

RENEWABLE ENERGY DIRECTIVE III

The proposal on the revision of the Renewable Energy Directive (REDIII) was tabled in July 2021. It included higher targets to put the EU on the right trajectory to reach its climate neutrality target by 2050.

Following the REPowerEU Plan, the Commission integrated the initial proposal with a higher overall target and focused on faster permitting for renewable projects. After the political agreement, including both reforms, was reached in interinstitutional negotiations in April, technical meeting continued to obtain a final text that will be officially adopted by the Parliament and the Council in the coming months.

This brief breaks down the main measures included in the **new text leaked on May 10th**.

1. OVERALL TARGET AND AMBITION

Legal Reference: Article 3

- **2030 RES TARGET** EU's target for the share of energy from renewable sources in the gross final consumption of energy in 2030 has been raised to **at least 42.5%**. Member States shall collectively endeavor to reach a Union's target of 45% by the same date. This 2.5% is a non-binding commitment.

What's changed?

In REDII the overall EU RES target by 2030 was 32% compared to a 20% target by 2020.

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+ 10.5% in the overall target compared to pre-review, will drive a larger market for renewables

2. PERMITTING AND AUTHORISATION

Legal Reference: Article 15b, 15c, Article 16

- **MAPPING** : Member States must perform a timely coordinated mapping for the deployment of renewable energy in their territory including assessment of their domestic potential and the available land surface, subsurface, sea or inland water as necessary for the installation of plants for the production of energy from renewable sources, and their related infrastructure (in 18 months from entry into force) in order to meet the 2030 target (national contribution declared in National Energy and Climate Plans).
- **RES ACCELERATION AREAS**: Dedicated "acceleration areas" for renewables, with particularly short and simplified permitting processes. Priority shall be given to a list of areas identified in article 15c (a)(i). For the interest of our sector these include farms, waste management sites, urban wastewater treatment sites, as well as degraded land not usable for agriculture. Plans designating renewables acceleration areas shall be subject to an environmental assessment.

- **TIMELINES** Completeness **of the application**: Following the receipt of the project application Competent public authority must acknowledge the completeness of the application **in 30 days** for plants located in acceleration areas and **45 days for plants located outside** of acceleration areas. Date of acknowledgement = start date of permit granting process.
Permit granting outside RES acceleration areas: Not exceeding 2 years.
Permit granting inside RES acceleration areas: Not exceeding 1 year.
- **CAPACITY BUILDING** Member States shall provide adequate resources to **ensure qualified staff**, upskilling, and reskilling of their competent authorities in line with the targets and shall assist regional and local authorities.
- **OVERIDING PUBLIC INTEREST** Renewables projects to be recognized as an overriding public interest.

What's changed?

New measures encompass identification of RES Acceleration areas, fixed timelines, improved transparency, digitalization of permitting procedures, obligation to establish contact points and to grant only one contact point for the entire process will be liaising with project developers, overriding public interest status for RES projects.

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Improved transparency, digitalization of permitting procedures. Fixed timelines could result in shorter timelines for permit granting.



Timelines apply without prejudice for judicial appeals. Alternative dispute settlement mechanisms must be provided.

3. HEATING AND COOLING

Legal Reference: Article 15a; Article 23, Article 24

- **RES IN BUILDINGS TARGET** Article 15a introduces an indicative **2030 RES target of 49% for the building sector**. Member States shall define a consistent indicative national share of renewable energy produced in the buildings sector (and report it in their National Energy and Climate Plans). MS shall require a minimum level of RES in their national regulations and building codes and, where applicable, in their support schemes. RES should be produced **on-site or nearby and from the grid**.
- **RES H&C TARGET** A mandatory incremental target is included in article 23. Member States shall increase the share of renewable energy in the heating and cooling sector by at least 0.8 pp/y average calculated for the period 2021 to 2025 and 1.1 pp/y in the period 2026 to 2030. To achieve such an increase, a list of indicative measures is included, member states should implement at least two. Of particular interest for our sector, measures **(f)** promotion of renewables heating and cooling purchase agreements for corporate and collective small consumers; **(g)** planned replacement schemes of fossil heating sources, **heating systems not compatible with renewable sources** or fossil phase-out schemes with milestones; and **(j) promotion of the production of biogas and its injection into the gas grid, instead of its use for electricity production**.

- **RES in District Heating** Member States shall endeavor to increase the share of energy from renewable sources and from waste heat and cold in district heating and cooling by an indicative 2.2 percentage points as an annual average calculated for the period 2021 to 2030.

What's changed?

