

## UEAPME<sup>1</sup> position on the Proposal for a revised renewable directive (COM (2016) 767 final)

### Executive summary

- UEAPME demands the correct implementation of the directive, particularly in the area of “information and training”.
- The EU-level target of 27% to be reached by 2030 represents stability.
- Renewable energy sources need to be integrated in the market cost-efficiently with the necessary infrastructure.
- In order to provide certainty to investors, the rules on the design of national support schemes should be further elaborated in the directive.
- Empowering consumers and SMEs to self-consume and feed their renewable energy into the grid is positive.
- Small renewable energy projects deserve simplified administrative procedures.

### General considerations

UEAPME represents about 12 million small and medium-sized enterprises, which employ around 55 million people across Europe. Our SME members are mostly energy consumers and energy service providers. They act mostly on a local and regional level. UEAPME welcomes that the Proposal recognises the important role of SMEs in the regional and local production of renewable energy sources (RES) and also refers to the opportunities for growth and employment of local and regional RES production.

UEAPME welcomes the publication of the revised energy proposals under the comprehensive “Clean Energy for All” Package. Like energy efficiency, the development of RES plays a very important role in reaching the EU climate and energy goals and the Paris international climate commitments. UEAPME is of the opinion that the three headline targets (greenhouse gases emission reduction, renewable energy and energy efficiency) and their accompanying policy instruments need to work coherently. We therefore expect the co-legislators will keep this approach throughout the legislative procedure.

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<sup>1</sup> UEAPME subscribes to the European Commission’s Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

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In the case of RES, the policy instruments need to promote the setting up of the necessary infrastructure for their market integration and improve the cost-effectiveness of RES deployment. Moreover, the correct implementation of the directive requires further attention: in particular in the field of information and training. At the moment, the implementation of the principle of 'equivalent qualification' as stated in article 18 varies significantly among Member States. Some Member States do not allow the flexibility granted in the directive. Bearing in mind that the upgrading of installers' skills is essential to ensure high-quality installations, the lack of flexibility can have the opposite effect and thus, diminish the supply of renewable energy equipment, particularly in buildings. As an example, France has imposed training for each renewable system that neither takes past experience nor qualification into account instead of introducing an 'equivalent qualification' scheme as stated in the directive.

## Specific considerations

### RES target

UEAPME welcomes the EU-level target of 27% to be reached by 2030. This target is in line with the conclusions of the European Council of October 2014, thus representing stability. A target at EU level prevents Member States from pursuing isolated policies, which is prerequisite for efficient support mechanisms. Moreover, the governance measures taken by the Commission to ensure that the target is attained have to take cost-efficiency aspects into account.

### Better coordination of national support schemes at EU level

UEAPME believes national schemes for renewable energies are necessary in view of the market framework and of notable differences in the Member States' energy mixes. However, currently Europe is characterized by a patchwork of renewable support schemes. By proposing basic rules concerning the design of national support schemes (art.4), the Commission aims to avoid distortions in the internal market. UEAPME supports this approach. At the same time, we would like "design rules" to be further elaborated in the directive for the sake of investors' certainty.

In this line, we welcome the fact that the Commission wants support schemes to be market oriented. This is an important step to assure a more efficient use of subsidies and to prevent market distortions. However, the Commission Proposal still lacks clear requirements: instead of fixed feed-in tariffs, Member States should be required to apply investment promotion or tendering models. In case a technology is not able to compete under market conditions in the medium term, it should be possible to end funding.

In Article 5, the Proposal regulates the opening by Member States of support schemes for renewable electricity to generators located in other countries. The gradual opening of national support schemes is supposed to stimulate a more efficient use of funds. In some Member States, such as Germany, the opening is already foreseen by the energy legislation, although to a lesser extent (5% of newly installed renewable energy-based electricity capacity per year). To prevent adverse effects, we suggest that the directive allows Member States to require reciprocity to other Member States.

## Stability and Predictability of support schemes

A stable and predictable regulatory framework is essential for long-term investments. Article 6 prevents Member States to revise the support granted to renewable energy projects in a way that negatively impacts the projects. UEAPME supports that demand. We would like the directive to explicitly ban retroactive national measures withdrawing support. Retroactive national measures on photovoltaic feed in tariff in countries like Spain, Greece and the Czech Republic have greatly harmed investor confidence and thus, the expansion of RES.

