Regulation on Energy Union Governance

Industrial competitiveness still largely unaddressed

The regulation sets the 2030 targets on energy efficiency and renewable energies and defines a methodology for meeting them at national level.

On the positive side, Member States will have to develop short to medium-term Integrated National Energy and Climate plans. Such an approach is welcomed, as it has the potential to deliver more coherence among multiple and often overlapping policy measures. In addition, it has the potentials to deliver a more stable long-term policy framework.

Against this backdrop, CEPI has the following main reservations:

1. No to a binding cap on energy consumption impeding industrial growth

The Commission proposal requires the EU to remain within absolute primary and final energy consumption targets (art. 6). These targets are based on a pre-determined scenario and are not subject to change, reflecting economic developments.

As a consequence, a growth in activity levels in industrial production could be halted, should the EU reach the pre-defined cap. Under this scenario, investments in European manufacturing industries will be impacted.

Energy efficiency is not about capping energy consumption. It is about improving effectiveness of energy use for local and global needs as a mean to reduce carbon emission, improve competitiveness and security of supply.

2. Increased mobilisation of forest biomass essential in reaching 2030 renewable energy target

Our industry continuously strives to produce more renewable products, which contribute to decarbonisation as carbon stocks and by substituting fossil-based alternatives. Increased production of these end-products results in a need for increased throughput of biomass in our value chains. This will in turn make higher amounts of forest residues and forest industry residues available for the bioenergy market. In other words, to stimulate the supply of wood for the forest industries and to increase the overall mobilisation of forest biomass will be essential in EU28 reaching its 2030 renewable energy target.

3. Need for a real focus on industrial competitiveness

In the integrated climate and energy plans, Member States are toned to also report on competitiveness. However, there is nothing about competitiveness in the list of "policies and measures", nor in the "impact assessment of planned policies and measures". Without any indicator, how can Europe seriously assess and support industrial competitiveness?

4. Reduction of administrative burden for business needs to be prioritised

The proposed reporting methodology seems administratively burdensome and lacks a clear assessment on how this would impact business. The current levels of administration in implementing the climate and energy packages are already quite burdensome for industries. The priority should be to minimise red tape for industry.

5. **Policy conflicts and overlaps**

The targets for GHG emissions, energy efficiency and renewables, interact with each other and may cause contradictions. In particular:

- Electricity market design: a balance needs to be found between demand-side flexibility, delivering system efficiency improvements, and assessment of energy efficiency at installation level, which will be negatively impacted by variation of on-site energy generation levels.

- Renewable energy: use of sustainable biomass is penalised in energy efficiency calculations, even if it increases the share of renewable energies and reduce carbon emissions.

- Emission Trading Scheme (ETS): the ETS already acts as an additional incentive, next to international competition, to foster energy efficiency. Installations under the ETS should therefore be excluded from bearing the costs of energy savings obligation schemes.

- Effort sharing and LULUCF: LULUCF policies need to promote active forestry and better forest growth. This would not only help responding to renewable energy pull, but have also beneficial impacts when increasing carbon stocks in forests and products