Shedding light on the REPowerEU Plan

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Background

On 18 May 2022, the European Commission published the REPowerEU Plan aimed at reducing the European Union dependency from Russian fossil fuels by accelerating the energy transition and building a more resilient energy system.

REPowerEU builds on the implementation of the Fit for 55 package proposals, but it also puts forward further measures in order to:

- Save energy through an increase of the 2030 energy efficiency target to 13%,
- Diversify energy imports,
- Quickly substitute fossil fuels by accelerating Europe’s clean energy transition through the increase of the EU 2030 renewable energy target to 45%,
- Smartly combine investments and reforms through the creation of the REPowerEU Chapters in their Recovery and Resiliency Plans.

This Technical Note provides a short overview and analysis on some of the proposals put forward by the European Commission with a focus on:

- REPowerEU chapters and the involvement of regions,
- Funding and cohesion policy,
- Renewable energy production (EU Solar Energy Strategy, hydrogen and skills),
- Energy savings.

The Technical Note is accompanied by the ‘Financing REPowerEU: a regional perspective’ Note focusing on REPowerEU chapters’ governance and financing through EU finding, especially cohesion policy, and the consequences for the future of EU investment policies.

A list of the different proposals by the European Commission can be found in the Note’s Annex.
1. The REPowerEU chapters and the involvement of regions

Member States will have to add a dedicated chapter to their Recovery and Resilience Plans (RRPs) to deliver the objectives of REPowerEU. The REPowerEU chapters will have to comprise new reforms and investments that are to be guided by the 2022 country-specific recommendations issued by the European Commission.

Member States will have to engage in a consultation process with regional authorities, among other stakeholders, in the drafting of their REPowerEU chapters. The chapters will have to comprise a summary of the consultation process explaining the outcome of the consultations and outlining how the input received was reflected in the chapter.

However, some concerns arise that the involvement of regional authorities might be feeble as in the case of the ‘old’ Recovery and Resilience Plans.

A meaningful involvement of regional authorities is instrumental in drafting REPowerEU chapters having reforms and investments that address the needs of the territories and support a just and territorially balanced transition.

Moreover, as stressed by the European Commission the consultation process in the drafting of the chapters is critical to ensure broad ownership, which will be fundamental for their successful implementation.

The Commission also calls for synergies between the REPowerEU chapters and other EU funds, such as Cohesion policy or the European Agriculture Fund for Rural Development (EAFRD). Thus, involving regional authorities in drafting could prove to beneficial so to spur synergies given that regional authorities are involved in the above-mentioned funds.

2. Funding and Cohesion policy

2.1. Financing REPowerEU

According to the European Commission estimates, an additional investment of € 210 billion is needed between now and 2027 to deliver the REPowerEU objectives\(^1\). This on top of what is needed to implement the Fit for 55 package proposals.

To finance REPowerEU, the Commission proposes a targeted amendment to the Recovery and Resilience Facility Regulation, in order to allocate € 20 billion from the auctioning of allowances the of the EU Emissions Trading System (ETS) as well as to give the possibility to transfer funds from national Cohesion Policy (up to 12.5%) and European Agricultural Fund for Rural Development (up to 12.5%) envelopes. It also proposes to use funds from the Innovation Fund and the Connecting Europe Facility – Energy (CEF Energy).

The above-mentioned grants are to be complemented with the remaining € 225 billion of loans under the Recovery and Resilience Facility. The Commission proposes that if part of the remaining loans is not requested by eligible Member States, they can be made available to other Member States.

\(^1\) By 2030, the investment needs to deliver the REPowerEU objectives are estimated to be € 300 billion.
2.2. Cohesion policy

Member States will have the possibility to transfer up to 12.5% of their national cohesion policy envelope to the Recovery and Resilience Facility to finance new measures and investments in the REPowerEU chapters. However, this will only be possible if they have used the already available 5% transfer possibility and based on demonstrable needs.

As shown in the figure below, based on CPMR’s estimates, Cohesion policy would lose € 43 721 billion if all Member States transferred 12.5% of their allocations to the national Recovery and Resilience Plans.

![Figure 1: Cohesion Policy transfers to top-on REPowerEU via the Recovery and Resilience Facility](image)

It is unclear why the European Commission proposes to transfer cohesion policy funds, when it states in the REPowerEU Plan that “Cohesion policy funds with their strong record of supporting energy-related investments will continue to complement and strengthen the REPowerEU and European Green Deal objective”.

The transfer of funding to the Recovery and Resilience Facility could jeopardise the efforts and actions that regional authorities are undertaking to deliver the energy transition. Moreover, the Facility lacks a territorial and place-based approach – which cohesion policy does addressing the needs of the territories – that is critical for a just transition.

In the REPowerEU Plan the Commission mentions that it will work together with Member States to promote the development of regional and local energy agencies as single-entry points for energy projects. This requires further explanation by the Commission on what exactly it aims to implement as well as how.

2.3. Is the Social Climate Fund enough?

REPowerEU will generate in the short-term costs that will, especially, affect the most vulnerable households and regions and small businesses.
The Social Climate Fund is mentioned in REPowerEU as to be one of the tools to alleviate its impacts. However, it is to be pointed out that the Social Climate Fund was envisaged to alleviate the social costs of the ETS extension to buildings and road transport and not the current energy crisis.

Thus, some concerns arise on whether the Social Climate Fund will be able to alleviate REPowerEU social and economic impacts, when it was already considered to be insufficient to counter the ETS extension impacts.

3. Accelerating the clean energy transition

A cornerstone of the REPowerEU Plan is to substitute Russian fossil fuels and accelerate the clean energy transition. The European Commission proposes to increase the target in the Renewable Energy Directive to 45% by 2030 up from 40% of its July 2021 proposal.

