

WindEurope's position on the European Commission's proposals for a Green Deal Industrial Plan

May 2023

Executive Summary

The EU has a big challenge ahead. Wind energy will be the key delivering technology for the Green Deal – EU needs to double the rate of wind deployment from 16 GW p.a. to 30 GW p.a. to deliver on its new energy security strategy REPowerEU by 2030.

But investments in wind energy were sharply down in 2022:

- Europe only invested €17bn in new wind in 2022, down from € 41bn in 2021, and the lowest since 2009.
- Final Investment Decisions were taken for only 10 GW.
- Turbine orders were down 47% year on year.
- There was not a single Final Investment Decision in commercial scale offshore wind.

This is the result of higher uncertainty for new wind energy investments. Inflation made turbine prices increase by up to 40% over the last two years. EU Governments enacted unhelpful and uncoordinated power market interventions to cope with the current energy crisis increasing risk premiums and damaging the business case for wind. And the permitting situation in Europe is still not what it should be.

All of these factors are making the situation for Europe's supply chain more precarious at a time when it should be ramping up instead. The gap in volume ambition vs supply chain capabilities is particularly acute for offshore wind where the supply chain must deliver for 100 GW up from 30 GW today by end decade.

The European Commission presented legislative proposals for a Green Deal Industrial Plan. The Plan is supposed to be Europe's response to rising competitive pressures from the US and China in the global race for renewable energy investments. But the proposals are weak, and as it stands the Plan will not be sufficient to ensure Europe avoids a reliance on non-European clean technologies in its energy transition.

The European wind industry calls on the EU legislators to amend the Plan as follows:

Improve from Commission's proposal:

- Ensure renewable energy auctions recognise European supply chains' contribution to 'resilience' thanks to clear and actionable non-price criteria;
- Remove the rule allowing auctioning authorities to opt-out of applying non-price criteria in renewable energy auctions;
- Add pre-qualification criteria, on cybersecurity and due diligence;
- Increase the size and amend the scope of EU Innovation Fund.

Address in parallel and as a matter of priority:

- Focus on volumes, not innovation, for all funding and financing of net zero technology manufacturing;
- Amend the European Investment Bank Energy lending mandate to support manufacturing capacity;
- Ensure National Governments make best possible use of the more flexible State aid rules.

Retain from the Commission's proposal:

- Sector-specific headline targets of 36 GW for wind turbine manufacturing in Net Zero Industry Act;
- Phased-in approach to permanent magnets recycling in Critical Raw Materials Act.

Priorities for the Net Zero Industry Act

The Net Zero Industry Act (NZIA) aims at increasing EU industrial manufacturing of 'net zero emissions' technologies in the EU. The European wind industry welcomes NZIA's intention to support Europe's renewable energy industries. **It is in Europe's core interest to ensure its energy transition is 'made in Europe' and that competitive renewable energy technologies like wind energy can continue to deliver their benefits to EU citizens and business alike.** The European wind industry is set to employ 450,000 people by 2030 and each new wind turbine installed in Europe generates €10m of economic activity.

Therefore, the **industry calls on the EU co-legislators to focus NZIA** on the technologies, like wind energy, that will deliver the bulk of the EU decarbonisation required by the European Green Deal.

For wind energy, NZIA sets a 36 GW non-binding target for minimum annual European production capacity of wind turbines. **The industry welcomes the inclusion of sector specific objectives and calls on EU Parliament and Council to enshrine it in legislation.**

The EU wind supply chain has been struggling financially for the past few years and does not have on its own the financial capacity to invest in the required manufacturing capacity for 2030 and beyond. In the offshore sector alone the scale of the necessary ramp up is huge: Europe must increase by 2030 its turbine production capacity 2x, its bottom-fixed foundations capacity 4x, its installation vessels capacity 2x, and must channel €8.5bn in ports. A binding target will send an important investment signal to the industry and will be important to underpin delivery measures at EU and national level prioritise investments in the wind supply chain.

