

# EUROPEAN PARLIAMENT

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*Committee on Economic and Monetary Affairs*

**2008/0016(COD)**

5.6.2008

## **OPINION**

of the Committee on Economic and Monetary Affairs

for the Committee on Industry, Research and Energy

on the proposal for a directive of the European Parliament and of the Council  
on the promotion of the use of energy from renewable sources  
(COM(2008)0019 – C6-0046/2008 – 2008/0016(COD))

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## SHORT JUSTIFICATION

The proposal for a Directive on the promotion of the use of energy from renewable sources constitutes a proposal for an important piece of legislation.

The Directive should ensure the maximum use of flexible market-based mechanisms in order to reach the ambitious targets for the share of renewable energy sources (RES) in the total energy consumption.

The factors having impact on the energy sector - demand, supply, scarcity of resources and their rational, efficient management, the effects on the environment and climate stresses, to name but a few, drive the need for alternative modes of energy generation and their integration into power supply systems. Renewable technologies provide benefits to tackling the insufficiency of indigenous fossil fuels and to contributing to steady economic development in a long-term perspective. Efforts to harmonise and align energy policies on the EU level proves complex and requires a critical mass of support and investment. Stakeholders argue for clear, consistent and harmonised common policies directed to tackling the inefficiencies stemming from some national standards, regulations and practices.

A driver of the development of the renewable energy market is the creation of specific financial supporting instruments. The idea of a European market of Guarantees of Origin (GO) provides a support mechanism which is to complement the national support schemes, while ensuring the preservation of commitments within the national support framework, focusing of national authorities on specific local RES applications, developing RES while minimizing the impact on their national budget and, at European level, developing RES at least cost, thanks to efficient market operation.

The proposed directive should ensure the proper functioning of this support mechanism.

Therefore, the proposal is amended in order to enable some necessary conditions for the emergence of a well functioning GO-market, a review of which should be undertaken in due future.

The GO-system might cover all renewable sources. Different types of GO (for electricity from renewable energy sources (RES-E), renewable heating and cooling (RES-H) and renewable energy sources for transportation (RES-T) should be interchangeable and traded on the market. GO should, as far as possible, be the instrument for measuring the RES-share of the different Member States, a Member State overall target between sectors (electricity, heating & cooling, transportation) and possible split of obligations between the same sectors - for instance, the transport sector could finance the development of RES-E, via the purchase of GO from the electricity sector to meet its obligations.

The ambitious European RES-target can also be achieved if the Directive properly tackles main obstacles to the development of renewables and their integration into power supply systems taking into due account the physical network capacities. Security of supply, an important factor for the entire energy chain, and the complex interactions within the boundaries of the transmission system should direct efforts to maintaining an infeed of renewable energy sources by sophisticated allocation mechanisms for conventional generation.

The assumption that energy generation from RES-E is more costly than non-RES-E power generation should be taken into consideration so that additional direct cost to generating electricity be distinguished from additional indirect costs related to the construction of the necessary transmission and distribution grid infrastructure.

At national level, RES-E development requires additional local investments for grid connections and grid extensions and reinforcements.

The lengthy timescales for planning, licensing, and constructing new energy infrastructure should be tackled and considered in a direction of simplification and shortening, when possible. At European level, investments in necessary cross-border transport network infrastructure should be encouraged.

For the RES-E potential being available in areas different from consumption areas, the new network infrastructure is needed to evacuate large energy flows from RES-E production locations to consumption locations.

Furthermore, as mentioned above, RES-development entails direct costs as well as indirect costs (e.g. power grid reinforcements, etc). A well-functioning European GO-market shall contribute to a large extent to minimize the additional direct costs. On the other hand, the additional indirect costs require specific encouraging provisions that are difficult to be addressed by a GO-market.

In accordance with the solidarity principle, more use of the Cohesion Fund, European Regional Development Fund, or the creation of an EU RES Fund should be envisaged.

Alternative energy sources are not a silver bullet and alone shall not be enough to resolve supply-demand equation. However, their development shall contribute to sustainability and quality of life. Consistent energy policy shall pay dividends in the long run and synergy of policies is in the fundament.

## AMENDMENTS

The Committee on Economic and Monetary Affairs calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following amendments in its report:

### Amendment 1

#### Proposal for a directive

#### Recital 2

*Text proposed by the Commission*

(2) In particular, increased use of biofuels for transport is one of the ***most effective*** tools by which the Community can reduce

*Amendment*

(2) In particular, increased use of ***sustainable and second-generation*** biofuels for transport is one of the tools by

its dependence on imported oil - where the security of supply problem is most acute - and influence the fuel market for transport.

which the Community can reduce its dependence on imported oil - where the security of supply problem is most acute - and influence the fuel market for transport.

