



## Review of draft NECPs – the Commission calls for increased ambition and clarification on policy measures

*The European Commission published its review of and recommendations for the Integrated, National Energy and Climate Plans (NECPs) of the 28 Member States on the 18<sup>th</sup> of June. At an overall level, the sum of the NECPs ambitions fall slightly short of the EU renewable energy target, despite the very high targets set by some countries, and there is a substantial gap towards the energy efficiency target. Many countries have been asked to increase their level of ambition as well as the level of detail in their final NECPs. Germany has been asked to provide more detail on how it will reduce problems related to structural grid congestion and on measures to improve price signals; the UK was found to lack clear targets in several key policy areas, while the Swedish energy efficiency target was characterised as “very modest”. Generally, the EC has requested more detail on concrete policies and measures and asked for more ambitious targets for renewables and energy efficiency from most countries. The Member States now have six months to submit their final NECPs.*

### EC recommendations on NECPs

The Governance Regulation, adopted as part of the Clean Energy Package in the summer of 2018, obliges all Member States to develop draft integrated national energy and climate plans (NECPs) by the end of 2018.

The NECPs should draw up MS' plans, objectives and measures related to meeting each country's contributions to the various targets of the Energy Union,<sup>1</sup> namely those on: decarbonisation, energy efficiency, the Internal Energy Market, energy security and research, innovation and competitiveness. In June 2019, the Commission's review and recommendations on the NECPs were published. The final versions of the NECPs must be handed in to the EC by the end of 2019.

In this insight, we summarise the EC's key findings regarding the EU's quantitative targets for 2030, as well as the country-specific recommendations on renewable energy and the internal energy markets for Germany, the UK and Sweden.

### Assessment of EU level ambitions<sup>2</sup>

The EU has set four quantitative targets for 2030 regarding the share of energy from renewables, energy efficiency, greenhouse gas emissions and electricity interconnectors. In its review of the 28 NECPs, the Commission also assessed the aggregate contribution towards the EU's overall targets:

**Renewable energy:** The sum of national contributions results in a share of energy from renewables at the EU level of 30.4 – 31.9 percent in 2030, just shy of the binding target of 32 percent. Whereas the deviation is modest at the aggregate level, some countries have provided contributions considerably higher than what would be expected, and many others are asked to increase their national contributions in order to assure that the ambition gap is closed in the final plans.

**Energy efficiency:** Only five member states have provided 2030 energy efficiency targets in line with the EC's expectations, and many have not provided a target at all. As a result, the sum of national contributions leaves a substantial gap compared to the indicative EU target of 32.5 percent. Current plans give an overall

<sup>1</sup> EC about the Energy Union

<sup>2</sup> Summary of EC review and recommendations of NECPs

26.3 – 30.2 percent efficiency improvement in terms of primary energy and a 16.5 – 30.7 percent improvement for final energy. The EC has therefore asked many member states to review their energy efficiency plans in the final NECPs.

**Greenhouse gas emissions:** Member States were asked to specify their targets for the reduction of greenhouse gas emission in non-ETS sectors<sup>3</sup> and the measures to achieve them. Each country has been given a binding reduction target as part of the Effort Sharing Regulation (ESR)<sup>4</sup>. Taken together, the national reductions should result in a 30 percent cut in emissions in 2030 compared to the 2005 baseline.

In the NECPs, only three countries have set national targets above those given in the ESR. The EC's aggregation shows a total estimated reduction of 28 percent, 2 percentage points short of the target. If net emissions from the LULUCF-sectors<sup>5</sup> increase, the gap will increase further. The EC has therefore asked Member States to identify additional measures to reduce greenhouse gas emissions in the non-ETS sectors in their final NECPs.

**Electricity interconnectors:** The EU target is that each country should have electricity interconnection capacity equivalent to 15 percent of the country's installed generation capacity by 2030.<sup>6</sup>

However, the EC found that only five countries had adopted a national target, with many others only stating the projected interconnectivity level. In its review, the EC requested that all member states that currently have an interconnectivity level of less than 15 percent indicate their target for 2030 in their final versions of the NECPs.