The wind industry also calls for **clarifying the exact scope of supply chain activities covered by the sector-specific wind turbine manufacturing target.** The NZIA proposal says the target covers turbine and foundations manufacturing. However, the scope must clearly spell out all the components and infrastructure (e.g. blades, nacelles, gearboxes, generators, cables, vessels, sea ports) required for the production, assembly, and installation of wind turbines.

Targets alone will not be enough to attract the necessary investments in the European wind supply chain. Underpinning measures will be key. And notably the rules on the inclusion of non-price criteria in renewable energy auctions.

The European wind industry **welcomes NZIA's mandate for National Governments to introduce non-price criteria in renewable energy auctions** for environmental sustainability, energy system integration, innovation, and the resilience of the clean technology supply chains.

To keep auctions lean and effective, the implementation of non-price criteria should not be cumulative. The list of criteria should serve as an inventory for National Governments to choose from when designing their renewable energy auctions.

The one non-price criterion which should apply across all renewable auctions is a recast criterion on 'resilience' which is at the core of the Net Zero Industry Act.

As proposed, this criterion would have no impact on the wind industry and fail support the delivery of the 36 GW manufacturing target. It should therefore be replaced by a clear and actionable non-price criterion rewarding the contribution of European value chains to Europe's energy and technological resilience.

It is indispensable that this cross-cutting non-price criteria is applied in a way that is fully consistent with the European internal market. Any assessment of supply chains' contributions to Europe's energy and technology resilience must imperatively be done at European level – not at national or even regional level. A national or regional approach would undermine economic efficiency thereby failing to deliver on the resilience objective.

In addition to the menu of non-price criteria, national Governments should apply pre-qualification criteria. Projects allowed to bid into renewable energy auctions in Europe must meet standards starting with cybersecurity. Cybersecurity threats are becoming increasingly sophisticated and frequent, posing a significant risk to energy systems. In EU critical infrastructure, such as wind generation assets, stricter requirements on data security, monitoring and storage practices will prove crucial. The storage and the analysis of data on cyber secure compliant technologies should be restricted to safe countries.

Supply chain due diligence should also apply as a pre-qualification criterion. The Dutch Covenant on International Responsible Business Conduct is a positive example of multi-stakeholder cooperation in this field and can serve as a blueprint for other National Governments.

Crucially **the opt-out allowing National Governments not to apply non-price criteria in auctions when they lead to an increase in costs by 10% must be deleted.** Non-price criteria reflect things society values like environmental protection, energy system integration, and economic development in Europe. Delivering this value comes at a cost. Applying a cap allowing auctioning authorities to opt out of non-price criteria defeats their purpose as a driver for industrial policy.

Clarifying and agreeing a clear set of non-price criteria in NZIA will ensure that national authorities have a common understanding and interpretation on how to apply EU law, that the EU supply chain will know how to design its products for the European market without unnecessary costs stemming from fragmented implementation, and renewable energy developers will have transparent and predictable rules governing auctions.

The **industry also calls on the co-legislators to clarify the governance framework for NZIA.** The Net Zero Europe Platform establishes that Member States and the Commission will be in the lead for discussing private sources of financing, investment needs and existing EU funds. The Platform should involve industry experts as representatives on permanent basis.

As the wind energy industry is constantly evolving, with new technologies and processes emerging to improve efficiency, safety, and cost-effectiveness, the process of **reskilling and upskilling** the required workforce is crucial. To meet the growing demand for clean energy technology, the European wind industry calls on the co-legislators to ensure that the Net Zero Industry Academies will timely and effectively tackle the expected gap of both skilled and unskilled workers needed to design, install, operate, and maintain wind turbines and all related infrastructure.

Priorities on Funding & Financing

Although the EU Net Zero Industry Act sets targets for the promotion of renewable energy sources such as wind energy, it does not include the equivalent mechanisms to support the funding and financing for such development. Public financial support will play a key role, both at EU and national level, in ensuring robust supply chains.

