and based on broad public support. Citizens energy projects and energy sharing will have a crucial role in such a future proof and more decentralized energy system.

As the leading renewable energy federation in Germany, BEE emphasizes the importance of the following policy priorities:

2 AMBITIOUS EU 2040 CLIMATE AND ENERGY TARGETS

As outlined in the European Climate Law, the upcoming European Parliament together with the European Council must decide on greenhouse gas reduction targets for 2040 and a remaining carbon budget for the period 2030-2050, along with the necessary policies to achieve these goals and the objective of climate neutrality by 2050 the latest.

Building on a proposal presented by the outgoing Commission in early 2024 and in line with the European Scientific Advisory Board on Climate Change¹, the new targets should encompass greenhouse gas reductions of at least 90-95% by 2040 compared to 1990 levels. And they should also include ambitious targets and milestones for renewable energy (RE) in the same order of magnitude as well as ambitious energy efficiency (EE) targets. A target of at least 80% renewable energy in Gross Final Energy Consumption (GFEC) by 2040 should be part of the EU's target architecture. The Renewable Energy Directive (RED) and the Governance Regulation should be amended accordingly.

A 90-95% reduction target would be in line with a remaining GHG-budget of 11-14 Gt CO₂e for 2030-2050. The inclusion of - preferably national binding - RE and EE targets and milestones for 2035 (as required for the Paris Agreement's updated NDC) in the 2040 framework will help to redirect investment towards renewable energy and energy efficiency technologies rather than nuclear and fossil power plants and associated infrastructure. To properly monitor status and developments, the European Commission should be obliged to renounce from combining renewable energy and nuclear power under "clean energy" in press releases, communications and statistics.

Ambitious domestic emission reductions in the EU and its Member States should be complemented and enhanced by cooperation and partnership outside the EU. For the calculation of emissions reduction, it is necessary to use a standardized methodology that applies to all technologies and takes into account the whole life cycle. Through a comprehensive approach, these targets address climate change and promote sustainable energy practices. Actively striving at and achieving these 2040 targets will not only reinforce Europe's leadership in mitigating climate change but also (re-)position the EU as a trailblazer in renewable energy technology.

¹ Cf. European Scientific Advisory Board on Climate Change (2023): Scientific advice for the determination of an EU-wide 2040 climate target and a greenhouse gas budget for 2030-2050

3 FIT FOR 90PLUS LEGISLATIVE PACKAGE

Swift amendments to existing legislation are crucial to remove remaining obstacles hindering the rapid deployment of renewable energy, both leading up to and beyond 2030. Building on the Green Deal, the Fit-for-55 Package and REPowerEU. The Emergency Regulation of REPowerEU and its transposition in the amended RED is a good example of how processes can be significantly accelerated, if there is an agreement about the need and the urgency of action. The Fit-for-90plus package needs to address remaining administrative, regulatory and legislative barriers and gaps, especially concerning energy markets, European grid integration, permitting processes, and harmful subsidies. Enabling amendments of RED, EED, EPBD as well as other Directives and Regulations, such as the Governance Regulation, will be needed. Prioritizing innovation and technological advancements to meet future energy needs by renewables and efficiency should be central to this package. Developing and implementing flexibility options for the energy system such as hydropower, batteries, biomethane, biogas, and other green gases, power-to-x and demand response are important elements for a future proof energy system.

Aiming at climate neutrality demands compensating for unavoidable emissions, like those from agriculture and certain hard-to-abate industries. For these sectors, the EU should agree on ambitious targets for greenhouse gas removals, focusing specifically on net-emission removals like Bioenergy with Carbon Capture and Storage (BECCS) and – in contrast to the Commission’s Communication – not supporting CCS for fossil energy in the accompanying framework.²

The next few years will also be crucial to tackle the transition of heating and cooling for the residential sector as well as for industrial process heat. Building on the EPBD and EED renewable based cooling and heating systems combined with deep renovation must be significantly accelerated, for example by more ambitious Minimum Energy Performance Standards (MEPS) or improved solar rooftop mandates for public and commercial buildings. Additionally, the decarbonization of the residential sector should not financially overburden the people, in particular vulnerable groups must be protected. Therefore higher efficiency standards should go hand in hand with socially responsible financing models that contribute to keeping energy costs at an affordable level. We therefore urge to consider using the Social Climate Fund to implement similar compensation mechanism at national level.

