

# Position Statement by Green Planet Energy, EWS Schönau & NATURSTROM

## Public consultation on the EU Commission's official proposed amendment to the Renewable Energy Directive (RED III) of 14 July 2021

**Green Planet Energy** is an energy cooperative founded by Greenpeace e.V. which supplies more than 200,000 customers with electricity and gas. The aim of the cooperative with its more than 27,000 members is to offer high-quality green energy products and do everything possible to ensure the success of the energy transition. To that end, Green Planet Energy conducts scientific research and is active politically. In addition, its wholly owned subsidiary Green Planet Projects (since recently known as Planet energy) builds and operates renewable energy plants (RES plants) and electrolyzers for the production of green hydrogen. By building wind and PV plants, Green Planet Energy aims to contribute to the achievement of climate protection goals and advance the energy transition to conserve nature and protect the environment. In this context, the energy cooperative delivers its opinion on the EU Commission's official proposed amendment to the Renewable Energy Directive (RED III).

**NATURSTROM** was founded in Düsseldorf in 1998 and supplies more than 300,000 households, companies and institutions with naturstrom, naturstrom biogas and sustainable heat, establishing NATURSTROM as Germany's leading independent green electricity provider. Furthermore, the company focuses on the permanent expansion of decentralised renewable energies by developing and operating energy projects in collaboration with citizens and municipalities on a long-term basis. NATURSTROM also implements consumption-related, cross-sectoral supply solutions: from ecological local heat supply in rural communities to electricity supply solutions for tenants in apartment buildings and integrated electricity, heat and e-mobility services for medium-sized companies or entire neighbourhoods. NATURSTROM increased steadily ever since the liberalisation of the common energy market in 1998. Today, more than 400 employees at 13 locations in Germany work on the implementation of the energy transition.

**EWS Elektrizitätswerke Schönau** is an energy cooperative which emerged from a local action group that, against the backdrop of the Chernobyl catastrophe, was committed to an ecological and sustainable energy supply. Today, EWS supplies renewable energy and biogas to more than 220 000 customers in Germany. It runs the local electricity grid in the town Schönau im Schwarzwald. Beyond that, EWS operates and extends local heat supply grids in the Schwarzwald (black forest) area. To promote the transition to decentralized and renewable energy supplies, EWS is developing and operating wind and solar power plants. The cooperative with today over 10.000 members considers itself as a political enterprise with the overriding goal of achieving the energy transition and maximum climate protection. EWS has been constantly expanding since its foundation in 1994: today around 230 employees situated in Schönau, Freiburg and Berlin work together to contribute to the conservation of the planet.

## Overview

- **Focus RED III exclusively on renewables and increase EU expansion target**
- **Green hydrogen with stringent criteria to meet industry targets**
- **Added value through guarantees of origin for unsubsidised green electricity**
- **The use of forest biomass to generate electricity is neither sustainable nor carbon free**

## Preliminary remark

With the European Green Deal, the European Commission has set the goal of reducing net greenhouse gas emissions to zero by 2050. Moreover, to put the European Union on the path to climate neutrality, it also aims to reduce greenhouse gas emissions by at least 55 percent by 2030 compared to 1990 levels. Both targets have been enshrined in European Climate Law. That means that a much higher share of renewable energy sources is required in an integrated European energy system. For a more effective target achievement, we suggest to even raise the targeted share of renewable energies in gross final energy consumption in the EU's overall energy mix to at least 45 percent (preferably 50 percent) by 2030. At the same time, new supporting measures in various sectors, consistent with the energy system integration strategy, the hydrogen strategy, the offshore renewable energy strategy, and the biodiversity strategy, are needed to achieve these more ambitious targets.

To this end, the EU Commission has proposed a package, "Fit for 55", containing a series of legislative amendments to meet the goal of reducing greenhouse gas by 55 percent by 2030. In addition to a dozen other legislative procedures, the Commission also presented a proposed amendment to the Renewable Energy Directive (RED II) on 14 July 2021.

As EWS Schönau, Green Planet Energy & NATURSTROM, we would like to participate together constructively in the consultation phase of the amendments to the directive by highlighting the following:

### **1. Focus RED III exclusively on renewables and increase EU expansion target**

The current EU target set out in the Renewable Energy Directive (RED II) for achieving a share of at least 32 percent of renewable energy by 2030 is not effective enough and must be increased. The draft of RED III proposes increasing this target to 38 to 40 percent in line with the Climate Target Plan (CTP).

For Europe to be climate neutral by 2045 at the latest, there must be a massive expansion of renewable energies (both centralised and decentralised) in the 2020s. To achieve that, the content and focus of RED III must continue to apply exclusively to renewable energies. That is the only way to ensure the momentum needed in the renewables sector and

prevent carbon lock-in effects created by fossil-fuel-based technologies. The inclusion of low-carbon technologies, on the other hand, dilutes the principles of RED III and promotes pathways that are not compatible with the renewable goals and the fight against the climate crisis.

