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Executive Vice-President Timmermans
Commissioner Simson
Director-General Juul-Jorgensen

Empowering the Renewable Energy Directive to deliver the European Green Deal and Renovation Wave

We welcome your commitment to set up the EU's 2030 climate and energy targets to accelerate investment in a climate-neutral future. Realigning the Renewable Energy Directive (RED) to the -55% greenhouse gas reduction target is essential. **The need to tackle climate pollution from heating is now of paramount importance.** Heating accounts for half of the energy consumed in the EU and is used in our homes, services, public buildings, schools, hospitals and industrial manufacturing processes.

80% of this heat comes from fossil fuel sources, which cause considerable health and energy import cost burdens (€266 billion in 2017 according to the European Commission Energy Costs and Prices in Europe, 2018) as well as significant geopolitical risk through import dependence. Urgently replacing half of the EU's heat consumption from fossil fuels with efficient geothermal, biomass and solar heating solutions are essential for climate, environment, health and economic prosperity. It is the best way to ensure public acceptance for the European Green Deal and the Renovation Wave by making a direct link between robust climate action and tangible improvements to the livelihood of every citizen in their homes, workplaces, schools and hospitals.

The Renewable Heating and Cooling (RES H&C) target, located in Article 23 of the RED requires these priority reforms to make it robust, implementable and hardwired into the Renovation Wave and Energy Integration package:

- **Increasing the RES H&C target:** We recommend improving the RES H&C target in Article 23 to an annual increase of 3.1 percentage points in the share of renewable heating and cooling capacity and **to make this target both mandatory and attainable.** This ensures 50% of final heat consumption in 2030 comes from RES H&C solutions and is the most optimal means to hardwire measurable deliverables from Renovation Wave directly into EU energy targets.
- **Introducing Robust delivery mechanisms:** Analysis of NECPs indicates that only a few Member States have introduced robust legislative programmes to deliver the Article 23 obligation. This will severely undermine achievement of this target and the Renovation Wave and the 2030 climate target. The following capacity is required:

- **Technical capacity:** Funding and technical assistance to aid the development of on-site and nearby renewable heating and cooling sources including high-efficiency individual geothermal heat pumps, with a minimal seasonal performance factor of 3, bioenergy and solar thermal heat for new district heating and decentralised systems. Furthermore, this should be applied to the modernisation of existing buildings and district heating systems to transition to renewable heating and cooling.

A similar support mechanism should be introduced to facilitate the switch to locally produced renewable heat solutions for industrial processes.

- **Permits for heat plants:** Article 16(4) should be extended to incorporate the permitting of heating plants within 2 years.

Removing **indirect and direct fossil fuel subsidies** is now critical. The Energy Efficiency Directive and Article 7 of the Energy Performance of Buildings Directives enable Member States subsidises for the purchase of new fossil fuel boilers. This is a significant competitive distortion which locks-in fossil fuel not compatible with the climate targets or the Renovation Wave. Furthermore, fossil infrastructure investments in the Trans-European Networks for Energy (TEN-E) must not be able to access EU funds from the 5th Projects of Common Interest (PCI) List onwards. Similarly, taxation systems in various Member States provide tax incentives, such as reduced VAT rates, for fossil fuels used in the heating sector, which undermines the competitiveness of renewable heating solutions. Furthermore, direct fossil fuel subsidies for appliances, infrastructure and consumption must be phased out immediately.

Furthermore, **Renewable heat is central to the success of the Renovation Wave.** As highlighted by the European Parliament's report on Maximising the energy efficiency potential of the EU building stock, integrated renovation programmes offer a chance to secure more on site and nearby renewable energy solutions or demand response mechanisms. These systems, together with efficient district heating and cooling, increase security of supply and system resilience; and as such, their potential must be fully considered under the comprehensive assessments in Article 14 of the Energy Efficiency Directive and reflected in the long-term renovation strategies under the Energy Performance of Buildings Directive.

We look forward to working with you to deliver these outcomes.

Yours sincerely



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