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Our Proposals for a social, democratic and sustainable Energy Union

This position paper was drafted in the course of the workshop “The Future of Renewables and the Electricity Market Design in the European Union” which took place on 27 June 2016 in the European Parliament in Brussels. During the workshop we discussed the upcoming legislative proposals on the European Energy Union - the revision of the Renewables Energy Directive and the proposals on the new energy market design. Under the key word “European Energy Union” the markets for gas and electricity will be remodelled and its integration deepened. This will pose a challenge if the support for renewables falls behind and the policy focusses one-sidedly on coal, gas and nuclear power generation.

The four members of the European Parliament of the GUE/NGL working on the topic of energy have agreed on this position paper for a social, democratic and sustainable energy union.

Introduction

To avoid catastrophic climate change we need to dramatically reduce emissions. Europe is responsible for a large proportion of the emissions that are already in the atmosphere. We need to reduce Europe’s emissions by 95% by 2050 and we need to start now.

To make this reduction we have to reduce energy consumption and switch to renewables as rapidly as possible. Energy production will need to almost entirely come from renewable energy sources including solar, wind, wave, tidal, geothermal.

The development of renewable energy must ensure energy sovereignty and democracy, eliminate energy poverty and foster economic development in the EU. The investment in renewables requires a long-term framework consistent with the EU’s 2050 climate commitments. Public participation and supervision, clear policy guidelines at regional, national and European level and the engagement of social partners and civil society are key to the successful development of renewable energy. Renewable energy offers an opportunity for greater energy democracy through collective management, public investment and decentralised forms of energy production. Energy democracy offers new spaces for collaboration between ecological movements and movements for social, economic and workplace justice. The energy transition can be the opportunity for a move towards the social transformation of the whole society. In light of the Brexit vote and the crisis of legitimacy of the European institutions, it is time for the EU to tackle and face the real problems of the people by a profound policy change in the areas such as welfare, employment, poverty (and energy poverty) and climate change.

Citizens must have the right to affordable energy to meet their basic needs. Energy must not be considered a commodity, but a basic social right. Energy shall neither harm us nor the environment or the climate, meaning we have to shift from fossil fuels and nuclear power to renewable energy from the sun, wind and waves.

Our demands for the new energy market design and the revision of the renewable energy directive

- **No to capacity markets:** Capacity markets are often used to speculate with spot and future energy prices, harming consumers and the rational planning of energy infrastructure. They can also increase costs and lock in inflexible and unsustainable generation capacity. In the rare circumstances where a lack of generation adequacy requires some Member States to take action, a full and transparent generation adequacy assessment - taking grid expansion measures and regional cooperation into account - needs to be conducted. The adopted measures must be temporary.

The European Commission and the Member States should focus their efforts on reducing the persistent surplus of fossil and nuclear generation capacity in the EU.

- **Promotion of energy savings and renewable energy sources and technologies:** To reach the objective of a secure, sustainable, affordable and democratic energy supply, decision-makers need to ensure an overall reduction in energy consumption, promote energy efficiency measures and the development of the different renewable energy technologies and technology segments in all sectors (electricity, heating and cooling, transport) to allow their deployment and exploitation in all geographic and climatic conditions across the EU. To reach those objectives a crucial point is the establishment of ambitious targets at the national and the European level. The potential for “green jobs” (“Just Transition”) in the renewable and efficiency sectors must be matched by strong collective bargaining that ensures that labour standards are preserved in the energy transition.

- **Increase of flexibility of energy production and consumption:** The various available flexibility options in terms of generation, consumption and storage need to be further promoted and exploited. Specific attention should be given to the modification of the characteristics of the day-ahead, intraday, balancing and retail markets. These modifications should facilitate the integration of different renewable energy systems such as wind, solar photovoltaic, wave and tidal, and reward the flexibility from fully dispatchable renewable energy sources and technologies (e.g. hydro and geothermal) and from renewable heat technologies. It is essential to develop equal market access for all flexibility options to ensure that they are available when needed.

- **Focus on regional and de-centralised energy production and consumption:** Decentralised renewable power production has the advantage of producing close to load centres. Properly connected to the rest of the energy system, it alleviates grid congestion and the need for costly storage infrastructure as well as transmission line construction costs and transmission losses. Facilitated by smart grid infrastructure and management, local and regional energy

production can play a stronger role in a smart mix with larger scale-production such as geothermal, hydropower, large-scale PV, wave & tidal, as well as wind on- and off-shore.

- **Community energy projects:** They involve people and communities in owning or running their own energy production. Support for renewable energy projects can increase hugely. They contribute to reducing carbon emissions by replacing energy produced by fossil fuels and can be a valuable means in fighting energy poverty and fostering local economic development and social cohesion. We need ambitious nationally binding targets and an ambitious EU target for renewables for 2030. Overall binding targets for renewable energy will provide a stable environment for public and private investments in the sector that will benefit community energy projects. We also need an EU wide target for community ownership of renewable energy. Governments need to protect and promote support schemes for renewable energy projects to which community power projects should have equitable access. Whether these are fixed feed-in-tariffs or net metering, renewables need support and protection. Community power projects should not be subject to competitive bidding processes in order to receive operating support, instead they should be eligible to receive fixed feed-in tariffs.

