

***Making the EU fit for competition - with
renewable energy***

Sven Giegold

*Staatssekretär im Bundesministerium für
Wirtschaft und Klimaschutz*

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"Shaping Europe's Energy Future: A New
Compass for the Next Commission"

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Dear Ms. Martinelli,
[Chiara Martinelli, Director, CAN Europe]

Dear Ms. Maarfield,
[Cornelia Maarfield, Head of Energy, CAN Europe]

ladies and gentlemen,

Thank you for the invitation and the chance to present Germany's perspective on the energy compass for the next Commission. Our ministry is leading in the government on the German and European energy transition.

First of all, let me say that our **achievements in the energy sector in the last EU legislature** have been great. Through a joint effort, we have managed to tackle the energy crisis following Russia's attack on Ukraine.

At the same time, we have **made considerable progress** in transforming our energy system. Vast amounts of renewable energy have been deployed and permitting procedures have been sped up.

But this does not mean we can sit back and relax. The new Commission is facing huge challenges and needs to act now to **foster economic development and competitiveness** while continuing to push for zero carbon. **Europe is at a crossroads** and we must let renewable energy lead its way. Only a strong focus on a ramp-up of renewable energies and grid expansion can pave the way to a competitive, sustainable European economy and industry, while providing fair and prosperous living

conditions to European citizens.

Renewable energies allow for a fair transformation. First, many more citizens and firms produce electricity. We now have five millions of energy producers in Germany rather than only a handful in the past. In particular rural areas profit from becoming energy exporting regions.

Renewables allow citizens to produce their own electricity and share it. Second, renewable energies are the only way forward to bring down energy prices to allow for a just transition where using energy is not a privilege of only a few.

Let me be clear: Nuclear is no alternative. In the EU, the Commission projects in its own Impact Assessment of the 2040 Climate Communication that nuclear capacity will fall until 2040 by around 30 GW, even if plans of some of our neighbour countries are realized. Renewables will increase until 2040 by around 1400 GW [!]. Globally, the IEA projects the share of nuclear energy to fall from 9% to 8% of electricity supply until 2050 in the Net Zero Emissions scenario, while renewable energies cover around 70% in 2050. For our urgent energy transition nuclear is too slow and too expensive. Of course we respect the right of all member states to determine their own energy mix towards a carbon neutral future. However, EU resources should only be spent for sources of energy all member states believe in and therefore not for new nuclear power stations.

"Competitiveness triad"

Our European economy needs affordable and decarbonised electricity very fast and in large amounts.

Europe cannot compete with US gas prices. **Only renewables** are the way forward to a **decarbonised and competitive economy**.

Therefore, we see the future of European competitiveness in the “**competitiveness triad**”, that is:

1. Fast and vast amounts of **renewable energy** (electricity and hydrogen)
2. **flexibility** and storage to maximize the use of electricity when it is cheap, and
3. **an infrastructure upgrade** to transport cheap renewable electricity and hydrogen across Europe.

These need to be the **priorities of the Commission for its Clean Industrial Deal**. We ask for implementation of these priorities by the Commission as follows:

1. Fast and vast amounts of renewable energy

The Commission's impact assessment for 2040 shows that investments into around 1,400 GW of new renewables are necessary for decarbonising our economy. These massive investments will not fall from sky – they call for investment certainty.

The Commission's task is to set a **reliable 2040 Energy Framework based on the 2030 framework**. It must include an **EU renewable energy target for 2040** with flexibilities for Member States that have come far on the pathway to decarbonisation.

As a starting point, the Commission must fully impose the

2030 framework and develop an EU Top-up-tender for the 2.5% gap.

Permitting

We also expect the Commission to propose a new **Renewables and Energy Infrastructure Acceleration Directive within the first 100 days** to permanently speed up permitting and planning of renewables and energy infrastructure. This means: further exemptions from assessments of e.g. the Water Framework Directive.

This should include measures for hydrogen and district heating. For example, hydrogen networks are not covered by the Renewable Energy Directive. Yet, this infrastructure is crucial to enable investments into the transformation of our industry, so we need to apply the acceleration measures for all energy infrastructure.

2. Demand flexibility and storage

With the increase in renewables, Europe will benefit from increasing hours with very low electricity prices and Europe's competitiveness will depend on maximising exploitation of these hours.

The interplay of the various new players will need to be orchestrated by a new, smart and innovative system. We ask the Commission to come up with **an EU Flexibility Roadmap** to address that paradigm shift and remove all structural barriers and disincentives to flexibility.

Another focus of the Commission should be on **updating**

the EU framework on grid charges to incentivise flexible consumption and value locational choices while ensuring internationally competitive prices for industries. Technical standards need to support flexibility – particularly for new, flexible consumers such as electric cars, heat pumps and hydrogen, and for power plants.

3. Infrastructure upgrade

European cross-border energy infrastructure is the key to giving industry and households all over Europe access to cheap offshore wind energy, solar power from Europe's South and hydropower from its mountains. It is the backbone of a socially sustainable energy transition.

