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**17 May 2022** ***Dear EPEE Members,*** Dear Members, We have a new EPEE leadership team! Following our Annual General Assembly on 12 May, the newly elected Steering Committee installed as [new Executive Committee of EPEE](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=11e5506d4a&e=802e4750f5): * Andrea Vallejo, from Johnson Controls, as Chair
* Raine Grosse-Kracht, from Bitzer, as Vice-Chair
* Luc Dehon, from Climalife, as Treasurer

I would like to say a personal thank you to the outgoing Chair Jürgen Fischer from Danfoss, who helped me tremendously through my first months at EPEE last year, as well as to our outgoing Treasurer, Murli Sukhwani from Chemours.  Having already served as Vice-Chair, our new Chairwoman Andrea Vallejo will be a great leader to steer EPEE through decisive times for our industry during her tenure over the next two years. Looking to next week: if anyone of you happens to be at the [CLIMA 2022](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=4ecdd8ec66&e=802e4750f5) Conference in Rotterdam, organised by our good friends at [REHVA](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=b0784c7353&e=802e4750f5), please reach out! I will represent EPEE at a number of events. For those who do not know: REHVA is the Federation of the European Heating, Ventilation and Air-Conditioning Associations. Best regards, Folker Franz, Director General  |

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| **WHAT'S NEW IN THE EU*** **Leak of the REPowerEU communication**
* **Developments in European Parliament’s environment committee on ETS 2 for road transport and heating**
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| **Leak of the REPowerEU communication**A [leaked version](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=17c8cdd27d&e=802e4750f5) of the RePowerEU communication, expected to be published by the European Commission on 18 May, was recently published on 12 May. The draft mentions heat pumps several times.  The text mentions the necessity to “develop industrial capacity, leadership and skills in key technologies” including heat pumps as well as the fact that Member States should deploy efforts “to accelerate the integration of large-scale heat pumps”.  It is also mentioned in the text that the Commission will revise existing ecodesign and energy labelling requirements for heat pumps in the first quarter of 2023.  The draft proposes to “increase the target set up in the Renewable Energy Directive from the current 40% to 45% by 2030 to enlarge the total renewable energy generation capacities.  To achieve RePowerEu acceleration, the draft stressed the importance of diversifying the supply of renewable energy equipment and of expanding the EU’s clean energy technology manufacturing capacity. It puts forward the global EU leadership in electrolyser, wind and heat pump technologies but emphasizes the growing imports from Asia these past few years.  Finally, the communication, calls on stakeholders in renewable energy production, including heat pumps producers, and on permitting authorities to establish a “large-scale partnership under the Pact for Skills, an initiative of the European Skills Agenda 2020” **Next steps**: The European Commission will present the RePowerEU communication on 18 May.  **Developments in European Parliament’s environment committee on ETS 2 for road transport and heating**Key MEPs agreed, during negotiations held in the evening of 10 May, to back a carbon price on fossil fuels used for heating and transport (ETS2).  The MEPs’ deal foresees a second ETS that will apply first to commercial buildings and heavy vehicles, with a cap preventing the price from exceeding €50 per ton. The Commission would then have to assess by 2026 if the price should be extended to private individuals.  MEPs did not reach consensus on the other key sticking point in the ETS negotiations, e.g. the number and free allocation of permits on the existing carbon market. **Next steps**: The ENVI Committee will [vote](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=9daeb6c695&e=802e4750f5) on the revision of the Emissions Trading System and therefore on ETS 2 on May 17 and the European Parliament Plenary will vote on the proposal during the session on 6-9 June.   |

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| **WORKING GROUPS****EEE WG:**  * **EPBD revision**: On 10 May, the first EPBD compromise text ([available](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=bad0704df5&e=802e4750f5) on the intranet) was sent to Member States representatives by the French Presidency of the Council. Many core elements of the proposal still remain to be discussed in the Council Working Parties and are left untouched in this draft. Among the relevant changes, the French Presidency suggests a more flexible approach for Member States to determine their thresholds for Zero Emission Buildings by introducing a new Article 9a, an advanced phase-out of fossil fuel boiler subsidies by 2025, and a removal of the harmonized performance calculation of technical building systems on an hourly basis (monthly instead). No information is yet available on when the Council plans to reach a general approach on the EPBD.
* **EPBD revision - outreach meetings:** The Secretariat and EEE WG Vice-Chair met on 13 May with the team of MEP Ladislav Ilcic, shadow rapporteur for the ECR group on the EPBD revision. In addition to informing about EPEE's EPBD position and amendment proposals, the EPEE delegation also educated on the diversity of available heat pump technologies and the importance of ensuring the availability of a range of refrigerants to ensure affordability and efficiency of heat pump equipment.
