EU Policy-Driven Energy Transition: Takeaways for Policy Based Loans

Spotlight Session – Policy-Based Loans

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1. Starting Point (2020)

- Power sector reforms accomplished (unbundling, liberalized markets, flexibility markets)
- Free setting of tariffs (cost reflective)
- Generalized subsidies stopped
- Interconnections reinforced
- Targets 2020 achieved (20-20-20)
  - GHG reduction: 20% in 2015, 34% in 2020
  - RE share: 22% in 2020
  - Energy efficiency: 20%
- RE created 4 million jobs in Europe by 2020
2. EU Strategy and Policy Pillars

- **Climate neutrality** - No net emissions by 2050
- **Economic growth decoupled from resource use** - clean, affordable and secure energy supply
- **Just and inclusive transition** - Empowers citizens, protects vulnerable groups.

- **Reduce 5% electricity demand** in peak hours.
- **Reduce 15% gas demand** / joint purchases of gas.
- **Faster installation and max** production of RE

- **+460 GW wind and solar capacity in 2022**, an increase of over 25% compared to 2020
- **Annual investments of €400 billion until 2030** and close to €600 billion until 2050.
3. EU Climate Law (2021)

Mandatory targets established

- **2030**: 55% less GHG emissions and 42.5% RE share (with explicit ambition to reach 45%)
- **2040**: 90% climate neutrality
- **2050**: climate neutrality
- **Post 2050**: Negative emissions.
- Non-compliance penalizes obligated parties, countries
- Independent Scientific Advisory Board on Climate Change
4. Cross Sectoral Policy Effort

Examples:
- 3 billion additional trees planted by 2030
- Only zero-emission cars registered from 2035
5. Empowering Consumers

In the European Union consumers have the right to:

- An electricity connection from the local network and the right of withdrawal
- A choice of electricity and gas suppliers, easy and fast switch of suppliers (no charges)
- Clear contract and billing information
- Actively engage in renewables, either individually or collectively
- **Energy sharing:** access to off-site generated or stored renewable energy (possibility to share with friends, families or neighbours through peer-to-peer trading (low-income families to access cheaper renewables on public buildings)}
6. Impacts Abroad

- The European Green Deal sets a positive example and led major international partners to set their own target dates for climate neutrality.
- The EU, its Member States and the European Investment Bank are together the biggest contributor of public climate finance to developing economies, providing €28.5 billion in 2022.
7. Take Aways for Policy-Based Loans

- Finalize power sector reforms (unbundling, free competition, adequate grid compensation)
- Establish credible and legally binding targets, with rewards and penalties across targets
- Stop generalised subsidies, go for targeted subsidies
- Prepare and upgrade your grids for RE integration
- Be smart on choosing net-metering and Feed in Tariff
- Think cross-sectoral. Energy is a medium, not an end. (industry, transport, agriculture, land use, country dependent)
- Mainstream gender – this is not a cliché
- Identify and protect vulnerable groups
Thank you

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