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POSITION PAPER

on the European Commission's proposal for the reform the Renewable Energy Directive

Berlin, 18. November 2021

With the European Green Deal, the European Commission presented an ambitious growth and transformation strategy in December 2019, which is intended to bring about climate neutrality for Europe by 2050.¹ In response to this landmark decision, the European Parliament and the European Council have committed to realigning the European climate targets for 2030.

In line with the decision of the European Parliament and the European Council, the EU's greenhouse gas emissions will have been reduced by 55 per cent compared to 1990. To achieve this ambitious goal and to develop the necessary framework conditions for the economy, society and industry, the European Commission presented the "Fit for 55" package in Brussels in July 2021.² The "Fit for 55" package includes a proposal to reform the Renewable Energy Directive.

eco – Association of the Internet Industry and the Alliance for the Strengthening of Digital Infrastructures in Germany, founded under the umbrella of eco, support the proposal to reform the Renewable Energy Directive. Digital infrastructures consist of, inter alia, colocation, cloud, edge or hyperscale data centres, which serve as the cornerstone of digital ecosystems and the backbone of digitalisation.

To enable the efficient and climate-neutral production and operation of information and communication technologies, the expansion of renewable energy in Europe needs to be more ambitious, and the processes required to do so (e.g., planning and approval processes) need to be accelerated. Despite the restructuring process that has already started in the European energy system, more than 70 per cent of the greenhouse gas emissions generated in Europe still stem from the energy supply and the energy system. The Renewable Energy Directive³ was already introduced in 2009 and is seen as the European basis for the expansion of renewable energies. In addition to regulations on the climate-neutral restructuring of the European energy system, the directive also contains provisions on the distribution of renewable energy and thus offers potential for investments, innovations, and future-proof employment. eco would like to introduce the following points into the further consultation on the reform proposal.

¹ See EU Commission, Communication from the Commission: The European Green Deal, COM (2019) 640 final <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>

² See EU Commission, Communication from the Commission: "Fit for 55": delivering the EU's 2030 Climate Target on the way to climate neutrality <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0550>

³ See Directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources, DIR (EU) 2018/2001 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02018L2001-20181221>



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Advance the ambitious roll-out of renewable energies

The European Commission proposes to increase the share of renewable energies in Europe to 40 per cent by 2030 – double the share in 2020. To achieve this target, plans include not only the construction of plants for the generation of renewable energy but also the strengthening of utilisation forms in the field of renewable heat generation.

eco and the data centre operators support the proposed increase of renewable energies in the European energy mix. In the Communication on Shaping Europe's Digital Future, the European Commission has identified an ambitious climate target for the data centre industry with the climate-neutral operation of data centres by 2030.⁴ In the past years, eco and the data centre operators have repeatedly pointed out the importance of an ambitious and accelerated roll-out of renewable energies in Europe. Particularly in view of the fact that the use of renewable electricity is becoming the standard for the operation of data centres and that the availability of renewable energies has accordingly become increasingly important.

To strengthen the competitiveness of all data centres located in Europe – regardless of their geographical location – and to ensure the climate-neutral operation of data centres from 2030 as required by the European Commission, the share or expansion of renewable energies must be accelerated, and framework conditions for electricity generation at competitive prices must be developed.

The operation of data centres requires large amounts of energy that must be provided constantly and reliably. Compared to the energy-intensive industrial sector in Germany, data centre operators generally pay the applicable industrial electricity price for their power class, including all charges, levies and taxes. The result of this unequal treatment is that data centre operators have to pay up to 100 per cent higher energy costs than the energy-intensive industrial sector, despite similar power consumption patterns depending on their location and power class.

In order to guarantee attractive and competitive energy costs for data centre operators throughout Europe, eco and data centre operators advocate a review of the applicable energy price components in Europe. If consideration of the data centre industry is not possible in the course of an adjustment of the European Environmental and Energy Aid Guidelines (EEAG), the medium-term moderation of reduced electricity price components should be discussed in order to guarantee competitive energy costs for all industries.

Enhance the usage potential of Power Purchase Agreements

Since 2018, it has been possible to draw up contracts for the supply of renewable electricity on the basis of Power Purchase Agreements (PPAs) in the European Union. As part of the revision of the Renewable Energy Directive, the European Commission proposes that the Member States create measures to promote or strengthen PPAs. Among other factors, legal and administrative hurdles are intended to be reduced.

