

## Eurochambres position on the REPowerEU package

**Extremely high energy prices and the uncertain supply situation exacerbated by the Russian invasion of Ukraine place a heavy burden on European businesses. Eurochambres understands the considerable EU efforts to phase-out Russian fossil fuels, but highlights that the EU's high dependence on Russian gas imports poses strong concerns. We stress that this step will necessitate additional efforts from businesses, including unprecedented investments, on top of those already allocated to the green transition. We therefore urge the EU institutions and member states to support the business community in order to avoid drastic economic consequences.**

Energy is a vital commodity that fuels our economy. The surge in energy prices and high volatility since last autumn have triggered calls to reduce our dependence on energy imports from third countries. Current events related to Russia's invasion of Ukraine have further driven the debate and prompted strategic changes in EU policy. The *REPowerEU* Communication presents measures to mitigate the negative consequences of the dramatic increase in energy prices by promoting renewable energy production, diversifying supply and reducing demand. In addition, the EU External Energy Strategy will facilitate energy diversification and building long-term partnerships with suppliers, including cooperation on hydrogen or other green technologies.

### **Liquefied natural gas (LNG) and pipeline imports as short-term solutions**

It is crucial to focus on measures that bring the greatest benefit, both in the acute current situation and in the long term. In the short term, the import of liquefied natural gas (LNG) and pipeline imports from non-Russian suppliers will play an essential role in filling gas storage facilities for the coming winter seasons. Currently, not all member states have access to LNG terminals, therefore, further accelerating the modernization and expansion of LNG infrastructure and pipelines must be a priority. The European Commission should consider putting in place a fast-track approval procedure for gas interconnections and planned LNG terminals, while ensuring, that all new gas interconnections and LNG terminals are designed under the "hydrogen ready" concept. However, the construction of new terminals will take several years. Therefore, the member states need to strengthen solidarity and cooperation among those who have LNG terminals and those who do not, and ensure better connection. Overpricing in this regard must be avoided and trust among member states must be enhanced.

### **Renewables for sustainable independence**

To make Europe more resilient in the long run, it is of utmost importance to massively accelerate the rollout of renewable energies. We therefore support the EU's plan to increase the domestic production and diversified import of renewables and alternative fuels. Besides the established sources like hydro, solar and wind energy, it is thus important to use a wide range of renewable and low-carbon energy sources e.g., biogas and biomethane. Hence, the proposal for a Biomethane Action Plan is welcomed.

Hydrogen will play a crucial role in the green transition of the European economy, especially

for energy-intensive industries. There is an urgent need to accelerate the development of a regulatory framework to promote a European market for hydrogen and to support the development of an integrated gas and hydrogen infrastructure. The target of producing 10 million tons of renewable hydrogen domestically and importing 10 million tons of renewable hydrogen by 2030 is very ambitious and it will need massive investments to achieve it. We therefore call on the Commission to constantly review and, if necessary, increase the financial resources made available for the development of hydrogen infrastructure.

Also, we are not convinced by the EU plan for the production of green hydrogen for fuels. Despite transitional provisions until 2027, the restrictive additionality requirements make production significantly more difficult. The path to European leadership in the hydrogen sector is thus drastically impeded.

Unfortunately, some of the *REPowerEU* measures cannot be implemented quickly, either because of regulatory burden, or simply because of financial, technical, or human barriers. The proposed Solar Rooftop Initiative with a phased-in legal obligation to install solar panels on new public and commercial buildings and new residential buildings is one of them. The installation of solar modules can be delayed by a limited number of fitters and shortages of raw materials. The boom in demand for solar modules combined with supply chain disruptions means that there will be long waiting lists for anyone wanting to opt for clean technologies. Thus, we urge the Commission to approach all plans with the necessary degree of realism.

Moreover, we are very sceptical about the Commission's proposal to increase the target in the Renewable Energy Directive to 45% by 2030, up from 40% in last year's proposal and the binding target in the Energy Efficiency Directive to 13%. Especially in the current situation, where European companies are still heavily affected by the COVID pandemic and the energy crisis, there is a need for a stable legal environment, clear perspectives, and predictability for investments. The Renewable Energy directive is currently being revised after having been updated only a few years ago. From our point of view, a further change of the targets is a fatal signal, especially for the SMEs, which will again drain enormous resources.

### **Speeding up Permitting procedures**

For a fast transition it is important to boost businesses access to affordable renewable energy. Hence, a favourable and safe investment environment must be ensured to increase investment activities. Lengthy administrative procedures are one of the key obstacles for investments in renewables and related infrastructure. This has a negative effect on the EU's capacity to ensure security of supply, as well as to achieve the 2030 emission reduction target and the overall goal of climate neutrality. The proposal to speed up administrative procedures and to limit the maximum duration to two years is therefore very welcomed.

