

Empowering green energy consumers in Europe to make a real difference

“Hard Additionality” of markets for renewables on top of existing political targets for renewables

Discussion Paper for EnergieVision e.V.

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List of Abbreviations

CEN/EN	Comité Européen de Normalisation/European Norms (European Committee for Standardization/European Standard)
EU	European Union
FinMech	Financing Mechanism
GHG	Greenhouse gas(es)
GO	Guarantee of origin
GOplus	Guarantee of origin which accords to the eligible definition for production from new and unsupported RES
GovReg	Governance Regulation
MS	Member State(s)
NECP	National Energy and Climate Plan
RED I	Renewable Energy Directive 2009/28/EC
RED II	revised Renewable Energy Directive 2018/2001
RES	Renewable Energy Source(s)
RFNBO	Renewable fuel of non-biological origin

In a nutshell: Empowering green electricity consumers to make a real difference

- Existing markets for renewable electricity based on guarantees of origin have hardly any practical effect on increased investments and on the production of renewable energy.
- The best effect which European consumers of renewable electricity can achieve by choice of their supply is a contribution for reaching the existing targets. This, at least to some extent, likewise entails reduced responsibility and cost for less motivated actors like policy makers and grey consumers. It does not lead to more renewables as could have been expected without this individual demand by consumers.
- Consumers should be given the possibility for making a real difference by their choice of supply and to actually trigger an increased volume of renewable energy production. This level of additional benefit is referred to as “**hard additionality**”. For this purpose, the following regulatory and technical preconditions have to be implemented:
 - Market participants should be empowered to ensure that renewable electricity generated by new and unsupported plants and which potentially fulfils further eligibility criteria is not fully attributed to existing political renewables targets at EU and national levels, but only with a basic share of 20 %.The remaining 80 % of the eligible renewable production can be considered to be really additional.
 - Monitoring and statistical attribution by public bodies should be done on the basis of existing systems for guarantees of origin, which are amended by two different features:
 1. In order to finance new and unsupported RES production through the demand for this electricity, eligible guarantees of origin (GO) should be established and marketed as “**GOplus**”. For such GOplus, a premium market niche can emerge as a consequence of the demand of highly committed consumers.
 2. RES production which is new and (otherwise) unsupported and which benefits from private direct funding of the plant itself e.g. in the context of a “fund model approach” by a green electricity supplier should be marked by a GO earmark. This earmark should also specify the mechanism for the private funding. This could be private funding in the context of the Union Financing Mechanism according to Art. 33 of the Governance Regulation (**FinMech target earmark**), and/or a voluntary green energy label which applies appropriate criteria (**private fund target earmark**).
- In order to create market demand for RES with hard additionality in voluntary markets, **green energy labels can introduce criteria which refer to the concept of hard additionality**. These labels could be based either on a supply model criterion or a fund model criterion, or both. In case that a fund model is applied, the fund can either be managed at a private level, or contribute to the Union’s Financing Mechanism.
- While this approach for hard additionality is particularly relevant for the case of renewable electricity, it could analogously be applied to other forms of renewable energy.

Summary

The mitigation of climate change is one of the most critical challenges of our time. A crucial contribution has to be provided by increasing the share of renewables in our energy systems and thus reducing the emissions of CO₂ and other greenhouse gases (GHG). This challenge has to be tackled by the entire society. Public and private efforts should ideally complement each other well in order to achieve the best ecological impact.

Over the past two decades, voluntary markets for green energy, particularly electricity, have developed in several EU Member States based on guarantees of origin (GO). However, a major share of this market is sourced from hydro power plants which have been economically viable for decades or from plants which receive sufficient public support. Thus, **such demand for RES-E by end consumers has hardly had any practical effect on increased investments and on the production of renewable energy.**

Premium green electricity labels like “ok-power” in Germany apply criteria in order to enhance “additionality”, i.e. an added environmental benefit or contribution to the energy transition. However, under the current framework conditions, the best what these labels and voluntary RES-E markets can achieve is an individual contribution towards reaching existing political RES targets, like the EU target of a share of energy from renewable sources in the Union's gross final consumption of energy in 2030 of 32 %. **If consumers – by their choice of supply – add relevant financial incentives for the installation of new plants and thus take over the extra cost of new renewables, this, at least to some extent, likewise leads to reduced responsibility and cost for less motivated actors rather than to more renewables as could have been expected without this individual demand by consumers.** In order to not only contribute to these efforts and thus reduce the responsibility of other parties, a maximum effect of voluntary efforts would be achieved if an additional stimulation of RES-E production over and above these given targets was ensured. **This option would really empower consumers and other market participants to make a difference with a view to a sustainable energy transition.** This level of ambition to contribute on top of existing political targets will be referred to as “**hard additionality**” in the following.