## Amendment 2

### Proposal for a directive

#### Recital 9

##### *Text proposed by the Commission*

(9) Member States' starting points, renewable energy potentials and energy mixes vary. It is therefore necessary to translate the overall 20% target into individual targets for each Member State, with due regard to a fair and adequate allocation taking account of different national starting points and potentials, including the existing level of renewable energies and energy mix. It is appropriate to do this by sharing the required total increase in the use of energy from renewable sources between Member States on the basis of an equal increase in each Member State's share weighted by their Gross Domestic Product, modulated to reflect national starting points, and by accounting in terms of final energy consumption.

##### *Amendment*

(9) Member States' starting points, renewable energy potentials and energy mixes vary. It is therefore necessary to translate the overall 20% target into individual targets for each Member State, with due regard to a fair and adequate allocation taking account of different national starting points and potentials, including the existing level of renewable energies and energy mix. It is appropriate to do this by sharing the required total increase in the use of energy from renewable sources between Member States on the basis of an equal increase in each Member State's share weighted by their Gross Domestic Product, modulated to reflect national starting points, and by accounting in terms of final energy consumption, ***with account being taken of Member States' past efforts with regard to the use of energy from renewable sources.***

##### *Justification*

*It needs to be ensured that the Member States' past commitment is taken into account.*

## Amendment 3

### Proposal for a directive

#### Recital 30

##### *Text proposed by the Commission*

(30) The costs of connecting new producers of electricity from renewable

##### *Amendment*

(30) The costs of connecting new producers of electricity from renewable

energy sources to the electricity grid should be objective, transparent and non-discriminatory and due account should be taken of the benefit embedded generators bring to the grid.

energy sources to the electricity grid should be objective, transparent and non-discriminatory and due account should be taken of the benefit embedded generators bring to the grid. ***The costs should be borne by the producers applying to be connected to the grid.***

#### *Justification*

*The principles of transparency, objectivity and non-discrimination as well as economic logic are essential for the efficient functioning of the European electricity market. Connections to the grid ("last mile") are solely of benefit to the respective generators which is not faced by other grid customers. Furthermore, costs of connecting new producers mainly depend on the locations of generation sites which are determined by generators.*

#### **Amendment 4**

##### **Proposal for a directive Recital 31**

###### *Text proposed by the Commission*

(31) In certain circumstances it is not possible to *fully* ensure transmission and distribution of electricity produced from renewable energy sources without affecting the reliability and safety of the grid system. In *these* circumstances it may be appropriate ***for*** financial compensation ***to be given to those producers.***

###### *Amendment*

(31) In certain circumstances it is not possible *fully* to ensure transmission and distribution of electricity produced from renewable energy sources without affecting the reliability and safety of the grid system. In *those* circumstances it may be appropriate ***to curtail the infeed without providing for any*** financial compensation.

#### *Justification*

*The transmission and distribution of renewable energy is constrained by the physical network capacities. Therefore, under certain circumstances such generation has to be scaled down in order to meet the physical limitations of the network. The constraint is a consequence of Kirchhoff's laws. Reductions of the generation of renewable energy producers should go to their own expenses. The same also happens to conventional plants. Any compensation payments are inappropriate.*

## Amendment 5

### Proposal for a directive

#### Recital 33

*Text proposed by the Commission*

*Amendment*

**(33) Interconnection among countries eases integration of electricity from renewable energy sources. Besides smoothing variability, interconnection can reduce balancing costs, encourage true competition bringing about lower prices, and support the development of networks. Also, the sharing and optimal use of transmission capacity could help avoid excessive new build.** **deleted**

#### *Justification*

*The concept is wrong. Variability has to be handled within a control block, the structure of blocks being part of an interconnected power system. Balance power has to be provided predominantly on a local basis. If it is travelling on long distances, free capacity has to be reserved, because the emergency of balancing is not predictable. Grid development is based, inter alia, on investment incentives. Due to an obligation for operators to transport renewables they have to strengthen the grid for the peak amount of this infeed. It is this development that should be well estimated.*

## Amendment 6

### Proposal for a directive

#### Recital 40

*Text proposed by the Commission*

*Amendment*

**(40) Where biofuels and other bioliquids are made from raw material produced in the EU, they should also comply with EU environmental requirements for agriculture. Applying such criteria to imports from third countries is administratively and technically unfeasible.** **(40) Where biofuels and other bioliquids are made from raw material produced in the EU, they should also comply with EU environmental requirements for agriculture and should not endanger food production. Applying such criteria to imports from third countries is administratively and technically unfeasible.**