In order to exploit the full potential of domestic renewable energy, a predictable and stable legal framework is needed. The existing Renewable Energy Directive already includes important measures to simplify and speed up permitting procedures, such as the maximum duration or the one-stop-shop provision. Nevertheless, in some Member States, permitting procedures for renewable energy projects still take up to 7-10 years. It is therefore of particular importance, that the measures are fully and effectively enforced in all Member States. Moreover, we would like to stress that the length of permit procedures results from the interaction of different EU legislation, such as the Industrial Emissions Directive, the

Water Framework Directive or the EU Birds and Habitats Directives. The issue of permitting periods should therefore be addressed in a comprehensive manner at EU and national level. In this context, Eurochambres calls the Commission and the Member States, to further investigate the synergies between biodiversity and new renewable energy facilities.

Finally, Eurochambres welcomes the proposal to define the deployment of renewable energy as being in the overriding public interest, as well as the possibility to create regulatory sandboxes to foster innovation in the energy sector. These are good first steps that should be further specified in following legal acts (e.g., RED III).

### **Diversifying supplies and supporting international partners**

In order to ensure supply diversification, the EU must work closely with international partners. Therefore, Eurochambres strongly supports the implementation of the EU External Energy Strategy and the focus on the diversification of energy supply and the development of long-term partnerships with suppliers, including cooperation on hydrogen and other green technologies. We particularly appreciate the Commission's plan to support pilot projects on renewable hydrogen production and transport in the EU neighbourhood, starting with a Mediterranean Green Hydrogen Partnership.

Moreover, we support the establishment of an EU energy platform for the pooled purchases of gas, LNG, and hydrogen, which will secure the needed energy imports. We particularly welcome the plan to allow non-EU countries such as the Western Balkans, Moldova, Ukraine, and Georgia to join this platform on a voluntary basis. From a business perspective, the strategic and collective purchase of energy reserves makes sense and would also enable the EU to play a proactive role in the global transition to renewable energies.

### **Action on prices**

The impact of high prices on businesses is enormous. In this regard, Eurochambres welcomes the possibility given by the Commission to mitigate energy prices at national level and to consult Member States on a potential Temporary Framework to grant aid to companies facing high energy costs.

Eurochambres acknowledges that Member State interventions, whether fiscal or regulatory, will be necessary to secure affordable prices for end consumers and to prevent energy poverty. Nevertheless, policymakers should ensure that these do not hamper the functioning of the internal energy market, jeopardise decarbonisation and energy efficiency efforts, nor cause investment uncertainties in the energy industry. Any measures, whether at Member State or European level, should be closely consulted with the relevant stakeholders, e.g., chambers of commerce.

### **New regulation on gas Storage**

In connection with *REPowerEU* Communication the Commission proposed a regulation on gas storage. This legislative proposal would require all EU member states to ensure their gas storage is filled to at least 80% of capacity by 1 November 2022 and 90% from 2023 onwards, with intermediate trajectory targets. Hence, the regulation harmonizes gas storage targets which have been already set by individual member states.

Domestic gas storage facilities play a central role in the security of energy supply for

businesses, therefore Eurochambres considers the Commission's approach on ensuring an adequate level of gas storage filling as reasonable to secure energy supply in the short term, despite the high costs. However, to avoid any further increases in energy prices, we strongly recommend reconsidering the proposed targets.

Eurochambres considers the unbalanced distribution of responsibilities for storage filling to be problematic. The mandatory storage filling of 80% (2022) or 90% (from 2023) of the total storage capacities in the territory of each member state does not consider the different storage capacities in relation to the individual gas consumption in the individual member states. To avoid high costs and unfair burden sharing, obligations should not be based on storage capacities, but on annual domestic gas consumption, as is the case for countries without their own storage facilities. A realistic target would be a mandatory filling of 80% or 90% of the storage capacities, as long as this does not exceed an appropriate percentage (e.g., 35%) of the annual gas consumption of the respective member state. In addition, an appropriate burden sharing mechanism should be put in place to help ensure that the set targets can be achieved in all Member States.

Moreover, we support the use of existing infrastructure and interconnection capacities, since not all member countries have gas storage facilities. However, the coordination and, if necessary, construction of new pipelines, require further concretization.

Attention must be paid to the fact that the proposal will lead to a huge increase in costs for businesses as energy consumers. European competition authorities and market regulators therefore need to analyse whether market participants are taking advantage of the current situation to make additional profits, or whether they are contributing to exacerbating market dysfunctions.

Eurochambres also supports the mandatory certification of storage operators, which ensures that the owners of storage facilities do not put the security of supply at risk. However, a clear and consistent definition of "risk" is needed in this context, as it is not appropriate to leave this decision solely to the respective national regulatory authorities. Furthermore, the certification process must be unbureaucratic and swift in order not to burden gas storage operators even more. This could lead to legal uncertainty among gas storage owners. Interventions in property should only ever be carried out in an absolute emergency, when no milder means are available. Therefore, we ask the Commission to quickly present clear guidelines for the new certification process so that national regulators can quickly start the preparatory work.

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