



*Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With over 170 member organisations from 38 European countries, representing over 1.500 NGOs and more than 47 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.*

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## **CAN Europe's position on the amendment of the Renewable Energy Directive.**

In July 2021, the European Commission launched its “Fit for 55” package which aims to reach at least 55 % net greenhouse gas emissions reduction by 2030 and to achieve climate neutrality in line with the European Green Deal. Part of the package is a proposal for amending the Renewable Energy Directive (RED), setting an increased EU renewable energy target for 2030 in line with the proposed greenhouse gas (GHG) emission reduction target. In addition to a higher target, the proposal is also putting forward measures focusing on sectors where progress has been slower so far. It aims to strengthen existing measures in the heating and cooling as well as in the transport sector and complements them with new provisions covering buildings and industry. The proposal also links up with the Energy System Integration Strategy, the Hydrogen Strategy, the Offshore Renewable Energy Strategy and the Biodiversity Strategy.

The RED aims to promote energy from renewable sources. The proposal for amending the RED presents an opportunity to further improve the directive and can address its shortcomings to ensure it promotes a faster rollout of renewable energy that brings important benefits such as greenhouse gas emission abatement potential, reducing health costs and environmental damages caused by fossil fuel combustion. Renewables can support building resilient local economies. The mobilisation of local renewable energy potentials can increase local added value. The developments related to high electricity prices mainly due to soaring gas prices add further to the arguments on why the EU needs to accelerate the energy transition, which relies on significantly reducing the energy demand and shifting towards a fully renewable energy system, while phasing out fossil fuels<sup>1</sup>.

CAN Europe believes that the Commission's proposal could be significantly improved. The level of the proposed EU renewable energy target of 40 % is too low and not in line for the Paris Agreement's objective to limit temperature rise to 1.5°C. We also need to ensure the revised RED strongly supports the direct use of renewable electricity in all sectors, excludes all provisions that incentivise fossil fuels and non-renewable energies, ensures meaningful sustainability criteria for bioenergy and a review of administrative procedures taking into account citizen engagement and biodiversity protection.

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<sup>1</sup> <https://caneurope.org/high-electricity-prices-links-fossil-gas-need-shift-to-renewables/>

## Stronger and binding targets for renewable energy

With the current 32% target for 2030, the growth of renewable energy in the EU is much too weak. A very sharp increase of renewable energy capacities is indispensable for the Paris Agreement's objective to limit temperature rise to 1.5°C. The PAC scenario<sup>2</sup> - the Paris Agreement Compatible Scenarios for Energy Infrastructure - shows that this implies a transition to a 100 % renewable energy based energy system by 2040.

The current proposal for amending the RED is putting forward an increase to the level of ambition of the overall renewable energy share to at least 40 % by 2030. However, as action in the next ten years will be decisive in reaching the 1.5°C objective, the EU should strive for at least 65% greenhouse gas emission reductions by 2030. This also means that the increase of the 2030 renewable energy target should go well beyond what is indicated in the RED revision. The proposed level of ambition is too low, taking into account the need to at least triple renewable electricity generation by 2030<sup>3</sup>. CAN Europe supports an EU binding target for the share of energy from renewable sources in gross final energy consumption of at least 50% by 2030<sup>4</sup>.

In addition to a higher EU renewable energy target, we also demand the reintroduction of binding national targets. Given the importance of capital costs for renewable energy, binding national targets are needed to ensure investment security. Clear trajectories supported by well-defined policies increase predictability for all market participants. Otherwise, renewable energy project developers might face risk surcharges when borrowing money.

Given the state of climate emergency, reliable national renewable energy policies are needed more than ever. To avoid the detrimental impact of stop-start policies, it is important to look beyond 2030 in a consistent way in view of the 1.5°C objective. Against this backdrop, CAN Europe suggests establishing an EU long term target for 100% renewable energy by 2040.

### CAN Europe calls for:

- EU binding target for the share of energy from renewable sources in gross final energy consumption of at least 50% by 2030 (art 3)
- Reintroduction of binding national targets in the proposal for amending the RED (art 3).
- An EU long term target for 100 % renewable energy by 2040.

