**Follow up to the European Parliament non-legislative resolution on
a European strategy for energy system integration**

1. **Rapporteur:** Christophe GRUDLER (Renew / FR)
2. **Reference number:** 2020/2241 (INI)) **/** A9-0062/2021 / P9\_TA-PROV(2021)0240
3. **Date of adoption of the resolution:** 19 May 2021
4. **Competent Parliamentary Committee:** Committee on Industry, Research and Energy (ITRE)
5. **Brief analysis/ assessment of the resolution and requests made in it:**

The resolution largely supports the policy priorities and measures identified by the Commission in the Strategy, with no substantial area of divergence identified.

The main political points in the own-initiative report are:

* Clearly interprets the three pillars as “cascading” priorities, i.e. energy efficiency first, then electrification, and then only renewable and low-carbon fuels where electrification is not feasible. While this can be considered *in line* with the spirit of the Commission’s policy, such “cascading” was not as clearly spelled out in the Commission Strategy.
* Recognizes that both renewable and low-carbon hydrogen can play a role, but “*stresses that priority should be given to building a renewable hydrogen supply chain in Europe*”. This is *in line* with both the Energy System Integration Strategy and the Hydrogen Strategy.
* Supports “*a comprehensive classification and certification framework of gaseous carriers based on the full life cycle GHG* (common greenhouse gas) *emissions savings and sustainability criteria, in line with the approach set out in Directive (EU) 2018/2001 on the promotion of renewable energy*”. This is *in line* with the Energy System Integration Strategy.
* Calls for the additionality principle to apply to all hydrogen, not only that used in transport (“*underlines the need to develop a robust framework and appropriate baseline to ensure that sufficient additional renewable energy generation capacity is deployed in proportion to the need for renewable hydrogen*”). This *goes beyond* the content of the Commission Strategy on Energy System Integration, which does not specifically address this point, but is *in line* with the European Hydrogen Strategy (COM(2020) 301 final) and the proposal for a revision of the Renewable Energy Directive (COM(2021)557 final) adopted on 14 July.
* The text agreed on carbon capture, use and storage (CCU/S) supports further action, but also stresses the priority given to direct emission reductions and natural carbon sinks. This can be considered as *in line* with the Commission Strategy, even though this point is not addressed in detail.

The main “calls on the Commission” are all in line with the policy direction of the Commission Strategy, and, in several cases, in line with proposals made by the Commission as part of the 14 July Fit-for-55 package. One (small) exception is the call on the Commission to come up with a specific plan on the tourism sector as part of an integrated energy system, which is not addressed *as such* neither in the Commission Strategy nor in the Fit-for-55 package.

1. **Response to requests and overview of action taken, or intended to be taken, by the Commission:**

The main “calls on the Commission” are:

* Paragraphs 6 and 9: to assess the possibility of applying the energy efficiency first principle in the upcoming revisions of Union legislation and methodologies and in new initiatives.

The proposal for a revision of the Energy Efficiency Directive (COM(2021) 558 final) adopted on 14 July 2021 introduces in Article 3 a new provision on the Energy Efficiency First principle, to provide the legal basis for the application of the principle, while minimising the administrative burden. It includes an obligation to consider energy efficiency solutions in policy and investment decisions in energy systems and non-energy sectors, including social housing. Furthermore, a Commission recommendation on implementation of the Energy Efficiency First Principle providing practical guidance for the application of this principle to policy makers and regulators is planned for September 2021.

* Paragraph 7: to consider energy-efficient measures for the EU water sector and the possibility of using treated waste water as an on-site source of renewable energy in energy system integration.

The proposal for a revision of the Energy Efficiency Directive (COM(2021) 558 final) adopted on 14 July 2021 introduces in Article 5 an obligation for the public sector to reduce its energy consumption for public services and installations of public bodies. This can be reached in any subsector of the public sector, including water and waste management. Also, other elements of the recent proposal could stimulate efficiency in the water sector, namely Article 8 on energy efficiency obligations, Article 11 on energy management and energy audits and Article 24 on efficiency in heating and cooling supply. Additionally, ambient energy from sewage water is considered as renewable under the Renewable Energy Directive (Directive (EU) 2018/2001).

* Paragraph 8: to revise the targets set out in the Energy Efficiency Directive.

The proposal for a revision of the Energy Efficiency Directive (COM(2021) 558 final) adopted on 14 July 2021 sets in Articles 1 and 4 an increased Union binding energy efficiency target for final and primary consumption, as well as indicative national energy efficiency contributions and provides a formula to the Member States to calculate their contributions. The Union targets are set in terms of the level of final and primary energy consumption to be achieved in 2030 and the level of ambition is expressed by comparing these levels to the 2020 Reference Scenario projections for 2030. The level of ambition expressed in such a way reflects additional efforts compared to the efforts that are in place or indicated in the National Energy and Climate Plans.

* Paragraph 10: to propose measures to further reduce methane emissions in the energy sector.

The Commission plans to come up with proposals to reduce methane emissions in the energy sector by the end of 2021.