* **EED revision – Data centres**: On 09 May, a group of Member States (BE, DE, DK, LU, NL) put forward a [proposal](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=f6c2a78e22&e=802e4750f5) for a new Article under the EED, specifically for data centres. It would gather all relevant provisions related to data centres (reporting obligations, performance criteria) in a single new Article 11a and a new Annex VIa. In addition, it would empower the Commission to establish minimum performance criteria which new data centres should meet by the time they start operation. Existing data centres should meet these minimum criteria at the moment they are significantly refurbished. The reporting obligations (and eventual performance criteria) will include quantity and temperature of the waste heat, information on the refrigerants and refrigerant charge quantities used, as well as cooling effectiveness ratio (CER). Negotiations in the European Parliament’s ITRE Committee are ongoing with a view to a Committee vote in early July. The Council aims to reach a general approach on 27 June.
* **EU Green Public Procurement (EU GPP) criteria for buildings**: On 10 May, the Secretariat submitted [EPEE’s input](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=358de3e20a&e=802e4750f5) to the draft EU GPP criteria for buildings on which the European Commission’s Joint Research Centre (JRC) had been consulting. The Secretariat will inform members on the further development of the criteria, on which EPEE will be involved through participation in expert working groups, upon receiving further information from the JRC.

 **F-Gas WG:*** **F-gas Regulation Revision, European Parliament:** The Greens have been assigned the ENVI committee rapporteur position for the F-gas Regulation revision proposal. Although this is not confirmed yet, the position is likely to be assumed by Bas Eickhout MEP (Greens/NL), who was the revision rapporteur also in 2014. The ITRE committee opinion will be led by Sara Skyttedal MEP (EPP/SE), known ITRE shadow rapporteurs so far are Patrizia Toia (S&D/IT) and Evzen Tosenovsky (ECR/CZ). The Secretariat has been in contact with the office of Ms Skyttedal for a meeting and with the EPP ITRE committee policy advisers to discuss EPEE’s initial thoughts on the revision proposal.
* **F-gas Regulation Revision, EU Council**: EPEE continues to have discussions with F-gas experts in EU Member States. An EPEE delegation met the Czech experts last week, and the Polish this week. EPEE will also send an information document to EU Council and Member States representatives ahead of their first meetings with the European Commission on 20 and 24 May on the F-Gas Regulation Revision Proposal.
* **PFAS REACH restriction**: EPEE is continuing to strengthen its partnerships with other associations, especially from the downstream user sector.  As such, ACEA will be joining the EPEE PFAS Taskforce meeting taking place on 17 May to present its PFAS inventory.
* **PFAS Gathering**: EPEE is chairing the PFAS gathering with industry associations from the F-Gas sector next Monday 23 May, to get other associations on board in joining EPEE’s actions. In addition, an industry alignment call with the Policy Director and other complex supply chain is planned on 31 May (including the aerospace industry, AMcham, Digital Europe, ACEA, Orgalim etc).
* **ECHA**: On 6 May, the Policy Director attended the first Risk Assessment Committee’s meeting of ECHA on the Firefighting Foams (FFF) dossier and launched a new PFAS Subgroup in EPEE's PFAS Task Force (last meeting was on 9 May) to ensure the high-level technical expertise needed to support the advocacy within ECHA. The FFF dossier will have a direct impact on the Universal PFAS for F-Gases. We learned from the EU authorities and ECHA that the decisions made in this dossier will be reflected in the upcoming discussions on F-Gas PFAS.
* Additional exchanges also on an informal basis are ongoing with the 5 NCAs of the PFAS dossier.

**Ecodesign WG:**  * **Ecodesign for Sustainable Products Regulation (ESPR)**: the Sustainable Products Initiative (SPI) resulted in a Commission proposal for an ESPR. This file was published on 30 March, presented by the Commission at a Consultation Forum on 31 March, and stakeholders can provide [feedback](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=5e1cba9df2&e=802e4750f5) until 22 June 2022. The WG Ecodesign established a Task Force on this subject to prepare an EPEE position with recommendations and to align with other industry associations. This Task Force had its first videocall on 5 May 2022 and is chaired by Charlotte Lots (Daikin).
* **ENER Lots 1 (space heaters) and 10 (air conditioners)**: EPEE is met with DG ENER on 3 May 2022 to discuss the BAM proposals on dynamic and compensation methods in ENER Lots 1 (space heaters) and 10 (air-to-air heat pumps, air conditioners, and comfort fans), the issue of MEPS in ENER Lot 1, and the topic of data monitoring in ENER Lot 1. We have clarified the EPEE position and DG ENER requested our views on the BAM compensation methods study. The WG Ecodesign is now preparing its positions.
