

EU 'FIT FOR 55'

Proposal Amending the Renewable Energy Directive

The European Union (EU) is in the process of “greening” its entire rulebook. This will affect various economic sectors along the entire value chain, including a wide range of goods and services – domestic and imported – sold in the EU. It may also set a precedent for other countries’ climate actions.

The European Commission’s ‘Fit for 55’ package encompasses a wide range of proposals aimed at reducing EU greenhouse gas (GHG) emissions by 55% by 2030 and achieving climate neutrality by 2050.

Sidley’s dedicated team is closely following the unfolding green initiatives to help clients maximize the opportunities and overcome the challenges the EU’s regulatory changes present.

This Note concerns the [proposal](#) to amend the Renewable Energy Directive (REDII).¹ The REDII aims to increase the supply of renewable energy (such as solar energy, ambient energy, geothermal energy, biomass, biogas, bioliquids, and waste heat and cold), and to enhance energy systems integration, while ensuring the protection of biodiversity and achieving climate objectives. The proposed amendments would significantly increase the climate ambition of the REDII, without changing the basic framework of the Directive.

The amendments raise the 2030 target for renewable energy, as a share of the EU’s gross final consumption of energy, from 32% to 40%. This target means doubling today’s share of renewable energy. To achieve that goal, the proposed amendments would require the cost-efficient and accelerated development of sustainable renewable energy production. The Member States would have to comply with higher, binding renewable energy targets. The proposed amendments seek to facilitate this increase in the production of renewable energy, by also requiring a more integrated EU energy system, including cross-border cooperation and joint offshore energy planning.²

The proposed amendments affect both producers and consumers of renewable and conventional energy, and require significant investments by either Member States or private investors. The European Commission (Commission) expects the proposed amendments to have positive effects on economic growth and investments, by creating quality jobs, reducing fossil fuel imports, and reducing energy costs for consumers and business. The proposed amendments on biomass fuels are also expected to reduce import of these fuels, as third countries are expected to choose to redirect their exports away from the EU rather than comply with the new requirements.³

KEY TAKEAWAY: This proposal aims to increase the production and use of renewable energy and to enhance energy systems integration. The amendments are expected to have positive effects on economic growth and investments, by creating quality jobs, reducing fossil fuel imports, and reducing energy costs for consumers and business.

The proposed REDII amendments are subject to discussion, change, and approval by the European Parliament and the Council of the EU. Affected industries and countries should consider providing input in the legislative process and start preparing for the potential impact of the proposal.

Objectives

Since energy supply and use are responsible for 75% of GHG emissions, the Commission views increased supply and use of renewable energy as a fundamental contributor to achieving climate neutrality by 2050.⁴

Core objectives of the proposed amendments are:

- Significantly increasing the production and use of energy from renewable sources by 2030 (including increased targets for the heating and cooling sector, and the use of renewable energy in the transport sector).
- Fostering better energy system integration through the implementation of the Hydrogen Strategy (which sets the objective of increasing the renewable hydrogen production capacity through the installation of at least 40 GW electrolyzers by 2030) .
- Updating bioenergy sustainability provisions, including biodiversity conservation and air quality issues that may arise from the production of renewable energy.

Key REDII Amendments

1. Increased share of energy from renewable sources by 2030

The amendment proposes a higher target of 40% renewable energy in the EU's gross final consumption of energy in 2030.⁵ To achieve that minimum share, the proposed amendments foresee a series of sector-specific sub-targets:

- **Buildings:** the proposal sets a new renewable energy source target of 49% to be achieved by 2030.⁶ Member States would have to introduce new requirements for minimum levels of renewable energy, in line with the Energy Performance of Buildings Directive.⁷
- **Industry:** the proposal sets an indicative target of an average increase of at least 1.1 percentage point (ppt) per year, from 2021 to 2030, in the use of renewable energy as a share of energy used for final energy and non-energy purposes.
- **Heating and Cooling:** the proposal makes binding the target of the minimum increase of 1.1 ppts per year in the share of energy from renewable sources, until 2030.⁸ To address the shortage of installers of renewable heating and cooling systems, Member States would also have to maintain sufficient training programs for installers, and offer certification schemes for them.⁹
 - For *district* heating and cooling (which refers to the distribution of thermal energy from a central source of production through a network to multiple buildings or sites),¹⁰ the proposal raises the indicative target to a minimum increase of 2.1 ppts per year in the share of energy from renewable sources, and from waste heat and cold, until 2030. Member States have to detail, in their respective national energy and climate plans, how to achieve this target.¹¹ These measures would be supplemented by the new definition of “efficient district heating and cooling,”¹² which would require systems to comply with minimum requirements for the

use of renewable energy and waste heat, broader cost-benefit requirements, and obligations on re-use of waste heat.¹³