## Push for stronger implementation through a better and more coherent regulatory framework

Already in the next ten years renewable electricity generation, in particular through solar and wind, should at least triple, in order for the EU to stick to its commitments under the Paris Climate Agreement and limit temperature rise to 1.5°C. Despite improvements made through the previous revision of the Renewable Energy Directive, Member States need to significantly increase the

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<sup>2</sup> For more details on the PAC scenario, see <https://caneurope.org/building-a-paris-agreement-compatible-pac-energy-scenario/>

<sup>3</sup> For more details on the PAC scenario, see <https://caneurope.org/building-a-paris-agreement-compatible-pac-energy-scenario/>

<sup>4</sup> For more information on the CAN Europe position about the 2030 EU energy targets see: <https://caneurope.org/can-europe-s-position-on-the-eu-2030-energy-targets/>

deployment of sustainable renewable energy. There are still too many complex and long administrative procedures that remain a barrier for increased and faster deployment of renewable energy.

The proposal for amending the RED does not foresee fundamental improvements to existing articles in RED II on the permit-granting process (article 16) and on grid connection (article 17). The new para 15.9 is foreseeing that the Commission shall review administrative procedures in articles 15, 16 and 17. The article indicates that where appropriate, the Commission shall propose modifications one year after the entry into force of the amending Directive. This probably means no modifications are to be expected before 2024. As Member States need to update<sup>5</sup> their draft and final National Energy and Climate Plans (NECP) by mid 2023 and mid 2024 respectively, it is likely that any modifications proposed cannot be taken into account anymore during the drafting of the NECPs if the timing proposed in the new article will be kept as it is.

Further clarity to the overarching rules will be needed to ensure barriers at national level are removed. These rules need to ensure the opportunity for citizens and communities to engage in the energy transition. At the same time, the climate and the biodiversity crisis are strongly interlinked. Strengthening cross compliance between the Renewable Energy Directive, the Biodiversity Strategy, the Water Framework Directive and the Birds & Habitats Directives is needed to ensure that increased renewable energy deployment is handled with respect for biodiversity.

CAN Europe calls for:

- When reviewing the administrative procedures, ensuring the opportunity for citizens and communities to engage in the energy transition and ensuring increased use of renewable energy mobilises synergies with biodiversity protection (new para 15.9)
- Earlier revision of articles 15, 16 and 17 to ensure modifications can still be taken into account into the National Energy and Climate Plans (new para 15.9)

### **Energy system integration is essential to enhance quick upscaling of renewables**

In an integrated energy system, energy supply and demand sectors interact more closely. Energy system integration is essential to enhance the quick upscaling of renewables, following the energy efficiency first principle. It allows for a better use of existing infrastructure, harvesting the potential of demand-side response and other flexibility options.

In addition to the core principle of energy efficiency first, greater direct electrification of the end-use sectors – based on electricity from renewables – is an important feature of an integrated energy system. Renewable electricity will be the dominating energy carrier across all sectors.

However the proposal for amending the RED remains underwhelming when it comes to deliver on energy system integration and renewables based electrification. The new article 20a on “Facilitating system integration of renewable electricity” is a step in the right direction. However, its measures focus mainly on the interaction between domestic and industrial batteries and electric vehicles and the electricity grid respectively.

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<sup>5</sup> See art 14 (update of the integrated national energy and climate plan) of the EU Regulation 2018/1999 on the Governance of the Energy Union and Climate Action

A general approach to foster the direct use of renewable electricity in heating and cooling and in industry is missing; the proposal for amending the RED should therefore be strengthened in this respect (see also further below).

The proposal should also strengthen provisions on flexibility options that will be key to help balancing demand and supply. The current text obliges electricity grid operators to assess how they could use district heating & cooling networks as a source of flexibility. District heating & cooling networks actually could help to better balance demand and supply of energy. However, the proposal remains vague. It just stipulates that electricity grid operators should take account of such an assessment in view of all their grid planning and grid investments. Besides that, the gas grid operators are not obliged to run any assessment, despite the important role of fossil gas in heating and district heat (article 24.8).

#### **CAN Europe calls for:**

- Introducing measures which also foster the direct use of renewable electricity in heating and cooling and in the industry (new art 20a).
- Introducing provisions for grid operators to prepare energy infrastructure for a stronger interaction of the sectors (art 24.8).

## **Keep fossil fuels out of the Renewable Energy Directive**

As some sectors and processes are not easy to electrify, the need for energy carriers with a high energy density will have to be covered by renewable gases and liquid synthetic fuels.