⁴ See EU Commission, Communication from the Commission: Shaping Europe's Digital Future, COM (2020) 67 final https://ec.europa.eu/info/sites/default/files/communication-shaping-europes-digital-future-feb2020_en_0.pdf



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A PPA is a direct supply contract between the operators of renewable energy plants and the electricity consumers for the supply of a certain amount of electricity during the contract term. With the help of PPAs, the financing of renewable energy projects outside of state support frameworks is strengthened, while the continued financing of the plants after the expiry of state support frameworks is also made possible.

eco and the data centre operators have endorsed the European Commission's proposal to strengthen or promote the use of PPAs for the direct supply of electricity from renewable sources. From the perspective of data centre operators, PPAs offer a good basis for accelerating the roll-out of renewable energies, as they enable project financing independent of state support frameworks and thereby contribute to the realisation of European climate goals. At present, PPAs are rarely used for energy supply by data centres located in Germany. This can mainly be attributed to the facts that PPAs have only been an option since 2018, that the required contracts are usually very complex, and that the German energy cost structure – composed of energy prices, taxes, levies and charges – offers no economic incentive for such a transition.

On the basis of a PPA, the expansion or continued operation of renewable energy plants is supported directly upon the conclusion of the contract, so that additional funding through further levies or charges (such as the Renewable Energy Law (EEG) levy in Germany) is not necessary.

Establish an attractive legal framework for the utilisation of waste heat from renewable-powered industrial and commercial plants

In order to achieve the 2030 target for the roll-out of renewable energies, Member States should also to promote the installation of renewable based and efficient heating and cooling systems based on renewable energies. In order to distribute the heating and/or cooling capacities, the framework conditions for so-called Heat Purchase Agreements should also be established.

For the operators of data centres, the development of legal framework conditions for the distribution of renewable heating and cooling services is an important signal from the European Commission to promote the utilisation of waste heat from data centres (provided they are operated with renewable energies). During data processing in data centres, electricity is converted into heat. Due to their technical design, some data centres generate large waste heat potentials throughout the year, which in some Member States have not been systematically used; for example, for feeding into heat grids, or for heating residential complexes, public buildings or vertical farming. In the opinion of eco, Heat Purchase Agreements can open up the possibility for data centre operators to create economic added value from the waste heat generated on the basis of renewable electricity.

Summary

With the proposal for the reform of the Renewable Energy Directive, the European Commission has created an ambitious target for the development and expansion of renewable



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energies. eco and the operators of data centres support the fact that specifications for the integration of regenerative waste heat potential are also to be created.

An ambitious and accelerated expansion of renewable energies is essential to achieve the goal defined by the European Commission – climate-neutral data centre operation by 2030. Due to their frequent integration into urban spaces, data centres have only limited possibilities to generate the electricity needed for data centre operations themselves. The strengthening and simplification of Power Purchase Agreements proposed by the European Commission is an important measure to strengthen the distribution and financing of renewable energies outside of support mechanisms. Further measures are also needed to ensure competitive electricity costs to achieve a significant improvement in the current situation. Electricity costs deliver the largest cost factor for the operation of data centres and thus have a direct impact on location decisions for the settlement or expansion of data centres. In order to create attractive and reliable planning conditions, European framework conditions for competitive industrial electricity prices should be developed and implemented at Member State level.

With its reform proposal, the European Commission underlines the necessary energy and climate policy efforts to fulfil the European Green Deal. With the adjustments to the Renewable Energy Directive, the necessary coherent and reliable planning framework for the future expansion and use of renewable energy and heat can be created. To reliably achieve the directive's goal as well as sector-specific goals, e.g., climate-neutral data centre operation by 2030, the ambitious goals of the reform proposal presented by the European Commission should also be maintained in the upcoming consultations.

About eco

With more than 1,100 member companies, eco is the largest Internet industry association in Europe. Since 1995, eco has been instrumental in shaping the Internet, fostering new technologies, forming framework conditions, and representing the interests of members in politics and international committees. The focal points of the association are the reliability and strengthening of digital infrastructure, IT security, trust, and ethically oriented digitalisation. That is why eco advocates for a free, technology-neutral, and high-performance Internet.