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Position Paper on the Renewable Energy Directive

Berlin 05.12.2022

The EU Commission's proposal for amendments to the Renewable Energy Directive (RED) was published in July 2021 as part of the Fit for 55 package. Following the ordinary legislative procedure, the European Parliament (EP) concluded its first reading of the EU Commission's proposal on the 14.09.2022 and has since published its commentary, including several amendments. The amended Directive is expected to enter into force by mid-2023.

The original RED has been in force since 2009 and is the principal instrument at EU level for the promotion of energy produced by renewable sources. The legislative instrument was revised in 2018 (RED II). In July 2021, the EU Commission proposed a second round of amendments to the RED as part of the Fit for 55 package (RED III). The proposed amendments are intended to increase the uptake of renewable energies across the Union and contribute to the transformation of the energy system towards carbon neutrality by 2050. eco members are impacted by the Directive since it introduces measures related to the strengthening of renewable Power Purchase Agreements (PPA), which are of importance for the decarbonisation of the ICT sector. Moreover, the Directive also aims to increase the coordination of district heating and cooling networks with third-party suppliers of waste heat. This is of particular relevance for eco members engaged in the management and operation of data centres.

- **Expand and strengthen the role of renewable PPAs**

eco is in support of an accelerated rollout of renewable energies. To ensure the achievement of ambitious carbon neutrality targets, including the carbon neutrality of data centres by 2030, the share of renewable energies in the energy system must be increased radically and at an accelerated pace. Moreover, framework conditions must be put in place that enable the procurement of electricity from renewable sources at attractive market rates. To this end, eco welcomes the EU Commission's ambition to strengthen and enhance the role of PPAs between industry actors and producers of renewable energy.

eco also agrees with the assessment regarding the need for increased national efforts to remove regulatory and administrative barriers to the establishment of renewable PPAs. At present, PPAs are rarely used for energy supply by data centres located in Germany. Therefore, eco welcomes the EP's amendments regarding the removal of barriers to permitting of

renewable PPAs for energy intensive industries and SMEs amongst others. This also includes including the mitigation of financial risks such as the removal of discriminatory fees and charges.

- **Advance the 'guarantees of origin' system for renewable energy crediting to accelerate a carbon-free grid for everyone and a just transition**

eco welcomes the advancements made regarding the EU 'guarantees of origin' system for renewable energy, such as improving the transparency (Article 19). Guarantees of origin enable consumers to make better informed choices regarding the origin of their energy supply. Advancing the system of guarantees of origin provided by energy suppliers will ensure that consumers can contribute to decarbonising the energy sector by supporting the prioritisation of clean energy investments with the highest carbon reduction impact.

More can be done to ensure that these developments go even further in accelerating a carbon-free grid: for instance, by identifying the hour associated with each unit of renewable generation and stamping guarantees of origin with the hour of generation, as well as the grid carbon emissions rate at the time and location of production. Time- and carbon stamped guarantees of origin would allow large corporate buyers that are voluntarily seeking greater grid decarbonisation to prioritise more impactful investments.

- **Waste heat utilisation and coordination with district heating and cooling networks**

eco agrees that waste heat potentials should be utilised where it is economically viable and technically feasible to do so. To this end, regulatory efforts should ensure that the necessary infrastructure is made available and that incentives are provided to promote waste heat utilisation.

The current draft RED III places an obligation on Member States to establish framework conditions – such as coordination frameworks between operators of district heating and cooling networks and potential third-party suppliers – in order to enable and facilitate the utilisation of waste heat. However, recent amendments by the EP weaken the responsibility for operators of district heating and cooling networks to enable the exploitation of waste heat potentials.

Following the EP comments, district heating and cooling network operators should not be obliged but rather only be encouraged to connect third-party suppliers. However, data centre operators are only able to make waste heat available if operators of heating and cooling networks facilitate waste heat utilisation from third-party suppliers. In the absence of the required network

capacity and sufficient connection points, the waste heat produced by data centres cannot be utilised in district heating. In addition, many data centre operators are willing to offer waste heat, but there is not always a willing customer for this heat. Therefore, operators of district heating and cooling networks should be encouraged to purchase waste heat from data centres. However, regulatory efforts targeting waste heat utilisation should ensure that waste heat potentials are fully utilised in light of their economic and technical feasibility, and that this should be conducted without placing disproportional obligations on individual (groups of) actors.

Conclusion

The global ambition of RED III is to increase the volume and accelerate the pace of the renewable energy rollout across the EU. eco welcomes this ambition and agrees that the ICT sector and data centres in particular can contribute to achieving ambitious carbon neutrality goals. eco commends the ambition to facilitate the establishment of renewable PPAs across the board, including via the removal of undue administrative burdens and financial risks. eco also encourages the creation of more granular guarantees of origin that track the hour and grid carbon emissions rate associated with electricity generation. eco also welcomes the establishment of coordination frameworks between operators of district heating and cooling networks with potential providers of waste heat. However, regulators should consider that making use of waste heat potentials also relies on the availability of the necessary infrastructure, local demand for heat, and the economic viability of heat purchase agreements. These factors should be especially borne in mind in the forthcoming revisions of the RED proposal.

About eco

With more than 1,100 member companies, eco is the largest Internet industry association in Europe. Since 1995 eco has been highly 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.