#### *Justification*

*The production of biofuels and bioliquids should be carefully approached in the context of increasing food prices and global challenges.*

## Amendment 7

### Proposal for a directive

#### Recital 41

*Text proposed by the Commission*

*Amendment*

*(41) The environmental sustainability criteria will only be effective if they lead to changes in the behaviour of market actors. Market actors will only change their behaviour if biofuels and other bioliquids meeting the criteria command a price premium compared to those that do not. According to the mass balance method of verifying compliance, there is a physical link between the production of biofuels and other bioliquids meeting the criteria and the consumption of biofuels and other bioliquids in the Community, providing an appropriate balance between supply and demand and ensuring a price premium that is greater than in systems where there is no such link. Therefore to ensure that biofuels and other bioliquids meeting the environmental sustainability criteria can be sold at a higher price, maintaining the integrity of the system while at the same time avoiding imposing an unreasonable burden on industry, the mass balance system should be used to verify compliance. Other verification methods should however be reviewed.*

*deleted*

*Justification*

*Biofuels must meet the criteria for environmental sustainability.*

## Amendment 8

### Proposal for a directive

#### Recital 50

*Text proposed by the Commission*

*Amendment*

*(50) **Regular** reporting is needed to ensure*

*(50) **A regular, unbureaucratic** reporting*



a continuing focus on progress in the development of renewable energy at national and Community level.

**requirement** is needed to ensure a focus on progress in the development of renewable energy at national and Community level.

*Justification*

*Reporting should take place without bureaucracy.*

**Amendment 9**

**Proposal for a directive**  
**Article 2 – point a**

*Text proposed by the Commission*

(a) "energy from renewable sources" means renewable non-fossil energy sources: wind, solar, geothermal, wave, tidal, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases;

*Amendment*

(a) "energy from renewable sources" means renewable non-fossil energy sources: wind, solar, **air, water, ground**, geothermal, wave, tidal, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases;

*Justification*

*Air, water and ground are renewable energy sources broadly used by heat-pumps and were recognised as such in the EU criteria set for the eco labelling of heat pumps. The technological characteristics of heat-pumps allows for such sources to yield and supply highly efficient heating , and therefore broadening the definition to include these energy media will clarify the potential to be exploited. Additionally, the specific technology used by heat-pumps permit to transfer energy from air, water and ground by using their temperature, positive or negative, for heating and cooling. In the objective of reaching the 20% of energy from renewables by 2020, the Commission's proposal should include a more exhaustive list of renewable sources. In this perspective, air, water and ground should be included in the Commission's text.*

**Amendment 10**

**Proposal for a directive**  
**Article 6 – title**

*Text proposed by the Commission*

Guarantees of origin of electricity, heating and cooling produced from renewable energy sources

*Amendment*

Guarantees of origin of electricity, heating and cooling **and transport** produced from renewable energy sources

*Justification*

*The GO-system should cover all renewable sources.*

**Amendment 11**

**Proposal for a directive**

**Article 6 – paragraph 2 – point b – point i**

*Text proposed by the Commission*

*Amendment*

(i) electricity; **or**

(i) electricity;

**Amendment 12**

**Proposal for a directive**

**Article 6 – paragraph 2 – point b – point ii**

*Text proposed by the Commission*

*Amendment*

(ii) heating and/or cooling;

(ii) heating and/or cooling; **or**

**Amendment 13**

**Proposal for a directive**

**Article 6 – paragraph 2 – point b – point ii a (new)**

*Text proposed by the Commission*

*Amendment*

**(iia) transport;**

*Justification*

*The GO-system should cover all renewable sources.*

**Amendment 14**

**Proposal for a directive**

**Article 9 – paragraph 1**

*Text proposed by the Commission*

*Amendment*

1. Member States whose share of energy from renewable sources equalled or exceeded the indicative trajectory in Part B

1. Member States whose share of energy from renewable sources equalled or exceeded the indicative trajectory in Part B

of Annex I ***in the immediately preceding two-year period*** may request the competent bodies designated in accordance with Article 7 to transfer the guarantees of origin submitted for cancellation under Article 8(1) to another Member State. Such guarantees of origin shall immediately be cancelled by the competent body in the receiving Member State.

of Annex I ***in accordance with their national action plan*** may request the competent bodies designated in accordance with Article 7 to transfer the guarantees of origin submitted for cancellation under Article 8(1) to another Member State. Such guarantees of origin shall immediately be cancelled by the competent body in the receiving Member State.

