

GIIA Briefing: Wednesday 18th May: REPowerEU Plan

Key resources

- [REPowerEU Plan](#) (18.05.22)
- [EU Save Energy Communication](#) (18.05.22)
- [EU External Energy Engagement in a Changing World](#) (18.05.22)
- [EU Solar Strategy](#) (18.05.22)
- [Commission Staff Working Document: Implementing the REPowerEU Action Plan: Investment needs, hydrogen accelerator and achieving the bio-methane targets.](#) (18.05.22)

Background

The REPower EU plan sets out a series of proposals from the European Commission designed to help rapidly reduce the EU's dependence on Russian fossil fuels. It comes following Russia's invasion of Ukraine and a decision in March 2022 by European Council leaders to phase out Russian energy imports as soon as possible.

Overview

The Commission envisages that full implementation of its [REPowerEU](#) plan will reduce fossil fuel demand at a faster rate than foreseen under [Fit for 55](#). It builds on the full implementation of the Fit for 55 proposals tabled last year without modifying the ambition of achieving at least -55 % net GHG emissions by 2030 and climate neutrality by 2050 in line with the European Green Deal. The REPowerEU proposals are split across four areas:

1. Saving energy
2. Diversifying energy supply
3. Substituting fossil fuels and accelerating the clean energy transition
4. Smartly combining investments and reforms

Further information on the proposals across each area is outlined below. This includes information on additional funding (e.g. €200 million for the Hydrogen joint Undertaking), proposed revisions to targets (e.g. energy efficiency and hydrogen production & imports), new strategies and directives (e.g. EU Solar Strategy and external energy engagement communication) and related information on new workstreams.

In addition to these measures, the Commission is issuing guidance on measures to deal with 'severe supply disruption' and has called on Member States to pre-emptively implement the EU Save Energy Plan to help refill underground storage facilities, update contingency plans, conclude bilateral solidarity arrangements between neighbouring countries and support transmission system operators to accelerate measures to increase reverse flow capacities of gas by next winter. Some of these proposals received a welcome boost soon after, with the European Council and European Parliament later [agreeing](#) new rules on gas storage.

[Full summary on the next page](#)

Summary

Action 1: Save energy

- **Increase binding energy efficiency targets** for 2030 from 9% to 13% within the Energy Efficiency Directive.
- Support **behavioural changes to help cut gas and oil demand** by 5% in the short term (by c.13bcm and c.16 mtoe respectively), as set out in the [EU Save Energy Communication](#).
- Member states are encouraged to **use fiscal measures to promote energy savings**, including reducing VAT on energy efficient heating systems, building insulation, appliances, and products, whilst accounting for the impact of an accelerated energy transition on the labour market.

Action 2: Diversify energy supply

- Build on the new [EU Energy Platform](#) for the voluntary common purchase of gas, LNG and hydrogen, including **consideration on developing a voluntary operational 'joint purchasing mechanism' responsible for negotiating and contracting on behalf of participating Member States** of the aggregated gas demand and competitive release to the market. This will be subject to review given the potential impact on competition.
- Set up a dedicated **workstream with Member States on the joint purchasing of hydrogen**.
- Form an **industry advisory group** to inform the EU Energy Platform on issues such as LNG trade, financing, hedging and other elements along the value chain.
- The EU will also **seek mutually beneficial cooperation with international partners** through integrating hydrogen and renewable energy development and trade, as well as cooperation on methane emission reduction strategies in support of gas diversification efforts.
 - Further details set out in a new communication: [EU external energy engagement in a changing world has been published](#)

Action 3: Substitute fossil fuels and accelerate Europe's clean energy transition

- **Increase the target in the [Renewable Energy Directive](#) to 45% (1236GW)** by 2030, up from 40% (1067 GW) envisaged in the Fit for 55 proposal.
- Adoption of a **legislative package on greening freight transport in 2023** and consideration of a legislative initiative to increase the share of zero emission vehicles in public and corporate car fleets above a certain size.

3a. Solar

- **Publication of the [EU Solar Strategy](#)** and establishment of an EU Solar Industry Alliance.
- **Solar photovoltaics (PV) target of over 320 GW by 2025** and 600 GW by 2030 – twice today's levels.
- **Introduction of the Solar Rooftop Initiative** anchored around a legally binding EU solar rooftop obligation for certain categories of buildings.
- **Table eco-design and energy labelling requirements for solar PVs in Q1 2023.**
- Suggests **installing 10 million heat pumps in five years** by doubling the deployment rate.

- **Promote the development of electricity storage facilities** by considering them in the overriding public interest and help facilitate permitting for deployment.

3b. Hydrogen

- Target of **producing 10 million tonnes of domestic renewable (green) hydrogen** and importing 10 million tonnes of renewable hydrogen by 2030.
 - **Additional €200 million for the Hydrogen Joint Undertaking** to double the number of Hydrogen Valleys.
 - **Support the development of three major hydrogen corridors** via the Mediterranean, the North Sea area and when conditions allow, Ukraine.
 - **Map hydrogen infrastructure needs by March 2023.**
 - **Mobilise EU funding under CEF, the Cohesion Policy and RRF.**

3c. Biomethane

- **Boost biomethane production to 35 bcm by 2030** as outlined in a new [Biomethane Action Plan](#) within the Commission Staff Working Document.
- Maintain focus on **producing biomethane from organic waste and forest and agricultural residues.**

3d. Fossil fuel consumption in hard-to-abate industrial and transport sectors

- To support hydrogen uptake and electrification in industrial sectors, the Commission proposes to:
 - **Roll out carbon CfDs and dedicated REPowerEU windows under the Innovation Fund** to support a switch from natural gas to renewables.
 - **Develop a technical advisory facility under InvestEU** and in cooperation with the EIB to support PPA-financed renewable energy projects.
 - **Double funding available for the 2022 Large Scale Call of the Innovation Fund this autumn to c.€3 billion.**

3e. Permitting

- [Recommendation](#) to tackle slow and complex permitting for major renewable projects. This will be discussed at a meeting on 13 June 2022.

Action 4: Smartly combine investment and reforms

- The estimated **€210 billion outlay to realise the proposals set out in the REPowerEU** plan is predicted to save the EU €80 billion in gas import expenditures, €12 billion in oil import expenditures and €1.7 bn in coal import expenditures per year by 2030, whilst improving security of supply (p.12).

4a. Interconnection and infrastructure

- The EU estimates that **€10 billion in infrastructure is needed to support the import of sufficient LNG and pipeline gas** from other suppliers. This includes new import terminals, pipelines, and the connection of underutilised LNG import terminals to the EU network.
- Estimates that **€1.5-2 billion is needed in infrastructure to ensure the security of oil supplies.**
- €29 billion of additional investment is projected to be needed in the power grid by 2030.

4b. Financing

- **Additional funding from the auctioning off of ETS certificates** to finance REPowerEU measures. This includes an allowance for member states to transfer up to 12.5% of their allocations.
- **Launch of new Connecting Europe Facility – Energy (CEF-E)** to support projects of common interest (PCIs) not implemented by the market or not implemented otherwise within the timeframe needed to deliver on the REPowerEU objectives. The estimated budget is €800 million, with successful projects selected in H2 2022.
- **Member states need to update Recovery and Resilience Plans (RRPs)** to include financing plans on how they will meet the proposals set out in the REPowerEU plan.
 - Member states encouraged to consider tax measures to support REPowerEU objectives.