However, such an approach can not be implemented just based on the decision of individual market actors like producers, consumers or green energy label organisations, as any RES production and its consumption is automatically counted towards public statistics and accounted for within the public monitoring of target compliance. This procedure is based on regulations as provided in European regulations like the Renewable Energy Directive or the Governance Regulation. The fundamental possibility for such a modified target accounting of specific RES volumes therefore has to be implemented by national governments and EU bodies.

On behalf of EnergieVision e.V., the organisation providing the “ok-power” label to premium green electricity products in Germany, Oeko-Institut e.V. has developed a proposal for an approach to technically implement and also to promote hard additionality in voluntary markets. This should allow highly committed consumers to consciously make a real difference towards promoting a renewable future.

The technical implementation should comprise the following preconditions:

Only RES production which derives from new and unsupported plants is considered to be additional to public efforts and therefore in principle eligible for “hard additionality”.¹ In order to acknowledge structural efforts by the hosting country, and to increase political acceptance by Member States, the target attribute should not fully be assigned to the private RES project, but be allocated in a [80]/[20] ratio towards the RES project and the public targets of the EU and the host country.^{2,3}

In order to be able to verify these accounting rules, a specific type of guarantee of origin can be introduced (**GOplus**).⁴ For any RES production fulfilling the defined eligibility criteria, such GOplus should be issued on request of the producer instead of the regular guarantees of origin (GO) known today. Besides the different treatment with regard to accounting towards RES targets, GO and GOplus fulfil the same functions for electricity disclosure towards final consumers of energy and are handled in an identical way. The qualification as a GOplus can be technically documented in the registry systems by a GO earmark.⁵ The sale of such GOplus at a higher market price in a “supply model approach” can generate extra funding for RES-E producers and thus stimulate hard additional RES-E.

However, it can also be possible to enhance hard additionality by a “fund model approach”, where consumers of RES-E provide extra funding for a “private support model” of eligible RES-E plants. Also in this case it is necessary that RES volumes which are covered by hard additionality can be identified by market players and can be sufficiently monitored. It is proposed that the existing systems for handling guarantees of origin should facilitate these requirements. However, GOplus can not be used in such a fund model approach as the relevant supporting element is not the revenue derived from the production of the funded plant (represented by a GOplus), but the direct funding of

¹ Besides these, “old plants” and “new, but supported plants” can be defined as further categories. Production from these plants is being taken fully into account for the political definition of renewables targets, and the plants have either received public support in earlier times or are still being supported. Thus, it is considered appropriate to account RES production from these plants fully to public targets at national and EU levels.

² The ratio of 80/20 is similarly provided in the context of public contributions of a Member State to the Financing Mechanism and the related pan-European RES support scheme. In that case, the “hosting country” (i.e. the Member State in which the new RES installation is implemented), is only entitled to claim 20 % of the respective RES production towards its own targets. The remaining 80 % of the RES production can be claimed by the funding party (here: a Member State). It seems very straightforward that such a mechanism could be applied analogously to private funding parties. Alternatively, the respective RES volumes could be fully considered as “hard additional”, and not account towards fulfilling existing political targets at all (in other words: in a 100/0 ratio instead of the proposed [80]/[20] ratio) in order to reduce complexity of the regulation.

³ Further eligibility criteria with regard to technology, region, capacity or other conditions should possibly be defined in order to limit the eligibility of RES electricity in the context of hard additionality to those plants which are not fully economically viable anyway. Such criteria might not be relevant today, but could be applied in the future, depending on the market development for renewables.

⁴ If the “GOplus” eligibility criteria only include “new and unsupported”, this information can in principle be drawn from the existing minimum information on a GO according to Art. 19 (7) RED II. Possibly, this also is the case if further eligibility criteria with respect to technology, region, capacity or other criteria are applied. However, the introduction of a clearly distinguished GO category “GOplus” may enhance marketability and consumer awareness.

⁵ Technically, this requirement can be implemented by the label earmark which is proposed for the revision of CEN EN 16325.

the plant itself. Therefore, the GO systems should ensure that specific further attributes can be documented by adequate GO earmarks.

1. First of all, it is important to document on the GO that the MWh represented by the GO is only attributed with a share of [20] % to the public target, while a share of [80]% is additional to the public target.
2. Furthermore, the characteristic of the specific means of a potential fund-based support for eligible RES volumes (i.e. new and not being otherwise supported) should be documented. This should include an indication of the specific funding mechanism. As outlined below, two different options for this funding mechanism are proposed, being a private contribution to the Union Financing Mechanism according to Art. 33 GovReg, and/or an indication that the respective RES volume has obtained support by a voluntary green energy label which applies criteria in line with the proposed criteria for hard additionality.