The Renewable Energy Directive pursues the goal of promoting renewable forms of energy and aims at creating an enabling framework for further deployment of renewables in different sectors. Therefore, the revision of the Directive should not include provisions that incentivise fossil based – so-called “low-carbon” - fuels<sup>6</sup> and non-renewable energies (such as nuclear energy).

The proposal for amending the RED is giving a boost to renewable liquid and gaseous fuels, so-called Renewable Fuels of Non Biological Origin (RFNBO, renewable hydrogen and its derivatives<sup>7</sup>). The proposal is extending the scope of RFNBOs to other end-use sectors than just the transport sector (article 2(36)) and establishes a provision ensuring energy from RFNBOs shall be counted to the sector where it is consumed. The amending Directive is also extending current rules on certification and traceability to RFNBOs (new article 31a).

The current provisions on RFNBOs are excluding fossil fuels. However, it is crucial to ensure electricity used for hydrogen production is generated from additional renewables, as otherwise we risk to use existing renewable electricity intended for direct electrification and increase emissions if additionality is omitted<sup>8</sup>. Principles that will determine the regime under which hydrogen can be labelled as renewable hydrogen, still have to be further defined through a delegated act (subpara 7 from article 27.3).

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<sup>6</sup> In CAN Europe’s view, fossil gas needs to be phased out by 2035, the latest.

<sup>7</sup> In the proposal for amending the RED, RFNBOs are being defined as liquid and gaseous fuels, the energy content of which is derived from renewable sources other than biomass

<sup>8</sup> See: <https://bellona.org/publication/will-hydrogen-cannibalise-the-energiwende>

However, fossil based fuels still play a role in the RED. So-called Recycled Carbon Fuels (RCFs) can be taken into account by fuel suppliers to comply with the transport target for greenhouse gas intensity reduction (article 25.1) provided that they achieve at least 70% greenhouse gas emissions savings (new article 29a.2). In REDII, RCFs are defined as liquid and gaseous fuels that are produced from liquid or solid waste streams of non-renewable origin or from waste processing gas and exhaust gas of non-renewable origin. So this means fuels derived from non-renewable waste streams (such as fossil wastes like plastic, rubber, gaseous wastes, etc). Boundaries for calculating the greenhouse gas emissions savings remain unclear as the methodology will have to be defined in another Delegated Act (article 29a.3).

#### **CAN Europe calls for:**

- Excluding any provisions from the RED that incentivise fossil based – so called “low-carbon” – fuels and non-renewable energies.
- Ensuring the Delegated Act establishing the regime under which hydrogen can be labeled as renewable hydrogen, confirms the principle of additionality

### **As the availability of renewable gases is limited, production and allocation needs to be well regulated**

We see a role for sustainably produced renewable gases from feedstocks and processes that do not originate from a fossil fuel, that deliver climate benefits, in compliance with a net zero emission society (renewable hydrogen, synthetic methane, biogas, biomethane). However the amount of sustainably produced renewable gas will be limited and most probably costly, so there is a need for a policy framework which prioritises the allocation of the limited amounts to those sectors that are most difficult to decarbonise. Only hard-to-abate sectors such as steel and chemicals, aviation, long-distance shipping and heavy-duty road transport, could partly rely on renewable gases.

For biogas, stringent sustainability criteria need to be applied so only fast-decaying wastes and residues with no alternative use are considered as eligible sources. Hydrogen must be entirely based on renewable energy, produced with surplus renewable electricity or through additional renewable generation capacities<sup>9</sup>. The production of renewable hydrogen should not compete with the production of renewable electricity that could be directly used to decarbonise key sectors such as heating and transport in a more efficient way, including through storage.

One of the aims of the proposal for amending the RED is to foster renewable hydrogen for hard-to-decarbonise sectors. In the proposal, new subtargets for Renewable Fuels of Non-Biological Origin (RFNBO) are put forward for the industry (new article 22a.1) and the transport sector (article 25.1). This is however creating a big risk that renewable hydrogen will be used in applications where other more efficient and less costly solutions are accessible. In the industry, the general RFNBO target alone is not effective enough to trigger the replacement of fossil-based production processes in the steel and chemicals industry. In the transport sector, the general RFNBO target might lead to the introduction of hydrogen in passenger cars while electric vehicles provide a stronger climate benefit.

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<sup>9</sup> Hydrogen production linked to nuclear power is not acceptable.