Compared to the requirements of REDII, the incremental targets to increase RES in Heating and Cooling are now binding. A set of indicative measures to accompany the achievement of the new targets are included. A high target to decarbonize the heat in the building sector is also new, and although indicative, Member State must demonstrate their commitment to achieve it through their NECPs.

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Binding target to increase the penetration of renewables in H&C, could drive the utilization of renewables including biogas and biomethane in the heating sector.



The targets in article 23 although binding correspond to less than the BAU growth of renewable heat in the EU (1.1pp/y in 2020).



A set of indicative targets and measures dedicated to the heating sector give more visibility to the need to address this sector. A focus on biomethane injection is included in art. 23 letter (f) indirectly and (j) explicitly.

4. INDUSTRY

Legal Reference: Article 22a; Article 22b

- **RES INDUSTRY TARGET** An **indicative target of 1.6 pp/y** of RES in industrial energy consumption is included. Annual average is calculated for the periods 2021 to 2025 and 2026 to 2030.
- **H2** RFNBOs in industry must represent at least 42% of the hydrogen used in the sector by 2030, and 60% by 2035. Discounts on these targets are possible if (a) Member State is on track towards its's national contribution to the binding overall RES EU target and (b) the share of hydrogen, or its derivatives, from fossil fuels which is consumed in that Member State is not more than 23% in 2030 and 20% in 2035.

What's changed?

The RES target on industry, although not-binding, is new. The sub target for RFBNBOs in the use of H2 does not include bio-H2. However, utilization of BIO-H2 could indirectly lead to discounted RFNBOs target.

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An indicative target for Renewables in industry can drive higher consumption of renewables in industrial processes. Members stats will have to report on this in their NECPs. However, the contribution remains indicative. Carbon policies might drive more renewable investments than this indicative commitment.

The sub targets on H2 do not include BioH2.

5. TRANSPORT

Legal Reference: Article 25; Article 27

- **RES in TRANSPORT TARGET (S) – RES-T:** Article 25 a renewable energy and a GHG emission intensity target Member States can choose from to demonstrate their commitment to renewable transports. Member States can either set an obligation on fuel suppliers to ensure that the amount of renewables in transport leads to a share of renewable energy of at least **29% by 2030** or to a **greenhouse gas intensity reduction of at least 14.5% by 2030**. To reach these targets Member States may consider biogas that is injected into the national gas transmission and distribution infrastructure.
- **CAPs:** 7% cap on “food and feed” crop biogas in transport remains. A soft cap of 1.7% on Annex IX B remains but can be increased by member states if approved by the European Commission in duly justified cases and taking into account the availability of feedstock.
- **CALCULATION OF THE RES-T :** The share of Annex IX biogas for transport and RFNBOs will be **double counted**; the share of renewable electricity shall be considered to be **4 times its energy content** when supplied to road vehicles. If utilized in maritime, Annex IX A biogas will be accounted 1.2 its energy content (RFNBOs 1,5 times, for reference).
- **ADVANCED BIOGAS and RFNBOs** A new **binding combined sub target of 5,5% by 2030 for RFNBOs and advanced biofuels and biogas** produced from the feedstock listed in Part A of Annex IX is set, with a binding minimum share of RFNBOs in transport of 1% by 2030. If the list of feedstocks set out in Part A of Annex IX is amended, Member States may increase their minimum share of advanced biofuels and biogas produced from the feedstock in the energy supplied to the transport sector accordingly. As Annex IX is currently under revision, this could happen. Member States are encouraged to establish how they will reach the 5.5% target.
- **ILUC DA** The ILUC Delegated Act will be reviewed by September 2023 and every 3 years.

What’s changed?

Targets both in ambition and nature (GHG emissions intensity or 29% instead of 14% as in REDII); a new sub target for Advanced biogas, biofuels and RFNBOs is included (5.5% in total instead of a 3.5% dedicated to Annex IX A biogas and biofuels) as well as calculation of the minimum RES and RFNBOs shares.

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A Higher RES target in transport might drive higher utilization of biomethane. Double counting remains for Annex IX feedstock biogas, the 7% cap for food and feed is unchanged.



A merged advanced biogas and biofuels target results in lack of ambition. In REDII the 2030 sub target was 3.5% for advanced biofuels now if RFNBOs will cover the 1% binding sub target out of the new 5.5%, 4.5% could be covered by advanced biofuels and biogas. While the sector might benefit in an initial phase because of availability and cost-competitiveness, lack of a dedicated target could be damaging in the long run.

6. GUARANTEES OF ORIGIN

Legal Reference: Article 19, Article 31a.

What's changed?

Minor modifications adapt the Article to the requirements for RFNBO foreseen in the Delegated Acts about their *renewable origin* and their *sustainability*. The standard size for Guarantees of Origin shall be 1 MWh, but may be divided to a fraction size, provided that the fraction is a multiple of 1 Wh. A legal link between GOs and Proofs of Sustainability is introduced.

