



Council of the
European Union

Brussels, 20 June 2019
(OR. en)

10522/19

ENER 373
CLIMA 176
COMPET 532
RECH 368
AGRI 325
ENV 634

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	20 June 2019
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2019) 4405 final
Subject:	COMMISSION RECOMMENDATION of 18.6.2019 on the draft integrated National Energy and Climate Plan of Germany covering the period 2021- 2030

Delegations will find attached document C(2019) 4405 final.

Encl.: C(2019) 4405 final



Brussels, 18.6.2019
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COMMISSION RECOMMENDATION

of 18.6.2019

**on the draft integrated National Energy and Climate Plan of Germany covering the
period 2021-2030**

{SWD(2019) 229 final}

COMMISSION RECOMMENDATION

of 18.6.2019

on the draft integrated National Energy and Climate Plan of Germany covering the period 2021-2030

THE EUROPEAN COMMISSION,

Having regard to Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council¹, and in particular Article 9(2) thereof,

Whereas:

- (1) Pursuant to Regulation (EU) 2018/1999, each Member State is required to submit to the Commission a draft of its integrated national energy and climate plan covering the period from 2021 to 2030 in accordance with Article 3(1) and Annex I of that Regulation. The first drafts of integrated national energy and climate plans had to be submitted by 31 December 2018.
- (2) Germany submitted its draft integrated national energy and climate plan on 20 December 2018. The submission of this draft plan represents the basis and first step of the iterative process between the Commission and Member States for the purpose of the finalisation of the integrated national energy and climate plans and their subsequent implementation.
- (3) Pursuant to Regulation (EU) 2018/1999, the Commission is required to assess the draft integrated national energy and climate plans. The Commission made a comprehensive assessment of the German draft integrated national energy and climate plan, taking into consideration the relevant elements of Regulation (EU) 2018/1999. This assessment² is published alongside the present recommendation. The below recommendations are based on that assessment.
- (4) In particular, the Commission's recommendations may address (i) the level of ambition of objectives, targets and contributions with a view to collectively achieving the Energy Union objectives and, in particular, the Union's 2030 targets for renewable energy and energy efficiency as well as the level of electricity interconnectivity that the Member State aims for in 2030; (ii) policies and measures relating to Member State- and Union-level objectives and other policies and measures of potential cross-border relevance; (iii) any additional policies and measures that might be required in the integrated national energy and climate plans; (iv) interactions between and consistency of existing and planned policies and measures included in the integrated

¹ OJ L 328, 21.12.2018, p. 1.

² SWD(2019) 229.

national energy and climate plan within one dimension and among different dimensions of the Energy Union.

- (5) In developing its recommendations, the Commission considered, on the one hand, the need to add up certain quantified planned contributions of all Member States in order to assess the ambition at Union level, and, on the other hand, the need to provide adequate time for the Member State concerned to take due consideration of the Commission's recommendations before finalising its national integrated national energy and climate plan.
- (6) The Commission's recommendations with regard to the Member States' renewable ambitions are based on a formula set out in Annex II of Regulation (EU) 2018/1999 which is based on objective criteria.
- (7) With regard to energy efficiency, the Commission's recommendations are based on the assessment of the national level of ambition put forward in the draft integrated national energy and climate plan, compared to the collective level of efforts needed to reach the Union's targets, taking into account the information provided on specific national circumstances, where relevant. The final national contributions in the area of energy efficiency should reflect the cost-effective potential for energy savings and be supported with a robust long-term building renovation strategy and measures to implement the energy savings obligation stemming from Article 7 Directive 2012/27/EU of the European Parliament and of the Council³. Member States should also demonstrate that they have properly taken into account the energy efficiency first principle, by explaining notably how energy efficiency contributes to the cost-effective delivery of the national goals of a competitive low-carbon economy, security of energy supply and to address energy poverty.
- (8) The Governance Regulation requires Member States to provide a general overview of the investment needed to achieve the objectives, targets and contributions set out in the integrated national energy and climate plan, as well as a general assessment on the sources of that investment. The national energy and climate plans should ensure the transparency and predictability of national policies and measures in order to ensure investment certainty.
- (9) In parallel, as part of the 2018-2019 European Semester cycle, the Commission has put a strong focus on Member States' energy and climate related investment needs. This is reflected in the 2019 Country Report for Germany⁴ and in the Commission's recommendation for a Council Recommendation to Germany⁵, as part of the European Semester process. The Commission took into account the latest European Semester findings and recommendations in its assessment of the draft integrated national energy and climate plans. The Commission's recommendations are complementary to the latest country-specific recommendations issued in the context of the European Semester. Member States should also ensure that their integrated national energy and climate plans take into consideration the latest country-specific recommendations issued in the context of the European Semester.

³ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

⁴ SWD (2019) 1004 final.

⁵ COM (2019) 505 final of 5.6.2019.

