Renovation Wave
Investments in renewables to decarbonise heating systems must be fully supported. The European Renovation Financing Facility appears to be the correct tool to enable the implementation of the Renovation Wave Strategy. However, modern bioenergy must be included among the eligible technologies for financial support under this instrument.

The Renovation wave initiative should provide an additional incentive for the decarbonisation of district heating networks eventually helping to reach 100% renewables share and incentivize a transition towards high-efficiency district heating in densely urbanized areas.

Renewables Uptake
It is of paramount importance that newly established instruments like the Green Tendering Scheme and Green Infrastructure Fund are opened for projects beyond the electricity sector.

Research and Development activities financed under the EU ETS Innovation Fund should be aligned with the concept of technology neutrality. The main selection criteria for funding should be the technology's decarbonisation potential.

A clear signal for the accelerated development of RES sector would be an upward revision of RES target for 2030.

EU’s Strategic Autonomy
Identified business ecosystems should receive tailored support measures such as fiscal benefits, preferential credits, and additional subsidies.

The EC should devote resources to support the international competitiveness of the EU renewables industry including support for its promotion worldwide and guaranteed market access.

Sector Coupling
Implementation of Sector Coupling Strategy should be financed under the new stimulus packages. Bioenergy vastly contributes to flexibility and sector integration and this should be acknowledged in the strategy.

Circular Bioeconomy
Just Transition Fund and European Agricultural Fund for Rural Development should support the development of the bioenergy value chain in regions.

EU’s Financial Revenues
Introduction of the Carbon Border Tax would simultaneously support repayment of the prospective EU debt and support competitiveness the EU’s industry.
EU Green Recovery: how to make it right?

Bioenergy Europe welcomes the €750 billion Recovery Fund proposal announced by the European Commission on 27 May. The recovery plan entails a considerable share of the foreseen stimulus packages aimed at supporting the EU’s green transition.

It is worth reminding that the COVID-19 crisis has triggered an unprecedented drop in electricity demand, consumption of fossil fuels – coal, oil, and natural gas - and GHG emissions. Global energy demand in the first quarter of 2020 (Q1 2020) declined by 3.8%, or 150 million tonnes of oil equivalent (Mtoe), compared to the same period in 2019.

However, past economic setbacks such as the 2008/2009 financial crisis have taught us that demand for fossil fuel slows down only for a short period. Governments’ tendency to artificially maintain low prices of oil during the recovery phases, resulted in a rapid peak back to pre-crisis levels and beyond, with a dramatic increase of GHG emissions.

In short, keeping low oil prices will have the adverse effect of further delaying the already-strenuous fossil fuels phase-out. The EU cannot afford to repeat such mistakes and miss this opportunity to concretely tackle the challenge of climate change. We urge decision-makers to reconsider the optimal recovery pathway.

Coherent and comprehensive stimulus packages prioritizing sustainable investments is essential to revitalize the EU’s economy. Most Importantly, they also represent a unique opportunity to advance the EU’s reconstruction towards a more resilient, sustainable, and climate-friendly economic and societal model.

To capitalize on this opportunity, the overarching principle laid by the EU Green Deal must be guaranteed, and targeted investments in assets enabling green transition must be reinforced. In line with the Commission’s proposal, today more than ever, the ‘Do no harm’ principle should be the reference point of any future action. Thus, a greater share of investments and state aid for recovery should be allocated the renewables sector and a clear reference to climate conditionality should be included.

The bioenergy sector will be a key driving force in this process. Sustainable bioenergy has the unique feature of simultaneously decarbonising electricity, heating and cooling, and transport sectors, which represents an ideal condition to facilitate sector integration. Besides, the EU is the world technology leader when it comes to bioenergy, with 74% of world manufacturers and suppliers located in Europe. Investments in this sector will boost job creation and economic growth at the regional level and will ultimately contribute to the rebound of the economy and coherent regional development.