#### *Justification*

*National action plans should be the yardstick for the Member States.*

### **Amendment 15**

#### **Proposal for a directive Article 9 – paragraph 2**

##### *Text proposed by the Commission*

***2. Member States may provide for a system of prior authorisation for the transfer of guarantees of origin to or from persons in other Member States if, in the absence of such a system, the transfer of guarantees of origin to or from the Member State concerned is likely to impair their ability to ensure a secure and balanced energy supply or is likely to undermine the achievement of the environmental objectives underlying their support scheme.***

***Member States may provide for a system of prior authorisation for the transfer of guarantees of origin to persons in other Member States if in the absence of such a system, the transfer of guarantees of origin is likely to impair their ability to comply with Article 3(1) or to ensure that the share of energy from renewable sources equals or exceeds the indicative trajectory in Part B of Annex I.***

***The system of prior authorisation shall not constitute a means of arbitrary discrimination.***

##### *Amendment*

***deleted***

### *Justification*

*Trading by persons would run counter to national support strategies and push up prices for the use of renewables, leading to significant energy price inflation.*

## **Amendment 16**

### **Proposal for a directive**

#### **Article 9 – paragraph 4**

*Text proposed by the Commission*

*Amendment*

**4. Member States shall notify the Commission of any system of prior authorisation they intend to have in force pursuant to paragraph 2, and any subsequent changes thereto.**

**deleted**

**The Commission shall publish that information.**

### *Justification*

*Trading by persons would run counter to national support strategies and push up prices for the use of renewables, leading to significant energy price inflation.*

## **Amendment 17**

### **Proposal for a directive**

#### **Article 14 – paragraph 1**

*Text proposed by the Commission*

*Amendment*

**1. Member States shall take the necessary steps to develop grid infrastructure to accommodate the further development of electricity production from renewable energy sources, including interconnectors between Member States.**

**1. Member States shall take the necessary steps to develop, *and provide incentives to develop*, grid infrastructure to accommodate the further development of electricity production from renewable energy sources, including interconnectors between Member States.**

### *Justification*

*It is an obligation and task of the grid operators to care for the most efficient grid topology to secure the national supply. On the basis of efficiency, judged by the national regulator, they have benefits. Additional interconnectors will enhance trade. However, these assets should be recognized by the regulator.*

## Amendment 18

### Proposal for a directive

#### Article 14 – paragraph 2

##### *Text proposed by the Commission*

2. Without prejudice to the maintenance of the reliability and safety of the grid, Member States shall ensure that transmission system operators and distribution system operators in their territory guarantee the transmission and distribution of electricity produced from renewable energy sources. They shall also provide for priority access to the grid system of electricity produced from renewable energy sources. When dispatching electricity generating installations, transmission system operators shall give priority to generating installations using renewable energy sources insofar as the security of the national electricity system permits.

##### *Amendment*

2. Without prejudice to the maintenance of the reliability and safety of the grid, Member States shall ensure that transmission system operators and distribution system operators in their territory guarantee the transmission and distribution of electricity produced from renewable energy sources **while guaranteeing security of supply**. They shall also provide for priority access to the grid system of electricity produced from renewable energy sources. When dispatching electricity generating installations, transmission system operators shall give priority to generating installations using renewable energy sources insofar as the security of the national electricity system permits.

##### *Justification*

*Security of supply must not be put at risk.*

## Amendment 19

### Proposal for a directive

#### Article 14 – paragraph 3 – subparagraph 1

##### *Text proposed by the Commission*

3. Member States shall require transmission system operators and distribution system operators to set up and publish their standard rules relating to the bearing and sharing of costs of technical adaptations, such as grid connections and grid reinforcements, which are necessary in order to integrate new producers feeding electricity produced from renewable energy sources into the interconnected grid.

##### *Amendment*

3. Member States shall require transmission system operators and distribution system operators to set up and publish their standard rules relating to the bearing and sharing of costs of technical adaptations, such as grid connections and grid reinforcements, which are necessary in order to integrate new producers feeding electricity produced from renewable energy sources into the interconnected grid. **The cost of connection to the grid**

***(last mile connection) shall be borne by the producer.***

*Justification*

*Grid operators have to indicate the most appropriate connection point based on technical objectives. The “last mile” solely serves the generator. Therefore according to the rules for conventional generators this refers to renewables and CHP as well. If a generator stops the generation facility for whatever reason, the “last mile” will become a stranded asset. So it has to be part of the business plan of the generator and not be borne by any other party.*

**Amendment 20**

**Proposal for a directive  
Article 14 – paragraph 4**

*Text proposed by the Commission*

4. Where appropriate, Member States may require transmission system operators and distribution system operators to bear, in full or in part, the costs referred to in paragraph 3. Member States shall review and take the necessary measures to improve the frameworks and rules for bearing and sharing of costs referred to in paragraph 3 by 30 June 2011 at the latest and every two years thereafter to ensure the integration of new producers as referred to in that paragraph.

