



12 April 2022

## **RESPONSE TO THE PUBLIC CONSULTATION ON PERMIT-GRANTING PROCESSES FOR RENEWABLE ENERGY PROJECTS & POWER-PURCHASE AGREEMENTS**

### PERMIT-GRANTING PROCESSES

Lengthy permit-granting processes and administrative procedures are hindering large-scale deployment of renewable energy sources in the European Union. This influences Europe's ability to ensure security of supply, as well as fulfil the 2030 emissions reductions target and, in the long-term, the climate neutrality objective. It is of utmost importance to further consider measures which would simplify and accelerate the deployment of renewable energy projects and related grid infrastructure projects. We therefore welcome the European Commission's intention to present proposals to Member States which would tackle administrative barriers and speed-up the permit-granting processes.

First of all, any large-scale investment in renewable energy sources should be based on a predictable and stable regulatory framework. The Renewable Energy Directive currently in force, and specifically Article 16 of this Directive, already includes important measures which simplify the permit-granting processes, such as the maximum durations of the administrative procedures, the one-stop shop provision or simple-notification procedures. These measures need to be fully and effectively enforced in all Member States. We note that despite the maximum durations set in RED II, the permitting for renewable energy projects can still take up to 7-10 years in some Member States. Good practices exchange on the implementation and effective enforcement of already existing measures, both at national but also at regional level, should be improved and facilitated by the European Commission.

We also welcome the RePowerEU Communication, which proposes that deployment of renewable energy and related grid infrastructures should be considered as being in the overriding public interest and in the interest of public safety. This is a good first step which should be further specified in the EU legal framework, for instance as part of the ongoing negotiations on RED III. We would also support clearly stating in the final text of RED III that in application of EU environmental law to renewable energy deployment, the species protection should refer not to individual specimens but to the entire population, while keeping the environmental law itself intact.

Generally, the current administrative processes for permit granting in respective Member States are often no longer fit for the challenges of deploying renewable energy on a massive scale. In particular, there are concerns about planning, analysis, authorisation and digitalisation of renewable energy projects by the relevant national authorities, as well as authorising related grid infrastructure investments. The process is often dispersed through the involvement of regional/local authorities, which adds delays and complexity,



and leads to the duplication of work. Furthermore, offices of respective authorities are usually understaffed and lack resources to process requests.

Having a uniform definition of a minimum set of clear and generic rules on the permit-granting process would greatly simplify the complicated national rules, as well as allow for the easier monitoring of the measures taken in different Member States. The simplification of permitting should also ensure clarity for investors on the correct path to take in each case, as too many doubts related to interpretation of various national and local rules still exist. Since the prompt implementation of the transmission grid projects is a key prerequisite for effectively deploying additional renewables capacity, it is also necessary to introduce clear guidelines specifically related to the permitting procedures for transmission grid projects.

In addition, processes can be further simplified by introducing measures which would guarantee a shorter timeframe, such as a silent consent provision for parties who provide opinions to the permit process or promoting dialogue between the different parties involved in the authorization process early on. Member States should also ensure that renewable energy projects are socially accepted by the local populations, for instance by carrying out public campaigns on the benefits of RES development, as this is key to the success of these projects on the required scale.

We further believe that a special category of permitting procedures with decreased length of the processes, especially for projects on abandoned or unused areas, with tailor-made Environmental Impact Assessment obligations, could ensure a smooth processing of the project requests. Measures should also include support mechanisms which would incentivise investors to consider such locations, ensuring that RES projects and the related grid infrastructures developed in those areas would benefit from simplified authorisation procedures. In order to speed up the investment process, it is important to provide clear indications of the eligible areas for installation of plants at the national level, as well as on the conditions to be respected by investors for such installations. Agrivoltaic plants could also play an important role in combining RES deployment and agricultural use. Because of their limited long-term impact on land-use, they could benefit from a simplified approach to their deployment.

At the same time, it is important that the areas identified as "suitable" for a project are large enough and are compatible with the electricity grid potentialities so that the projects deployed can contribute in an effective and efficient way to the renewables deployment targets – scale is desperately needed to make up for the delays in deployment, and economies of scale can only help the feasibility of projects. Moreover, we consider that a full environmental impact assessment is no longer necessary for repowering projects, as it has already been conducted on the specific site before, and repowering projects can guarantee additional RES capacity swiftly.

Supporting RES deployment should be closely linked to the necessary grid investments which are essential for connecting more renewable energy to the grid. In some Member States, many RES projects with granted permits are waiting to be approved by the grid operator who does not allow the connection of a RES project to the grid because of limited grid capacity. The EU legal framework should require coordination between the authorisation procedures of RES plants and the needed transmission infrastructure



projects and involve an increasingly integrated planning of RES and grids. Related grid investments should also have the ability to use fast-tracking procedures. It is also necessary to build a new supportive regulatory framework for RES combined with storage facilities (in repowering and in new power plants) and for renewable energy power plants combined with an electrolyser for renewable hydrogen production. With larger RES capacity in the system, there is an increased risk that parts of the RES production would need to be shut down in times of more-than-average production in order to match the demand for electricity. Here, storage solutions will be key in ensuring that the electricity is not “lost”, and developers can more easily account for the electricity that can be sold in the system.

