

# EUROFER position paper on the Renewable Energy Directive

The deployment of large volumes of renewables represents a key challenge for the management of the grid and needs to be balanced also with the objective of providing competitive and secure energy. In this sense, it is important to accelerate the integration of renewables in the market in order to foster cost-effective solutions. The regulatory framework shall address and minimize the impact of regulatory costs related to decarbonisation and the promotion of renewables on the competitiveness of energy intensive-industries and promote innovative low carbon solutions that can contribute to the energy and climate targets, taking exposure to international competition fully into account.

Due to the high share of energy costs in total production costs, EU steel companies operate processes very close to the thermodynamical limits of the current technologies. Deeper emissions reductions are only possible with the deployment and roll out of breakthrough technologies (including steel recycling, carbon capture utilisation and storage, process integration, and electricity/hydrogen-based metallurgy) that require, among others, access to abundant and competitive low carbon energy sources, including hydrogen and electricity. The application of these technologies at industrial scale will contribute to creating new business models where energy carriers will play a key role (e.g. cooperation between the steel and chemical sector to convert carbon rich gases into fuels or feedstocks and/or to replace carbon with hydrogen as reducing agent in steelmaking). Therefore, it is essential that all low carbon energy sources that can contribute to emissions reductions are promoted according to the technology neutrality principle and regardless of their specific use (i.e. as energy carrier or as reducing agent).

Against this background, the following elements should be considered:

- **Valorising the re-use of carbon as a means to reduce emissions:** alternative fuels and feed stocks derived from industrial process gases represent a key enabler for achieving the energy and climate targets in Europe while maintaining the competitiveness of energy intensive industries and enhancing the energy security of the EU economy. In many industries there are large volumes of residual gases containing energy carriers like CO or H<sub>2</sub> being produced in different processes. By applying appropriate technologies and by bringing gases from different industries together, they can be converted into more valuable chemicals and fuels, thus reducing the direct carbon footprint and avoiding additional emissions. Capturing carbon and using it in fuels and chemicals allows to 'recycle' carbon directly, instead of transforming it into atmospheric CO<sub>2</sub> and consuming other resources. The potential of recycled carbon fuels in contributing to emissions

reductions should be fully supported by the regulatory framework and be extended also to non-fuel applications such as chemicals feedstock. In this regard, it is essential that the life cycle assessment (LCA) methodology of the RED and Fuel Quality Directive (FQD) is aligned with the new rules of the Innovation Fund, which assume that all electricity that is consumed or replaced in low carbon projects in energy intensive industries (including carbon capture and usage) is renewable electricity. The current LCA of the RED and FQD accounting electricity at its actual emission factor does not allow to appreciate and value the future abatement potential of these technologies, hence deterring investment.

- **Phasing out renewable schemes:** due to the highly distortive impact of renewable schemes, these should be quickly phased-out. As long as they are in place, EU-wide compulsory exemptions for energy intensive sectors exposed to international competition such as steel should be maintained or put in place where they have not been implemented already. Moreover, where support schemes are maintained, these should be targeted only on immature technologies for a limited time and be subject to competitive bidding on the basis of a technology-neutral approach with preference to pure investment support in order to minimise their distortive impact.
- **Avoiding double regulation on industry:** industrial sectors such as steel are already subject to other pieces of legislation that aim at reducing energy consumption and emissions levels, such as the Emissions Trading System (ETS) or the Industrial Emissions Directive (IED) and other national or regional measures. Therefore, they should not be subject to further provisions from the RED. At the same time, incentives and further support measures to reward the uptake of low carbon energy sources should be developed.
- **Reenforcing support to low carbon energy use:** Some of the reasons why companies do not shift to corporate sourcing (when technically feasible) are higher costs compared to more traditional sources, regulatory barriers or uncertainty linked to supporting schemes. Power purchase agreements (PPAs) can be an important tool that ensures a reliable supply of sustainable energy to energy intensive industries. In many Member States the prices derived from stabilizing intermittent supply of renewable known as “firming costs/shaping costs” are one of the main obstacles for industries to engage in the signatures of PPAs.
- **Promoting renewables in the heating & cooling sector:** the use of heat and cold produced from renewables and waste heat and cold represent an important opportunity to contribute to the climate and energy targets. Therefore, we welcome the provisions aimed at ensuring non-discriminatory access of these sources to district heating & cooling systems, where these are available, and urge to ensure this access uniformly, reliably and comprehensively in order to avoid any competition distortion. However, provisions on waste heat and cold needs to take into account the business conditions -including the exposure to international competition- of the main industrial processes from which these by-products originate as a complementary activity.

- **Promoting cost efficient solutions:** once the climate and energy targets are set, the regulatory framework shall ensure these are achieved in the most cost-efficient way. This requires reliability and sufficient flexibility in the rules. In this context, renewable energy support should take into account the cost-efficiency potentials across sectors, technologies, and Member States. Therefore, any measures need to be based on an EU-wide holistic, transparent and reliable planning taking into account international competitiveness. As a matter of fact, reliability and efficiency of energy supply is a key priority, from an industrial perspective, when it contributes to overall competitiveness and sustainability.