



Contribution to the consultation on the review and possible revision of the Renewable Energy Directive

The Global Alliance Powerfuels welcomes the opportunity to contribute to the EU Commission's public consultation on the review and possible revision of the Renewable Energy Directive (RED). We believe that with the following recommendations, the RED would more adequately support the EU's increasingly ambitious emissions reductions goals and establish a regulatory framework that sets the right incentives for the market integration of powerfuels.

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.

In our understanding, 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) 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.

For more information, please visit: www.powerfuels.org.

Policy recommendations

With the EU Green Deal setting the goal of climate neutrality by 2050 and the Climate Target Plan raising the minimum reduction goal from -40% to -55%, the Global Alliance Powerfuels believes that a review and readjustment of the RED is needed to ensure that this core piece of legislation reflects these new and more ambitious goals. Moreover, the importance given to developing hydrogen and other powerfuels in last year's EU hydrogen and energy system integration strategies should be translated into policy action in the RED. In particular, the following amendments are proposed:

1. Adjustment of renewable energy target:

- The overall **renewable energy target for 2030** should be raised to promote renewable energy production and account for the new GHG reduction goal of at least 55%. The target ought to be binding both at EU and at national level to guarantee that the goal is delivered and Member States take necessary measures at the national level.

- The 14% **sub-target of the transport sector** (article 25) should be raised in line with the overall target and be at least (or above) the 24% goal stipulated in the 2030 Climate Target Plan, multipliers not included. With the current multipliers in place (article 27), the 14% sub-target can be achieved all too easily and does not suffice for reaching emission reductions of more than 40%. Tasking fuel suppliers with supplying the minimum target is an appropriate mechanism. In addition, supply-side GHG-based targets could stimulate the uptake of best performing fuel options on the fuel market. The level of ambition should not be fixed at the same level for all Member States to account for differences in emission reduction potentials and individual capabilities.

2. Establishing a crediting system:

- Members States should only be able to count renewable electricity, sustainable biofuels and biogas, and powerfuels (incl. hydrogen) produced from renewable electricity and recycled carbon fuels towards the transport target. Other low carbon fuels, which have fewer emissions than fossil fuels, such as low carbon hydrogen, should not be eligible to count towards the target.
- Fulfilment of the **sustainability criteria for electricity sources** used in the production of powerfuels/ Renewable Liquid and Gaseous Fuels of Non-Biological Origin (RFNBOs), as specified in recital 90 and article 27, should be a prerequisite for crediting against the renewable target. These sustainability criteria imposed on fuel suppliers **should thus not be open to review**. In order to provide regulatory certainty, the pending elaboration of these criteria, as per the delegated act of article 27, should be included in the revision of the REDII. For the elaboration and implementation of these criteria, the Global Alliance Powerfuels proposes:
 - 1. Renewability:** Electricity should be limited to renewable energy sources only.
 - 2. Temporal correlation:** A range of weekly to daily balancing between generation unit and RFNBO plants if commissioned between 2020 – 2025, daily to hourly correlation 2026 – 2030, and hourly to imbalance settlement period (15 minutes) after 2030.
 - 3. Geographical correlation:** The production and power plants should be located in the same bidding zone, and not be separated by permanent grid congestion.
 - 4. Additionality:** The renewable generation unit can demonstrate additionality if it is not receiving any offtake subsidies aimed at the power market.
- A specification of **eligible carbon sources** for the production of powerfuels should be provided as soon as possible. For the Alliance, a fundamental requirement for any crediting mechanism for carbon sources from fossil industrial point sources is that it does not incentivise industry sectors to uphold or even augment carbon-emitting processes.
- Current **double counting and multipliers** artificially inflate the quantity of renewable energy used and incur distortions between different technologies and energy carriers. In order to simplify the crediting system and ensure that real increases in renewable energy shares are achieved, all multipliers should be removed. They should be replaced by alternative incentive mechanisms such as higher overall targets



and minimum quotas. In particular, the Global Alliance Powerfuels supports a **minimum quota** of 2% for renewable hydrogen and other powerfuels. Double incentives due to different support schemes in the individual Member States should be prevented.

3. Establishing a certification system:

- A comprehensive certification system should **cover all end-use sectors and all renewable as well as low carbon fuels** to promote the best performing fuel.
- The certification system should demonstrate that the renewable energy content of renewable hydrogen and other powerfuels **satisfies the sustainability criteria** specified in recital 90 and article 27.
- The GHG impact of fuels along the value chain should be calculated with a **well-to-wheel approach** while avoiding double counting. This should be considered in the delegated act of article 28 on the specification of the methodology for assessing greenhouse gas emissions savings from RFNBOs and RCFs. The crediting system should further distinguish between carbon sources of fossil and non-fossil origin.
- Any system should be **coherent across all Member States** to allow for inter-EU trade of powerfuels and simplify the integration of the crediting and certification system. It should also be **applicable to powerfuels imports** to make them creditable towards national renewable energy targets in the EU if they meet the EU's criteria.

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