



Review of the Renewable Energies Directive

Sustainability and market integration to be at the core of the new policy framework

The current Renewable Energies Directive (RED) has been successful in deploying large volumes of renewable energy sources. However, the costs directly and indirectly associated to such deployment in most Member States have been quite significant. The energy prices gap with competing economies has widened, with policy-induced costs being particularly relevant in electricity prices.

The RED has focused on the demand for bioenergy, but not sufficiently exploited the possibilities provided by wood processing industries. Stimulating the supply of wood promotes growth of the pulp, packaging and paper industries and broader uptake of the bioeconomy. This would also increase the amount of renewable energy in an economic way.

This being said, we positively look at the RED revisions, so-called RED II. Nevertheless, some caution is still required, particularly on the following aspects:

1. Support schemes for renewable energies

Depending on market design, subsidies to renewable energy risk distorting market price formation. Support schemes for renewable energy from forest biomass should stimulate the supply of wood and focused on the use of forest residues and forest industry residues to avoid increasing pressure on wood supply for more value-creating end-products.

2. Renewable electricity (RES-E)

Our industry is a large and growing producer of RES-E. CEPI welcomes the move towards creating a level-playing field among electricity sources.

RES-E generators should be required to participate in markets in the same way that all the other generators, meaning being fully responsible for their balancing power and associated cost. Full internalisation of all costs by all the technologies (both conventional and RES) is also a prerequisite for a fully functional market.

The renewable electricity producers should be allowed to invest in generation in another Member State and be eligible to apply for support schemes in that Member State, on a non-discriminatory basis of. This financial support scheme should however depend on the possibility for electricity to be produced in one member state and physically exported to the other.

In any case, such cross-border participation needs to lead to integration of renewables in the market. It should not lead to any sort of harmonised support scheme mechanisms across Europe.

3. Guarantees of Origin

The extension of Guarantees of Origins to all renewable energy sources risks creating a large and heavy administrative system to manage, for both governments and industry.

Furthermore, any of such system should be used for the sole purpose of statistical trade. It should under no circumstances be used as a tool to subsidise energy generation.

4. Renewable heat and cooling (RES-H&C)

Our industry is a large producer of RES-H&C for use in our own industrial processes, but we also sell forest biomass and waste heat to external producers of RES-H&C.

While CEPI generally supports increased use of RES-H&C, we are critical of the provision that *all* Member States shall endeavour to increase its share of RES-H&C by 1 %-unit/a, since the starting point and potentials to increase vary widely between Member States.

There is no “one size fits all” solution and instead, flexibility for Member States in setting national contributions to the EU target and cost effectiveness must be prioritised.

CEPI supports that Member States shall lay down necessary measures to ensure non-discriminatory access to district H&C systems for heat and cold produced from RES and for waste heat and cold. CEPI further supports that Member States shall increase its use of waste heat and cold.

5. Renewables in transport (RES-T)

Decarbonisation of, and promotion of renewables in, the transport sector will be more cost-effective if the total energy demand in transport is reduced.

This being said, our industry is an emerging producer of RES-T solutions mainly from wastes and residues from forestry and forest industries, such as advanced biofuels, biogas, excess electricity from bio-based pulp and paper mills... This is part of our overarching support and promotion of the development of bioeconomy. In this respect, our sector is able to offer solutions to mitigate climate change both through our existing and new products.

However, raw materials that can be used for RES-T are not available in unrestricted amounts. The overarching aim should therefore be to enlarge the bioeconomy and ensure enough biomass supply is available.

Further, any policy instrument to support RES-T should:

- a. Not result in transportation costs increased for large logistical buyers like our sector, as this would negatively impact our global competitiveness;
- b. Ensure regulatory predictability and stability;
- c. Cost-efficiently drive RES-T integration into the market.

6. Need for a sustainable biomass policy

Sustainably managed and used forest biomass is pivotal in building a strong bioeconomy and in meeting the EU targets on both renewable energies and climate change.

Forest biomass is the link between low-carbon, bio-based and circular economy, as renewable raw material wood is processed to existing and new bio-products. By promoting increased mobilisation of biomass resources throughout the whole value-chain and from more active forest

management, the bioeconomy and its climate change mitigation potential can be maximised. It would also promote increased use of bioenergy from residue materials.

The European pulp and paper industry has been committed to sourcing wood from sustainably-managed forests and has been actively involved in developing measures to guarantee sustainability of its wood supply for decades. To ensure the sustainability of the policy-induced increase of bioenergy use and wood imports for bioenergy purposes, challenges related to resource depletion, land conversion and inefficient use of raw material should be considered.

Therefore CEPI welcomes that:

- The Commission proposal includes criteria related to carbon, forest management and conversion efficiency;
- Appropriate existing legislation at national level is firstly to be used to show compliance with the sustainability criteria and only if such systems are not available, the local level and management systems are considered;
- The burden of proof is on the operator, i.e. the energy producer;
- The principle of carbon neutrality of biomass is maintained, as the emissions from the use of bioenergy are accounted for in the LULUCF sector;
- The GHG savings criteria is included;
- The inefficient conversion of biomass for electricity without CHP is no longer supported.

CEPI furthermore welcomes that the Commission proposes separate sets of sustainability criteria for agricultural and forest biomass respectively, as this acknowledges the different conditions under which the biomass is produced. Furthermore, CEPI welcomes that the criteria are applied equivalently based on the type of biomass used and independently on which physical form (solid, gaseous or liquid) of the biofuels, bioliquids or biomass fuels produced.

However the proposal also contains provisions that require further discussion and clarification, such as definitions, thresholds, endorsement and administrative burden of verification schemes, impact on the internal market of national measurers going beyond proposed criteria.

These aspects will be addressed in more details in a separate paper specifically focused on biomass sustainability criteria.