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PART 1/2

COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

**Proposal for a Directive of the European Parliament and of the Council on the
promotion of the use of energy from renewable sources (recast)**

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Executive Summary Sheet

Impact Assessment on the Proposal for a Directive of the European Parliament and of the Council amending Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources

A. Need for action

What is the problem and why is it a problem at EU level?

Directive 2009/28/EC (the "**RES Directive**") establishes a European framework for the promotion of Renewable Energy (RE), with national mandatory targets for the share of RE in gross final energy consumption for each Member State in 2020. In October 2014, the European Council agreed on a binding EU-level target of at least a 27% share of RE consumed in the EU in 2030, to be achieved without national mandatory targets. The combination of long-lasting effects of current policies, improved cost-competitiveness associated with technological progress, the initiatives on the Emissions Trading System (ETS) and non-ETS sectors, Electricity Market Design, Governance and Energy Efficiency, are projected to deliver an increase in renewables share. However, in the absence of additional EU policies, this increase is not cost-efficient and still short of the agreed share of renewables at EU-level.

What should be achieved?

In the context of the Energy Union Strategy, the review of the RES Directive has four main objectives: (i) Contribute to limiting global average temperature increase to not more than 2°C, in view of achieving 1.5°C in line with the EU's commitment towards Paris COP 21 objectives; (ii) achieve in a cost effective way a share of at least 27% of RE in the EU by 2030; (iii) make the EU economy more energy secure by reducing its import dependence; (iv) contribute to becoming the world leader in RE and a global hub for developing advanced and competitive RE technologies.

What is the value added of action at the EU level (subsidiarity)?

Due to the existence of specific market failures and barriers, EU level policies are needed to ensure that the at least 27% EU-level binding RE target is **collectively** met by Member States, and is met in the most cost-effective and least distortive manner. EU action will deliver investors certainty in an EU-wide regulatory framework, a consistent and cost-efficient deployment of RE across the EU and an efficient operation of the internal energy market whilst respecting the potential of Member States to produce different forms of RE according to the energy mix of their choice.

B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

Legislative and non-legislative policy options to promote the deployment of RE have been considered. The Impact Assessment (IA) carried out a detailed analysis of each policy option with a gradual approach from a baseline scenario (Op. 0) to more EU-comprehensive measures. No preferred options were chosen, in order to preserve the political discretion of the Commission to decide among options across the following five areas:

(i) Options to increase RE in the electricity sector (RES-E)

Common European framework for support schemes: 1 sole use of market mechanisms; 2

clarification of the rules through a toolkit; 3 mandatory move towards investments aid.

More coordinated regional approach: 1 mandatory regional support; 2 mandatory partial opening of support schemes to cross-border participation.

Renewable-focused financial instrument: 1 EU-level financial instrument with wide eligibility criteria; 2 EU-level financial instrument in support of higher-risk RES projects.

Administrative simplification: 1 reinforced provisions with "one-stop-shop", time ranges and facilitated procedures for repowering; 2 permitting procedures would be time limited, through automatic approval and simple notification for small projects.

(ii) Options to increase RE in the heating and cooling sector (RES-H&C):

Mainstream renewables in the heating and cooling supply: 1 RES H&C obligation on fossil fuel suppliers; 2 same obligation but for all fuel suppliers.

Facilitate the uptake of RE and waste heat in DHC systems: 1 best practice sharing; 2 energy performance certificates and creating access to local H&C; 3 measures under 2 + an additional reinforced consumer rights framework.

(iii) Options to increase RE in the transport sector (RES-T):

Mainstreaming renewables in the transport sector: 1 EU incorporation obligation for advanced renewable fuels; 2 EU incorporation obligation for all renewable fuels consumed in transport plus phase-out of food-based biofuels (sub-options: 2A a partial phase out of food based biofuels by 2030; 2B a total phase out of such biofuels by 2030; 2C a faster phase out of food based biodiesel and higher GHG savings by 2030); 3 Previous options plus specific EU incorporation obligation for renewable fuels consumed in aviation and maritime. 4 GHG emission reduction obligation (FQD) (sub-options: 4B overall fuels and electricity GHG reduction obligation; 4C advanced fuels and electricity GHG reduction obligation; 4D advanced fuels, electricity and lower GHG conventional fuels).