The industry welcomes the European Commission's intention to present a new Sovereignty Fund in the summer of 2023 which can contribute to fulfil the objectives of the EU Net Zero Industry Act and support the key delivering technologies outlined in NZIA's scope. However, the Fund cannot become quickly operational to support the ramp of up of manufacturing in the wind supply chain necessary for deploying wind at scale by 2030.

The EU Temporary Crisis and Transition Framework (TCTF) for State aid applicable to 2024 allows National Governments to offer support for clean technology supply chains. The European wind industry calls on **Governments to make the best possible use of these more flexible EU State aid rules.**

Considering the time and scope limitations of the EU Sovereignty Fund and the TCTF, the **EU Innovation Fund can most easily play the role of a bridging financing mechanism** for ramping up the wind energy supply chains. The NZIA proposal points in this direction but critically fails to say how this could work in practice.

The European wind industry **calls on the EU co-legislators to recast the EU Innovation Fund to deliver on NZIA's objectives**. The eligibility standards for the EU Innovation Fund are currently too restrictive and not of practical use for the needs of the wind supply chain. The Fund is too heavily focused on rewarding technology breakthroughs rather than actual scaling up existing supply chains. Whilst Europe's wind technology will always be state-of-the-art, the imperative now is **expanding the volumes** of existing technology. Therefore, the co-legislators could decouple the support granted under the EU Innovation Fund from the 'innovation' eligibility criteria. This will ensure the Fund's scope correctly address the clean technology scale-up required by the EU's Climate and Energy security targets.

To facilitate and accelerate investments in the wind supply chains, **EU policymakers should radically simplify and accelerate the application-to-award process**. The current cumbersome and inefficient process deters companies from even applying for funding. Instead of slow tenders or calls for proposals, an open-door principle should be equally part of the review. To avoid competition distortions, the amount granted per company could be limited.

The industry also calls on the **European Commission and Member States to revise the lending mandate of the European Investment Bank**. The EIB can currently only finance renewables projects and corporate finance is conditional on innovation, similar to the EU Innovation Fund. A decoupling from innovation requirements is also needed here to trigger investments in new wind manufacturing capacity.

Priorities for the Critical Raw Materials Act

Europe's production of renewable technologies for climate neutrality by 2050 requires important volumes of raw materials for which today we rely on few exporting countries. The EU Critical Raw Materials Act (CRMA) must address the over-dependence on one country for critical commodities and strengthen the EU strategic raw materials supply chains.

CRMA already lists a few strategic raw materials such as boron, copper, manganese, nickel, as well as rare earth elements for permanent magnets that are critical to the wind energy supply chains. The European wind industry also needs composite materials such as glass and carbon fibres.

The stable and secure supply of these materials, crucial for the expansion of the European wind industry sector, should also be addressed within the CRMA.

EU policymakers should tackle the supply crisis of critical metals and materials starting already today. If not filled today, the already **existing gaps in essential materials for wind technologies will further expose the European wind industry to fierce competition** from outside and undermine the ability of our sector to deliver on the targets.

Trade diversification through new partnerships and agreements is key. But in the immediate term the European **wind industry calls for alignment of EU trade, industrial and energy policy notably through the removal of trade restrictions on the access to strategic raw materials and components necessary for the wind turbine and equipment manufacturing**.

The European wind industry **welcomes the Commission's proposals for greater recyclability and materials re-use across European supply chains**. The wind industry is fully committed to recycle all of its

decommissioned blades to recover the fibres to be used in other sectors and therefore reduce the EU demand.

Such recycling solutions are not yet commercially viable today due to the associated high costs. The industry calls on the co-legislators to include in the CRMA additional measures that guarantee stable and secure supply and funding for R&D in recycling composite materials for green technologies and funding in research on substitute materials and technologies.

The industry **calls on the co-legislators to retain the good and pragmatic approach to permanent magnets recycling**. CRMA envisages for a dedicated feasibility and cost-effectiveness assessment that leads to a phased-in introduction of minimum recycled content thresholds as of 2031. Prior to that, only labelling requirements would apply. This is good way forward given the limited availability and infancy stage of the permanent magnets recycling market today.