EUROPEAN COMMISSION PRESENTS REPOWEREU PLAN

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Policy and Regulatory and Energy, Infrastructure, and Resources Alert

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The European Commission (the Commission) presented on 18 May 2022 details of its plan to repower Europe and to reduce, and ultimately end, Europe's reliance on Russian fossil fuels (the REPowerEU Plan or the Plan)[1] that was announced on 8 March 2022.

It aims to do this with three pillars: energy conservation; diversifying supplies; and quickly substituting fossil fuels by accelerating Europe's clean energy transition, all while smartly combining investments and reforms.

The Plan acknowledges that the shift away from Russian fossil fuels will also require targeted investments for security of supply in gas infrastructure and very limited changes to current oil infrastructure, alongside large-scale investments in the electricity grid and an EU-wide hydrogen backbone. As such, the different elements of the Plan, which comprise a series of proposals, communications and guidance documents, will be of interest to anyone participating in the energy markets in Europe, including developers of renewable and conventional energy projects, buyers and sellers of commodities, and even households.

MAIN TAKEAWAYS

REPowerEU functions on three levels: the demand side (through energy conservation); the supply side (through diversification from Russian fossil fuels and toward different and reliable suppliers); and lastly, the acceleration of the clean energy transition (through the rollout of renewables and by reducing fossil fuel consumption in industry and transport).

Regarding energy conservation, the Commission proposed an increase from 9% to 13% of the binding energy efficiency target under the 'Fit for 55' package of the European Green Deal and published an 'EU Save Energy Communication', detailing changes which could cut oil and gas demand by 5%. Contingency measures in case of supply disruption were set out and guidance on prioritisation criteria and facilitation of a coordinated EU demand reduction plan will be issued at a later stage.

Regarding the diversification of supplies, the already established EU energy platform will allow for common purchases of gas, liquefied natural gas, and hydrogen and, as a next step, the Commission intends to develop a 'joint purchasing mechanism' to negotiate gas purchases on behalf of member states. The adopted EU external energy strategy will simplify energy diversification and build long-term partnerships, since it prioritises the European Union's commitment to the green energy transition.

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Regarding the rollout of renewables, the Commission proposes to increase the 2030 target for the share of renewables in total energy consumption in the European Union from 40% to 45% under the 'Fit for 55' package, which will create the framework for different initiatives:

- An EU solar strategy to double solar photovoltaic capacity by 2025, and install 600 gigawatts by 2030.
- A solar rooftop initiative with a legal obligation to install solar panels on all new public and commercial buildings after 2025, and residential buildings after 2029.
- Doubling of the rate of deployment of heat pumps, and measures to integrate geothermal and solar thermal energy in heating systems.
- A targeted amendment to the Renewable Energy Directive, to recognise renewable energy as a public interest and include 'go-to' areas for renewables, with simplified permitting processes.
- A target of 10 million tonnes per annum of domestic renewable hydrogen production and 10 million tonnes per annum of imports by 2030, to replace natural gas, coal, and oil in hard-to-decarbonise industries and transport sectors.
- Completion of the assessment of the first important projects of common European interest.
- A biomethane action plan that includes a biomethane industrial alliance and financial incentives to increase production to 35 billion cubic meters by 2030.

The Commission is also providing guidance on renewable energy and power purchase agreements and will provide a technical advisory facility, in partnership with the European Investment Bank.

An EU solar industry alliance was also proposed, together with a large-scale skills partnership, and the Commission will intensify work on the supply of critical raw materials and prepare a legislative proposal in this regard.

In this context, support to Ukraine and Eastern Partnership countries was reiterated in the Plan, to ensure security of supply and a functioning energy sector, while setting the stage for future electricity and renewable hydrogen trade, as well as rebuilding the energy system under the REPowerUkraine initiative.

Although the Plan referenced the proposal for the delayed delegated act on the definition and production of renewable hydrogen, and proposals for carbon contracts for difference, such measures were not in fact published as of the close of business on 18 May. Industry stakeholders will eagerly await the release of such measures to support the development of the green hydrogen economy.

FOOTNOTES

[1] COM(2022) 230 final.

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