



## **FINAL HIGH-LEVEL EVENT REPORT – Repowering for the People: challenges and opportunities for EU member states**

Russia’s invasion of Ukraine exposed the fossil fuel crisis more than ever, further highlighting the need for immediate actions to tackle the ongoing climate emergency and accelerate a needed energy transition. On 18 May, the European Commission reacted by presenting ‘REPowerEU’, with the objective of weaning off the EU’s reliance on energy imports from Russia and keeping energy prices under control.

On 30 June 2022, a webinar organised by the LIFE Unify project brought together decision-makers, businesses and civil society representatives to discuss the impacts of the ‘REPowerEU’ package at the national level, and how Member States can use it as an accelerator for the energy transition and national climate action.

Notably, the panel was an opportunity to on bottlenecks to overcome and opportunities to seize at the national level – from adequate funding instruments to the upcoming revision of National Energy and Climate Plans – in order to ensure that ‘REPowerEU’ brings the EU on track with 1.5°C-aligned 2030 climate targets and puts people at the heart of the transition.

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After an introduction by moderator Anca Gurzu (Cipher), CAN Europe director Chiara Martinelli shared some opening remarks. Ms Martinelli notably highlighted the main rationales for this meeting, namely (i) to discuss how the ‘REPowerEU’ plan can place people at its core (ii) to stress the role of EU Member States in delivering an ambitious implementation of climate legislation currently being discussed at EU level, and (iii) providing a space to enhance dialogue between the EU and national level to discuss challenges and solutions.

The moderator then opened the panel, asking speakers to name the biggest opportunity but also the biggest challenge that ‘RepowerEU’ poses at the national level. Panellists agreed that the complex fossil fuels crisis exacerbated by the war in Ukraine can be turned into an opportunity and has provided strong incentives to dramatically accelerate the EU energy transition – not only because of the obvious

climate and environmental concerns, but also following considerations on energy affordability (i.e. energy prices) and security of supply. Ms Davidova (Project Coordinator at CDE, Czechia) highlighted the opportunity of putting people at the core of the transition, as well as that of making the EU less energy dependent from Russia, and more generally from all external suppliers, by focusing on developing renewables capacities and energy communities. Ms Garcia Mezquita (Deputy Head of Unit at DG ENER) also pointed to the opportunity for the EU to develop industrial leadership on renewables, with cascading effects on jobs and people's well-being.

There was a general agreement that the implementation of the plan at the national level presents a significant challenge, with several bottlenecks to overcome which Member States should address. Several of the panellists pointed to the importance of mobilising the right amount of investments (according to Ms Garcia Mezquita, over 200 billion on top of what was already needed to achieve the objectives of the 'Fit for 55' package) coming not only from EU or national resources, but also from the private sector, as stressed by Mr Giulio Federico (Head of Unit at the Recovery and Resilience Task Force). Paring them with bold, better-designed reforms– including on permitting, which was mentioned several times – and putting in place the right incentives were also identified as important challenges to overcome at the national level. Olivier Vardakoulis (CAN Europe) also stressed the challenge for member states to avoid a “conceptual” lock-in – i.e. to avoid addressing this crisis with the usual false solutions that only seem easy and distract from the long-term goal (i.e. looking for LNG imports from different economic block to replace Russia fossil gas). Ms Garcia Mezquita mentioned the remarkable differences across regions, while Ms Davidova and Mr Huemer (SME United) pointed to the lack of skilled workers and raw materials to accelerate renewables deployment and energy efficiency.

After this round of introductions, each speaker was asked more specific questions. **Mr Federico clarified the role of the Recovery and Resilience Facility in the implementation of the 'REPowerEU' package.** The RRF will be on the driving seat when it comes to 'REPowerEU' implementation as the European Commission considered it has been working well so far to channel resources towards the green transition (Mr Federico pointed to green assessment criteria, the DNSH principle and the 37% budget allocation for green investments).

The current proposal of the Commission to amend the RRF Regulation – which is now with the Parliament and the Council – consists of (i) adding new 'REPowerEU' chapters to the existing RRFs; (ii) mobilising further investments (+20 billion in grants from selling allowances from the Market Stability Reserve, reliance on unused RRF loans and enhancing transfers from cohesion and agriculture funds). Mr Federico added that, while the overall framework of the RRF would remain in place also for the additional chapters, it would feature two main differences:

1. The digital target of 20% would not apply, which can give some freedom for focusing further on green investments.

2. Derogation on DNSH on investments required to meet immediate security of supply concerns (including LNG infrastructure, around 6B); these would be determined according to the regional needs assessment done by ENTSO-G, (further guidance will be provided to Member States by the EC). Mr Federico stressed that these would be only specific, narrow investments, as it is important that the overall direction remains the decarbonization of the economy.