In order to reach such target, the European Commission aims to ramp-up renewable energy production, with a strong focus on solar energy, accelerate hydrogen uptake, scale-up biomethane production and speed up permitting among other measures.

3.1. EU Solar Energy Strategy

Solar energy is considered by the Commission as to be the kingpin to reach the REPowerEU objectives. For instance, it published the EU Solar Energy Strategy aimed at a fast roll-out of solar energy across Europe. A target of over 320 GW of solar photovoltaic by 2025, over twice today’s level, and of almost 600 GW by 2030 is set.

The EU Solar Energy Strategy comprises four initiatives to spur the fast deployment of solar energy and overcome bottlenecks:

1) The European Solar Rooftops Initiative
2) Shorter and simpler permitting procedures
3) An EU large-scale skills partnership for onshore renewable energy (including solar energy)
4) A European Solar Photovoltaic (PV) Industry Alliance

The potential of solar energy relies on its low operational costs and on the possibility of a wide-spread deployment (e.g. on rooftops). However, it still faces relatively high upfront costs and requires adequate grid expansion and grid connection. Therefore, it might be challenging to meet the objectives set by Strategy, especially in the short term, given that the first target is set in about three years (by 2025).

The success of the Strategy will have to be based on a deployment of solar energy not only in major urban areas but also in rural and peripheral ones that must go hand in hand with a wide-spread grid expansion and adequate grid connection.

In this respect, regional authorities given their competences and geographical coverage can play a central role in cooperation efforts on the ground to make sure that all territories can grasp the benefits of solar energy.

Thus, the EU Solar Photovoltaic Industry Alliance proposed by the European Commission, should involve regional authorities on an equal footing, also given their current efforts to deploy solar energy technologies.
3.2. Accelerating hydrogen

Renewable hydrogen will play a critical role in replacing natural gas, coal and oil in hard-to-decarbonise industries and transport. A target of 10 million tonnes of domestic renewable hydrogen production and of 10 million tonnes of renewable hydrogen imports is set by 2030.

Among the measures proposed by the European Commission to boost renewable hydrogen production, it is worth mentioning the increased Horizon Europe investments on the Hydrogen Undertaking (200 million euro) to double the number of Hydrogen Valleys.

Hydrogen Valleys are proving to be valuable cooperation platforms for the planning and uptake of hydrogen bringing together different stakeholders, including regions. By doubling their number, the Commission is not only supporting the uptake of hydrogen across Europe, but also recognising the key contribution that a multi-stakeholder approach can provide for.

The attention given to the development of cross-border hydrogen infrastructure in REPowerEU is certainly positive. However, the framework of the trans-European networks for energy (TEN-E) Regulation in which they are embedded lacks a proper involvement of regional authorities as well as other stakeholders. They can provide for experience and skills that they are acquiring such as in the case of the Hydrogen Valleys.

Regions could provide a key contribution with their experience and the skills they are acquiring, such as in the case of the Hydrogen Valleys.

3.3. An EU large-scale skills partnership for onshore renewable energy

An abundant and skilled workforce is key to meet the objectives of energy production and deployment of REPowerEU. In order to ensure it, the European Commission calls to establish an EU large-scale skills partnership for onshore renewable energy (solar, wind, geothermal etc.) under the Pact for Skills.

The partnership will bring together the relevant stakeholders in the renewable energy sector as well as regional and permitting authorities. It should foster the development of concrete upskilling and reskilling measures.

Regional authorities must be associated for the partnership success, as they are already working on upskilling and reskilling measures in the energy sector and can have a coordination role at local level. In this respect, it is positive that the European Commission mentions in the EU Solar Energy Strategy that training cooperation should also include regional authorities.

4. Save Energy

Increasing energy savings (i.e. reducing energy consumption through price signals, energy efficiency measures or voluntary efforts) is deemed by the European Commission as to be the quickest, safest and cheapest way to address the current energy crisis and reduce the reliance from Russian fossil fuels.

Hence, the publication by the Commission of the EU Save Energy Communication having a two-fold approach:

1) Achieving short-term energy savings through behavioural change.
2) Accelerating and strengthening structural change with mid- to long-term energy efficiency measures.

The European Commission also proposes to increase from 9% to 13% the 2030 energy efficiency target.

The EU Save Energy Communication, as in the case of the Energy Efficiency Directive proposal, recognises that regional and local authorities have leading role in developing energy savings measures. Moreover, a strong involvement of citizens, local and regional authorities is considered as key for a strong ownership and quick deployment of energy saving actions/measures.

The Communication stresses that they are best placed to support and encourage citizens and businesses to take energy saving measures or to invests in energy efficiency. This by, for example, awareness and information campaigns, support schemes, energy management plans or ensuring citizens’ engagement.

Annex

Proposals put forward by the European Commission

- REPowerEU Communication
- Annexes to REPowerEU Communication
- Staff Working Document: Investment needs, hydrogen accelerator and bio-methane plan
- EU Save Energy Communication
- EU External Energy Engagement Strategy
- EU Solar Strategy
- Recommendation on permitting procedures and Power Purchase Agreements
- Guidance on permitting procedures and Power Purchase Agreements
- Regulation establishing the Recovery and Resilience Facility
- Proposal for a Regulation on REPowerEU chapters in recovery and resilience plans
- Guidance on recovery and resilience plans in the context of REPowerEU
The Conference of Peripheral Maritime Regions (CPMR) represents more than 150 regional authorities from 24 countries across Europe and beyond. Organised in Geographical Commissions, the CPMR works to ensure that a balanced territorial development is at the heart of the European Union and its policies.

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