



Position Paper on the European Commission's proposed Revision of the revised Renewable Energy Directive (REDII)

The **Global Alliance Powerfuels** welcomes the **revision of the revised Renewable Energy Directive (REDII)**¹ and endorses the European Commission's goal to establish a regulatory framework that sets adequate incentives for the market integration of renewable energy sources and carriers, including renewable hydrogen and other renewable fuels of non-biological origin (RFNBOs).

The **Global Alliance Powerfuels** was founded in 2018 and is backed by 16 member organisations and an international network of partner institutions. It is coordinated by the German Energy Agency (dena). The strategic objective of the Alliance is to foster the development of a global market for powerfuels.

The term **powerfuels** denotes not only renewable hydrogen but also all gaseous and liquid fuels from power-to-X processes that draw their energy content from renewable electricity. This includes, but is not limited to, synthetic gas (e.g. methane, hydrogen) and synthetic liquid fuels (e.g. methanol, ammonia, and Fischer-Tropsch products).

Powerfuels complement the direct use of renewable energy and are crucial where direct electrification is not technologically feasible or economical. By offering climate-neutral options to applications with no viable alternatives, powerfuels allow for more far-reaching de-fossilisation of all end-use appliances, across all sectors – thus enabling system-wide emissions reductions in a technology-neutral approach. Powerfuels can also accelerate the integration of the energy system by replacing fossil energy sources in existing end-use consumer equipment in the short term and offering flexibility as a long-term storage option.

Position and recommendations of the Global Alliance Powerfuels

The Global Alliance Powerfuels welcomes the much-needed revision and readjustment of the REDII, which is critical to ensure that this core piece of legislation reflects the EU's targets of reducing greenhouse gas (GHG) emissions by 55% by 2030 and reaching climate neutrality by 2050.

It will be essential to amend and implement the targets of the directive as quickly as possible and thus accelerate the use of renewable energy in all sectors. Supported by a consistent specification of climate-friendly economic activities in the EU taxonomy, this can contribute to avoiding misdirected investments at an early stage and choosing the most cost-effective path to climate neutrality. In addition, the revision of the REDII to align it with the goals of the European Green Deal can

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also accelerate the transition to a more integrated energy system and contribute to delivering the goals of the European hydrogen strategy.

To achieve these goals and work towards the market integration of RFNBOs as essential renewable energy carriers and feedstocks to reach net-zero emissions, we specifically

- endorse the Commission's proposal to **increase the overall renewable energy target** for 2030 to promote renewable energy production and use across all sectors. However, we believe that this target **should be higher than the proposed 40%** in order to raise the deployment of renewable energy following a pathway that is consistent with reaching climate neutrality by 2050. We further advocate for this target to be binding both at EU level and for each individual Member State to guarantee that Member States take necessary measures to deliver the indicated targets at the national level.
- welcome the stronger consideration of the contribution of electricity-based energy carriers in the Commission's proposal for the revision of the REDII as well as the introduction of instruments to stimulate their market ramp-up. In particular, we believe that **sub-quotas for the use of RFNBOs are effective and indispensable** to ensure an increasing market share of renewable hydrogen and other powerfuels and thus create investment and planning security. Despite the expected significant increase in the CO₂ price in the European Emissions Trading System (ETS) by 2030, which will reduce the cost gap between powerfuels and their fossil equivalents, dedicated RFNBO sub-quotas will be necessary to secure market access due to the currently still high greenhouse gas abatement costs of renewable hydrogen and its derivatives.
- The obligation proposed by the Commission to increase the share of RFNBOs in the total amount of hydrogen used in industry to 50% by 2030 is not targeted enough in our view. In particular, it does not differentiate between the expected significant increase in demand for green hydrogen in industry on the one hand, and the challenge to replace currently used grey hydrogen with its renewable equivalent on the other hand. Instead, we thus propose a minimum RFNBO quota for existing industrial hydrogen applications (as measured by their energetic volume in 2020) of 30%, coupled with a commitment to cover 70% of the additional hydrogen demand in industry, compared to industrial hydrogen demand in 2020, by RFNBOs. In addition to replacing the "grey" hydrogen used today with renewable hydrogen, the coverage of most of the additional expected industrial H₂ demand – e.g. for steel production and use in the chemical industry – by RFNBOs represents an important lever for GHG reduction in industry. For these additional applications, the use of fossil hydrogen should be avoided in view of the overall necessary GHG reductions in industry and in order to circumvent fossil lock-in effects.



- The Global Alliance Powerfuels welcomes the Commission's proposal to **replace the 2030 target for a minimum share of renewable energy in transport with a GHG intensity reduction target**, as this will provide an effective incentive for the use of the most climate-friendly energy carriers. However, the proposed 13% GHG intensity reduction target is, in our view, not ambitious enough for a pathway to reduce emissions in the transport sector that is compatible with the EU-wide target to reach climate neutrality by 2050, and should therefore be **increased to 20%**.
- We welcome the Commission's proposal to remove almost all multipliers in the calculation of the share of renewable energy in the transport sector, as these artificially inflate the quantity of renewable energy used and incur distortions between different technologies and energy carriers. However, the abolishment of the current multipliers makes it all the more necessary to introduce alternative support mechanisms such as higher overall targets and minimum quotas to incentivise the market uptake of renewable energy carriers such as powerfuels.
- In line with overall target increase for the transport sector proposed above, the **sub-quota for the use of renewable hydrogen and its derivatives in transport**, which the Global Alliance Powerfuels believes is imperative to guarantee their market access, should be more ambitious compared to the Commission's proposal of 2.6%. Specifically, we propose that this target should be **increased to 4%**.
- With regard to the sustainability requirements for RFNBOs, the Global Alliance Powerfuels welcomes the extension of the obligation to meet sustainability and GHG reduction criteria beyond the transport sector and to RFNBOs that are imported, which reflects their cross-sectoral application potential and the expected demand for powerfuels produced outside the EU.
- However, key delegated acts setting out the criteria for electricity and carbon used for the production of RFNBOs, as well as the methodology for determining their creditable emission savings, are still pending, leading to considerable uncertainty about the future regulatory requirements for powerfuels projects. Prompt adoption of these delegated acts is therefore essential from our point of view in order to increase planning and investment certainty. The requirements for the production of renewable hydrogen designated for use in areas of application outside the transport sector (e.g. in industry) also need to be specified further.



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