With this Paper, Bioenergy Europe wishes to highlight the contribution of the bioenergy sector to the key elements of the proposed Plan while putting forward a set of recommendations urging policy makers to refine some other core elements.
1. Renovation Wave

The Renovation Wave is rightly recognized to be a key tool in the economic recovery. To achieve that end, investments should specifically target two aspects of the building envelope: energy efficiency and renewable heating.

Buildings are responsible for approximately 40% of energy consumption and 36% of CO₂ emissions in the EU. The share of renewable energy in this sector is equal only to 23%. Bioenergy is a mature and reliable technology that can be used to decarbonise the heating sector and already represents the largest contributor with 87% of all renewables.

Considering the average life span of heating appliances, investments would be in place for at least 20 years. If investments are diverted to fossil fuels appliances and infrastructure supporting fossil-based district heating systems, the EU will be locked in costly, obsolete and polluting distribution infrastructure. In the long run, and by the time the EU must become carbon neutral in 30 years, the economy will be characterized by significant stranded assets.

In 2017, bioenergy contributed avoiding 7% GHG emissions in the EU. In the context of the Renovation Wave, the commissioning of new heating appliances, as well as the general modernization and replacement of old systems with modern bioenergy technologies can substantially further decrease GHG emissions and improve air quality.

Some EU countries are leading the way and acting in the right direction. Lithuania for example, which already relies on 46% of RES in its energy mix, invested in the decarbonisation of its existing district heating based on bioenergy technology reaching 70% of RES share in the heating sector. This has proven to be very effective in the reduction of emissions and costs for the end-users.

Finally, the importance of efficient technologies and high-quality fuel should not be dismissed. According to a study carried by CERIC Laboratory, the replacement of old appliances coupled with the use of correct fuel quality can lead to up to a 90% reduction of Particulate Matter emissions.

RECOMMENDATIONS

- Investments in renewables to decarbonise heating systems must be fully supported. The European Renovation Financing Facility appears to be the correct tool to enable the implementation of the Renovation Wave Strategy. However, modern bioenergy must be included among the eligible technologies for financial support under this instrument.

- The Renovation Wave initiative should provide an additional incentive for the decarbonisation of district heating networks eventually helping to reach 100% renewables share and incentivize a transition towards high-efficiency district heating in densely urbanized areas.
2. Renewables Uptake

A steady increase in renewable energy in the energy mix is essential to decarbonise the EU’s economy. Stimulus packages should prioritize investments in clean technologies. Therefore, Bioenergy Europe welcomes the EU tendering scheme ‘of 15 GW of renewable electricity’ and the additional €10 bn EU funding as a multiplier for Members states funding (through EUInvest and EIB co-financing) to national tendering schemes. However, support under this instrument should be opened also for the development of RES in the heating and cooling sector which is still greatly dependent on fossil fuels.

Investments in new smart grids and overall digitalization of the energy systems including district heating management and live control of emissions would eventually result in higher penetration of RES in the EU energy mix. In this context, the proposed Green Infrastructure Fund for Renewables and Hydrogen is a step in the right direction. Similarly, Just Transition Fund which budget will be substantially increased should support the development of the bioenergy value chain, which beside fostering the decarbonisation, creates new jobs and supports the regional economy.

A missing element of the plan however can be identified in the area of research and development. Under the current proposal, funding is narrowed to hydrogen only. Comprehensive financial support promoting the market uptake of innovative and disruptive technologies will have a long-lasting positive effect. One of the focus areas should explore the benefits of negative emissions technologies like Bioenergy with Carbon Capture and Storage (BECCS) and biochar which deployment is considered indispensable to achieve carbon neutrality by 2050.

RECOMMENDATIONS

- It is of paramount importance that newly established instruments like the Green Tendering Scheme and Green Infrastructure Fund are opened for projects beyond the electricity sector.
- Research and Development activities financed under the EU ETS Innovation Fund should be aligned with the concept of technology neutrality. The main selection criteria for funding should be the technology’s decarbonisation potential.
- A clear signal for the accelerated development of RES sector would be an upward revision of RES target for 2030.