The EU and its industries are facing significant challenges from policies and programmes implemented i.a. by the United States and China. With the Inflation Reduction Act (IRA) the United States offer attractive conditions for businesses investing in renewable energies, hydrogen production, electric vehicle- and battery manufacturing, or the production of green steel.

² Cf. European Commission (2023): Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Securing our future Europe’s 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society, p. 11.

The regulatory tax benefits enshrined in the IRA offer substantial financial advantages for businesses investing into these sectors.

China is heavily subsidizing renewable energies for domestic installation as well as for accelerated and increased exports of solar and wind installations to the rest of the world. The EU needs enabling strategies and frameworks to strengthen, maintain and grow own industries and production capacities to meet the growing demand for new renewable energy installations – with a focus on (but not only for) wind and solar technologies, but also negative emission technologies such as BECCS. The EU needs effective policies to cope with these international dynamics, ensuring that its own policies align with and effectively respond to the changing landscape shaped by the United States and China.

The Net Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA) are crucial parts of Europe's answer to changing global markets and the challenges posed by the United States, China and others. Bolstering European manufacturing capacity for renewable energy and efficiency technologies is key for a resilient EU market and competitive EU-based industries. Ambitious, targeted and technology-specific and nationally responsive measures will be key to successfully build up and maintain domestic production capacities and qualified workforce.

Implementing and further developing NZIA and CRMA will play a key role in fostering the development and production of renewable energy and efficiency technologies. Securing and creating European manufacturing capacities is key for more resilience and less dependency on imports but also for enhancing competitiveness in global markets. Thoroughly designed solutions such as resilience auctions and bonuses, non-price criteria and prequalification requirements taking into account technology specific as well as regional and national differences can help build and maintain European manufacturing capacities and reduce dependencies from imported raw materials. Key to this effort is significant investment in research and development, with a strong focus on innovation, including for cultivating a growing and qualified workforce in decent, future-proof jobs.

4 FOSSIL FUEL PHASE-OUT FOR FASTER EXPANSION OF RENEWABLE ENERGY

Soon after taking office the incoming European Commission should present a comprehensive and expedited Fossil Fuels Exit Strategy including the phase-out of all direct and indirect subsidies that perpetuate the reliance on fossil energy sources, thus significantly delaying the necessary transformation. The EU and most of the Member States have yet to develop concrete plans for phasing out fossil fuels and related subsidies. According to the Commission's report to the European Parliament and the Council on Energy Subsidies in the EU, "subsidy measures were one of the primary tools to counteract the effects of high energy prices on the cost of living and on the production costs of Europe industries"³. The report highlights that "as a result, fossil subsidies are estimated to have more than doubled between 2021 and 2022"⁴, from 56 billion Euro to 123 billion Euro. While a substantial amount of these subsidies was intended to alleviate struggling consumers in times of high fossil fuel prices, those measures will only bring temporary relief while being extremely cost-intensive. The direct support of fossil infrastructure will delay the necessary transition towards cheaper renewable energy sources, which also reduce dependence on energy imports from third countries and therefore result in reliably lower energy prices.

The next European Commission should build on the rationale behind the Green Deal and outline a clear defossilization strategy towards a sustainable and clean energy future well before 2050. This strategy should include a cradle-to-cradle assessment of all emissions, including total emissions throughout the supply and value chain. Minimum emission standards across all sectors would encourage reductions and clean alternatives.

Milestones and interim targets for reducing fossil energy consumption building on respective renewable energy and efficiency targets and milestones will provide industries and regions with a clear transition perspective away from fossil fuels. They will help minimizing socio-economic disruptions. And they will not only support climate mitigation, but also significantly further reduce import dependencies.

