

Empowering end-users to achieve climate neutrality in the most cost efficient way

Recommendations for the Fit for 55 package

The European Green Deal is much more than cutting CO2 emissions. It is about making systemic modernisation across our economy, society and industry, as President von der Leyen stated during her first State of the Union speech in 2020.

European energy users - businesses and citizens alike – hold the key to this. They can spur technology development, provide important flexibility to stabilise the increasingly variable energy system and contribute to reach climate neutrality cost-effectively. Their empowerment and active participation are key to make the clean energy transition a success for the environment, economy and society.

The Electricity Market Design, agreed in the previous EU legislature 2014-2019, set crucial EU rules that Member States must implement correctly and rapidly to ensure:

- Non-discriminatory participation of demand-side resources to all electricity markets and mechanisms,
- Market-based procurement of distributed flexibility for congestion management by System Operators,
- Frameworks for innovative services,
- Access to real-time price signals for end-users that reflect the value of flexibility.

The forthcoming “Fit for 55 Package” should build on these provisions and complement them to support the cost-effective increase of EU decarbonisation efforts in 2030.

To give important signals to market participants and help kick-start the uptake of demand-side flexibility across Europe smartEn recommends introducing **binding minimum national targets for demand-side flexibility of at least 10% of peak demand by 2030**. This target should be introduced in the revised Renewable Energy Directive (RED) to accompany and support the achievement of an increased renewables target for 2030.

In order to achieve this target and to deploy and integrate all Decentralised Energy Resources in an efficient power system, it is important to create sufficient revenue streams for active consumers and to promote prosumer business models.

To this end, smartEn recommends the following 10 policy measures:

1. Evolve from a static to a dynamic, time-dependent approach to energy efficiency in the revised Energy Efficiency Directive (EED) to **increase system efficiency and valorise the impacts at system level of a flexible consumption by counting savings/shifting (calculated in kWh) among end-users** due to the activation of their distributed flexibility.
2. Introduce a **market test** in the guidance on the application of the EE1st principle and revision of the Trans-European Energy Networks Regulation (TEN-E) to recognise and promote non-wires alternatives before allowing any investment in grid expansions/reinforcements and conventional back-up generation.
3. Promote in the revised Energy Performance of Buildings Directive (EPBD) **renovations integrating electrified buildings and transport sectors in the local energy system** to enable automated flexibility through interoperable Energy Management Systems to be deployed in all new and renovated buildings.
4. Foster the market-based development of **smart charging (both V1G and V2G) for all electric vehicles** to allow their integration in the power system as Decentralised Energy Resources through both the revised Alternative Fuels Infrastructure Directive (AFID) and EPBD.
5. Enable the definition of **dedicated products for demand-side flexibility** in the revised Energy and Environmental State aid guidelines (EEAG) to trigger the uptake of all distributed flexibility resources and reward participating end-users for their contribution to an increased efficiency of the energy system.
6. Expand the scope of Energy Savings Obligation Schemes in the revised EED to **reward through White Certificates distributed flexibility delivered (MWh)** at relevant moments.
7. **Support in the form of operating aid** climate-neutral solutions, such as demand response, which do not incur high upfront investment costs and would be excluded by default from a CAPEX-only approach in the revised EEAG and TEN-E Regulation.
8. Develop **real-time 24/7 Guarantees of Origin** in the revised RED to incentivise a time-dependent, flexible consumption of renewable electricity in buildings, vehicles and industries.
9. Eliminate permitting and administrative barriers to **renewable communities** in the revised RED while also allowing the involvement of commercial and industrial actors.
10. Introduce **actual performance metrics** for the quantification of the demand-side flexibility in buildings in the revised EPBD, as a mean to valorise active buildings while measuring and improving their carbon emissions.