Renewables Grid Initiative

RGI Statement on the DNSH Technical Guidance under the Social Climate Fund

August 2024

The Renewables Grid Initiative (RGI) welcomes the opportunity to provide feedback to the Draft 'Do No Significant Harm' (DNSH) Technical Guidance for the Social Climate Fund (SCF). At RGI, we strongly believe that this tool, if effectively designed and implemented, has the potential to accelerate the energy transition and scale up proven technologies that will not only bring significant benefits to end users, but also to the decarbonisation trajectory and the energy system at large. For this to happen, the application of the DNSH principle, in conjunction with further safeguards envisaged in the SCF Regulation (Regulation (EU) 2023/955 of the European Parliament and of the Council) and applicable EU law, should follow a robust, holistic and forward-looking approach.

Closing loopholes to phase out fossil fuels

Fund allocation should be guided by the EU Green Deal, for the EU to address the ongoing energy crisis and alleviate impacts on vulnerable consumers, without undermining its climate and energy ambition and commitments. In this context, the SCF is a unique opportunity to stimulate/drive significant public and private investments, needed to bridge the investment gap for the energy transition and enable access to related services. However, RGI is concerned about the continued support for fossil fuels and low-carbon technologies, including fossil gas, in the draft guidance Annexes. While Article 1.3.3 of the draft guidance rightly states that measures compliant with the DNSH principle should not lead to lock-in effects, the Annexes fail to fully exclude support to fossil fuels. For example, they allow hybrid heating systems that only need to prove 'considerable renewable energy' (see B9.1) or exclude mobile assets only if they run exclusively on fossil fuels (see T15). Obviously, these loopholes risk perpetuating fossil fuel use, undermining the EU's plans to phase out related subsidies. This weak application of the DNSH principle overlooks the urgency of the climate crisis, disregards the long lead times for fossil fuel infrastructure, and undoubtedly results in further lock-ins and/or stranded assets, increasing overall costs, jeopardising the energy transition and deepening dependencies. In contrast, phasing out fossil fuels would, among others, send the right market signals for the uptake of renewables and shield citizens and businesses from volatilities.

Therefore, RGI urges the European Commission to ensure that supported measures and investments are assessed not only through the lens of the definition of the DNSH principle under Article 17 of the EU Taxonomy Regulation, but also of the technical screening criteria of the EU Taxonomy. Currently, the draft guidance integrates only the former and treats EU Taxonomy as a potential compliance tool rather than an *ex-ante* requirement (see Article 2.3). Considering that the transport and buildings sectors are already included in the EU Taxonomy[1], the transposition of the technical criteria would increase consistency and coherence between policy objectives[2], provide certainty to investors and support alignment with commitments outlined in the 8th Environment Action Programme and the Kunming-

[1] Although the EU Taxonomy is imperfect and the technical screening criteria should be improved to fully exclude fossil fuels, incl. fossil gas

[2] https://www.europarl.europa.eu/doceo/document/TA-9-2022-0106_EN.pdf

Montreal Global Biodiversity Framework (Target 18)[3], among others. Overall, the precautionary principle should be fully respected and applied to ensure high-quality projects, selected based on robust assessments that in turn, duly consider long-term, direct and indirect impacts.

A holistic approach for system and long-term benefits

The European Commission and Member States should adopt a holistic approach while strengthening socio-economic safeguards and mitigating immediate societal and environmental impacts. In view of Article 1.3.5, which envisions activities or assets being 'consistent with overarching climate and environmental objectives in the EU legislation', RGI stresses the need for the DNSH principle to be considered as a minimum requirement. Compliance with the DNSH principle should go beyond merely avoiding significant impacts and should further aim at implementing systemic improvements that address the root causes of our interconnected crises, ensuring long-term benefits.

The Social Climate Plans and Fund should prioritise solutions that hold significant potential for decarbonisation and the energy system. Measures and investments should be assessed with an energy system perspective and in line with the 2030 (and upcoming 2040) climate, energy and biodiversity targets as well as the 2050 EU objective for climate neutrality. Moreover, efficiency should be considered and promoted at both, the demand side and at system level. This implies that renewables-based direct electrification should be prioritised as the most cost- and resource-efficient way to decarbonise our societies. At the same time, renewables-based direct electrification can unlock the full potential of the buildings and transport sectors which, in turn, can provide the needed flexibility to a decarbonised system. With appropriate regulatory frameworks in place, including for electricity grids, flexibility and prosumption, this approach can empower citizens, reduce overall energy demand and lower prices. Robust and future-oriented energy system planning that is performed with an optimisation mindset should serve as the basis for resource allocation, to avoid inefficiencies and waste, as well as unintended drawbacks in achieving decarbonisation targets. However, we regret to see yet another tool offering support to the unsustainable uptake of hydrogen, for applications, such as cars and rail transport, where proven and mature electrified solutions exist and should be considered a no-brainer.

The application of the DNSH principle and overall, the design and implementation of the SCPs necessitates leveraging synergies and complementarities across sectors and policies and aligning with existing and upcoming national and regional plans[4]. This approach will help identify system needs and opportunities, and provide the necessary visibility to coordinate and anticipate investments in enabling electricity infrastructure, including electricity grids. Moreover, although RES generation infrastructure deployed in acceleration areas (draft Annex 3 – Energy) should in principle have no significant environmental impact, nature and people-positive measures are needed to support nature protection and restoration as well as public acceptance.

[3] https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf
[4] https://publications.jrc.ec.europa.eu/repository/handle/JRC135691

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EU long-term budget: creating an effective tool to address multiple crises

Lastly, the European Commission and co-legislators should also ensure that the 2027-2034 Multiannual Financial Framework (MFF) mainstreams renewables-based direct electrification as well as nature and people-positive solutions that jointly tackle the intertwined climate, energy and biodiversity crises. The multiple guidelines and mandates related to the application of the DNSH principle across different funds increase complexity and often inconsistency. Instead, the introduction of the DNSH principle as an eligibility requirement in the upcoming MFF should be explored to align future investments and measures with the EU objectives. This will not only ensure transparency and coherence but will allow for effective implementation by national authorities and beneficiaries, minimising administrative burdens and divergences across Member States.

About RGI

RGI is a unique collaboration of NGOs and TSOs (Transmission System Operators) from across Europe engaging in an 'energy transition ecosystem-of-actors'. We promote fair, transparent, sustainable grid development to enable the growth of renewables to achieve full decarbonisation in line with the Paris Agreement.

RGI Members originate from a variety of European countries, consisting of TSOs from Belgium (Elia), Croatia (HOPS), France (RTE), Germany (50Hertz, Amprion, TenneT and TransnetBW), Ireland (EirGrid), Italy (Terna), the Netherlands (TenneT), Norway (Statnett), Portugal (REN), Spain (Red Eléctrica) and Switzerland (Swissgrid); and the NGOs Bellona Europa, BIOM, BirdLife Europe, Climate Action Network (CAN) Europe, Ember, France Nature Environnement (FNE), Friends of the Earth Ireland, Fundación Renovables, Germanwatch, Legambiente, NABU, Natuur&Milieu, the Royal Society for the Protection of Birds (RSPB), WWF International and ZERO. Europacable and IUCN are Supporting Members.