

## The Danish Government's Response to the Public Consultation on the Revision of the Renewable Energy Directive

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### Danish key priorities for the Renewable Energy Directive and principles for EU regulation

The revised Renewable Energy Directive should:

- Increase the EU-level target for renewable energy to 45%.
- Adopt a more ambitious approach to sustainability requirements for woody biomass for energy, incl. strengthened requirements for climate sustainability and biodiversity.
- Support the development of strategically important technologies, such as Power-to-X, with high greenhouse gas emission (GHG) saving potential in hard to abate sectors.
- Further incentivize cost-effective GHG reductions and increase the uptake of energy from renewable energy sources (RES) in the heating and cooling sector.
- Ensure comprehensive alignment with the other elements in the "Fit for 55" package in order to ensure cost-effective reductions of GHGs across sectors
- Build on the strategies adopted in 2020 on Energy System Integration, Hydrogen, the Renovation Wave and Offshore Renewable Energy as valuable reference points for the successful implementation of the "Fit for 55"-package, incl. the revision of the Renewable Energy Directive.

The European Council conclusions of 11 December 2020 provide the guiding principles on how to achieve the climate targets. Specifically, to deliver those collectively by the EU in the most cost-effective manner possible and in a way that preserves the EU's competitiveness.

On this basis, Denmark fully supports the Commission's approach regarding renewable energy and encourages the Commission to consider modernizing the policy framework in order to ensure that the energy sector can maintain its role as a driver in the transition of the EU's economy and society.

### **Increasing the EU-level target for renewable energy in 2030**



Denmark fully agrees with the Commission's assessment that achieving the EU emissions reduction target of at least 55% by 2030 necessitates an accelerated clean energy transition with renewable energy at its core.

The energy sector will be the main contributor to the projected overachievement of the 2030 climate target, and it must be at the centre of an ambitious effort to realize the enhanced climate target of at least 55 percent cost-effectively by 2030 and to become climate neutral by 2050. To achieve this, Europe needs to transform its energy system fundamentally. The *Strategy on Energy System Integration* provides a viable pathway for achieving this with its focus on high shares of renewable energy and integration of different energy systems through electrification.

Denmark notes that the Commission estimates that achieving the increased climate target for 2030 will require renewable energy reaching 38% to 40% of gross final energy consumption by 2030. However, Denmark believes that the European energy sector should deliver a larger share of the EU's reduction target and suggests increasing the binding EU-level target for renewable energy in 2030 to 45 pct. The falling price of renewable energy technology means that an even higher share of renewable energy is indeed possible.

It is important that the energy system provides sustainable, economically efficient alternatives to fossil fuels and in this way facilitate decarbonisation of the economy and support the transition in other sectors. This will also emphasize Europe's position as a powerful innovation hub for green industries including the development of key energy technologies such as offshore wind and Power-to-X with significant commercial potential as well as strategic importance to EU's transition towards climate neutrality by 2050 and meeting the goals of the Paris agreement.

### **Ensuring bioenergy's sustainability**

Denmark finds it important to strengthen REDII's sustainability criteria further in order to mitigate climate and environmental risks, including for biodiversity, associated with the use of certain sources for bioenergy.

In this context, Denmark would like to refer to the Danish political agreement of 2 October 2020: *Sustainability requirements for woody biomass for energy*. The agreement introduces additional legal requirements for the sustainability of biomass from wood as compared to those set out in RED II, including strengthened requirements regarding climate sustainability and biodiversity. The reason for the more ambitious requirements is – among other things – that the requirements in the current REDII are not assessed to sufficiently ensure the sustainability, including climate sustainability and biodiversity of the woody biomass. Hence, Denmark encourages the Commission to propose EU sustainability criteria for woody biomass that match level of ambition in the Danish political agreement. In addition to this, Denmark also underlines the need for improvement of LULUCF regulation in the EU.