* **ENER Lot 11 (fans)**: a Consultation Forum took place on 1 April 2022. The deadline to send feedback to the Commission was 29 April 2022, and EPEE sent in its [feedback](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=4ef82bbf07&e=802e4750f5). We will now reach out to the Commission for a videocall to further elaborate our views.
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| **Calendar** * [Calendar of External Events](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=e51c746fa3&e=802e4750f5)
* [Calendar of internal meetings 2022](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=1c5540e178&e=802e4750f5)
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| **WHAT'S IN THE NEWS**  **ENDs Europe** * Broad PFAS restriction a task for next Commission, says Sinkevičius
* Carbon price for buildings ‘not enough’ to switch to clean heating - report
* Commission consults on strengthening environmental liability

**Agence Europe*** European Commission’s plan to redefine EU’s external energy policy
* European Commission considers raising EU’s 2030 renewable energy target, according to an internal draft document
* European Parliament negotiators reach a series of compromises on ETS revision

**Euractiv** * Heat Pumps to REPowerEU: The need for a European industrial heat pump policy
* Germany’s ‘summer package’ to focus on heating sector revamp

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| **ENDs Europe** **Broad PFAS restriction a task for next Commission, says Sinkevičius**Policy makers have expressed hopes that a group restriction on ‘forever chemicals’ – with a definition that includes F-gases – will reach the EU’s statute book by mid-decade.At a policy discussion on Friday, environment commissioner Virginijus Sinkevicius pointed to the far-reaching scope of a coming group restriction of per- and polyfluoroalkyl substances (PFAS) – dubbed ‘forever chemicals’ due to their persistence in nature – that is being drawn up under the REACH Regulation.“Fluoropolymers… are PFAS and they are in the restriction… [as well as f-gases]… because they degrade to PFAS,” Sinkevicius explained. The European Commission[published](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=5bd8cd5410&e=802e4750f5) a separate proposal to revise the F-Gas Regulation last month to limit the use of fluorinated greenhouse gases.Jutta Paulus, a Green MEP who hosted Friday’s conference, was taken aback by Sinkevicius’ disclosure that F-gases will also be restricted as PFAS. “Sulphur hexafluoride or something like this… are not PFAS strictly spoken… and they have a bit of a different chemical property so I don’t think it would be appropriate to count them under the normal PFAS,” she told the commissioner.Inclusion of F-gases in a PFAS group restriction under REACH would be another blow to the heating and cooling industry, which has[warned](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=3e3bf06c15&e=802e4750f5) that tighter quotas in the F-Gas Regulation could jeopardise the uptake of heat pumps in European homes.A spokesperson from the European FluoroCarbons Technical Committee told ENDS: “Discussions at ECHA and the European Commission will take into account the measures included in the new revised F-Gas Regulation and their impact on reducing use and emissions of F-gases, and they will consider whether further limitations under the proposed REACH restriction are needed.”The Netherlands, Germany, Norway, Denmark and Sweden are jointly preparing a PFAS group restriction with plans to submit a proposal to the European Chemicals Agency (ECHA) next January.“This regulatory proposal targets the problem of one of the largest single substances group ever regulated under REACH,” said Christiane Rohleder, a German junior environment minister, during Friday’s discussion. “It is therefore probably one of the most ambitious regulatory proposals under REACH to date.”Rohleder expects the Commission to present draft legislation, based on the countries’ proposal, by summer 2024. “With respect to the broad scope and the complexity… an entry into force of the restriction cannot be expected before 2025,” Rohleder added.Sinkevicius echoed those remarks. “It’s a very complex exercise and it’s not possible to speed up, so the work will continue with the next Commission [that will take office following the 2024 European Parliament elections],” he said.However, at an environment committee exchange in the Parliament on Monday, lawmakers called on ECHA to speed up its work on a broader PFAS restriction. “Every day we’re getting more and more contaminated [by] these chemicals… building up in the food chain,” said Renew Europe MEP Martin Hojsík.Peter van der Zandt, ECHA’s risk management director, told MEPs there is little prospect of acting faster. “We have to take into account [public consultation] comments, and since this is such a big group of chemicals that we are looking at we need to… make sure that the advice that we give to the Commission is also very solid,” van der Zandt said.Sinkevicius also explained that alongside a restriction under the REACH legislation, the EU executive will propose[revisions](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=9430ddc29e&e=802e4750f5) of the Groundwater Directive and food contact materials rules to limit PFAS. He added that PFAS labelling is “under consideration in addition to ban”.“We also need to act on soil,” Sinkevicius said while noting that polluted soil is often the source of water contamination. “The coming soil health law… will include identification and remediation of [PFAS] contaminated sites,” he added...............................................................................................................................