* Paragraph 11: to develop effective incentives and business models to recover industrial waste heat and unavoidable waste heat into heat networks or storage.

The proposal for a revision of the Renewable Energy Directive (COM(2021) 557 final) adopted on 14 July 2021 introduces in Article 23(1) an obligation for the Member States to assess their potential for the use of waste heat and cold. Article 24(6) is also amended with a new paragraph on a framework to facilitate coordination among actors having a role in the use of waste heat and cold.

* Paragraph 15: to revise the relevant State aid guidelines to promote the deployment of all renewable energy sources

The Commission is currently consulting on proposals to revise the State aid Guidelines for Energy and the Environment, which should be formally adopted by 2022.

* Paragraph 20: to develop a comprehensive classification and certification framework of gaseous carriers on the basis of the full life cycle GHG emissions savings and sustainability criteria, in line with the approach set out in the Renewable Energy Directive, and ensure that sufficient additional renewable energy generation capacity is deployed in proportion to the need for renewable hydrogen.

The Commission plans to come up with proposals for a comprehensive classification and certification framework of low-carbon fuels by the end of 2021. The revision of the Renewable Energy Directive (COM(2021) 557 final) already provides a detailed definition and certification for renewable fuels, including renewable hydrogen and its derivatives produced from renewable electricity, including threshold for greenhouse gas emissions and sustainability criteria. Meanwhile, the research & Innovation (R&I) programme is progressively embedding more and more the circularity by design principle into R&I on renewable energy technology. It will especially be the case for the Work Programme of the new Joint Undertaking on Clean Hydrogen and for the part on renewable energy in the Horizon Europe Work Programme.

The current Renewable Energy Directive already requires additionality for the production of Renewable Fuels of Non-Biological Origin (RFNBOs), including renewable hydrogen in Article 27. The revision of the Renewable Energy Directive proposed on 14 July 2021 has broadened the definition of RFNBOs to applications in all end-use sectors. As such, the requirements for additionality have also been expanded to other application areas. By 31 December 2021, the Commission shall adopt a delegated act to establish a Union methodology setting out detailed rules for additionality.

* Paragraph 22: to incentivise car manufacturers to enable vehicle-to-grid charging.

The proposal for a revision of the Renewable Energy Directive (COM(2021) 557 final) adopted on 14 July introduces in Article 20a an obligation for the Member States to ensure that new, non–publicly accessible normal power recharging points installed in their territory can support smart charging functionalities and, where appropriate based on assessment by the regulatory authority, bidirectional charging functionalities. It also includes provisions concerning access to battery data. These provisions complement other provisions included in the proposal for a new Regulation on the deployment of alternative fuels infrastructure (COM(2021) 559 final) adopted on 14 July. The proposal defines smart recharging and introduces in Article 5 (8) an obligation that all public accessible normal power recharging points are capable of smart charging from the date of entry into force.

* Paragraph 23: to come up with a specific plan on the tourism sector as part of an integrated energy system.

While the Commission Strategy does not include actions specific to the tourism sector, several provisions contained in the Fit-for-55 package are relevant for the tourism sector, as they help to build back better in a sustainable manner, in particular the accelerated development of recharging and refuelling infrastructure for zero- and low-emission vehicles (AFIR), as well as the greater use of renewable and low carbon fuels in aviation and maritime (ReFuelEU Aviation and FuelEU maritime).

* Paragraph 28: to assess how to reduce the costs of taxes and levies on energy transformation and energy storage, and to eliminate the potential double taxation on storage projects in its forthcoming revision of Directive 2003/96/EC.

The Electricity Directive (Directive (EU) 2019/944) already indicates in Article 15 that active customers owning an energy storage facility shall not be subject to double *charges* for stored electricity remaining within their premises. As regards taxation, electricity storage facilities and transformers of electricity may be considered as redistributors when they supply electricity and electricity can be subject to taxation and become chargeable at the time of supply by the redistributor.

* Paragraph 36: to develop an internal market for digital energy technologies while protecting consumers’ privacy and personal data.

The Commission is currently working on the preparation of a Digitalisation of Energy Action Plan, planned for 2022.

* Paragraph 37: to make sure that the Agency for Cooperation of Energy Regulators is provided with sufficient means to carry out its missions.

Significant increases in resources should be based on a Legislative Financial Statement (LFS). The Commission is preparing an assessment whether the Agency for the Cooperation of Energy Regulators (ACER) has sufficient resources to be included in the Commission Opinion on ACER’s Programming Document 2022-2024. This assessment could identify higher proposed needs in the future and, subsequently, result in an LFS annexed to the Commission Opinion and be reflected in the autumn amending letter to the draft 2022 budget. This would be a one-off effort covering existing tasks of ACER for which staffing needs had been underestimated when preparing the third internal market package and the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). As concerns the new tasks, staffing and other funding needs should be sufficiently reflected in the LFS accompanying new legislation. This is not only important when the Commission prepares proposals. Also, the Parliament and the Council should, when agreeing on changes to a proposal in the interinstitutional negotiations which gives ACER new tasks, at the same time accept, as Budgetary Authority, that ACER may need additional resources.