**Mr Vardakoulias** (Finance and Subsidies coordinator at CAN Europe) instead **focused on the investment gap for green investments, and on what is necessary to make sure that those funds available go in the right direction.**

According to the Paris Agreement Compatible energy scenario developed by CAN Europe, it is possible to completely phase out Russian gas already by 2025 without expanding infrastructure for fossil gas imports. To do so, however, he stressed the need to dramatically accelerate investments and related reforms in a very short timeframe, including, among others, to (i) accelerate renovation rates of homes, which must be tripled (and deepened), to (ii) achieve new 5 million PV on rooftops per year and (iii) install around 5 million of heat pumps per year. In order to deliver such objectives, all financial instruments – EU, national, private – must be aligned with these targets.

However, this is currently not the case – at least not when it comes to EU funds spending plans. CAN Europe has been working with Bankwatch on assessing Recovery and Operational Programs (the two main funding instruments with the CAP); on a quantitative level, preliminary findings show that the amount strictly dedicated to decarbonization objectives is less than 30% of the old NECPs objectives, which are now completely outdated and much less ambitious than ‘REPowerEU’ objectives. The same holds on a qualitative level, as planned investments entailed expansion of fossil gas infrastructure, while key investments are lacking – for instance on community-based renewable energy, sustainable public transport etc. This is the current baseline, on top of which goes ‘REPowerEU’.

**Mr Gerhard Huemer** (Economic Policy Director at SME United) discussed **bottlenecks that could slow down the implementation of ‘REPowerEU’ measures** on the ground. He stressed the gap between EU ambition and the reality on the ground, where (i) SMEs in most countries lack adequate financial instruments to reduce their emissions (notably on energy efficiency); (ii) waiting time to install PVs or heat pumps is 2 years on average. Solving issues related to supply of raw materials, acceleration of PVs production and reskilling of workers are all key to roll out even part of the current plans. SMEs working in these sectors highlight that they cannot add more capacity (i.e. take more orders) due to lack of materials and skilled workers. Other key bottlenecks are the regulatory overburdening and the lack of proper downstream infrastructure (e.g. electricity grids, storage). Member States can contribute to solve these issues, for instance with reskilling programs.

**With the intervention of Ms Garcia Mezquita, the discussion turned towards the role of NECPs – and their upcoming revision – in implementing ‘REPowerEU’.**

She started by highlighting the key role of NECPs in translating EU 2030 energy and climate objectives into national action and coordinating national policies to meet such objectives. After dramatic socio-economic and political changes – Covid-19, the upgraded EU climate ambition, ‘Fit for 55’, ‘REPowerEU’ – require an update of NECPs, written in a different reality. The upcoming update of NECPs should factor in all these elements to ensure that Member States are in line with EU targets and remain consistent with their RRP and the CSRs under the EU semester.

Ms Mezquita stressed that it is already timely for Member States to start preparing their NECPs update. As announced in the ‘REPowerEU’ package, the European Commission will prepare guidance for this NECPs update.

In terms of **content**, the guidance will stress the need to factor into the NECPs all these disruptive changes and the EU’s reactions. NECPs will therefore have to take into account:

- EU’s increased climate ambition (EU Climate Law, Fit for 55);
- EU’s new strategies (e.g. on renewable hydrogen, circular economy), principles (e.g. “energy efficiency first”, just transition) and guidances (e.g. on permitting);
- Inputs from the Country-Specific Recommendations;
- The public participation requirements under the Aarhus Convention;
- Climate and energy investments and reforms planned under the RRP;
- Overall investments planned to achieve the targets, (e.g. on research & innovation; (his section was quite weak in the previous NECPs)

In terms of **process**, DG ENER and DG CLIMA started preparing the NECPs guidance for Member States and will publish it by the State of the Energy Union (31 October at the latest). A meeting of Director Generals for Energy and Climate happened in the first half of July (with Commission + 27 MS representatives) to discuss the main elements that should be part of the plans. Then, the Energy Union and the Climate Change Committees will go into the technical details. DG ENER has recently created a task force to work on NECPs, and one of the units will be in close contact with Member States to ensure a thorough preparation of NECPs.

Finally, **Kateřina Davidov shared some key messages of NGOs to Member States and the European Commission regarding the NECPs update.** If the first NECPs was for many Member States just a copy-paste exercise of already existing policies and strategies, with weak public participation, this time – in a completely different scenario – things have to be different. The mindset of Member States has suddenly changed after the war in Ukraine, and we should keep that mindset for the NECPs revision. The energy security question is also resonating strongly with the general public, and Member States have to keep that into account to increase

acceptance of climate measures, including an ambitious NECPs revision. Public participation is key – and NGOs are making huge efforts to sit at these tables. The Commission should push Member States to engage in these processes seriously – not just make them a tick-boxing exercise. Also the Commission has an important role to bridge the increasing gap between EU regions proceeding at different speeds in terms of green transformation which, with more ambitious objectives now on the table, could create friction between Member States already reaping the benefits of being advanced green economies and those lagging behind. Finally, Czechia should use the opportunity of the Presidency – during which it will have to lead negotiations on Fit for 55 – to demystify these EU climate legislations and illustrate their benefits in front of the CEE general public, and allow them to take ownership. With the current security crisis at our doorstep, it should also not lose sight of the longer-term climate crisis, as the two are interlinked; some ministers share this approach, some don't; the Czech Presidency can be the opportunity to reach a unified national approach.



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