Revision of the EEAG: unlocking the potential for corporate buyers to accelerate renewable energy deployment

Increased ambition requires more renewable energy

- The EU should be commended for its leadership in setting its ambitious new goal to cut greenhouse gas emissions by at least 55% by 2030.
- Achieving this goal will require even more ambition on renewable energy. Member States will be required to revise their National Energy and Climate Plans (NECPs) to set out the additional policies and measures they intend to implement to drive even greater levels of deployment of renewable energy.
- As before, renewable electricity will play a significant role in contributing to this new target.

More diverse and creative policies and measures are needed to deliver on this whilst managing costs to energy consumers

- With this new level of ambition there is a growing need for Member States to harness new ways to drive the development of renewable energy assets. Existing national support schemes for renewable generators will be expanded to meet more aggressive targets.
- Member States will want to consider new policies and measures that can support this growth in renewable generation without requiring them to further increase the costs of these financing mechanisms.

Corporate renewable energy procurement can play a significant role by complementing existing support schemes and reducing the costs of support that will be transferred to consumers

- Corporate renewable energy procurement presents an opportunity to achieve this, by serving as another means of driving the addition of new renewable capacity on European electric grids and complementing existing national support schemes.
- An expansion in corporate renewable energy procurement can help to meet the targets for new renewable capacity to be supported under national support schemes, and therefore reduce the costs of support that are borne by electricity consumers.
- With growing pressure on electricity consumers, voluntary corporate renewable energy purchasing, in the form of corporate power purchase agreements (CPPAs) represent an opportunity to diversify the sources of finance for RE and reduce some of the costs for electricity consumers.
- Many corporate energy consumers have set ambitious targets for sourcing clean energy that have driven enormous growth in the market for renewable corporate Power Purchase Agreements (CPPAs) and other forms of renewable energy procurement. According to the IEA, global renewable energy purchasing through power purchase agreements grew from ~300MW in 2009 to ~18.6GW in 2019, and there is significant potential to grow this further.
- Many of these corporate clean energy goals prioritise renewable projects that are ‘additional,’ meaning that they are new renewable projects that would not be developed

without the role of buyers like the corporates who offtake the electricity. In this way, corporate clean energy commitments can support the development of additional renewable energy projects to complement those developed with support through national renewable energy support schemes.

Rising electricity costs also affect industrial competitiveness

- In order to ensure industrial competitiveness for electricity intensive industries in the EU, the Guidelines on State aid for environmental protection and energy (EEAG) currently permit partial relief from renewable surcharges to a selection of industries identified in Annex 3 and Annex 5, as set out in section 3.7. This allows Member States the flexibility to grant such relief from a growing source of cost for industry, whilst ensuring that competition is preserved in the single market.
- However these provisions are applicable to only a small set of industries, and do not encompass corporate energy consumers from a variety of other sectors who are already large buyers of renewable energy, and who have the potential to considerably expand their efforts.
- Corporate electricity consumers make significant contributions towards the costs of supporting renewable energy in Europe by paying renewable surcharges through electricity bills. This means that corporates that elect to purchase renewable energy through CPPAs are double-paying to expand the deployment of renewable energy.

Renewable surcharges can be used to drive new renewable energy additions through corporate procurement

- Adapting the EEAG could allow Member States to use their renewable energy surcharges as an instrument to incentivise voluntary renewable energy purchasers to contribute to the development of new renewable capacity. This can be achieved by offering relief on such surcharges conditional on them bringing about new renewable capacity additions (e.g. through entering into renewable CPPAs or investing directly in new RE capacity). Measures like this already exist in Europe (e.g. in Germany).
- These efforts would reduce the GW of new renewable capacity to be supported under national support schemes, and therefore reduce the costs of support that will be transferred to electricity consumers.
- In this way, it is possible that the reduction in the overall cost of the support scheme (due to the reduced amount of GW of renewables to be supported) can more than offset the impact of redistributing the costs of existing surcharges amongst consumers.

Corporate buyers can make a significant contribution to renewable energy targets while simultaneously reducing costs for all consumers

- Corporate renewable energy buyers have the potential to make a major contribution through such an incentivisation model.

- Many corporates have made 100% renewable energy commitments, pledging to source an equivalent amount of renewable energy each year to match their demand.
- If these businesses can be incentivised to source this renewable energy from new projects within the European Union, this could make a major contribution towards the EU's 2030 renewable energy goals and encourage more purchasing through CPPAs.
- In this way the European Union can remain a competitive location for businesses to invest in their operations, whilst also helping to achieve its renewable energy goals at reasonable cost, by incentivising corporates to support new renewable energy capacity additions outside of existing support frameworks.

Amendments are needed to the EEAG to unlock the potential for corporates to drive new renewable energy capacity additions

- The EEAG should be amended to ensure that more industries can be eligible to contribute to such a model of renewable energy deployment.
- This would grant Member States the flexibility to use renewable surcharges as an instrument to drive renewable procurement by corporates operating in their country.
- Given the need to accelerate renewable deployment and diversify the sources of financing, there is enormous potential for corporate buyers to drive new renewable capacity expansion in the EU through such a model.