In our opinion, an even higher share of renewable energy sources is necessary to achieve the goals. We, therefore, propose raising the targeted share of renewable energies in gross final energy consumption in the EU's overall energy mix to at least 45 percent (preferably 50 percent) by 2030. In support of this, nationally binding renewable energy targets and a binding catalogue of measures in the respective EU Member States are also needed. In our view, only the two together will ensure that the energy transition progresses across all EU Member States, moving closer to the new target of reducing greenhouse gas emissions by at least 55 percent compared to 1990 levels.

## **2. Green hydrogen with stringent criteria to meet industry targets**

In the proposed amendment of RED II, Article 22a provides for mainstreaming renewable energy for industrial applications. Accordingly, the EU Member States shall endeavour to raise the share of renewable energy sources in the industrial sector by an indicative annual average of at least 1.1 percentage points by 2030. As part of this, the proposed amendment foresees the promotion of hydrogen production based on renewable energies. Consequently, 50 percent of hydrogen is to be produced using renewable energy sources (in other words, green hydrogen) by 2030. But the draft of the new RED does not define green hydrogen precisely and does, therefore, not explicitly exclude the indirect use of fossil energy sources. Without stringent criteria for hydrogen production, the use of electrolyzers and their electricity supply could lead to the perpetuation and promotion of electricity generated from fossil fuels.

Therefore, Green Planet Energy, EWS Schönau & NATURSTROM demand that only green hydrogen that meets stringent criteria and that has verifiably been produced from renewable energies should be accepted for industrial use. Here, guarantees of origin (GOs) alone are not adequate proof. GOs serve only to trade green credentials and aren't adequate proof of the actual source of the electricity used. However GOs still might be one component, among others, to establish green credibility. If that were the case, a minimum quota for GOs for unsubsidized RES electricity should be stipulated. This is necessary to safeguard that the boosting of green hydrogen is connected with the establishment of additional renewable plants and not just a statistical shift of RES electricity that is produced anyways thanks to public subsidies. The promotion of hydrogen in all EU Member States should focus exclusively on green hydrogen. Blue hydrogen, on the other hand, perpetuates the use of fossil fuel technologies and hinders investment in renewable technologies.

We propose a standard and strict definition for green (renewable) hydrogen and consistent criteria to be applied to the exclusive promotion of green hydrogen. Only with

such a definition and precise criteria can the European Union ensure that hydrogen contributes significantly to the reduction of CO<sub>2</sub> emissions. To produce green hydrogen, the required amount of electricity from renewable energy sources must also be available geographically and whenever needed. This must be reflected in the criteria for the promotion and labelling of green hydrogen.

Presently, the circumstances under which hydrogen is produced are more important than its fields of application. The current availability of renewable energies in the German and European electricity mix limits hydrogen production to small quantities and specific times; production of larger quantities would foster electricity generated from fossil fuel sources. Support, therefore, must focus initially on production that benefits the system and is in line with the energy transition. That is why it should also be possible for windfarms whose subsidy period has ended to produce green hydrogen. Windfarms that are no longer eligible for subsidies face the challenge of developing new business models and marketing opportunities they can rely on. The production of hydrogen has this potential, so that old windfarms can continue to operate and do not have to be decommissioned. There is no danger of a lock-in regarding re-powering, since this remains the economically most attractive option. But in many cases re-powering can't be accomplished since permitting rules have changed in the meantime. A shutdown of such windfarms would result in a substantial loss of green electricity production which is contrary to the overall goals of this directive and should be avoided.

Moreover, precisely formulated, and practical requirements for renewable hydrogen can bolster the development of a European hydrogen market and avoid unnecessary lock-in effects caused by fossil fuel gases and inflexible and rigid production methods. The market roll-out of hydrogen must not be an end in itself; it should serve to achieve the climate targets and the decarbonisation of all sectors. The development of the hydrogen infrastructure should also focus on the availability (demand-based) and long-term and exclusive use of green hydrogen only. Sites with a high potential for the production of green hydrogen should be connected to areas where demand is high. Accordingly, progress in the expansion of renewable energies must be aligned with the development of a green hydrogen economy and infrastructure.

### **3. Added value through guarantees of origin for unsubsidised green electricity**

Regulation on the handling of GOs for electricity from renewable energy sources varies from country to country in the EU. Germany, for example, prohibits multiple sale for renewable energies. Accordingly, (tradable) GOs are not issued to volumes of green electricity that have already been subsidised under the Renewable Energy Sources Act (EEG). In some other European countries, GOs are issued to plant operators for the electricity they generate in addition to the remuneration they receive for the electricity they feed into the grid. These GOs are tradable throughout Europe.

