E.DSO policy brief on REPowerEU

E.DSO is the key interface between Europe's Distribution System Operators (DSOs) and the European institutions. E.DSO gathers 40 leading electricity DSOs in 24 countries, including 2 national associations, cooperating to ensure the reliability of Europe's electricity supply for customers and enabling their active participation in the energy system. E.DSO promotes the development and large-scale testing of smart grid technologies in real-life situations, new market designs and regulation.

On 8 March 2022, in response to Russia's invasion of Ukraine, the European Commission published **REPowerEU**[1], aiming to reduce EU demand for Russian gas by two thirds before the end of the year and eliminate dependence on Russian gas well before 2030. By implementing the measures outlined in the plan, the Commission aims to address the soaring energy prices as well as the threat to security of energy supply. The plan to reduce dependence includes both additional guidance on emergency measures as well as action for more affordable, secure, and sustainable energy.

The REPowerEU plan is based on two pillars:

- *Diversifying gas supplies*, via higher liquefied natural gas (LNG) and pipeline imports from non-Russian suppliers, and higher levels of biomethane and hydrogen.
- *Faster reduction in the use of fossil fuels* by boosting energy efficiency, increasing renewables and electrification, and addressing infrastructure bottlenecks.

Full implementation of the **Fit for 55 Package** [2] would reduce annual fossil gas consumption by 30%, equivalent to 100 billion cubic metres (bcm) by 2030. However, the geopolitical situation underlines the need to have intermediate milestones already in 2025 and 2027 to put the EU on the right track and ensure a visible shift toward less energy consumption.

On 11 March 2022, the **Versailles Declaration**[3] called upon the Commission to put forward a detailed plan by the end of May to implement the above measures, as well as proposing a plan by the end of March to ensure the security of supply and affordable energy prices during the next winter season.

E.DSO welcomes the REPowerEU plan and undoubtedly supports the Commissions efforts to ensure a coordinated European response to the Ukrainian crisis and the ongoing energy price crisis. It has become evident that the empowerment of the EU shall be deployed by *repowering, repurposing, and reinvesting EU.*

All the above actions will have a major influence on the European DSOs who consider their role as *neutral market facilitators* with the ability to act locally under the changing circumstances. However,

[1] European Commission (2022) REPowerEU https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A108%3AFIN

[2] https://www.consilium.europa.eu/en/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/

[3] https://www.consilium.europa.eu/media/54773/20220311-versailles-declaration-en.pdf

the scope and pace of these changes should not risk endangering basic obligations od DSOs relating to maintaining security of energy supply and the requirements of promoting cost effective solutions for energy customers.

E.DSO considers that the Commission in the REPowerEU emphasise the need for the accelerated development of renewable energy sources, but without adequate attention to the need to ensure a secure energy supply for the EU citizens. Therefore, E.DSO believes that detailed plan for implementing REPowerEU will be based on *clear objectives of the power systems stability* and energy supplies of appropriate quality to customers alongside *adequate and cost-effective grid investments*.

The E.DSO members assessment shows that the current plan is effective at reducing gas use. However, that will be possible by prioritising several issues that are efficient at displacing gas, that could allow EU to free itself from Russian gas or from any other country quickly.

This policy brief builds on E.DSO recommendations for an accelerated, secure and Paris compliant energy transition in the context of the invasion of Ukraine.

1. Using renewable electricity

Direct electrification offers the biggest reduction for gas: heat pumps are particularly effective to accelerate electrification of buildings. Natural gas cannot simply be replaced by hydrogen, given the large amount of renewables needed to displace small amounts of gas. A future-proof long-term strategy needs to both feasibly reduce dependence on fossil fuels while also deploying hydrogen in no-regret sectors where other decarbonisation pathways do not exist.

E.DSO considers very encouraging that the REPowerEU seeks to produce the clean-energy potential of electricity and deployment of new renewable projects. Switching off gas-fired power plants to power the grid through renewables is also a much more efficient solution. Decarbonising buildings, which account for about a third of the EU's energy emissions, is a central part of the European Green Deal, the bloc's strategy for reducing its greenhouse gas emissions.

2. Harnessing the Energy Efficiency

E.DSO strongly believes that an integrated EU energy system should be largely based on renewables and greater energy efficiency. This is the most-cost effective solution to reduce the dependence on fossil fuels at the level of homes, buildings, and industry. We are pleased to see that the energy efficiency is the second pillar of the Commission's REPowerEU plan. The case for energy efficiency has never been stronger, as lowering energy consumption entails not only reducing energy imports from Russia, but also reducing energy costs for EU citizens.