The Danish requirements sets stricter sustainability criteria for forest biomass than the RED II in a number of areas:

- 1) Forest biomass from countries with declining carbon storage in forests should not be used unless it concerns wood from certified forests or residuals, thereby ensuring the climate sustainability of biomass as much as possible.
- 2) Greenhouse gas savings are required for existing plants
- 3) Higher demands are placed on greenhouse gas savings in the production chain
- 4) Sustainability of biomass and greenhouse gas emission requirements savings for smaller plants
- 5) Woody biomass from areas outside forests is covered by requirements
- 6) Verification of 3rd party is required throughout the chain
- 7) Industrial plants are covered by requirements
- 8) Importers and producers of biomass for households are subject to requirements
- 9) Residual products from the wood industry are covered by requirements
- 10) An additional biodiversity requirement is set

All points can serve as reference points for strengthening EU minimum sustainability criteria. However, points 1-3 above should be highlighted, as they are estimated to have the highest actual impact on the climate sustainability of woody biomass. Danish experts stand ready to further elaborate and discuss the ten points in detail with a view to potentially applying them at EU level.

### **Renewable energy in transport, incl. the promotion of renewable hydrogen**

It is essential to increase efforts to decarbonize the transport sector in the coming years in order to achieve the EU emissions reduction target of at least 55% by 2030 and climate neutrality by 2050.

Key components for achieving this are accelerating electrification of the transport sector in parallel with decarbonisation of the electricity system as well as promoting indirect electrification of hard to abate sectors such as aviation and shipping through the production of fuels from renewable energy sources (RES fuels) with high greenhouse gas emissions (GHG) reductions potential.

To ensure cost-effective GHG reductions and the development of new technologies that will unlock GHG reductions in hard to abate sectors, it is crucial that the multiple regulatory instruments the EU has at its disposal are calibrated accordingly. Hence, the revision of the transport section of the RED-II should contribute to achieving two overarching objectives: 1) to support cost effective GHG reductions in conjunction with other legislative instruments; 2) to support the development of



strategically important technologies with high GHG saving potential, such as producing renewable hydrogen derivatives through power-to-X technologies for use in hard-to-decarbonise sectors.

#### Addressing regulatory overlaps to ensure cost efficient GHG emission reductions

There is regulatory overlap between the transport Renewable Energy Source target (RES target) in REDII (minimum share of 14 % renewables in transport) and the Fuel Quality directive (FQD) concerning the usage of RES fuels. This has primarily resulted in a technology lock-in for using 1st generation biofuels in the EU. These fuels have a questionable climate impact. Denmark finds that the FQD and the CO<sub>2</sub>-regulation requirement to emissions from passenger cars and vans are more efficient tools for incentivising cost efficient GHG emission reductions in the transport sector than the current transport RES-target in RED-II. The framework from the FQD has the advantage of being technology neutral with a focus on cradle-to-grave emissions rather than pure blending.

Therefore, Denmark considers it necessary to establish a clear distinction between the priorities promoted via the RED and those promoted via other regulations. The objective is to ensure a cost efficient green transition by avoiding double regulation and minimizing the regulatory burdens for businesses and consumers. Ideally, there should only be one target for the transport sector, building on elements from both RED-II and FQD. It is uncertain if the current national RES target for transport in RED-II contributes to the two overarching objectives mentioned above in an efficient way. Hence, Denmark encourages the Commission to consider removing the national RES target for the transport sector, and replacing it with legislation targeting the objectives detailed above. However, the RED-II framework *can* still offer new opportunities for promoting renewable fuels of non-biological origin (RFNBOs), for instance by establishing stronger sustainability criteria. This is in line with Denmark's view that REDII facilitate decarbonisation in other sectors by providing affordable clean energy for electrification and conversion to derivatives that can be more broadly utilised.

Denmark supports extension of the ETS to cover also road transport to provide a carbon price to support and supplement effective sectoral legislation in driving CO<sub>2</sub> reductions in transport across the EU.

#### Promoting renewable hydrogen and its derivatives in the EU

Large-scale development and deployment of renewable hydrogen and its derivatives as alternatives to fossil fuels is a key priority for Denmark. Denmark supports efforts to promote the production and use of renewable hydrogen not only with the aim of achieving national and European climate goals, but also of increasing competitiveness and securing economic growth and jobs in the energy sector.



The market for RFNBOs is expected to be rather limited, as they are still more costly than fossil-based alternatives, such as gasoline, diesel and hydrogen produced from fossil fuels. Denmark strongly supports targeted initiatives to revise legislation in order to accelerate demand for RFNBOs that can replace fossil fuels in sectors such as aviation and shipping, where direct electrification is not a viable option. Denmark notes that an important tool to boost demand for RFNBOs is through specific CO<sub>2</sub> emission reduction requirements, such as those set up by the Fuel Quality Directive (FQD).

