



REPowerEU and EU 'Save Energy' communications

CEA position

Date of issue: June 2022

Summary

The REPowerEU and EU 'Save Energy' communications acknowledge the urgency and severity of the energy situation and propose a broader set of measures, consistent with the issues at stake, than the previous communication issued on the 8th of March.

However, the role of nuclear energy remains largely underestimated, while planned reactor closures in several European countries are likely to significantly aggravate the crisis by increasing demand for gas.

Although strengthening the renewable energy deployment objective is desirable, it will probably not be enough. Other levers (low-carbon energy including nuclear, demand flexibility, storage, etc.) must also be used. Generally speaking, achieving the quantitative objectives set in the REPowerEU plan will require massive investments, which are probably way underestimated within this communication.

Concerning hydrogen, the twofold bet of restricting the focus to renewable hydrogen and relying on imported hydrogen, therefore creating a dependence, generates technical, economic, industrial and geostrategic challenges.

The recognition, through the EU 'Save Energy' communication, of the importance of energy savings coupled with energy efficiency actions, is a significant progress of this new version of REPowerEU. However, some measures remain unevenly distributed (e.g. aerodynamic improvements requested in heavy mobility but not in light mobility) and the means for their implementation remain to be specified. The next step could be to identify regulatory measures to initiate energy savings efforts in the short, medium and long terms.

CEA welcomes the adoption by the European Commission of the REPowerEU and EU 'Save Energy' communications on the 18th of May, aimed at detailing the measures to be adopted at EU level to tackle the energy crisis, aggravated by the invasion of Ukraine. Much more than in the first version of the 8th of March, this communication recognises the severity of the energy situation and the need to act strongly and urgently to address it. However, progress is still needed on several fronts to optimise the European response to the energy crisis.



Position on the REPowerEU plan

Nuclear energy: neglected once again...

Nuclear energy is the European Union's leading source of low-carbon electricity. As such, it plays a major role in a context of soaring gas and oil prices. However, its role is only recognised in one sentence, after coal (!) and before fossil gas: *"In parallel, some of the existing coal capacities might also be used longer than initially expected, with a role for nuclear power and domestic gas resources too"...*

In its March 2022 communication, the International Energy Agency explains that if the four reactors due to close this year in the European Union (one in Belgium and three in Germany) were to remain in operation, this would save one billion cubic metres of gas per month, or about 8% of the gas imported by the EU from Russia. As the European Union seeks to urgently reduce its dependence on Russian gas by all means, it is essential that it considers this lever and expresses it clearly.

CEA therefore calls on the European Commission to insist on the need to keep in operation all nuclear reactors whose safety conditions allow it.

Renewable energy: a very ambitious deployment target, which will be difficult to achieve

The European Commission proposes to set a new target of 45% of renewable energy in the mix by 2030, which is higher than the 40% target proposed in the revised version of the Renewable Energy Directive. This 40% target was already difficult to achieve, so its reinforcement generates genuine doubts about its realism, especially considering the current surge in the price of components and materials, which is reflected in the price of wind turbines, solar panels and batteries...

As the objective is to reduce the European Union's greenhouse gas emissions, as well as its dependence on fossil fuels, the relevant metric for setting a target would be the percentage of low-carbon energy, not just renewable energy (a sub-category of low-carbon energy).

Substitution of fossil fuels

The approach presented by the Commission concerning hydrogen remains basically the same as in the 2020 strategy, with the twofold flaw of being restricted to renewable hydrogen, and of relying heavily on imports.

Limiting hydrogen production to renewable energy sources represents already a major technical and economic challenge. Transporting this hydrogen over long distances appears even more challenging, beyond the geostrategic questions that this approach raises.

Concerns about the difficulty of developing a competitive European industry in this context, and the risk of substituting a dependence on fossil fuels with another dependence on imported hydrogen thus remain valid. In terms of environmental impact, the benefits of relying heavily on hydrogen imports are also uncertain.



CEA therefore calls on the Commission to broaden its targets for renewable hydrogen to include low-carbon hydrogen, and to abandon its targets for hydrogen imports.

Smart investments

According to Rystad Energy, the European Commission has significantly underestimated the investment needs of REPowerEU. Rystad evaluates the investment needs for the implementation of this plan's reinforced renewable energy deployment objective alone at more than €1000 billion¹. This observation is reinforced by the soaring price of raw materials and components, which is driving up the cost of renewable energy.

Investment in LNG import infrastructure also raises some issues. Firstly, such long-term infrastructure is incompatible with the EU's climate objectives. Secondly, having regasification terminals is not enough to ensure LNG imports. There must also be sufficient liquefaction infrastructure and ships to import it. Finally, in any case, the EU will remain in competition with other consumer countries, including China.

CEA recommends focusing investment in sectors compatible with the EU's climate objectives (thus avoiding investment in future stranded assets), and not underestimating the difficulty of reducing Europe's dependence on fossil fuels. Renewable energy, while absolutely necessary, will not be enough. Nuclear power, flexibilisation of energy systems and large-scale energy savings will also be essential.

The European Union must also invest in research and development, the first key link in the value chain, to consolidate its technological leadership and to support the development of its industry.

Position on the EU 'Save Energy' communication

The Commission now includes the energy savings dimension that was missing from the initial version of REPowerEU. However, all of its proposals are based on a voluntary approach which limits the savings potential.

Recognising the need for energy savings on a large scale will not be enough. There is a need for large-scale education, binding regulations, enforcement through checks and tax incentives and disincentives.

Furthermore, the absence of binding regulations for certain uses could demotivate consumers: why should they make efforts if these are cancelled out by visible energy waste against which no action is undertaken (refrigerated display units without doors in shops, advertising hoardings with screens, illuminated signs at night, air-conditioned shops without doors, terraces heated in winter, etc.)?

To encourage people to act, it is essential to show them that savings are being made at all levels and that the efforts made will not be wiped out by waste that is visible to everyone.

¹ <https://www.rystadenergy.com/newsevents/news/press-releases/REPowerEU-Europes-big-budget-and-bold-energy-plan-may-fall-short-of-objectives/>



Regarding the reduction of energy consumption in buildings, efforts should be mainly directed towards existing buildings rather than new buildings, for which existing standards are already restrictive.

In the field of mobility, the moderation and efficiency measures proposed by the Commission must affect all mobility segments, and in particular the first of them: cars. In terms of efficiency, the Commission proposes, for example, to improve the aerodynamics of heavy vehicles, but says nothing about the aerodynamics of cars – nor does it consider their mass – even though these two criteria have deteriorated over the last few years, leading to over-consumption of fuel.