**Carbon price for buildings ‘not enough’ to switch to clean heating - report**As the European Parliament and member states prepare their positions on [the recast Energy Performance of Buildings Directive](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=fcd0c9d3f3&e=802e4750f5) (EPBD), concerns are rising over the burden of high energy costs and decarbonisation to low-income households. A report released on Thursday by the IEECP has found that a three-pronged approach would result in the greatest reduction in energy costs for low-income citizens, which could fall by a third by 2050. IEECP director Vlasis Oikonomou said the EU should introduce “three policies simultaneously: minimum energy performance standards for buildings, a phase-out on the sale of fossil fuel boilers and a carbon price for heating fuels”. The report warns that adopting just one in isolation could even make matters worse for poor households. The standalone measure of a carbon price on heating fuels – envisaged in plans for a second emissions trading system – would push the disposable income of low-income groups below the baseline scenario, it finds. Without cushion policies, the authors state, a carbon price on heating fuels “jeopardise the basic energy needs of low-income households”. Meanwhile, more stringent minimum energy performance standards (MEPS) are singled out in the report as a “no-regret” option. In the Commission’s current proposal for the revision of the EPBD, it has opted to upgrade the worst performing residential buildings in class G and F to at least E level by 2033. The IEECP report recommends a second milestone of bringing all buildings to at least D standard by 2040, in order to make the MEPS compatible with the EU’s climate targets. Jan Rosenow, director of programmes at the Regulatory Assistance Project, who was not involved in the report, praised its findings, and stressed that renovation “shouldn’t just be something set out for the rich”. “The more we can isolate – or insulate – the energy poor from the fluctuating energy prices the better,” he said. Rosenow recommended “cutting public funding to fossil fuel heating systems sooner than 2027”, as has been set out in the EPBD proposal, and that MEPS could be “more ambitious still” before 2030. ..............................................................................................................................**Commission consults on strengthening environmental liability**The consultation, which opened on Thursday, asks for views on the Environmental Liability Directive (ELD), which the Commission has [long identified](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=345b705de2&e=802e4750f5) as ineffective in many member states. A critical report by the European Court of Auditors [last year](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=6da662cccf&e=802e4750f5) urged officials to propose forcing companies to insure against any environmental damage they may cause, noting that many use insolvency laws as a way of avoiding liability. The new consultation asks whether the lack of “mandatory financial security for ELD liabilities at EU level has limited the effectiveness” of the directive. It also identifies a dozen other possible barriers, including confusion between the transposed ELD and national rules, the complexity of the directive, insufficient reporting, and loopholes exempting companies from remediating damage if it was caused by permitted or activities or those considered to be compliant “with scientific and technical knowledge at the time of the occurrence”. On the issue of uneven use of the ELD across member states, the consultation asks whether alternative national rules have “provided the same, a lower, or a higher level of protection for the environment”. It also seeks views on revising annex III of the directive, which currently sets out activities where companies are subject to “strict liability” if they cause damage to land, water or biodiversity. Non-annex III activities are currently only subject to “fault-based liability” for damaging biodiversity. The consultation floats the possibility of making non-annex III operators liable for damage to land and water, extending liability to anybody who causes environmental damage rather than just companies, and scrapping the loopholes for permitted activities and those in line with scientific knowledge at the time the damage was caused. The consultation closes on 4 August. ..............................................................................................................................**AGENCE EUROPE****European Commission’s plan to redefine EU’s external energy policy** On 18 May, the European Commission is expected to present a communication aimed at redefining the European Union’s external energy policy in order to better take into account the challenges of the global energy transition, as well as the new geopolitical situation in which the EU is evolving since Russia invaded Ukraine. “The invasion (...) has profound implications for the EU’s energy policy and its energy relations with international partners, exposing the links between energy security and global stability”, said a draft of the communication obtained by EUROPE on Tuesday 10 May. According to the draft, the EU’s external energy policy will aim to: (1) facilitate the diversification of fossil fuel imports and efforts to accelerate “clean” energy; (2) support Ukraine and other countries that are directly affected by Russian aggression and mitigate the impact on its partners around the world; (3) lead and accelerate the “global green and just energy transition”; (4) strengthen and develop long-term partnerships intended to ensure sustainable, secure and affordable energy for the EU and the world. To this end, the European Commission plans to take action not just to diversify its gas supply, but also with regard to energy efficiency, renewable energy and even hydrogen. With regard to gas, the institution would like to see, among other things: - the negotiation of political agreements with gas suppliers such as Egypt and Israel in order to increase the EU’s supply of liquefied natural gas (LNG); - support for a doubling of capacity of the Southern European Gas Corridor to 20 bcm per year; - relaunch a high-level energy dialogue with Algeria; - intensify cooperation with sub-Saharan African countries, such as Nigeria, Senegal and Angola, to explore the possibility of increasing the amount of LNG they