The GO system in the European Union is to be newly regulated in Article 19 of the revised Renewable Energy Directive (RED III). Article 1(8) amends Article 19(2) and (8) of RED II, effectively removing the option Member States have of not issuing GOs to producers who are recipients of financial support. That is related to the changes to power purchase agreements under Article 15. Under the draft RED III and the revised paragraph in Article 19 (2) and (8) contained therein, Member States would be obliged to issue guarantees of origin (GOs) to all producers of renewable energy sources. The revised directive no longer contains the current option of limiting the issuance of GOs to all producers of unsubsidised electricity.

Germany, and those who pay the EEG levy – that is, practically all consumers – will have to bear nearly the entire additional cost of green electricity. But companies that pay very little to acquire auctioned GOs will be able to portray themselves as “green”. That would put consumers at a double disadvantage: First, they are the ones who pay the price of green electricity, which is then attributed to a company; and secondly, it would undermine the commitment of millions of consumers who purposely purchase green electricity to support the energy transition. These factors risk turning green electricity into a mere statistical redistribution without any real benefit. That, in turn, also would harm the energy transition and social acceptance. Not least because expanding the GO system would undermine the existing business model of committed suppliers of green electricity, whose unique selling point is green electricity of exceptional quality.

As a result, fresh impetus for the expansion of renewables outside the state subsidy scheme through power purchase agreements (PPAs) would also be nipped in the bud. Under the current system, German renewable power plants must operate without receiving subsidies to be able to market green electricity. This imperative would disappear if guarantees of origin were also issued to subsidised electricity. In the meantime, constructing new renewable energy plants outside the current subsidy scheme has become financially interesting for many market players. However, construction within the subsidy scheme is less risky than construction on the free market. Therefore, we assume that in Germany, the proposed amendment to Article 19 would significantly weaken the expansion of renewable energy plants outside the Renewable Energy Sources Act (EEG) by increasing the risks of constructing such plants. That clearly contradicts the EU Commission’s goal of using RED III to promote PPAs and make them more attractive.

In our shared opinion, the expanded issuance of guarantees of origin to producers of subsidised electricity would have other negative consequences because the electricity market would initially be flooded with large quantities of GOs. If these additional GOs became available on the market, the price of GOs would fall. Green Planet Energy, EWS Schönau & NATURSTROM believe that this devaluation would allow greenwashing on an unprecedented scale. For example, corporations that purchase large quantities of electricity could secure green electricity by buying very cheap guarantees of origin and then present themselves as “green” companies. That would allow individual industrial

buyers of electricity to pretend to be “green” without a single additional renewable plant having been built or more green electricity having been generated.

In the view of Green Planet Energy, EWS Schönau & NATURSTROM, GOs alone are inadequate green credentials for industrial companies and as an instrument towards achieving greenhouse gas reduction targets. Other criteria should be considered, such as:

- Geographical location: The power generation facility should be close enough to the power consumer to allow the physical transport of electricity. Optimally, large-scale consumers of electricity should be located near large power generation facilities.
- Timing: Power should be generated to coincide with the actual consumption.
- Power Purchase Agreements (PPAs): A contractual relationship between a power plant operator and a consumer or utility ensures the plant’s financial profitability.

In the interest of the energy transition and the interest of consumer protection, we urge that the planned extension of guarantees of origin for subsidised electricity be eliminated and that Article 19 be retained unchanged as it is in its current wording (RED II). That would allow the Member States to continue to decide for themselves whether they want to issue guarantees of origin for subsidised electricity quantities. That would also take into account that the EU Member States have different electricity market structures and subsidies for renewables in place. Expanding the use of GOs for industrial greenhouse gas reduction targets should be left to the Member States. National governments must retain the right to refrain from implementing the proposed expansion or have the right to supplement it with their own regulations, for example when dealing with subsidised GO electricity from other EU countries.

#### **4. Forest biomass regulations undermine climate and biodiversity goals**

The draft of the revised RED II implies that burning forest biomass causes fewer emissions than burning fossil fuels. At the same time, the draft refers to and acknowledges the threat posed to forests by biofuel and biomass production. Consequently, the Commission’s proposal to revise RED II conflicts with the EU’s biodiversity strategy, which aims to reduce harvesting pressure on forests.

From our point of view, a clear fossil-fuel exit pathway takes precedence here as well. This requires that only truly sustainable and renewable energy is declared as such and thus explicitly promoted. Therefore, we propose that wood be used primary as raw material, and that only secondary wood biomass, such as waste and residual material, be declared to be renewable should be used to generate energy. In principle, Green Planet Energy calls into question all overgeneralisation of low-carbon strategies. There is a risk that overgeneralisation will create opportunities to support fossil and unsustainable fuels at the expense of renewables in the future – with unintended, climate-damaging lock-in effects.



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Green Planet Energy, EWS Schönau & NATURSTROM also criticise that the proposed amendment does not contain limits on the amounts of wood burned to generate energy or on pollutants. Furthermore, it should include restrictions regarding the use of food and feed crops to produce biofuels and biogas because these energy products involve intensive agricultural production in Europe, endanger forests in other EU countries, and cause deforestation.

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