The initial proposal for the Energy Efficiency Directive (EED) sets a target of 39% efficiency in the EU's final energy consumption by 2030, but the technical potential is over 45%. Moreover, the EU could cushion the social impact of high energy prices, reducing energy poverty and energy demand at the same time. The backbone of the EU policy should be the '**Energy Efficiency First' principle**, so that it is considered equally important as costs for infrastructure in investment planning. Although the principle is in the EED, it is unfortunately missing from the draft EPBD.

More importantly, E.DSO considers smart meters for electricity as the backbone of an integrated energy system which incentivize energy efficiency. For this reason, the smart electricity meters regime in the EED should be expanded to mirror the ambitious provisions for smart gas and H&C meters. This will show electricity smart meters greatly contribute to customers' empowerment and to implement energy efficiency measures.

3. Ramp up wind and solar PV

It is obvious that Europe is undergoing an energy and climate crisis. The EU dependence on imported fossil fuels, whether from Russia or elsewhere, cannot possibly deliver the energy security Europe needs. Thus, it is evident that a new approach is needed to speed up the deployment of renewable energy with due concern for grid stability issues. The renewable energy parts of the Fit-for-55 Package would see Europe reach 427 GW installed wind power capacity and 383 GW installed solar power capacity by 2030. RePowerEU raises the ambition level by a further 90 GW, aiming for 480 GW of wind and 420 GW of solar capacity by 2030, with 80 GW earmarked for additional green hydrogen production. The new targets imply a 2.5 time increase of installed capacity within the next eight years.

To increase power system flexibility, investing in grids, and striking a balance between direct electrification and other renewables shall be further considered. In addition, E.DSO mirrors the endorsement of SolarPower in connecting and integrate more solar projects into the grid[4]. This will have to be accompanied hand in hand with creation of an EU-level roadmap on grid modernisation and flexibility development at distribution level.

4. Strengthen EU energy infrastructure

The EU has been supporting investments during the last decade to reduce the gas dependence. In this context, the **Trans-European Networks for Energy** (TEN-E Regulation[5]) and the **Connecting Europe Facility** (CEF)[6] are extremely important as they promote projects aiming at eliminating dependence on gas imports. One of their main objectives is precisely to enhance the EU security of energy supply by allowing diversification of supply sources by increasing storage capacity, system resilience and the connection of isolated markets to more diversified supply sources.

Since 2014, CEF Energy has been supporting the implementation of Projects of Common Interest (PCIs) pursuing the above objectives. The implementation of these projects and underlying PCIs will result in more diversified energy supplies to Europe. The focus of CEF during the period 2021-2027 remains to promote the development of decarbonised energy sources, in line with the REPowerEU plan, which seek to make a safe transition to more sustainable and decarbonised energy systems in Europe.

E.DSO member consider the TEN-E Regulation as a key opportunity for Europe to make the regulatory framework fit for purpose. E.DSO members are committed to rolling out and maintaining a high-class infrastructure to European citizens. By guaranteeing reliability and quality of electricity

[4] https://www.solarpowereurope.org/advocacy/position-papers/solar-powering-eu-energy-independence
[5] https://ec.europa.eu/energy/sites/ener/files/revised_ten-e_regulation_.pdf
[6] https://ec.europa.eu/inea/en/connecting-europe-facility

supply in an interconnected Europe while substantially contributing to the EUs climate agenda and decarbonisation objectives (*70% of RES generation is connected to the distribution grid*)[7], DSOs have a key role to play in the future Trans-European energy networks.

5. Mobilise EU financial instruments

Reducing fossil gas dependency will require great investments into renewable capacity deployment. Even prior to the Russian invasion of Ukraine the 'investment gap' for reaching the EU's 2030 emissions reduction targets was already significant. For example, the EU funds (including the Next Generation EU package) is expected to activate approximately €670 billion for the period 2021-2027, assuming that the funds are effectively used. Given the large investment gap to deliver emissions reduction, and the urgency to shrink the EU's fossil fuel dependence faster, reforming existing funding instruments and introducing new instruments has become imperative. Further, E.DSO considers that a significant proportion of energy transition investments currently planned until 2027 will need to respond to the short-term impacts of the current crisis.

Thus, if the EU wants to be serious about cutting the dependence on all fossil fuel imports, nothing short of a massive mobilisation of resources would be needed to both frontload and increase investments in the energy transition. The REPowerEU plain seems to be thin on content when it comes to finance and EU funds, beyond the existing EU instruments. All eyes are now on the Commission which is expected to propose an action plan in May 2022 for operationalising the REPowerEU plan.

E.DSO firmly believes that this is a unique chance to put forward an adequate roadmap that can mobilise all financial instruments to increase energy independence and accelerate a just energy transition.

[7] https://www.edsoforsmartgrids.eu/connecting-the-dots-distribution-grid-investment-to-power-the-energy-transition-2/