supply to Europe. In terms of hydrogen, the European Commission intends to enter into partnerships to facilitate the import of 10 million tonnes of hydrogen by 2030. It also wants to accelerate the diversification of fuel supplies used in nuclear power plants. Looking at energy efficiency and renewable energy, the draft document mentions, among other things, the launch of an international commitment to renovate buildings and accelerate the integration of renewable energy in electricity grids in the Western Balkans, as well as in other regions of the world such as Africa and the Indo-Pacific region. In order to support Ukraine, the European Commission also plans to launch a programme called ‘REPowerUkraine’. It is modelled on ‘REPowerEU’ and is intended to support the post-war reconstruction of the Ukrainian energy sector. The Commission also wants to offer Ukraine as well as the Western Balkan countries, Moldova and Georgia the possibility to participate in the EU’s voluntary gas purchases. Read the draft: [https://aeur.eu/f/1kt](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=cca4448c6f&e=802e4750f5) (Original version in French by Damien Genicot) ................................................................................................................................................................. **European Commission considers raising EU’s 2030 renewable energy target, according to an internal draft document**On Tuesday 5 Apr The European Commission wants to raise the European Union’s target for the share of renewable energy in the energy mix by 2030, according to a draft version of the forthcoming proposal for an EU directive on authorisation procedures for renewable energy projects, obtained by EUROPE, on Tuesday 10 May.  Taking the form of amendments to the Renewable Energy Directive (2018/2001) currently under review, the draft plans to raise the EU’s renewable energy target to “XX%” (the rate is yet to be defined). Accelerating permitting procedures through ‘renewables go-to areas’ The document also foresees the introduction of new features, including the concept of ‘renewables go-to areas’, with the aim of speeding up and simplifying the permitting procedures for renewable energy projects. According to the definition provided in the draft, these would be specific locations, on land or at sea, which have been designated by a Member State as “particularly suitable for the installation of plants for the production of energy from renewable sources, other than biomass combustion plants”. This would require Member States to identify, no later than one year after the entry into force of the directive, specific sites on land and sea suitable for the installation of renewable energy capacity, with the aim of meeting their national contribution to the EU’s 2030 renewable energy target. They should then adopt, no later than 2 years after the entry into force of the directive, one or more plans designating ‘renewables go-to areas’ for one or more types of renewable energy sources among these locations. These plans should be based on a prior strategic environmental assessment (in accordance with the conditions set out in EU Directive 2001/42), be made public and be subject to periodic review. For new projects in these areas, the permitting procedure should not exceed one year, the draft document says. This period is reduced to 6 months in the case of project renewals or new installations with an electrical capacity of less than 150 kW. Since the plans used to designate these areas will already have undergone an environmental assessment, projects located in these areas will be exempted from the obligation to carry out such an assessment, the draft notes. However, this derogation does not apply to projects “which are likely to have significant effects on the environment in another Member State or where a Member State likely to be significantly affected so requests”. For projects outside these areas, the permitting procedure should not exceed 2 years for co-located power plants and energy storage facilities and one year for project renewals or new facilities with an electrical capacity of less than 150 kW.  However, the draft provides for an extension of these different periods by a maximum of 3 months “where duly justified on the ground of extraordinary circumstances”. It also specifies that the competent authority will have to validate the project developer’s application no later than fourteen days after receipt of the application for projects located in ‘renewables go-to areas’ and one month for projects located outside these target areas. Finally, for the installation of solar energy equipment in existing or future man-made structures, including rooftop solar installations, the procedure should be limited to 3 months, provided that the primary purpose of these structures is not solar energy production. **Limit the number of contact points**In addition, the Commission would like Member States to set up or designate one or more contact points to guide and facilitate the whole application and administrative permitting procedure. According to the draft text, the applicant should not be required to contact more than one contact point for the whole procedure. The final version of the proposed directive is expected to be presented as part of the REPowerEU plan scheduled for 18 May (tentative date). See the draft: [https://aeur.eu/f/1ks](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=452cfb19f9&e=802e4750f5) (Original version in French by Damien Genicot) ................................................................................................................................................................. **European Parliament negotiators reach a series of compromises on ETS revision** After several months of discussions, European Parliament negotiators on the revision of the European Union Emissions Trading System (ETS) finally agreed on compromise amendments covering the bulk of the revision proposal on Tuesday 10 May, following the tenth meeting between rapporteur Peter Liese (EPP, Germany) and the shadow rapporteurs