The provision on article 15.3 on the predictability of support schemes is rather positive since it asks Member States to define and publish a long-term plan for support schemes covering at least 3 years. However, UEAPME would like to see a longer time-span for the plans.

## Decentralised market for RES

UEAPME has long advocated for decentralised systems of production and distribution of energy in which micro-generation, fuelled with local renewable sources, and CHP play a major role.

The Commission has declared the emphasis in removing barriers for RES producers and new actors in the market and seems keen in promoting a decentralised energy production market. In our opinion, the decentralisation of the energy market has many benefits: the utilisation of local energy sources, increased local security of energy supply, shorter transport distances and reduced energy transmission losses. It also allows consumers to produce and use their own energy, which is good for SMEs.

UEAPME supports article 21 empowering consumers and thus SMEs to self-consume their own energy without undue restrictions, being remunerated for the electricity they feed into the grid. In our opinion, it is good the so-called “renewable self-consumers” selling renewable electricity into the grid will not be considered as energy suppliers if the electricity they sell remains below a certain threshold: 10MWh for household and 500MWh for legal persons on annual basis leaving it up to Member States to set higher thresholds.

UEAPME also welcomes the promotion of renewable energy communities in article 22 of the Proposal. This article enables energy communities to participate in the market and defines who the members of the energy community can be (natural persons, SMEs, municipalities). It sets a maximum installation threshold for energy communities of 18MW per year for electricity, heating and cooling and transport from renewable sources.

## Simplification

UEAPME welcomes the fact the Proposal sets out simplified and less burdensome procedures such as simple notifications for small renewable energy projects (New recital 39). In this line, article 17 introduces a simple notification to distribution system operators for small scale projects.

Article 15 stipulate that any national rules concerning the authorisation, certification and licensing procedures for the production of electricity, heating or cooling from RES are proportionate and necessary.

Article 16 sets forth a permit granting process for renewable energy projects with one designated authority (“one-stop-shop”) and a maximum time limit of one year for the permit granting process. In order to facilitate the permit granting process, the contact point together with system operators shall publish a manual of procedures to help small scale projects and renewable self-consumers.

Another example of simplification is the new simplified system of guarantees of origin from small scale installations of article 19. It entitles renewable energy communities to generate, consume, store and sell renewable energy. The procedures and charges they undergo should be proportionate.

### **District heating and cooling (DHC)**

UEAPME welcomes the possibility introduced in article 24.2 of the Proposal to allow customers of those district heating or cooling systems which are not efficient to disconnect from the system in order to produce heating or cooling from RES themselves.

With regards to article 24.4 on the non-discriminatory access to DHC systems for heat or cold produced from waste or renewable energy, UEAPME supports the fact that different energy suppliers feed in their energy into the grid. In spite of this, we believe that the grid operator should be the only one entering into contractual relations with final consumers and the only one responsible for ensuring the supply of energy without frictions. The reason is that DHC systems have a different nature than the electricity or gas markets. They are locally based and are usually characterized by their limited extension (a few kilometres) as well as by a tailor-made concept which assures that the DHC operates efficiently under the respective local circumstances

In addition to this, the direct sale of energy by the third party within the DHC proves to be technically and economically difficult. On the one hand, it may result in a loss of efficiency of the initially tailor made network and a complex administration of the system to assure security of supply. On the other, it may result in additional costs borne by a limited number of customers which makes it more expensive for each of them. This again is the result of the limited size of DHC, there are no economies of scale effect.

Due to these specific features, the right of direct sale by other suppliers foreseen in article 24.4 will outweigh the competition benefits.

### **Sustainability criteria for biomass fuels**

Article 26 of the Proposal on the criteria for solid biomass used for electricity and heating seems mainly positive from the perspective of SMEs. However, it is worth highlighting that the administrative burden for SMEs should stay as low as possible in the verification processes of the sustainable forest biomass. In this regard, the provisions of this article seem reasonable.

The sustainable biomass is defined as a renewable energy so that it can be counted as carbon neutral. This definition makes it possible that some countries can design their own energy production in a way that takes better into account the country's own resource strengths.

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