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FF55-Proposals after the Russian Attack to Ukraine

The ongoing war has changed the security environment of Europe on a very thorough way. High energy prices and shortages in availability of energy affect European industries.

Europe needs to remain committed to carbon neutrality in original 2050 timeframe. We may need adjustments to mid-term objectives and take extra care that the regulatory package provides a steady and predictable environment for investments to modernisation of European energy system and industries and to gain independence from Russian fossil fuels. On our industries, the big change is to replace existing, fossil and burning-based processes by the ones using electricity. In order to make carbon-neutral European industries reality, regulation must ensure and incentivise investments to carbon neutral electricity.

In the current energy squeeze, we would like to highlight our proposals on availability to use biomass and waste-based fuels and industrial residues on **Renewable Energy and Energy Efficiency Directives**. On **Energy Taxation Directive**, we urge to add hydrogen to the list of energy products and inclusion of two- category tax rate model to efficiently curb carbon-leakage, to facilitate solutions to high diesel prices for professional users and guarantee competitiveness of European industries.

On long term, it is crucial to accelerate the measures of the Renovation Wave for Europe -strategy to make most of renewable energy sources and integration of the energy sector.

Please find enclosed detailed suggestions on the mentioned proposals.

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Energy Taxation Directive - ETD

- We support reforming energy taxation so that sustainable fuels and electricity are subject to lower taxation. Fossil fuel subsidies should be removed. **TIF is in favor of adding hydrogen to the list of energy products in the Energy Tax Directive.**
- Nuclear electricity is a zero-carbon source of energy and it should be taken into account as such in the directive.
- We support the transition from volume taxation to energy content-based taxation.
- Technology neutrality should be ensured.
- Simple and predictable taxation is very important for businesses. We support simplifying energy tax legislation. However, **the ETD should be carefully prepared so that the result will not actually complicate taxation.**
- **Current two-category electricity tax rate model applied in Finland should be accepted since it prevents carbon leakage and ensures competitiveness of the Finnish energy intensive industries.**
- The European Commission has proposed to increase EU's own resources with revenues from the Carbon Border Adjustment Mechanism (CBAM) and Emissions Trading system would be allocated directly to the EU budget. Thus, these funds would not be available to Member States. The potential overlap of instruments should be taken into account in the preparation of energy taxation, considering that one of the objectives is to "preserve the possibility for Member States to generate energy tax revenues".
- The proposal of changing the legal basis of Energy Taxation Directive so that it could be amended by through the ordinary legislative procedure by Qualified Majority Voting (QMV), is **not** acceptable.
- The authorization rules proposed to the Commission should be very clear and precise, and in line with the current rules. We do not think that the authorization rules should be extended. In particular, the proposal to extend the control procedure raises questions. Commission should refrain from setting up a new excise supervisory authority.
- The OECD's preparation of global energy taxation rules should also be taken into account, as appropriate, in the preparation of the EU Energy Tax Directive, so that EU taxation does not conflict with global taxation.

Energy efficiency directive – EED

Key points:

- TIF is in favor of tightening the energy efficiency target at EU level, as it tackles climate change while generating markets and demand for energy-efficient solutions in EU.
- Energy efficiency in industry can be improved in many ways, for example by improving the energy efficiency of production machinery, buildings, and utilizing waste heat in production processes.
- Energy consumption cap is problematic when the energy sector is shifting from fossil fuels to carbon free and renewable energy sources. Emission reduction needs to be prioritized and **therefore we propose removing the cap on energy consumption** (Art. 4, energy efficiency target). TIF prioritizes combatting climate change, not in Europe alone but globally. **Therefore, reducing GHG emissions is more important than cutting total energy consumption** particularly when electricity is produced by using fossil free energy sources. **One option to store energy is to convert renewable energy to hydrogen** and further to various fossil free carbon hydrate fuels (power-to-x, P2X). Hydrogen and green gas fuels offer transport sectors a viable means to cut emissions and to meet even the most ambitious climate change targets. In the future hydrogen will be used also as a reductive agent in fossil free steel making process.
- A voluntary energy efficiency scheme has been running successfully for many years in Finland. We support the proposal to save the alternative policy measures in Art. 10 (Alternative policy measures).
- The Technology Industry fully supports the Commission’s proposal to roll out the “Renovation Wave Initiative”. There are vast energy savings potential in the renovation of old buildings and the technology needed already exists.
- The changes proposed by the Commission to the definitions of bioenergy used in the context of energy efficiency in heating and cooling must be rejected **or co-firing waste-based fuels and industrial residues - in line with natural gas - should be allowed** (Art. 24 on heating and cooling supply). We are in favor of maintaining the current threshold on 20 MW for the energy sector and Industry. The reason is that 20 MW is also the threshold for the ETS system. Reducing the threshold to 5 MW might hinder renewing existing power plants (Art. 24:4).
- Subsidiarity principle needs to be respected and social security belongs to national competencies. Therefore we do not support the proposal of linking social issues to the Energy Efficiency Directive (Art. 22: Empowering and protecting vulnerable customers and alleviating energy poverty).