- (10) In addition, the Governance Regulation requires each Member State to take due account of any recommendations from the Commission to its draft integrated national energy and climate plan to be submitted by 31 December 2019 and, if the Member State concerned does not address a recommendation or a substantial part thereof, that Member State should provide and make public its reasons.
- (11) Where applicable, Member States should report the same data in their integrated national energy and climate plans and updates in later years as they report to Eurostat or the European Environment Agency. The use of the same source and, where available, of European statistics, is also essential to calculate the baseline for modelling and projections. Using European statistics will allow for a better comparability of the data and the projections used in the integrated national energy and climate plans.
- (12) All elements of Annex I of the Regulation (EU) 2018/1999 are to be included in the final integrated national energy and climate plan. In this context, the macroeconomic and, to the extent feasible, the health, environmental, employment and education, skills and social impacts of the planned policies and measures should be assessed. The public and other stakeholders are to be engaged in the preparation of the final integrated national energy and climate plan. These and other elements are described in detail in the staff working document published alongside this Recommendation⁶.
- (13) Considering the overall good set-up of national targets in energy and climate policy outlined in the draft plan, the final plan could specify the main interactions between these targets both in terms of national ambition levels and in terms of provisional, planned, additional and existing policy instruments. Elaborating further on sector coupling and on the related incentive structure across different sectors of the economy would allow addressing the consistency of policies and measures within and between Energy Union dimensions more comprehensively. In that context, consideration could be given to identifying investment needs in all Energy Union dimensions, preventing sudden impacts of shifting prices by ensuring a gradual phase out of energy subsidies with long term visibility and to measures mitigating the impact on vulnerable consumers through energy poverty measures. A comprehensive impact assessment could help addressing policy interactions, e.g. by quantifying the impact on accounted emissions and removals from land use, land use change and forestry of a sustainable supply of biomass for energy purposes, including risks for energy security due to climate change. A quantitative overview in the final plan of the development of different sources of flexibility required to integrate the rising share of renewable energy in the electricity system could help to address additional interactions between Energy Union dimensions. Information on how the energy efficiency first principle is taken into account in national policies and measures across various Energy Union dimensions could be included more comprehensively.
- (14) An additional element deserving increased attention is industry competitiveness and the areas of Germany's competitive strengths and potential challenges in its energy transition. Measurable objectives for the future would be beneficial, together with policies and measures to achieve them, making appropriate links to enterprise, industrial and education policy. The final integrated national energy and climate plan

⁶ SWD(2019) 229.

would benefit from a better interaction with the circular economy, emphasising its greenhouse gas emissions reduction potential.

- (15) The Commission's recommendations to Germany are underpinned by the assessment of Germany's draft integrated national energy and climate plan which is published alongside this Recommendation⁷.

HEREBY RECOMMENDS GERMANY TAKES ACTION TO:

1. Specify cost-efficient additional policies and measures, notably in the building, transport and agriculture sectors, to address the significant projected gap to its greenhouse gas target for sectors not covered by the EU emissions trading system for 2030 of -38 % compared to 2005.
2. Provide detailed and quantified policies and measures; in line with the obligations laid down in Directive (EU) 2018/2001 of the European Parliament and Council⁸, to enable a timely and cost-effective achievement of the German contribution of 30% renewable energy share to the Union's renewable energy target for 2030. Put forward trajectories and provide specific measures to meet the transport target pursuant to Article 25 of Directive (EU) 2018/2001. Provide additional details on the enabling frameworks for renewable self-consumption and renewable energy communities, in line with Articles 21 and 22 of Directive (EU) 2018/2001, including simplification of administrative procedures.
3. Provide a sufficiently ambitious national contribution for both primary and final energy consumption, which takes into account the need to increase, collectively, the level of efforts necessary to reach the Union's 2030 target, and to support the national contribution with policies and measures at a scale adequate to deliver the corresponding energy savings. Clearly identify policies which are planned to be adopted and implemented in the period from 2021 to 2030, their expected impacts as well as their timeline for implementation and budgetary requirements.
4. Specify the measures supporting the energy security objectives on diversification and reduction of energy dependency, including measures ensuring flexibility, as well as information on phase-out from nuclear.
5. Define forward-looking objectives and targets concerning market integration, in particular measures to reinforce market signals and to improve the effective impact of market components in the electricity price. Include a timetable with appropriate measures to remove structural congestion in the electricity system and to provide efficient dispatch and locational signals to the market as an important element of the final integrated national energy and climate plan, notably as a basis for further

⁷ SWD(2019) 229.

⁸ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82–209).

cooperation and coordination with other Member States and in view of the functioning of the internal energy market.

6. Further clarify national objectives and funding targets in research, innovation and competitiveness, specifically related to the Energy Union, to be achieved between 2022 and 2030, so that they are readily measurable and fit for purpose to support the implementation of targets in the other dimensions of the final integrated national energy and climate plan. Underpin such objectives with specific and adequate policies and measures, including those to be developed in cooperation with other Member States, such as the European Strategic Energy Technology Plan.
7. Continue, both in the finalisation of the integrated national energy and climate plan and during its implementation, regional cooperation in respective high-level groups and consultation of neighbouring Member States. In that context, focus on the coal and lignite phase-out, renewables deployment and the internal energy market, addressing issues such as interconnection levels and capacity from 2021 onwards, regional cooperation measures related to assessing system adequacy, just transition and energy system changes required for accommodating higher shares of renewables that are expected to modify cross-border electricity trade while enhancing the need for system flexibility.
8. Extend its analysis of investment needs provided for electricity transmission infrastructure to a general overview of investment needs to reach its energy and climate objectives. Provide a general assessment of the sources of that investment, including appropriate financing at national, regional and Union level.
9. List all energy subsidies, including in particular fossil fuels subsidies, and actions undertaken as well as plans to phase them out.
10. Complement the analysis of the interactions with air quality and air emissions policy, presenting and quantifying the impacts on air pollution for the various scenarios, providing underpinning information, and considering synergies and trade-off effects.
11. Integrate just and fair transition aspects, notably by providing more details on socio-economic impacts of the energy transition and the planned coal phase out or of adjustments in other carbon-intensive sectors. Describe the associated social, employment and skills impacts of planned objectives, policies and measures. Further develop the approach to addressing energy poverty issues, including by providing a dedicated assessment of energy poverty as required by the Regulation (EU) 2018/1999.

Done at Brussels, 18.6.2019

For the Commission
Miguel Arias Cañete
Member of the Commission