

How the RED-3 can boost EU renewable energy markets

The power of full consumption disclosure



Introduction

The European Commission's proposals for amending the Renewable Energy Directive to make it 'Fit for 55' include two significant changes related to Guarantees of Origin (GOs)¹:

1. Removing the provision that allows EU and EEA Member States to refuse to issue GOs to renewable energy generation that benefits from a support scheme.
2. Introducing a provision to ensure that when buying renewable energy that benefits from support, end-users can receive the related GOs.

RECS International supports the retention of both of these new provisions, as described in more detail in our initial briefing on GOs in the Fit for 55 package².

This paper calls on European legislators to include a further provision, which would significantly boost renewable energy markets, in RED-3: The implementation of full consumption disclosure³ in all European single market countries.

Why is full disclosure needed?

Introducing a requirement of full consumption disclosure into the RED-3 would support a trend that is already happening in the EU. According to the Association of Issuing Bodies⁴, the growing use of fossil and nuclear GOs indicates the interest of European countries in moving towards full disclosure, which will increasingly replace the residual mix⁵ as a more accurate means of providing evidence of the true source of energy, and hence its environmental impact. More accurate matching of production and consumption can only further the aims of energy transition and stakeholders are showing considerable interest in further innovation in this field.⁶

Renewable energy consumption, as documented through the GO system, has grown solidly over the last decade, with over 600TWh of certified energy in

1 Guarantees of Origin (GOs) are the certificates needed to prove the generation, sale/transfer, and consumption of renewable energy in Europe.

2 <https://reco.org/news/red3-advocacy-briefing-for-legislators/>

3 More details on full disclosure can be found here: <https://reco.org/news/full-disclosure-2-pager/?highlight=%27full%27%2C%27disclosure%27>

4 The Association of Issuing Bodies is the umbrella body through which national issuing bodies cooperate to develop, use, and promote a standardised Guarantee of Origin system: the European Energy Certificate System - "EECS".

5 The residual mix is the energy that consumers are buying if they use grid electricity without the cancellation of an Energy Attribute Certificate (such as a GO).

6 AIB 2020 annual report: <https://www.aib-net.org/sites/default/files/assets/news-events/annual-reports/AIB-2021-Annual%20Report%202020.pdf>



AIB member countries of the EU27⁷. Nevertheless, a much greater uptake of renewable energy is possible. In 2019, total renewable power generation in the EU27 passed 1,000TWh, around a third of the bloc's total electricity generation of almost 3,000TWh⁸.

Full consumption disclosure requires all consumers to prove where all the energy they use comes from – ensuring a level playing field between consumers of renewable and non-renewable energy⁹. Currently, end-users choosing to consume renewable electricity must respect official procedures to prove that choice, while consumers of non-renewables face no such requirements. RECS International believes that if all end-users have to actively choose and prove the origin of their energy they will make more conscious energy choices, increasing the chance that they will buy renewables. This would significantly boost European renewable energy markets.

What type of full disclosure?

Full disclosure can apply to either the production or consumption side of energy markets. Full production disclosure means that every producer must receive a certificate for all the energy they generate. However, full production disclosure only means that every MWh of production is certified with a GO – it does not require end-users to prove the origin of the energy they use.

This is why RECS International supports full consumption disclosure, as currently implemented in the Netherlands. Full consumption disclosure means that a certificate must be cancelled to prove the origin of every unit of energy used – ensuring complete transparency. To comply with such a scheme, consumers may mandate suppliers of either energy, GOs, or both to cancel certificates on their behalf. Full Consumption Disclosure presupposes full production disclosure since no energy could be bought without a GO certifying from where it was produced.

It is crucial that, as in the Dutch case, any market party is recognised as “a supplier,” whether they supply energy, GOs, or both. This is not the case in another full disclosure country – Austria. The Austrian version of FCD only allows the sale and cancellation of GOs to be done by the consumer's energy supplier. This discourages competition and

⁷ Membership of the AIB is voluntary, and not all EU27 countries are AIB members. The AIB also collects GO data from its member countries that are not in the EU27. Figures cover all renewable energy, the large majority of which is electricity. See <https://www.aib-net.org/facts/market-information/statistics/activity-statistics-all-aib-members>

⁸ EU Energy in figures: Statistical pocket book 2021, <https://op.europa.eu/en/publication-detail/-/publication/41488d59-2032-11ec-bd8e-01aa75ed71a1/language-en>,

⁹ Large consumers buying energy directly from producers or wholesalers have to ensure they have the relevant GOs if they want to claim the use of renewable energy. Smaller consumers buying energy from retail suppliers must choose renewable energy tariffs that their suppliers have to evidence through GOs.



limits consumer choice. The Dutch model, supported by RECS International, allows consumers the choice of purchasing and documenting the attributes of the energy they use separately from the underlying energy itself. Using the Best practice strategy of the Netherlands is not only in line with the EU's intentions of an active and open electricity market – but also allows for richer consumer choice.

The benefits of full consumption disclosure

Many consumers want to support the energy transition through their buying choices but are not fully aware of how best to do so. There is limited understanding of the EU's GO scheme, which can sometimes lead to unfounded fears of greenwashing. Full consumption disclosure would ensure that all consumers know where their energy is coming from, thereby creating an informed, transparent marketplace in which all consumers are conscious of the energy choices they are making. Full disclosure based on GOs would in effect function as an accounting system for the electricity and gas grids, providing transparency to the consumer and removing the perception of 'greenwashing.'¹⁰

Informed consumers in a transparent market would also provide much clearer market signals about the energy they want to use. This would help to shape the investments and market offers of energy producers and suppliers. Currently, when only renewable energy generation is certified, consumers face a choice between renewable 'green' energy and generic 'grey' energy/ With full disclosure, consumers would be able to choose specifically between renewables and all other specific energy sources. Given that 87% of Europeans think it is important that the EU sets ambitious targets to increase renewable energy use¹¹, more transparency and better information in energy markets would lead to more active procurement of renewable energy as certified by GOs. Greater renewable energy buying would, in turn, lead to greater investments in new renewable generation – further supporting the achievement of the EU's ambitious climate and energy targets.

How to encourage full consumption disclosure in RED-3?

Current EU legislation does not block the introduction of full consumption disclosure schemes – as shown by the implementation of such a scheme in

¹⁰ Europ/ex Association of European Energy Exchanges, Position paper on Guarantees of Origin, Sept 2020, https://www.europex.org/wp-content/uploads/2020/09/20200924_Europex_six-recommendations-GO-system-1.pdf

¹¹ Eurobarometer on Climate Change, July 2021 <https://europa.eu/eurobarometer/surveys/detail/2273>



the Netherlands (and Austria including on the production side). However, neither does the RED-3 actively support the use of such a valuable tool.

RECS International calls on EU legislators to encourage Member States to implement full consumption disclosure schemes by amending Article 19 of the RED 3 to include the following new provision:

Member States shall implement full consumption disclosure, based on guarantees of origin, on their territory. Member State full consumption disclosure schemes must allow for suppliers of either energy or guarantees of origin to cancel such certificates on behalf of consumers.

Suppliers of either energy or GOs must be able to cancel certificates on behalf of consumers to ensure market liquidity, efficiency, and consumer choice. Such an arrangement allows consumers to choose whether to buy their energy and GOs together or separately, meaning that they can support exactly the kind of energy generation they prefer.

Further information

For further information on GOs in general, or on the topic of full consumption disclosure in the RED-3 in particular, please contact Adam White, Secretary-General of RECS International at a.white@reecs.org.