## Germany<sup>7</sup>

**Non-ETS emissions:** Germany has a binding target of a 38 percent reduction in emissions from the non-ETS sectors. The sector-specific emissions targets were found to be sufficient to reach the overall target, but the EC concluded that the measures described in the NECP were insufficient to meet the targets (falling short by 15 percentage points). It therefore asks Germany to specify suitable measures in the final NECP. It also notes that the German NECP does not describe how the "no-debit commitment" for the LULUCF-sectors would be achieved.<sup>8</sup>

**Renewable energy:** Germany's target of 30 percent renewable energy as a share of final consumption is in line with the EC's calculation method for national renewable targets. While progress in terms of renewable electricity deployment is noted, so is the

need for increased progress in the transport and heating and cooling sectors.

As policy measures and sectoral objectives are inadequately outlined, the EC notes that detailed assessment is difficult. The indicated volumes of renewable electricity shown in the draft are likely to be insufficient to meet the upper target of 65 percent for 2030. The EC asks to see an account of the total planned installed renewable energy capacity, split by new capacity and re-powering per technology in the final plan.

**Energy efficiency:** The German draft NECP did not include a target outlining its contribution towards the EUs 2030 energy efficiency target. A national energy efficiency strategy for Germany is expected in 2019, as a part of which a 2030 target will be provided.

**Internal Energy Market:** Germany's key role in the internal energy market, given its location at the geographical centre of Europe, is highlighted. The EC recommends that Germany includes a timetable for measures to assure an appropriate reduction in structural grid congestion within the German bidding zone as part of its final NECP. Further, the country is asked to define measures aimed at improving market signals through the electricity price, and to realise more efficient dispatch and locational signals in the electricity system.

*"As regards the wholesale electricity market, the draft plan stresses that both a unitary German bidding zone and a large European market area for electricity is expected to contribute to a cost-effective electricity system. However, specific measures to avoid trade-offs between a unitary German bidding zone and a large European market area for electricity are not outlined in the draft plan. This is especially relevant in the light of the fact that internal congestion within the German bidding zone currently results in significant loop flows through neighbouring countries."*

The lack of information on barriers for new market participants and on the expected uptake of different sources of flexibility is also pointed out.

## United Kingdom<sup>9</sup>

**Non-ETS emissions:** The UK is likely to reach its target of a 37 percent emission reduction in the ESR-sectors by 2030. However, the lack of detail on measures and policies aimed at the ESR- and the LULUCF-sectors makes it hard to say for sure if and how the

<sup>3</sup> Covering all emissions that are not counted under Emissions Trading Scheme (ETS) – mainly transport, buildings and agriculture.

<sup>4</sup> More details on the Effort sharing Regulation [here](#).

<sup>5</sup> LULUCF = Land use, land-use change and forestry

<sup>6</sup> More on the EU's Electricity interconnection targets can be found [here](#).

<sup>7</sup> EC Recommendations for the German NECP

<sup>8</sup> The [no-debit commitment](#) implies that Member States must ensure that accounted CO<sub>2</sub> emissions from land use are entirely compensated by an equivalent removal of CO<sub>2</sub> from the atmosphere through action in the same sector.

<sup>9</sup> [EC Recommendation for the UK NECP](#)

target will be achieved. More detail is requested in the final version of the NECP.

**Renewables and energy efficiency:** The UK draft NECP did not provide a target for the share of renewable energy or energy efficiency by 2030, and the Commission has asked this to be included in the final version.

**Internal energy market:** The UK draft plan includes the current plans for electricity interconnection expansion but no target for the level of interconnection in 2030. The UK is therefore asked to include one in the final version.

## Sweden

**Non-ETS emissions:** High Swedish ambitions for emission reductions in the ESR are noted by the EC. However, there is a need for further specification of how Sweden intends to comply with the non-debit commitment for the LULUCF-sectors in the final NECP.

**Renewables:** Sweden's projected 65 percent renewable share in 2030 is slightly above the EC's expectation of 64 percent. More detail on the trajectory of renewable energy expansion is asked for, as it appears that Sweden will fall short of the indicative trajectory provided by the EC for 2025. The EC also asks for more detailed targets and plans for renewable energy in sectors other than electricity.

**Energy efficiency:** The Swedish target is expressed in terms of energy intensity (energy use relative to GDP) and aims at a 50 percent reduction from 2005 to 2030. The EC notes that the resulting absolute reduction in primary and final energy consumption is modest compared to the efforts needed to reach the EU 2030 target.

**Internal Energy Market:** Sweden's interconnection level is expected to be well above the EU's 15 percent target for 2030, but the EC asks for an indication of the specific target for 2030. The specification in the draft NECP of detailed policies regarding distributed generation, storage, demand response and flexibility was praised.

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