Denmark welcomes the Commission's work to introduce a clear and standardized terminology for renewable hydrogen. Denmark will contribute to these efforts and remains committed to ensuring a common, comprehensive definition, in accordance with the European Hydrogen Strategy. Moreover, Denmark supports the development of a certification system for renewable and low-carbon fuels, based on cradle-to-grave emissions. By providing the necessary documentation for end users, a certification system can contribute to increasing the value of green fuels and thus stimulating demand – both nationally and internationally.

The market for RFNBOs could be stimulated further by introducing a common European reduction/blending mandate for sustainable aviation fuels with high emissions reductions potential. Such a mandate should be set up as a minimum requirement that allows member states to implement a more ambitious mandate at national level. Demand-stimulating measures such as the proposed CO<sub>2</sub>-reduction or blending mandate should be implemented with a reasonable time horizon to ensure that the development, production and supply of sustainable aviation fuels will be able to adapt to the increased demand. Moreover, it is imperative to ensure regulatory coherence with other relevant legislation at European level, including the sustainability criteria for renewable fuels set out in the RED-II. Finally, such a blending mandate should include a sub-target for RFNBOs in order to boost demand.

Denmark notes that multiple counting mechanisms that exist in the RED-II do not apply to non-biomass based RES fuels, which means that multiple counting mechanism is not RE-technology neutral. Denmark wants the RED-II to create a market-pull towards new advanced RES fuels within e.g. aviation. If the transport RES target in RED-II is not removed this can to a certain extent be done by applying the multiple counting mechanism to RFNBOs.

#### Developing more specific ILUC values and strengthening the sustainability criteria

Finally, it should be the ambition to develop more specific ILUC values, which can be applied by all Member States. Where the Member States cannot come to an agreement on ILUC values, the individual Member State should have the mandate to implement such values nationally. Moreover, Denmark proposes to strengthen the current sustainability criteria and to make it possible for member states to apply even stricter sustainability criteria in national legislation.



### **Renewable energy in heating and cooling**

Denmark supports the Commission's ambition to speed up the decarbonization of the heating and cooling sector in order to ensure that it contributes effectively to achieving the EU emissions reduction target of at least 55% by 2030. Denmark notes that there is a gap between the baseline projection for the share of RES in EU's heating and cooling sector in 2030 (33%) and the share the Commission estimates is necessary (40%) to realize the EU's increased emissions reduction target.

Article 23 in RED-II sets a target of raising the share of renewable energy in the heating and cooling sector by 1.3 percentage points each year towards 2030. Denmark supports the current exemption rules from article 23.

Denmark notes that the Commission has presented the option to increase this target in accordance with the increased climate target. While Denmark does not rule out supporting an increased target RES target in heating and cooling, the first priority is to ensure that the regulation does in fact deliver cost-effective GHG reductions. Therefore, Danish support for a RES target in the heating and cooling sector – increased or not – is contingent on a revision of the current regulation that further incentivizes the uptake of RES in the sector. To this end, Denmark has two proposals the following adjustments to RED-II and one proposal for further analysis:

- (1) Electricity and gas produced by renewable energy sources utilized for heating and cooling can be included in fulfillment of the yearly raise: By including use of electricity and gas from the grid produced by RES in the calculations of reaching the RE target in the heating and cooling sector, there will be a greater coherence with the way of calculating in the transport sector. Furthermore, it will support a sustainable energy system, because including RES electricity and gas allows member states to focus on making a coherent energy system.
- (2) The list of regulatory instruments used to raise the share of renewable energy in the heating and cooling sector is expanded: There appears to be various ways to fulfill RE targets depending on whether the member state has a high or a low existing share of RES. Member states with a high share of RES energy would need more intrusive instruments to phase out fossil fuels. Therefore, Denmark suggests that member states are allowed to use a wider range of regulatory instruments such as prohibition and requirements in order to reach RE targets and phase out fossil fuels completely.

The opportunity to reach an exemption from the renewable energy target for heating and cooling in art. 24 litra 6 by establishing efficient cogeneration based on fossil fuels should be evaluated: It is possible for member states to reach the RE targets by having a share of efficient district heating and cooling above 90 pct. As cogeneration is included in the definition of efficient district heating or district cooling, it is possible to reach the RE targets by having a large share of cogeneration that could be based on fossil fuels. Denmark is interested in evaluating this rule.