Four reasons why a post-2020 Renewable Energy Directive is essential to the European transition: creating a sustainable, secure and competitive energy sector reaping the benefits of renewables

The European renewable energy sector understands the Commission's Regulatory Scrutiny Board has rejected the Impact Assessment for the post-2020 Renewable Energy Directive on the grounds of proportionality.

Introducing legislation to meet the 27% target agreed at Heads of State and Government level is not only proportionate, it is central to the EU's goals of mitigating climate change and cementing its global leadership in renewables.

1. New legislation is required for the EU to meet its binding renewable energy target

Without new policies, the share of renewable energy in the EU in 2030 will reach 24.3%, according to the Commission's own modelling. The EU will, therefore, miss its binding renewable energy target for 2030.

Moreover, this announced shortcoming is based on strong assumptions in the Commission's Reference Scenario:

- Maintaining priority dispatch and priority access for renewables;
- Fully functioning power markets;
- A carbon price of €34, three times higher than what market analysts predict for 2020[1]
- Low costs of access to capital (WACC for ETS investments at 8,5%);
- No regulatory uncertainty.

2. Attract new investments to the energy sector requires a renewed policy vision

EU investment in renewable energy assets dropped by 21% to €48.8bn in 2015, reaching its lowest level since 2006[2].

Robust legislation is critical to investor certainty. As the key drivers for renewables deployment to date – national binding targets and priority dispatch – will be fundamentally reshaped, the post-2020 framework must show a clear and predictable path to investors. For instance, removing priority dispatch for new installations would result in an increased rate of curtailment and would impact the economics of new renewable energy projects.

For the EU and its Member States to bridge the gap between the low 24.3% renewable energy projection and the 27% target will require mobilising additional €254bn in the power sector alone.

3. Meeting the EU renewables target cost effectively requires a Renewable Energy Directive

A new Renewable Energy Directive will bring clarity and long-term prospects to investors. This will create a safer environment for renewable energy investments, easing access to and reducing the cost of capital. This will allow the EU to meet its objectives cost-efficiently.

A number of important concerns for investors in renewables have not been fully addressed by the Governance and Market Design legislative proposals.

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[1] Bloomberg New Energy Finance, Société Generale, Thomson Reuters and Point Carbon place the price of carbon in 2020 in a range of €10 to €15 by 2020.

[2] Bloomberg New Energy Finance.

- Principles to create stable and market oriented renewable energy support mechanisms, that need to be enshrined in legislation rather than *ad hoc* decisions in administrative guidelines;
- Streamlining of administrative procedures for new and repowered renewable energy assets;
- Protection of existing investments against crippling retroactive policy changes.

An Energy Union package without a robust Renewable Energy Directive would fail to address the investment challenge and would undermine the notion that Europe must be number one in renewables.

4. **Ensuring all Member States are on track to deliver the 2030 renewable energy target requires binding measures and proper oversight**

Only 7 out of 28 EU Member States have post-2020 renewable energy policies. The European Commission's own impact assessment concludes that in the absence of EU sectoral legislation on renewables, 67% of total renewable investments for the power sector alone will be concentrated in just three countries.

The signatories:

AEBIOM European Biomass Association

EBA European Biogas Association

EGEC Geothermal

ehpa european heat pump association

EREF European Renewable Energies Federation

ESTELA European Solar Thermal Electricity Association

EUREC The Association of European Renewable Energy Research Centres

Ocean Energy Europe

SolarPower Europe

Wind Europe