of the other political groups. The proposed revision is the centrepiece of the climate legislation package designed to put the EU on track to reduce its net greenhouse gas emissions by at least 55% by 2030 (‘Fit for 55 package’). It aims not only to increase the ambition of the current Emissions Trading System (ETS1) - notably by including the maritime sector - but also to create a new carbon market covering emissions from building heating and road transport (ETS2 - see EUROPE [B12762A1](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=9673242c76&e=802e4750f5)). **Introducing ETS2 in two stages**On ETS2, negotiators agreed to extend its scope to all fuels, thus aligning themselves with the position of Mr Liese (see EUROPE [B12867A3](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=4e212ea83c&e=802e4750f5)). However, it would initially apply only to commercial buildings and commercial road transport activities, from 2025 (1 year earlier than in the European Commission’s proposal). In 2026, the European Commission would be tasked with analysing the possibility of extending the ETS2 to private households by providing a detailed assessment of the evolution of energy poverty and mobility in the EU and in each Member State. On the basis of this analysis, the institution could then propose to the co-legislators a new legislative initiative to cover households from 2029. The compromise also provides for an ‘emergency break’ for households in two cases. Firstly, the ETS2 would be suspended for households if, in the 6 months preceding the year of its entry into force for households, the average price of fuel for private consumption was higher than the average price in March 2022. The suspension would end once the price falls below this threshold. Secondly, in the case of a late start of the ‘Social Climate Fund’ (SCF) (an instrument to compensate for the impact of ETS2 on the most vulnerable households), the implementation of ETS2 would be delayed until this fund has been operational for at least 3 years. **A price ceiling**The negotiators also want to set a maximum price of €50 per tonne of CO2 in the ETS2. Whenever the average price of emission allowances exceeds this ceiling, 10 million allowances would be released from the ‘Market Stability Reserve’ (MSR) - a mechanism to deal with excess allowances - to increase the supply of allowances in the ETS2 and thus push the price of CO2 down. The European Commission would be responsible for evaluating the effectiveness of the price ceiling by 2029, with a view to possibly proposing to adapt it from 2030 onwards. **Limiting the impact on households**In another compromise amendment, the negotiators propose to introduce a system to ensure that entities covered by ETS2 limit the passing on of their additional costs (due to ETS2) to final consumers. This would require regulated entities to report to the European Commission the percentage of costs associated with the surrender of allowances that is passed on to the final consumer and to provide the Commission with an explanation where this percentage varies by more than 5 percentage points from the last reporting period. Furthermore, they would not be able to pass on more than 50% of the costs of surrendering allowances under the ETS2 to the final consumer. Otherwise, they would be obliged to pay a penalty to the ‘Social Climate Fund’. However, this system of limiting the passing on of costs to households would need to be assessed by the European Commission beforehand, in order to examine its feasibility. **No agreement on free quotas**As regards the ETS1, the Parliament’s negotiators were unable to agree on a number of points which will therefore be the subject of alternative compromise amendments. This is particularly the case with the abolition of free quotas. Negotiators from the Greens/EFA, S&D, Renew Europe and The Left groups are defending a compromise that would see all free emission allowances for sectors covered by the future ‘Carbon Border Adjustment Mechanism’ (CBAM) eliminated by 2031, 6 years earlier than the European Commission’s original proposal (see EUROPE [B12762A5](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=0f743bca32&e=802e4750f5)). This approach foresees maintaining 90% of the free allowances for these sectors in 2025, 80% in 2026, 70% in 2027, 50% in 2028, 25% in 2029 and 0% in 2030 (see EUROPE [B12895A11](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=075e04f30a&e=802e4750f5)). Mr Liese, on the other hand, wants to reduce these free allowances by 10% between 2028 and 2030, and then by 17.5% each year to reach 0% by the end of 2034. Taking up a proposal by the rapporteur, the negotiators agreed to introduce a bonus-malus system aimed at rewarding companies with good decarbonisation results and penalising the others through the allocation of free allowances. EUROPE will continue to follow this story. Another sticking point is the one-off reduction in the number of allowances in circulation in the ETS1 and the intensity of the increase in the linear reduction factor (LRF - the percentage by which the ceiling will be reduced each year). While the Greens/EFA, S&D, Renew Europe and The Left groups want to remove around 205 million surplus CO2 allowances on a one-off basis (compared to 117 million in the European Commission’s proposal), the EPP and ECR oppose this possibility. The first groups mentioned above also propose to raise the LRF to 4.2%, while providing for an annual increase in the LRF of 0.1% per year. According to the approach advocated by these groups, emissions from the sectors currently covered by the ETS1 would be reduced by 67% by 2030 compared to 2005 levels, 6% more than the European Commission wants. In line with the latter, Mr Liese considers this level too ambitious (see EUROPE [B12942A4](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=9d23876b86&e=802e4750f5)).  **Use of ETS funds**With regard to the use of revenues from the auctioning of allowances, the discussions did not lead to a compromise on all points. Unlike Renew Europe (divided on the issue) and the conservatives (ECR), the EPP, S&D, Greens/EFA and The Left groups want to ensure that the funds cannot be spent on either fossil fuel or nuclear projects. However, the political groups were largely united in favour of a compromise that would see at least 12% of the revenue allocated to climate-friendly public transport and at least 12% to international climate financing. They also agreed to strengthen the ‘Innovation Fund’ and redefine its scope. It will be renamed the Climate Investment Fund and will no longer be used only to finance innovations, but also existing decarbonisation technologies that need financial support to develop. A total of 1.46 billion allowances will be added to the fund (i.e. about 50 million additional allowances). If these are auctioned off at a unit price of €100, the total value would be €146 billion. More than one tenth (12%) of the fund would be reserved for investments in exclusively renewable energy. The ‘Modernisation Fund’ would also be increased. Finally, regarding the inclusion of the maritime and waste sectors in the ETS1, as well as the mechanism applicable in case of excessive CO2 price increases, the compromises reached between the political groups correspond to what was expected (see EUROPE [B12947A5](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=9daf7fd03c&e=802e4750f5)). EUROPE will continue to follow this story. The vote on the compromise amendments and the draft report will take place on 16 and 17 May in the Parliament’s Committee on the Environment, Public Health and Food Safety. See the compromise amendments: [https://aeur.eu/f/1ky](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=0d101c1175&e=802e4750f5) (Original version in French by Damien Genicot) ................................................................................................................................................................**EURACTIV** **Heat Pumps to REPowerEU : The need for a European industrial heat pump policy** REPowerEU must be a win for energy security, the climate and European competitiveness. With the right focus, the May package can propel a wave of sustainable heat pumps “made in Europe”. Alix Chambris is Vice President for Global Public Affairs and Sustainability at Viessmann.  The heating sector clearly holds a key to success when cutting fossil dependencies: Almost half of EU gas demand is used to heat buildings, 40% of which is currently coming from Russia. Reducing gas in heating via an even faster rollout of green and efficient solutions – heat pumps, PV, solar thermal, district energy, smart controls – is a must. An exponential transformation Make no mistake: that is a colossal challenge. The European heat pump market has been growing steadily in the past years. In 2020, it grew by 7.4%. Yet, sales and production capacities are still far below what is necessary. For every new heat pump sold in 2020, about 5 oil and gas boilers were still sold in parallel. REPowerEU aims to reverse this ratio by frontloading 2 million heat pumps/year in the next 5 years and reaching a total of 30 million new installations by 2030. Germany wants to go even faster. The plan is to allow new heating systems only if they are running on a minimum of 65% renewable energy as from January 2024. That means that most standalone oil and gas boilers will not be allowed anymore – unless they run on 100% green fuel which is unlikely in the short term given the lack of supply. In short, a high decrease of combustion boiler sales within 20 months in Germany. For comparison, the automotive industry has until 2035 to phase out combustion, i.e. 14 years lead time. A powerhouse for jobs & growth Let me be clear: I am convinced we can do this. With its 1.8 million direct and indirect jobs, the European heating industry is a force for innovation and local value creation. Viessmann alone plans to invest 1 billion euros over the next three years in heat pumps and other green solutions. In our 105 years history this is an unparalleled effort. An effort we have to accomplish in times of geopolitical instability, economic turmoil and falling revenues. Clearly, the exponential transformation will not be possible without a historic coalition – a policy support equivalent to the European Chip Act. A priority is to avoid replacing one dependency by another one. When US President Joe Biden offers to supply Europe with American heat pumps to meet our ambitions, it does not only show genuine support but also smart industrial policy considering only 10% of space heaters sold on the EU single market are currently imported from third-countries. Now is the time to build on our strengths or we risk losing our industrial footprint. A few years ago, the European PV industry lost its frontrunner position within a matter of years. This history must not repeat itself. 5 S for a successful heat pump wave made in Europe REPowerEU action must strengthen the EU’s strategic autonomy for a key technology. How do we do this – with the “5 S” compass. 1. Speed: Aim is to “super fast track” production capacities. Key enablers are investment grants, credit guarantees and state aid exemptions as well as the prioritised use of existing EU funds. We can also quickly reduce current oil and gas demand via the hybridization of existing heating systems – e.g. by retrofitting a hydronic heat pump or solar thermal solution with smart controls. Hybrid heat pumps (combining a hydronic heat pump with a combustion backup boiler) can reduce by 80 to 90% the annual heating demand –  especially in buildings where a stand alone heat pump is not an immediate option. This flexibility is ideal for staged renovation pathways and requires less upfront investments for households. 2. Scale: A priority is to expand the heat pump portfolio for even more building types. That means R&D in the development of products that can cater to higher heat loads for use in existing buildings without prior renovations, and plug and play solutions to reduce installation time. New business models such as heating as a service will also be instrumental, especially for self-consumption models which are more capital intensive. 