- **EU legal framework for prosumer rights:** A dedicated legal framework for prosumers is needed to empower citizens to take ownership of the energy transition. This needs to start with the elaboration of a legal definition for prosumers capable of identifying who makes up this category of energy market actors. Prosumers should be legally defined as “active customers” under a reformed IEM Directive on Electricity. The definition must be inclusive, covering at least generation, storage, supply of renewable energy and demand-side response. A legal definition of the term “prosumer” should cover energy market participation by individual consumers and collective (or community energy) initiatives. Prosumers should have the right to fair access to relevant markets, and have the right to freely exercise a voluntary choice to participate in the market individually and/or through an agent acting on the prosumer’s behalf. Member States set in place a standardised and transparent system of establishing network tariffs/rate design at national level that ensures non-discriminatory distribution of costs and benefits and does not result in disproportionate or dissuasive costs for participation in self-generation. This system shall take particular care of facilitating the integration of small prosumers, particularly households, and non-profit actors.

- **Making renewables accessible to citizens in energy poverty and in multi-dwelling buildings:** The EU legal framework should facilitate wider access to the benefits of renewable energy production. There is scope for a revised Renewable Energy Directive to recognise self-generation and participation in community projects as ways to address energy poverty and help consumers reduce their energy bill. Member States should be required to put in place appropriate incentives and programmes at national level to encourage renewable energy project developers to open up ownership to eligible households that qualify as energy poor, and encourage households that qualify as energy poor to participate in community energy projects.

- **Priority access and priority dispatch for renewable energy:** We understand priority or guaranteed access as the right of the renewable energy generators to inject their electricity into the grid whenever this becomes available. We understand priority dispatch as the renewable energy generator's right to inject their electricity into the grid following the results of market clearing. Priority access and priority dispatch for renewable energies are crucial to encourage the update of the grids and to boost renewable power production technologies and elastic consumption behaviour. Provisions stipulating priority access or guaranteed access and priority dispatch have to be included in the revised renewable energy directive.

- **National support schemes for renewables:** Supportive and bridging measures for renewables should be continued, such as feed-in-tariffs and fixed prices for renewables. In this context, the Guidelines on State aid for environmental protection and energy 2014-2020 present a big hurdle. The introduction of mandatory auctions and the lack of remuneration for renewable energy in the case of negative prices represent a massive interference with the market and favours polluting technologies with higher marginal costs, which is both economically and ecologically imprudent. In the light of the numerous market failures currently observed (weak EU emission trading system, no internalisation of external costs of fossil fuels and nuclear energy), it is necessary to maintain a separate revenue stream for renewables and renewable community projects.

Especially crucial is the possibility for Member States to continue national support schemes, specifically for local small scale renewable energy production, including self-consumption.

- **No retrospective and retroactive measures against existing renewable energy projects and no to moratoria:** The renewable energy sector has to deal with retrospective and sometimes even retroactive changes to renewable energy support schemes, as well as moratoria. The development of the renewable energy sector in the affected countries clearly shows that such measures have a detrimental impact on the development of renewable energy, and the achievement of the agreed renewable energy targets for 2020 and 2030, both at national and EU levels.

- **Renewable energy in transport:** Europe must now ban fuels competing with food production completely. The EU's climate and energy policy after 2020 must not allow binding targets for the use of biofuels in the transport sector. New policies on the use of all bioenergy which truly benefits people and planet are needed. This should include concrete measures to cap bioenergy at sustainable levels, and strong legislation protecting the rights of local communities to access their own land. The EU must also strongly promote the electrification of the sector.

- **Governance of energy union:** The revised Renewable Energy Directive has to allocate nationally binding targets to each of its Member States, which must be reached by the end of 2030. Furthermore additional interim targets are provided through an indicative trajectory to be met at specific times along the way.

The 2030 renewable energy target of at least 27 percent agreed by the European Council and the European Parliament's support for a target of at least 30 percent are far from

ambitious. They are weak not only in terms of the potential contribution of renewables by 2030, but also because they even represent a slowdown of current growth rates.¹

- **Energy market benefiting consumers:** Rules have to be developed for price comparison tools to ensure that consumers can access independent, up-to-date and understandable comparison tools. Energy suppliers have to be required to automatically place customers on the most advantageous tariff, based on historic consumption patterns. Measures are necessary to enable retail prices to better reflect wholesale prices and thus reverse the trend of an increasing proportion of fixed elements in energy bills, in particular network charges, taxes and levies; however Member States should retain the right to intervene in the market in the overall planning of their economic and social policies e.g. by making use of social or industrial tariffs. Overall, prices should reflect all environmental and social externalities associated with the production of energy.

- **Addressing the causes of energy poverty:** We need a strong EU framework to fight energy poverty, including a broad, common but non-quantitative definition of energy poverty, focusing on the idea that access to affordable energy is a basic social right. The European commission has to prioritise measures to alleviate energy poverty in upcoming legislative proposals and to present an action plan by mid-2017. The Energy Union governance framework should include objectives and reporting from Member States for energy poverty, key indicators for energy poverty should be developed. We need well-targeted social tariffs, they are vital for low-income, vulnerable citizens and should therefore be promoted, as well as efficiency measures. We recognize, however, that the reduction of energy poverty also requires an improvement in overall social conditions, as the rise in energy poverty cannot be decoupled from the fall in incomes associated to neoliberal reforms in social provision and the labour market.

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¹ CAN, Greenpeace, WWF, Effective Governance for the EU 2030 Renewable Energy Target, NGO Policy Recommendations, p. 5