Finally, many requirements for granting the permit to a renewable energy project arise from different EU legislations, notably the Industrial Emissions Directive, Water Framework Directive or EU Birds and Habitats Directives. The issue of permit delays should therefore be addressed in a comprehensive, structural, and coherent manner at EU and national level. For example, the synergy between biodiversity and new renewable energy facilities should be further investigated by the European Commission and Member States.

#### POWER PURCHASE AGREEMENTS

Despite a growth in the renewables capacity contracted through Purchase Power Agreements in recent years, the market for PPAs is not yet sufficiently developed to mitigate the risks corresponding with signing such a contract. PPAs should be further supported, as they can help ensure a long-term, stable, and affordable supply of renewable energy to energy-intensive companies, and therefore help them limit their risk exposure towards electricity prices and international energy markets. This is particularly relevant in times of significant volatility on the energy market, as average wholesale electricity prices have significantly increased, and it is unlikely they will fall until 2023. PPAs can also play a fundamental role in decarbonising businesses and energy-intensive companies while at the same time contributing to generating additional investment in new renewable generation capacity. In this way, development of a full scale PPA market can be crucial in reaching the decarbonisation targets of Member States.

We believe that further measures are needed to encourage long-term PPAs, alongside necessary measures to increase the supply of renewable electricity. Firstly, there are still many regulatory barriers remaining across Member States. They include: ability to contract directly between buyers and generators (which is not allowed in some Member States), national regulations limiting who can be an offtaker, limitation on the geographical location of contract sourcing as well as the inability to transfer guarantees of origin to offtakers, which prevents generators from proving they have produced renewable power, and consumers from verifying they have consumed it. All projects, including subsidized ones, should be able to receive guarantees of origin. The new provisions on GoOs proposed by the European Commission in Articles 15 and 19 of the revised RED are welcomed. However, it would take at least a few more years before these are transposed into national law.

Particular attention should be given to encouraging cross-border PPAs, as they suffer from insufficient market coupling and limited capacity for cross-border interconnections.



To remove the barriers to cross-border PPAs, the TSOs could review their practices and issue cross-border transmission rights for longer than a year, which does not require amending the legislation. Clearer rules for PPA contracts should also be established for developers so as to promote physical PPAs and eliminate barriers to renewable energy storage. We also encourage Member States to promote full clarity, simplicity and transparency around the fiscal treatment of financial PPAs which are often considered too complex and ambiguous by many businesses. Financial PPAs can have an important role in further promoting the development of a PPA market at the EU level.

Beyond the regulatory risks, signing a long-term PPA is often costly. Energy-intensive companies need to cover significant shaping and firming costs to account for the intermittent nature of renewable electricity generation and ensure stable electricity supply. The successful uptake of PPAs in the Nordic countries has been influenced by hydropower availability, for which the firming and shaping costs are low. To reduce these costs across different Member States, the demand for renewable PPAs from certain sectors/industries could be aggregated by a third party such as an aggregator or an energy service provider. The aggregation helps to mitigate the risk of renewables intermittency as well as reduces the price risk for suppliers and customers, and it is already promoted under Article 13 of the Electricity Market Directive. In this light, the definition of PPAs in RED III should be amended to include aggregators and not restrict PPAs to a direct contract from an electricity producer to a customer.

An additional barrier linked to financing PPAs is the counterparty risk, related to the risk of bankruptcy of the offtaker, which can affect the profitability of new RES projects and therefore their financing. While some commercial options exist in the form of bank guarantees, they can prove costly. State-supported credit guarantees could be one of the ways to mitigate this risk and ensure that more RES projects are financed.

Furthermore, companies still face significant carbon costs even after signing a long-term carbon-free PPA, as the price of renewable PPAs is driven by wholesale electricity prices, which are in turn influenced by the long-term CO<sub>2</sub> emissions costs. A stable and predictable regulatory framework for the 10 years+ duration of PPA is of utmost importance. In this regard, indirect cost compensation and CEEAG levy reductions for energy-intensive companies should be maintained to give industries a reliable long-term outlook.

Lastly, we would like to stress that any inefficiencies and delays in the permitting procedures for new RES capacity must be solved in order to substantially help the diffusion of PPAs, as it would be close to impossible to ensure that the greater demand for renewable energy (either from energy-intensive and industrial consumers or from medium-sized enterprises) is satisfied through long-term renewable energy contracts. In this regard, barriers should also be removed for onsite generation, including for the ability to sell power back to the grid, which can increase the RES available for companies.

\*\*\*