3. Skills: Installers and employees in manufacturing are the backbone of the heating transition. REPowerEU needs to include targeted programmes to tackle the well-documented skills gap and pragmatic compensation for loss of earnings due to increased training efforts – especially for small businesses. 4. Customer Satisfaction: Success will heavily depend on customer satisfaction, for example on peace of mind, affordability, noise levels and electricity-use. Adequate financial support is critical to ensure affordability for all households and a stable demand. 5. Sustainability: The vision is to leapfrog into sustainable consumption and manufacturing. The use of natural refrigerants with zero global warming potential is an opportunity not to be missed. It is clear that our ability to super fast-track heat pumps made in Europe will be the true changemaker in order to cut our energy dependence and make REPowerEU a reality. The task ahead is the challenge of a century. Let’s work together to make this a triple-win for energy security, the climate and European competitiveness! ................................................................................................................................................................ **Germany’s ‘summer package’ to focus on heating sector revamp**Germany will seek to shake off its dependency on Russian gas with a new heating strategy focusing on district solutions and a mandate to make heat pumps mandatory as of 2024. The coalition treaty agreed by the newish German government in December 2021 included a de facto ban on any new fossil fuel heating installations as of 2025. That deadline is now being brought forward because of Russia’s war in Ukraine, which has accelerated Germany’s plans to phase out gas. Robert Habeck, the country’s vice-chancellor and minister for economy and climate, has already presented his “Easter package” aimed at revamping Germany’s electricity sector. It will now be followed by the heating-centric “summer package” expected at the end of May or early June. Habeck’s right-hand man, state-secretary Patrick Graichen, said the package will be split in several parts. “In essence, it is probably three elements,” he told journalists. While the finer details of the policy revamp are being worked out this month, the core parts are already clear. Key measures include a ban on new fossil fuel heating systems and new rules on how cities should be heated, backed by “very supportive measures” to ensure that everyone who wants to install a heat pump can count on government support, Graichen said. Mandatory heat pumps The newish German government already surprised observers in December when it announced its ambition to ban all new fossil fuel heating systems as early as January 2025. With Russia’s war in Ukraine and the ongoing fossil fuel price crisis, the government then decided to bring the date forward and make heat pumps – the most energy-efficient technology – the mandatory market standard as early as January 2024. “We are creating the framework for property owners to replace their heating systems that are more than 20 years old and will optimise the gas boiler replacement programme in the Federal Programme for Efficient Buildings (BEG) for this purpose,” [reads](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=80d1a3dcea&e=802e4750f5) a March statement by the coalition’s troubleshooting committee. “To this end, we will launch a major heat pump campaign in industry, trade and private households,” it added. The “trigger point” for these changes will be the replacement of a heating system. “In Germany, on average, 800,000 heaters are replaced every year,” Graichen said at the end of April. “We will have that obligation that any new heater has to run on 65% renewables,” he added, referring to the government’s decision to ban fossil fuel heating system installations. “That means you can’t put a gas or oil heater in there because there’s no 65% renewable gas.” The new mandate will be challenging to implement though, and is expected to generate a massive strain on heat pump suppliers and installers. A potential solution will be so-called hybrid heat pumps, which can run on fossil fuels if needed. “To do this, the regulatory framework must be geared towards optimal practical implementation,” explained Kai Lobo, head of German public affairs at Viessman, the heating systems manufacturer. “That means, for example, the inclusion of hybrid solutions (combi heat pump + gas boiler), which can reduce fossil energy consumption by as much as 80-90%,” he explained. In an April [position paper](https://epeeglobal.us13.list-manage.com/track/click?u=f8bc826a837ccc9b1b9a47b5c&id=c10fbf5753&e=802e4750f5), the German association of energy market innovators (BNE), went so far as to call for making (hybrid) heat pumps mandatory as early as 2023. For some experts however, Germany’s sudden love affair with heat pumps is excessive. “In the breadth of solutions, there is an opportunity for many to participate in climate protection,” said Lamia Messari-Becker, a professor of building technologies and building physics at the University of Siegen who is a former member of the German Advisory Council on the Environment (2016-2020). “The strong focus on heat pumps is simply unserios,” she added, warning about a lack of installation capacity in a market where 70% of heating systems are running on gas or oil and only 2.6% are heat pumps. But for the association of heat pump manufacturers, the tight timeline is workable. Making heat pumps mandatory as of 2024 “is very ambitious but doable,” said Thomas Nowak, secretary-general of the European heat pump association. To achieve its goal, he said Germany needs to reshape its legislation, provide advice and financial support as well as unprecedented measures in the upskilling of installers within the next 18 months. “What should be stressed: we have all the technologies to decarbonise heating. It needs policy and process innovation to make them the dominant choice!” he told EURACTIV.   |

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