### **CAN Europe calls for:**

- Amending the subtargets for RNFBOs in the industry and transport sector as to achieve a more targeted use of RNFBOs in those subsectors which are hard to decarbonise (new art 22a.1 for the industry; art 25.1 for transport).

### **Make heating efficient and renewable**

The decarbonisation of the heating sector is going too slow. The proposal for amending the RED is introducing a number of changes, but unfortunately, this will not lead to a rapid transition to sustainable renewable heating and cooling technologies.

The proposal is putting forward an overall binding subtarget for heating & cooling (combined with specific indicative national top-ups). The subtarget is not accompanied by measures which will ensure the necessary changes:

- No sufficient measures are proposed that will prevent that more unsustainably sourced biomass will be used to fulfil the heating & cooling subtarget. The use of biomass for individual heating in buildings should not be stimulated, given that low temperature heat can easily be supplied through a range of other renewable heating solutions.
- The proposal for amending the RED is missing binding measures that will steer a higher uptake of renewable electricity, geothermal and solar heating, facilitated through heat storage and district heating. The extension of the list of measures to achieve the annual increase of renewable heating and cooling contains good suggestions, but unfortunately, the list is only indicative and so the effectiveness needs to be questioned (article 23.4).
- Although the use of waste heat and cold might be a sensible and economic solution under certain circumstances, it should be noted that waste heat and cold is not necessarily renewables based. Allowing waste heat to count up to 40 % of the renewable heating and cooling subtarget could water down its very ambition. Mobilising waste heat and cold should be considered as an efficiency measure. Policy measures should ensure that over time waste heat and cold is entirely renewables based.
- Strengthening cross compliance between the Renewable Energy Directive (RED) and the Energy Performance of Buildings Directive (EPBD) is needed. Actions carried out by Member States to fulfil the heating & cooling target under article 23 of the RED must be integrated into the Long Term Renovation Strategies of the EPBD (article 2a) to ensure a consistent approach and a holistic planning towards the full decarbonisation of the buildings sector.
- The attempt to increase the use of renewable heat is not well aligned with the provisions of the Energy Efficiency Directive (EED) recast proposal. The definitions of 'efficient district heating & cooling' (DH&C) from the EED proposal are linked to the RED. These definitions overall do not reflect the need to have a 100% renewables based energy system by 2040. The proposed definitions until 2035 are likely to produce lock-in effects in fossil gas that is not compatible with the trajectory to climate neutrality.

#### **CAN Europe calls for:**

- Introducing more binding measures for renewable heating & cooling that – in addition to the implementation of efficiency policies - incentivise a higher uptake of renewable electricity, geothermal and solar heating, facilitated through heat storage and district heating.
- Strengthening cross compliance between the Renewable Energy Directive, the Energy Performance of Buildings Directive and the Energy Efficiency Directive to ensure a consistent approach and a holistic planning towards the use of 100 % renewable heating & cooling by 2040
- Strengthening the sustainability criteria for bioenergy (see further below)

### **Holistic approach for buildings needed**

Given that buildings are responsible for 40% of the EU's total energy consumption as well as 36% of energy-related greenhouse gas emissions<sup>10</sup>, a successful transition towards climate neutrality cannot be achieved without addressing the building sector holistically. It is clear that a strong coordination with other pieces of legislation such as the Energy Performance of Buildings Directive (EPBD) and the Energy Efficiency Directive (EED) will be needed.

A new suggestion in the RED revision, is for Member States to set an indicative target for the share of renewables in final energy consumption in their buildings sector consistent with an indicative EU benchmark of at least 49% by 2030. To ensure an effective deployment of RES in the building sector, it is key to reduce their energy demand in line with the energy efficiency first principle. Hence, adequate planning consistent with the full decarbonisation of the building stock is needed, linking the new article 15a with the provisions of article 2a in the Energy Performance of Buildings Directive (EPBD) (upcoming EPBD revision to look at strengthening provisions on Long Term Renovation Strategies).

Positive is that the proposal for amending the RED is strengthening the use of minimum levels of energy from renewable sources in buildings (no longer restricted to new buildings and buildings undergoing major renovations) in line with the provisions of the EPBD (new article 15a.2). The RED and/or the EPBD should however include binding provisions for deployment of rooftop solar on public and private building stock with suitable roofs, following the energy efficiency first principle.