3. EU’s Strategic Autonomy

The COVID-19 crisis has uncovered the fragility of modern global supply chains. The drastic measures taken by governments to close borders and the subsequent disruption of the main international communication lines has highly affected major economic activities, including the flow and delivery of goods. For the RES sector, this has resulted in delays of numerous investments and a halt a significant number of planned new capacity installations.
This situation must serve as a reminder of the ever-increasing technological dependency of the EU on external suppliers, particularly China.

In these circumstances, the bioenergy sector can count on a strong European-based industrial dimension. In fact, 74% of bioenergy equipment suppliers and manufacturers are based in EU Member States, among which some leaders at global level. In 2016, the export of bioenergy technologies created a positive trade balance of approximately €5 billion.

It is important that European technological leadership is maintained and the sector adequately supported in the face of increasing international competition. This should be the foundation of the EU’s strategic approach for the development of the RES sector to ensure energy security and independence in the long run.

The implementation of the European Industrial Strategy - which will introduce 14 business ecosystems, including one on renewables – will be instrumental to achieve this objective.

**RECOMMENDATIONS**

- Identified business ecosystems should receive tailored support measures such as fiscal benefits, preferential credits, and additional subsidies.
- The EC should devote resources to support the international competitiveness of the EU renewables industry including support for its promotion worldwide and guaranteed market access.

### 4. Sector Coupling

In recent years, hydrogen has been under the spotlight for its potential contribution to the EU energy transition. While the role of green hydrogen should not be disregarded, it is one of the means to facilitate sector integration which aims to use all carriers of energy more effectively, by linking different sectors.

Bioenergy is the only mature renewable technology that can fuel electricity, heating, and transport. Therefore, it equally represents an essential driver of sector integration. As the provider of most of the renewable heating, renewable transport fuels, and a substantial share of the EU’s renewable electricity consumption, bioenergy should be at the core of the EU’s Smart Sector Integration strategy.

**RECOMMENDATIONS**

- Implementation of Sector Coupling Strategy should be financed under the new stimulus packages. Bioenergy vastly contributes to flexibility and sector integration and this should be acknowledged in the strategy.
5. Circular Bioeconomy

At the time of the presentation of the European Green Deal, a missing element was the lack of reference to the development of the bioeconomy and its role in the decarbonisation of the EU.

Therefore, Bioenergy Europe welcomes the clear reference to bioeconomy and circular economy present in the recovery plan. The provision of €4 billion investments in the coming 2 years toward the development of renewable energy from farming is a breakthrough in this regard. The target of 5 Mtoe of sustainable biomass feedstock by 2030 is an ambitious goal. Such an achievement would accelerate the production of biogas and biofuels.

The circular economy underpinned by renewable resources and sustainable biobased solutions could certainly contribute towards green and inclusive growth strategies. Its role should be acknowledged and promoted during and after the economic recovery period. The COVID-19 crisis provides an opportunity to redesign our economic model towards a more sustainable one. Measures foreseen in the stimulus packages should serve as a stepping stone for the more strategic approach to the development of agricultural biomass feedstocks that have extraordinary growth potential.

**RECOMMENDATIONS**

- Just Transition Fund and European Agricultural Fund for Rural Development should support the development of the bioenergy value chain in many EU regions.

6. EU’s Financial Revenues

To deliver the ambitious investment package, the European Commission must secure funding of this initiative. Considering anticipated economic downturn, the EU should limit additional financial burden on Member States. Therefore, Bioenergy Europe welcomes the idea of the development of the EU’s own financial revenues. One of the streams of revenue should be derived from the introduced carbon border tax. Such mechanism should be aligned with WTO rules and Paris Agreement system.

Besides providing additional revenues, such mechanism would guarantee equal playing for the EU’s industry and third countries and limit carbon leakage process. Overall, it would support the EU recovery and reindustrialisation of Europe. Moreover, this arrangement would mobilize main EU’s trading partners to develop own carbon trading systems, regulating emissions from the industry.

**RECOMMENDATIONS**

- Introduction of the Carbon Border Tax would simultaneously support repayment of the prospective EU debt and support competitiveness the EU’s industry.