- **Transport:** the proposal:
 - Sets a target of a 13% reduction in GHG intensity of transport fuels, compared to the new emissions-based benchmark, by 2030.
 - Sets new targets for the use of advanced biofuels from at least 0.2% in 2022 to 0.5% in 2025 and 2.2% in 2030.
 - Introduces a target of 2.6% in 2030 for renewable fuels of non-biological origin (NBO) renewable fuels, such as hydrogen-based synthetic fuels.
 - Introduces a credit mechanism to promote electromobility that allows fuel suppliers to buy credits from operators supplying renewable electricity to electric vehicles via public charging stations; fuel suppliers would use these credits to fulfil their obligation of supplying renewable (fuel) energy to the transport sector.¹⁴

2. An integrated energy system

- To achieve a more integrated energy system, the proposed amendments would require Member States to agree, by December 31, 2025, to establish at least one joint project with one or more other Member States for the production of renewable energy; Member States bordering a sea basin would have to jointly define and agree to cooperate on the amount of offshore renewable generation to be deployed within each sea basin by 2050, with intermediate steps in 2030 and 2040.¹⁵
- The proposed amendment would facilitate system integration of renewable electricity by Member States, by linking the electricity sector with certain end-use sectors, such as buildings, transport, or industry. Member States would have to ensure that:¹⁶
 - Transmission system and distribution system operators make available to electricity market players, aggregators, consumers, and end-users, information on the share of renewable energy sources and the GHG content of the electricity supplied.
 - Battery manufacturers give battery owners access to information on battery capacity, state of health, state of charge, and power set point (similar requirements would be in place for vehicle manufacturers).
 - Non-publicly accessible normal power recharging points can support smart charging functionalities.
 - The national regulatory framework does not discriminate against participation of small and/or mobile storage systems in the electricity markets.

3. Biofuels

- The proposal extends the definition of “renewable liquid and gaseous transport fuels of non-biological origin” to cover all NBO renewable fuels, qualifying them as fuels “the energy content of which is derived from renewable sources other than biomass.”¹⁷

- The proposal updates the calculation method of the share of energy in biofuels from renewable energy sources.
 - Energy from NBO renewable fuels is accounted for in the sector in which it is consumed (electricity, heating and cooling, or transport).
 - Renewable electricity used to produce NBO renewable fuels is not included in the calculation of the gross final consumption of electricity from renewable sources.¹⁸
- For industry, the proposal introduces a specific binding target to advance the use of renewable energy in this sector. The amendment requires that, of the fuels used in hydrogen consumption for final energy and non-energy purposes, 50% be NBO renewable fuels by 2030.
- Moreover, Member States have to ensure that industrial products indicate the percentage of renewable energy used, or NBO renewable fuels used, in the raw material acquisition and pre-processing, manufacturing, and distribution stages of producing such industrial product.¹⁹
- The criteria for sustainability and GHG emission savings of biomass fuels are extended to cover forest biomass (including primary, highly diverse forests and peatlands), in addition to agricultural biomass. The GHG saving thresholds for electricity, heating, and cooling production from biomass fuels are extended to cover newly existing installations, and not just new installations.²⁰
- A new provision would be introduced setting GHG saving criteria for NBO renewable fuels and recycled carbon fuels; energy from such fuels would be counted towards the overall and sector-specific renewable energy source targets set in this Directive, if its GHG emissions savings are at least 70%.²¹

¹ Directive (EU) 2018/2001 of the European Parliament and of the Council of December 11, 2018 on the promotion of the use of energy from renewable sources, OJ L 328, 21.12.2018, p. 82.

² Explanatory Memorandum to the Proposal for Amending the REDII, p. 2.

³ Explanatory Memorandum to the Proposal for Amending the REDII, p. 8.

⁴ Impact Assessment Report Accompanying the Proposal for Amending the REDII, p. 6, Annex 5.

⁵ Article 1(2) of the proposal.

⁶ For that purpose, a new definition of “efficient district heating and cooling” is proposed to be inserted into an amended [Energy Efficiency Directive \(EED\)](#).

⁷ Directive 2010/31/EU.

⁸ Article 1(12) of the proposal.

⁹ Article 1(7) of the proposal.

¹⁰ See Energy Performance of Buildings Directive (2010/31/EU).

¹¹ Article 1(13) of the proposal.

¹² See the proposed amendment of Article 24 of the EED.

¹³ Article 1(6) of the proposal. See also Annex I to Regulation (EU) 2018/1999.

¹⁴ Article 1(14) of the proposal.

¹⁵ Article 1(4) of the proposal.

¹⁶ Article 1(10) of the proposal.

¹⁷ Article 1(1) of the proposal.

¹⁸ Article 1(3) of the proposal.

¹⁹ Article 1(11) of the proposal.

²⁰ Article 1(18) of the proposal.

²¹ Article 1(19) of the proposal.