We therefore ask the Commission to develop a **Grid Union**. This should include an upgrade of the Ten Year Network Development Plan framework that facilitates cross-border infrastructure planning.

We also need **an upgrade in EU financing for cross border energy infrastructure** for electricity and hydrogen. This should include additional funding both for the CEF and for the EIB.

Energy Efficiency

Energy transition is not only about transforming energy production and maximising deployment. It also means **reducing energy consumption** to meet production and demand in an increasingly electrified economy.

We therefore ask the Commission to develop a **2040 Energy Efficiency Framework** to boost investments in

energy efficiency. It should include new heating standards, a heat pump action plan and a renovation initiative. The Commission should also develop a new EU Energy Efficiency Platform.

Energy Communities

Energy communities can become an important and socially sustainable contributor to our energy transition. **We ask the Commission to develop an Energy Community Initiative** with an action plan to incentivise the formation of renewable energy communities. This Initiative shall empower citizens and municipalities directly to become part of the transformation. **Regulatory hurdles for renewable energy communities need to be decreased** and EU funding should be readily available.

We are currently preparing to implement the requirements of the amended Internal Electricity Market Directive on **energy sharing into national law**. The regulation is intended **to enable end consumers to share renewable electricity using the electrical grid**. This is the next step after having introduced the possibility to share renewable electricity within buildings with the solar package I.

Green hydrogen

Producing green hydrogen particularly in peak hours with cheap renewable energy can become a key competitive advantage of European industry. But this will only be possible if we increase our European efforts to ramp up green hydrogen. This must go beyond the hydrogen infrastructure upgrade I mentioned before:

We ask the Commission to apply an hourly approach in **the Low Carbon Delegated Act** to measure GHG emissions and the renewables share in the electricity mix. This way, we can ensure a level playing field for renewable hydrogen and avoid gas greenwashing and gas lock-in. For this, we also need to **improve the regulatory conditions for green hydrogen production** to enable investments into production and use.

We also need to reform the **European Hydrogen Bank's tender conditions** with a new focus on competitiveness of industry, to ensure fair cross-border access to green hydrogen and to reform the bidding limit for auctions as a service. The European Investment Bank needs to update its funding to support investments into green hydrogen.

The Commission should also advance new instruments, for example green lead markets, to secure the offtake of hydrogen and lay the ground for investment decisions along the entire value chain.

Offshore

We cannot overestimate the potential of **offshore energy** for our energy transition. Our seas are a true powerhouse – but we need joint efforts to use them right.

Therefore, we ask the Commission for an **Offshore Support Framework and an Offshore Financing Facility**. These two instruments are needed to lay a stable foundation for vast investments into offshore projects. They are especially important for multilateral cross-border offshore projects – so far, these projects have proven very

difficult to plan, co-ordinate and finance.

Financing

Speaking of financing, one of the new Commission's most important tasks will be to translate financing's central role into action. As I said in the beginning, we will need massive investments to accelerate our energy transition while at the same time ensuring competitiveness of our industry.

In addition to all the targeted funding, support and investment schemes that I mentioned today, we will also **need the Multiannual Financial Framework** to reflect our transformation goals. It should especially foster support for green investments and cross-border projects.

Crisis resilience and further reduction of RUS energy imports

Since the RUS war of aggression against the UKR RUS energy imports into the EU have fallen substantially.

However, **RUS energy imports of fossil origin into the EU** continue to represent the largest share of Russian imports into the EU in terms of value.

Regarding our joint efforts to diversify energy imports and enhance energy security, we need to continue to systematically reduce the import of all fuels (gas, oil and radioactive material) from Russia. Our motto should be standstill and determined rollback of energy dependency.

It is important to agree on joint measures in the field of energy policy outside the area of sanctions in order to reduce dependence on RUS energy imports.

We **encourage COM to work out a roadmap** and a plan on how to reduce our dependence on Russian energy imports as quickly as possible, while ensuring monitoring of progress.

Europe needs to prepare better against energy shocks such as 2022.

A new EU framework for European crisis reserves should improve electricity resilience and “trust in trade” for crisis situations. Safe and secure grid operation is a prerequisite for a reliable energy supply for industries and needs to receive more attention in the EU Network Codes to become ready for future challenges: Regional coordination in this field needs to become operational, fit-for-purpose and ready for the future. System stability needs to be closely coordinated and addressed by a joint framework.

Outlook

Let me sum up: the **energy agenda for the next Commission** is ambitious, and it is pressing. We cannot afford to have our economy lose its rank in international competition. Therefore the European decarbonisation needs to be competitive and a driver for innovation and growth. At the same time, we must make sure that our energy transition is fair and socially sustainable. A secure, sustainable and affordable energy supply is crucial for all of these objectives.

Germany is prepared to work together with the Commission and our fellow Member States to uphold these

principles within an **ambitious 2040 climate and energy framework**. We need a strong Commission to enforce implementation of Member States' goals, for example for renewable energy. The NECPs and the Commission's assessments are key for this and need to be strengthened.

There is a lot of work ahead and these were just some elements. Together, let us get to work!