Renewable Energy Directive - REDII

- Technology Industries of Finland (TIF) welcomes a new proposal for the Renewable Energy Directive ([COM \(2021\) 557](#)) (henceforth the Directive), published by the European Commission on 14 July 2021. The revision of the Directive is an opportunity for further alignment with the new climate ambition.
- TIF is in favor of increasing the use of renewable energies in the European Union. Ambitious targets help to tackle the climate crisis while creating new markets for energy efficient solutions. However, **the target should be indicative, not binding.**
- In order to create a flexible and a functional energy scheme, energy market actors need real-time information on the share of renewable energy consumption.
- **In Art. 1, the Commission proposes that as from 31 December 2026, with minor exceptions, Member States shall grant no support to the production of electricity from forest biomass in electricity-only-installations. This categorical e-ban ban is not justified or technology neutral and should be rejected.**
- Like in the case of CHP production, electricity from electricity-only plants is regarded as sustainable, if the production fulfils the requirements on reduction of greenhouse gas (GHG) emissions (Art. 29(10) and conversion efficiency (Art. 29(11)). In order to secure a fair and level playing field for all technologies, all bioelectricity production fulfilling the sustainability requirements should be treated equally, including their eligibility for state aid.
- This is also highlighted by the fact that CHP plants using biomass may have an auxiliary condenser. These CHP plants would remain eligible, justified with the argument that they simultaneously reduce CO2 emissions from both electricity and district heating production. However, auxiliary condensers, are useful in times when wind and solar power are scarce. The electricity generated by the auxiliary condenser can be used to produce renewable electricity to supplement wind and solar electricity. At times when there is an oversupply of wind and solar electricity, heat energy can be stored in heat accumulators in district heating networks.
- Further in Art. 1, it is proposed that the Commission "*shall adopt a delegated act in accordance with Article 35 on how to apply the cascading principle for biomass, in particular on how to minimize the use of quality roundwood for energy production, with a focus on support schemes and with due regard to national specificities.*" This proposal should be rejected. Application of the cascading principle is at the center of operation for sectors using biomass. As proven by the Nordic countries, it operates well driven by market demand. Biomass is an important raw material for many sectors and legislating how and when this feedstock could be used could have a serious and distorting economic impact to the market. Further, regulating how to apply the principle would lead to a situation, where the principle would become an absolute, having unwanted side phenomena as already seen with the waste hierarchy and waste transportations. Should the cascading principle ever become subject to regulation, it should be noted that it is not merely a technical detail for a Delegated Act, but something that should be decided upon in the ordinary legislative procedure.
- According to Art 3:3 (ii) of the renewable energy directive, Member States shall grant no support for: "(ii) the production of renewable energy produced from the incineration of waste, if the separate collection obligation laid down in Directive 2008/98/EC have not been complied with." This same principle should be applied to waste and biomass multifuel combustion in order to secure a level playing field and technology neutrality in energy production. **If energy from the biomass fraction of waste is considered as sustainable, when the separate collection obligation has been adhered to, then this waste should also be allowed to be used for multifuel combustion with other**

sustainable biomass, and included into the definitions of “high efficient district heating” and “high efficiency cogeneration.” in the EED. These definitions are a central part of the bioenergy sustainability criteria, and the Commission has proposed to change them by excluding waste-based fuels and industrial residues from the definitions without solid scientific arguments to support this.

- Sustainability criteria for biomass used for energy production should not be changed in order to maintain stable and predictable framework for investments.
- The 20 MW limit of plants that must comply with sustainability criteria should not be lowered in order to prevent excessive administrative burden on small and medium sized enterprises. The 20 MW limit is appropriate, because it is also applied within the ETS.
- The utilization of by-product hydrogen must be treated equally with hydrogen produced from renewable energy sources.
- For greenhouse gas reduction projects, the Commission investigates the Carbon Credit for Difference (CCfD) model, in which Member States can tender for projects, select the most cost-effective ones and pay the difference between the actual cost and the price of allowances. The CCfD model is technology-neutral and market-driven and can therefore be warmly supported to promote renewable energy and low-carbon technologies.
- In art. 9, the Commission is proposing to oblige Member States to participate in at least one cross-border renewable energy project over the next three years. The proposal must be rejected, because it is not the States that are launching energy projects, but energy companies. In addition, mandatory planning co-operation is proposed for large wind farms to be built in offshore areas and the common connection points they need. **Planning cooperation must be voluntary and not compulsory for Member States.**