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Simplified registration processes to GO registries and reduced registration fees for small installations of less than 50 kW and for renewable energy communities.



When a customer consumes gases from a hydrogen or natural gas network, as put in the commercial offer, the corresponding GOs that are cancelled must match with the type of network used (a hydrogen network or a natural gas network). This aims to ensure that blending of biohydrogen in a natural gas network, or in a hydrogen network transporting other types of hydrogen, can still be recognised and matched with an appropriate GO.



Member States can still decide, for the purposes of accounting for the market value of the GO, not to issue such a guarantee of origin to a producer that benefits from a support scheme.



GOs for renewable gases should be transferred to the Union Database at the moment when a consignment of renewable gases is registered in the Database. They should also be cancelled after the consignment of renewable gases is withdrawn from the European interconnected grid for gas. This creates a legal link between the GO and the Proofs of Sustainability registered in Database, but it remains to be specified how the UDB and its link with GO will be operated in a way that prevents double-counting while ensuring smooth trade.

7. SUSTAINABILITY CRITERIA

Legal Reference: Article 3; Article 29

Sustainability criteria are key for the biogas sector. Demonstrating compliance with these criteria and with GHG emissions savings requirements provides with the possibility to biogas and biomethane to be accounted towards the RES Target; receive public support and be zero-rated under the EU ETS.

- **CASCADING PRINCIPLE** the so-called cascading principle (hierarchy of end uses) is introduced for woody biomass together with the derogations. Direct financial support will be banned for energy produced using saw logs, veneer logs, industrial grade roundwood, and stumps and roots.
- **EXEMPTIONS** Exemption threshold for biogas plants smaller than 2 MW thermal has been maintained, the threshold applicable to biomethane plants is above 200 m³ methane equivalent/h measured at standard conditions of temperature and pressure (i.e., 0°C and 1 bar atmospheric pressure); and if biogas is composed of a mixture of methane and noncombustible other gases, for the methane flow rate, the threshold set out in point (i), recalculated proportionally to the volumetric share of methane in the mixture. However, Member States can decide to require proof of compliance to smaller installations.
- **GHG EMISSIONS SAVINGS REQUIREMENTS FOR HEATING AND ELECTRICITY** For installations **under 10 MW thermal input** electricity having started operation **from 1 January 2021** to the entry into force, at least 70 % GHG savings before they reach 15 years of operation, and at least 80% once they reach 15 years of operations.
For installations with a **total rated thermal input equal to or lower than 10 MW** having started operation **before 31 December 2020**, at least **80% once they reach 15 years of operation and at the earliest from 1 January 2026.**
- **GRANDFATHERING** Until 31 December 2030 at the latest, energy from biofuels, bioliquids and biomass fuels may also be taken into account for the RES target, eligibility to public support and zero rating in the EU ETS system where: **(a) support was granted before entry into force of the directive in accordance with the sustainability and greenhouse gas emissions savings in REDII; and (b) the respective support was granted in the form of a long-term support for which a fixed amount has been determined at the start of the support period and provided that a correction mechanism to ensure the absence of overcompensation is in place.**

What's changed?

Application of GHG emissions savings criteria.

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Cascading principle is not subject of a delegated act and covers only woody biomass.



Exemption thresholds remain untouched for biogas.



GHG emissions savings application adds complexity and applies to plants that became operational before the criteria in REDII were discussed.



Grandfathering in article 29.15 could mitigate the effects of the change giving the possibility to the operators under long term support schemes to operate BAU until 2030

8. ANNEX VI

Legal Reference: Annex VI-C point 15, CCR provisions (Carbon Capture and Reutilisation)

- **CCR CREDIT** - The possibility for biogas plants capturing CO₂ to claim CCR credits is maintained, however, only until **31 December 2035**. eCCR is kept in the calculation method described in point 15.

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The end date for the possibility for biogas plants capturing CO₂ to claim CCR credits corresponds with the date by which CO₂ in RFNBOs must be from Direct air Capture or biogenic.

9. BIOMETHANE RECITAL

Recitals set out the reasons for the contents of the enacting terms (i.e., the articles) of an act. They are non-binding and help with interpretation of the Act. Often, they spell out present and future political commitment.

- **BIOMETHANE TARGET- REPOWEREU 3(f)** This Directive will support also the achievement of the EU target of 35 bcm annual production of sustainable biomethane by 2030 set in the Biomethane Action Plan (SWD(2022) 230), thereby supporting security of supply and EU climate ambitions

Contact: Giulia Cancian cancian@europeanbiogas.eu