As a key priority, remaining energy subsidies should exclusively support renewable energies, energy efficiency and supporting technologies and infrastructure. This logically includes phasing out subsidies for and use of nuclear energy, which is not only raising environmental and public safety issues, but is not a reliable electricity provider and thus impeding the transformation towards renewables based flexible and more decentralized energy supply and demand. In addition, it is expensive and will not be ready for the necessary defossilization well before 2050.

³ European Commission (2023): Report from the Commission to the European Parliament and the Council. 2023 Report on Energy Subsidies in the EU, p. 6.

⁴ Cf. European Commission (2023), p. 6.

Inflexible nuclear power is not compatible with the flexibility needs of a renewable energies based supply and demand and thus increasingly becoming a costly liability and not a solution, which we can no longer afford.

5 PHASING-OUT ETS FREE ALLOWANCES AND ADJUSTING CO₂ PRICES

The transformation towards a renewable energy and efficiency driven supply and demand must go hand in hand with phasing out free allowances within the Emissions Trading System (ETS). This is vital for supporting instead of endangering the 2030 and 2040 targets and climate neutrality soon afterwards. A revamped ETS should provide price signals that effectively stimulate and expedite emissions reductions, thus accelerating the deployment of renewable energy. Coordinated with phasing out free allowances and increasing the linear reduction factor, the CO₂ prices should more accurately reflect the true cost of carbon emissions. Higher prices per ton of CO₂ provide meaningful signals and enhance companies' economic motivation to reduce and avoid emissions, expediting the adoption of renewables and efficiency technologies and practices. This entails a more comprehensive and equitable approach to tackling emissions, preventing loopholes that might result in carbon leakage or the transfer of emissions from regulated to non-regulated sectors.

Revenues from carbon pricing must be responsibly allocated to bolster investments in renewable energy projects or climate adaptation and resilience measures and to alleviate the socio-economic ramifications of higher fossil fuel prices. These measures help boost public support and acceptance for the transformation. Ensuring a fair distribution of these revenues at the regional, national, and European level is crucial.

6 RENEWABLE HYDROGEN AND OTHER RENEWABLE GASES

The EU's focus for the transformation of gas supply and demand is on H₂, and – to a certain extent – on biomethane, widely neglecting more decentralised biogas potentials. In addition, the incentive regime at EU level does not fundamentally differentiate between renewable, "decarbonised", and "low-carbon" gases. Furthermore, the phase-out date for the use of fossil gas, 2049, is much too late. Existing regulations are not in line with a necessary objective of achieving defossilised energy markets as soon as possible - preferably based on 100% renewable energy.

There should be a clear advantage for renewable gases to steer investment in the right direction. This includes separate targets and a clear feed-in priority for renewable gases such as biogas or biomethane over “low-carbon” and other fossil gas. It is also important that the gas network infrastructure is fully geared towards the decentralized feed-in and storage of biogas, renewable hydrogen and other renewable gases.

The EU should further advance the cross-border network for biogas, renewable hydrogen and other renewable gases, not only within the framework of the European Hydrogen Backbone. Clear network access rules are also crucial here. Grid operators should not be allowed to deny access and connection to renewable gas projects.

European legislation on guarantees of origin for renewable hydrogen should ensure that these guarantees of origin are subject to at least the requirements defined in the Delegated Act on Green Hydrogen. If this is not the case, there is a risk that the requirements defined in the delegated act will be circumvented through trading in guarantees of origin and that the former will therefore remain ineffective.

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As an umbrella organisation, the German Renewable Energy Federation (BEE) unites trade associations and regional organisations, companies and associations from all sectors and application areas of renewable energies in Germany. In its work, the BEE covers topics relating to energy generation, transmission via grid infrastructures and energy consumption.

As the central platform for all players in the entire modern energy industry, the BEE is the main point of contact for politicians, the media and society. Our goal: 100 per cent renewable energy in the areas of electricity, heat and mobility.





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