

EU regulations: Renewables push

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COUNTRY BRIEFING

FROM THE ECONOMIST INTELLIGENCE UNIT

The European Parliament's industry and energy committee has voted to approve an amended version of the draft directive aimed at stimulating investment in renewable energies and (more controversially) biofuels.

The Commission's proposal, tabled last January, is a crucial element of the EU strategy for curbing Europe's dependence on fossil fuels and combatting global warming. It would set differentiated national targets for member states' contributions to the overall goal of raising renewables to 20% of the energy mix by 2020, backed by a uniform target of at least a 10% share of biofuels and other renewables in the transport sector.

Following weeks of arduous negotiations among the Parliament's political groups, led by Luxembourg Green Claude Turmes, the EP rapporteur for the proposal, over 1,800 suggested changes were finally winnowed down to 35 compromise amendments, which won the committee's endorsement on September 11th by a lopsided majority of 50-2.

MEPs confirmed the 20% EU-wide target for renewables and made no changes to those for individual countries, which range from 10-42%, reflecting each one's starting point and the effort it has already made. These mandatory targets would be buttressed by indicative interim objectives for 2015, and would be enforced by the threat of financial penalties of up to €110 per megawatt for laggards and incentives of €30-40 per mw for those that surpass them (an idea that raises some hackles in the Council of Ministers).

The initial proposal had envisaged that member states who found their target too demanding could purchase transferable certificates from those that exceed their own target, but this was abandoned in the face of objections from some governments, who feared such a trading system would undermine their national renewable energy support schemes. Instead, the committee accepted an earlier joint proposal from Germany, Poland and the UK under which member states could collaborate on solar or wind projects and share credit for the resulting gains in proportion to their investment. Examples cited by Mr Turmes include a massive offshore windmill farm off the Dutch coast with the backing of Belgium and Luxembourg, or a joint venture between Portugal, Spain and Italy to import solar energy from North Africa.

Other amendments would require member states to give renewable energies priority access to existing electricity grids (this too could face resistance in the Council) and to promote their use in new and existing buildings.

On the vexed issue of biofuels, Mr Turmes and the committee sharply scaled back the binding target proposed by the Commission. The 10% overall target for 2020 would be reduced to 6% for first-generation (crop-based) biofuels, which have been widely criticised as contributing to deforestation and rising food prices. The remaining 4% would have to come from second-generation biofuels (derived from waste, algae or other non-food vegetation) or from vehicles running on green electricity or hydrogen. An interim target of 5% by 2015 would be added, with at least a fifth of this to come from "new alternatives that do not compete with food production".

Responding to evidence that the cultivation of some biofuel crops generates more carbon emissions than the burning of fossil fuels, MEPs are tough on eligibility requirements. To be counted against the targets (which would be reviewed in 2014), individual biofuels would have to reduce CO2 emissions by at least 45% as compared to traditional fuels, rising to 60% in 2015. (The Council has been thinking of 35 and 50%.)

The committee's agreement, which Mr Turmes hailed as a "historic victory" for the EU, also won plaudits from industry and environmental groups alike. The European Renewable Energy Council described it as "a very welcome and logical pathway to truly integrate renewables into our daily lives," while for Greenpeace it showed that the EU "is moving closer to the energy revolution in the fight against climate change". But the **European Biodiesel Board** was unhappy over the committee's carve-up of the original 10% target.

With the committee's amendments enjoying cross-party support, Mr Turmes is in a strong position to negotiate with the Council with an eye to hammering out a first-reading compromise before year-end. This is needed to ensure that the directive is on the books before the UN's end-2009 conference in Copenhagen at which negotiations on a post-Kyoto global climate change agreement are due to come to a head.