

**Joint Message from AT, DK, DE, EE, EL, ES, IE, IT, LU, LV, MT, NL, PT
as Friends of Renewables on the Climate Communication**

We thank the Commission for its Communication on Europe's 2040 climate target and the path to climate neutrality by 2050 building a sustainable, just and prosperous society. The Communication and the corresponding impact assessment lay down three scenarios towards an ambitious further decarbonisation to 2040 and beyond. It is of key importance that the European Union does not lose track of its efforts to reduce emissions in order to stay on track to reaching the 1.5-degree target.

Renewable energy sources will be responsible for the vast majority of decarbonisation in 2040

The Commission's impact assessment clearly shows that the vast majority of this decarbonisation will have to be achieved by renewable energies. In the most ambitious scenario leading to 90% GHG reduction, renewables will have to correspond to up to three quarters of the Union's gross final energy consumption and to 90% of electricity consumption in 2040. This translates into more than 2,000 GW installed generation capacity of renewable energies across the Union by 2040 and a significant increase of flexibility technologies, such as storage, dispatchable generation and flexible demand. These changes require a clear investment framework to attract and coordinate private and public investments. Moreover, there is also a need to unlock the significant potential of renewable energy sources for the decarbonisation of Europe's largest energy-consuming sectors, including heating and cooling, while also unleashing the potential of offshore renewable energies.

Electrification (either direct or indirect) based on large shares of renewable energies is key for Europe's prosperity and economic growth. Renewables will not only drive down emissions, but will also reduce electricity generation costs, provide Europe with the opportunity of technological leadership and contribute to European energy independence. Renewables will also allow to move away from fossil fuels, renewables will become the key driver for cost-efficient decarbonisation, ensuring the competitiveness of the European economy and energy security. Electrification will be one of the cornerstones of the progression towards climate neutrality, significantly increasing its share of EU final energy consumption in 2040. We also need to use appropriately the potential of biomethane, renewable gases and other renewable sources.

A reliable post-2030 framework is key to achieve decarbonisation

We support the Commission's call for full implementation of the 2020 and 2030 climate and energy framework. This will be key for the Union to be ready in 2030 for the ambitious scenarios to 2040. Full implementation of the 2030 framework also requires a stable legislative framework for the energy sector up to the year 2030. Against this background, any upcoming revision of the Regulation on the Governance of the Energy Union should focus on the year 2040 as part of the post-2030 policy framework. Irrespective of the revision of the Governance Regulation, the RES financing mechanism needs to be assessed to become more effective and possibilities to lighten the administrative burden of the NECPs should be explored.

We also welcome the Commission's announcement of a post-2030 policy framework, which needs to be strongly based on the credibility derived from the full implementation of the 2020 and 2030 climate and energy framework. In this context, a policy framework for 2040 for the energy sector will be key to accelerate the investments necessary to upscale of Europe's renewable energy generation capacity.¹ Furthermore, safeguarding the competitiveness of the EU economy, without leaving anybody behind and ensuring skilled labour, will be of key importance.

It will be a key task for the next Commission to propose a set of policy and supportive actions to further accelerate the deployment of renewable energy and flexibility as well as system integration in order to make the energy system fit for integrating the amounts of renewable energy sources needed

for a cost-efficient decarbonisation of the energy system. Together, this group of Friends of Renewables will work on suggestions for this.

Demand flexibility, storage and infrastructure investments are the key driver for renewables and decarbonisation

We welcome that today's Energy Council focuses on demand flexibility. In the future electricity system, demand flexibility and storage will play a paramount role to match generation and demand and reduce fossil generation. The potential and benefits are huge as flexible consumers are entering in the market. To fully harness the potential of flexibility, existing barriers need to be identified and removed.

Ambitious infrastructure development is also crucial to reduce flexibility needs and making the system fit for decarbonisation and ready for large shares of renewables: Cross-border electricity transmission infrastructure and meshed grids will play a key role in connecting generation and demand across areas and climate zones. Moreover, cross-border interconnection is crucial also as a flexibility source. Reaching the 2020 and 2030 targets for interconnection capacity should not be longer a bilateral affair but a key priority in order to meet the EU climate targets, increase the electricity system flexibility across Europe, and protect consumers with more stable prices. This will reduce the need for generation as well as long-term storage in all parts of Europe. The expansion of infrastructure, in combination with using electricity smarter, will ensure a more cost-effective green transition.

Sectoral integration is key to achieve cost efficient decarbonisation of energy system. The EU Hydrogen backbone is also important for the decarbonizing hard-to-abate sectors, enhancing the EU's energy autonomy, integrating renewable energy sources into the energy system, and providing countries with both domestic and imported hydrogen. It is therefore critical to reinforce the cross-border energy interconnections.

Electricity distribution infrastructure will need to be modernized, digitalized and extended in order to tap the flexibility potential on the distribution level and fit the needs of a decentralized energy system with high shares of renewable energy sources, battery storages, e-mobility, and heat pumps on a distribution level. As we progress towards a climate-neutral electricity system, system stability will be increasingly determined by the characteristics of renewables, demand and storage. Grid connection and accessibility rules need to be further developed to provide the necessary stabilising properties to the system while providing a level playing field among different types of actors. Aligned with this, it is crucial not to lose sight of the importance of energy security for Member States or regions on the geographical fringes of the EU, including island Member States, or otherwise isolated from the existing grid. Moreover, adequate incentives for the uptake of renewables and the ramping up of flexibility have to be ensured in our future energy market design.

The transition of the energy system toward renewable energies will decrease generation costs significantly and improve competitiveness. At the same time, more focus needs to be given to reduce and optimize grid and system costs and their distribution to further boost competitiveness. We need to ensure we use flexibility as a tool to achieve stable prices and to invest efficiently in adequate network development, using European synergies and avoiding redundancies. This is key to reflect the competitiveness of renewables in the final electricity price and protect consumers.

From an investment perspective, 2040 is today. The next cycle of investment needs to build the pathway towards the decarbonisation of the electricity and energy system. Given the short period until 2040, and without prejudice to ongoing negotiations on European financial frameworks, funding should focus on cost-efficient technologies where common targets exist.

¹ The Netherlands caretaker government has not yet taken a position towards the design of a 2040 legislative framework for the energy sector.