#### **CAN Europe calls for:**

- A holistic approach for the building sector, through a strong coordination of the Renewable Energy Directive, the Energy Performance of Buildings Directive and the Energy Efficiency Directive.

### **Propel industry to fully tap the benefits of renewables**

Industry will need to decarbonise via reductions in resource and energy use, including redesign of products and production processes to use less energy and low-carbon materials, as well as energy

<sup>10</sup> A renovation wave for Europe – Greening our buildings, creating jobs, improving lives. COM(2020)662.

efficiency measures. The industry sector will also benefit from renewable energy technologies that are already technically mature and available for many of their process needs.

The current proposal for amending the RED introduces a new sector-specific target for an annual increase of the share of renewable energy of 1.1% in the amount of energy sources used for final energy and non-energy purposes in the industry sector in every Member State (new article 22a.1). The target is however indicative. Moreover, the weak sustainability criteria on bioenergy (see further below) also risk incentivising the inefficient use of unsustainable biomass.

The proposal puts forward a subtarget (at Member State level) for the use of RFNBOs in the industry, to reach a 50% share of all hydrogen used in industry as an energy carrier and as feedstock by 2030. It is important that the current provisions - only allowing for hydrogen (and derivatives) based on renewables – are maintained. Renewable hydrogen should however only be directed to those industries that are the most difficult to decarbonize. The proposed target risks renewable hydrogen being used in applications where other more efficient and less costly solutions are accessible. Besides this indirect use of renewable electricity, it remains important to incentivise the direct use of renewable electricity. We regret that the proposal misses a general approach to foster the direct use of renewable electricity in the industry (see under previous chapter on Energy System Integration).

Positive change is that the proposal for amending the RED is putting forward additional measures to facilitate Power Purchase Agreements (PPAs) including by exploring how to reduce the financial risks associated with them (article 15.8).

#### **CAN Europe calls for:**

- Introducing measures which also foster the direct use of renewable electricity in the industry (new art 20a).
- Amending the subtarget for RFNBOs in the industry sector as to achieve a more targeted use of RNFBOs in those subsectors which are hard to decarbonize (new art 22a.1).

### **Strengthen sustainability criteria for bioenergy**

The sustainability criteria for bioenergy in the current Renewable Energy Directive are too weak and must be changed. Some proposals put forward aim at strengthening the criteria, but unfortunately, the changes do not go far enough. They continue to incentivise types of bioenergy that increase emissions compared to fossil fuels – either in general or over any climate-relevant timescale.

Proposed changes focus amongst others on the following aspects:

- removing financial subsidies for feedstocks such as sawn and veneer logs, roots and stumps. The selection of these specific feedstocks will however have limited impacts. The proposal amending the RED also excludes the support for the use of forest biomass for electricity-only-installations. However, the late timing (from 2027 onwards) and exceptions foreseen (such as for regions identified in a territorial just transition plan) will mean the impact will be limited and comes too late (article 3.3)
- applying the EU sustainability criteria to smaller installations producing electricity, heating and cooling (reduced from 20 to 5 MW). This is an improvement but will have limited impact if overall the criteria are not strengthened (article 29.1.)



- extending the no-go areas and exclude forest biomass extracted from land with a high biodiversity value (primary and highly biodiverse forests) or a high carbon stock (wetlands, peatlands). These changes are positive but also too limited in scope (article 29).

In further negotiations, criteria need to be strengthened further, to ensure that bioenergy delivers significant, near-term greenhouse gas savings compared to fossil fuels; limited sustainable biomass resources are optimally used in the wider economy and within the energy sector; and biomass burning does not lead to a further increase in air pollution and biodiversity loss.

Only fast-decaying wastes and residues with no alternative and/or lower emission use should be supported as potential sources. Criteria should disallow the use of feedstocks that are likely to increase emissions compared to fossil fuels. A cap should be introduced to limit the use of biomass for energy production to levels that can be met sustainably from acceptable feedstocks within the EU. The EU's carbon accounting framework should ensure emissions from biomass burning are fully accounted for in the consuming country's greenhouse gas totals.

**CAN Europe calls for:**

- Strengthening the sustainability criteria for bioenergy that are currently taken up in the proposal for amending the RED, to ensure that only fast-decaying wastes and residues with no other uses are incentivised, and that bioenergy therefore delivers significant, near-term greenhouse gas savings compared to fossil fuels (art 3.3 and 29).