*Amendment*

4. Where appropriate, Member States may require transmission system operators and distribution system operators to bear, in full or in part, the costs ***of necessary grid reinforcements*** referred to in paragraph 3. ***Those costs may be incorporated in the grid tariffs of the grid operators and shall form no part of any incentive regulation.*** Member States shall review and take the necessary measures to improve the frameworks and rules for bearing and sharing of costs referred to in paragraph 3 by 30 June 2011 at the latest and every two years thereafter to ensure the integration of new producers as referred to in that paragraph.

*Justification*

*If the political will to subsidize particular sources results in additional investment needs for the grid operator, these costs have to be recognized as granted independent on what incentive regulation scheme is in place. As far as the realization scheme of the grid operator has to be efficient an ex ante check by the regulator is preferable.*

**Amendment 21**

**Proposal for a directive**  
**Article 14 – paragraph 6**

*Text proposed by the Commission*

6. The sharing of costs referred in **paragraph 3** shall be enforced by a mechanism based on objective, transparent and non-discriminatory criteria taking into account the benefits which initially and subsequently connected producers as well as transmission system operators and distribution system operators derive from the connections.

*Amendment*

6. The sharing of costs referred in **paragraphs 3 and 4** shall be enforced by a mechanism based on objective, transparent and non-discriminatory criteria taking into account the benefits which initially and subsequently connected producers as well as transmission system operators and distribution system operators derive from the connections, **and the contribution made by the new plants to achieving the EU's objectives in fighting climate change.**

**Amendment 22**

**Proposal for a directive**  
**Article 15 – paragraph 1 – introductory part**

*Text proposed by the Commission*

1. Biofuels and other bioliquids shall be taken into account for the purposes listed under letters (a), (b) and (c) below only if they fulfil the criteria set out in **paragraphs 2 to 5**:

*Amendment*

1. Biofuels and other bioliquids shall be taken into account for the purposes listed under letters (a), (b) and (c) below only if they fulfil the criteria set out in **paragraphs 1a to 5**:

*Justification*

*Necessary change, since a new criterion is being defined.*

**Amendment 23**

**Proposal for a directive**  
**Article 15 – paragraph 1 a (new)**

*Text proposed by the Commission*

*Amendment*

**1a. The use of land for the production of biofuels and other bioliquids shall not compete with the use of land for the production of food.**

### *Justification*

*Extra attention needs to be paid to ensure that the food situation is not exacerbated by the use of bio-fuels.*



## PROCEDURE

<b>Title</b>	Energy produced from renewable sources
<b>References</b>	COM(2008)0019 – C6-0046/2008 – 2008/0016(COD)
<b>Committee responsible</b>	ITRE
<b>Opinion by</b> Date announced in plenary	ECON 19.2.2008
<b>Drafts(wo)man</b> Date appointed	Mariela Velichkova Baeva 11.3.2008
<b>Discussed in committee</b>	5.5.2008                      2.6.2008
<b>Date adopted</b>	3.6.2008
<b>Result of final vote</b>	+:                      35 -:                      3 0:                      0
<b>Members present for the final vote</b>	Mariela Velichkova Baeva, Zsolt László Becsey, Pervenche Berès, Sharon Bowles, Udo Bullmann, Manuel António dos Santos, Jonathan Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Donata Gottardi, Benoît Hamon, Karsten Friedrich Hoppenstedt, Piia-Noora Kauppi, Wolf Klinz, Christoph Konrad, Guntars Krasts, Kurt Joachim Lauk, Andrea Losco, Astrid Lulling, Florencio Luque Aguilar, Hans-Peter Martin, John Purvis, Alexander Radwan, Bernhard Rapkay, Dariusz Rosati, Eoin Ryan, Antolín Sánchez Presedo, Olle Schmidt, Peter Skinner, Margarita Starkevičiūtė, Ivo Strejček, Ieke van den Burg, Cornelis Visser
<b>Substitute(s) present for the final vote</b>	Mia De Vits, Harald Ettl, Margaritis Schinas, Theodor Dumitru Stolojan