(iv) Options to empower and inform consumers of RE:

Empower consumers to generate self-consume and store renewable electricity: 1 EU guidance on self-consumption; 2 empowering citizens to self-consume and store renewable electricity; 3 distance self-consumption for municipalities.

Disclose information for renewable electricity: 1 strengthening GO system; 2 measures under 1 + GOs mandatory for disclosure; 3 measures under 2 + extension of GOs to all sources of electricity generation.

Trace renewable fuels used in heating and cooling and transport: 1 extended GOs to renewable gaseous fuels; 2 extended GOs to renewable liquid and gaseous fuels; 3 development of alternative tracking system for renewable liquid and gaseous fuels.

(v) Options to ensure the achievement of at least 27% RE in 2030:

2020 national targets: 2020 national targets as basis Vs. baseline.

Trajectory: Linear Vs. Non-linear.

Mechanisms to avoid an ambition gap to the EU RE target: 1 revise ambition of national plans; 2 include a review clause to propose additional EU level delivery mechanisms at a later stage if needed; 3 increase the ambition of EU wide measures; 4 introduce binding national targets.

Avoiding and fill a delivery gap: 1 revise national plans; 2 include a review clause to propose additional EU level delivery mechanisms at a later stage if needed; 3 increase the ambition of EU wide measures; 4 introduce binding national targets.

What are different stakeholders' views? Who supports which option?

An online Public Consultation was run from 18 November 2015 to 10 February 2016. This confirms a broad consensus among Member States, NGOs and think-tanks, investors and

associations on the need for a stable and predictable EU legal framework for renewables, the importance of defining measures in RES-E, RES-H&C, RES-T, enhanced consumers' participation in the internal energy market, removal of administrative barriers and achievement of the at least 27% binding EU target. **All the stakeholders** generally agreed on the need to enhance infrastructure development, especially concerning smart grids and storage systems.

Member states emphasised the commitment to reduce GHG emissions, along with the need to achieve decoupling from economic growth and viability of renewable energies. Some **Member States** underlined the role of renewables vis-à-vis energy security and import dependency. **Industry** emphasised the need for a market fit for renewables, through market integration, reinforced investment protection regime on the long term, requesting a stable regulatory framework to stimulate innovation, ensure economic viability and increase competitiveness at EU level. **NGOs** underlined the importance of establishing citizen rights to increase decentralisation, empowering local communities stimulating public acceptance of future schemes.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

It is not possible to fully quantify the impact at present time, as no preferred options are chosen. The above Options 1 to 4 tackle investor uncertainty, increase cost-effectiveness, intervene against market failures, update the existing regulatory framework and increase citizen buy-in. Implementing the main measures will help the EU reach its greenhouse gas emission reduction objectives (by contributing to the additional 5% reduction in greenhouse gas emissions needed compared to Reference Scenario projections). It can also contribute to reducing the energy import bill (cumulative effects of implementing the 2030 targets would mean a reduction of EUR221 billion over the 2021-2030 period), and generating additional co-benefits, such as contributing to an overall reduction in pollution control costs & health damage costs of 12.3-19.5 €billion/year).

What are the costs of the preferred option (if any, otherwise of main ones)?

The main options which were developed could entail social, economic and environmental impacts both at Member State level. Where possible, such impacts have been quantified.

What are the impacts on SMEs and competitiveness?

The IA includes specific exceptions for SMEs to ensure that the measures to achieve the EU-level renewables target for 2030 promote their competitiveness (e.g. administrative simplification, specific provisions on public support, broader self-consumption measures).

Will there be significant impacts on national budgets and administrations?

Member States will be asked to contribute to the common effort to achieve the agreed 2030 EU-level renewables target via a set of measures potentially having an impact on national budgets and administrations.

D. Follow up

When will the policy be reviewed?

Some provisions of the RES Directive effectively end in December 2020, notably on national binding targets. The IA aims to address the measures to be included in the RES Directive post-

2020. Some options develop the need to ensure that review clauses are set out in the revised RES Directive to ensure that the shift from national binding targets to an EU-level target for 2030 is properly monitored and implemented.