In order to facilitate this transparency, a “**FinMech target earmark**” and a “**private fund target earmark**” should be introduced.⁶

Where either a GO with one of the proposed target earmarks⁷ or a GOplus is issued, the hosting MS has to ensure that only 20 % of the produced RES volume is both attributed to national targets and reported to the EU for contributing to the EU RES target within the given 32 % target. The remaining 80% of the produced RES volumes may also count towards the Union binding target, but only over and above the given target of at least 32 %. Thus, these 80 % of RES production result in a RES share over and above the existing target.

Creation of market demand for hard additionality

In order to create market demand for RES with hard additionality in voluntary markets, green energy labels can introduce criteria which refer to the concept of hard additionality. These labels could be based either on a supply model criterion or a fund model criterion, or both. In case that both criteria types are implemented by a label in parallel, the parametrisation of the required minimum share of the supply model and the monetary fund contribution should ensure a similar level of ambition in terms of extra RES volumes. For this purpose, a standard procedure could be based on the ratio of the required support level per kWh produced by new RES plants (which is to be paid by the fund) and the minimum share for new additional RES.⁸

Supply model criterion: A criterion for a required minimum share of eligible energy within the supply portfolio of a labelled product could refer to RES from “new and unsupported” plants⁹ with hard additionality, documented by a GOplus.

Fund model criterion: A defined minimum monetary amount per labelled kWh is collected by the supplier of the labelled RES product and has to be used for the promotion of new and otherwise

⁶ N.B.: the simple indication of a general support earmark as is currently implemented e.g. in the EECS standard is not sufficient in this respect. Transparency on the specific mechanism is considered relevant due to the different regulatory character of the different instruments and the potential different regulatory requirements which follow from them.

⁷ Being either the FinMech target earmark or the private fund target earmark.

⁸ Example: for a required minimum share of new plants of [33]% according to the label’s supply model criteria and a required level of support of [3]ct/kWh produced RES on top of expected market revenues, the fund contribution could be 33% * 3ct/kWh, being 1ct/kWh of sold RES.

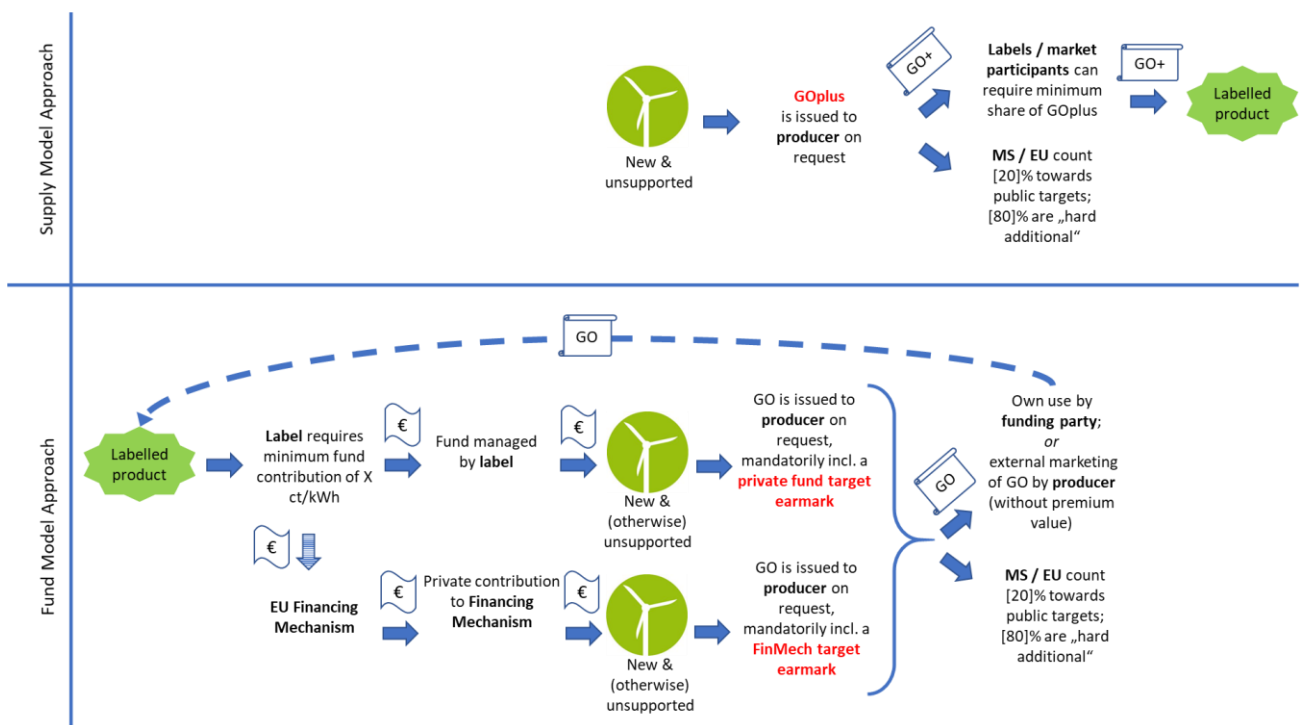
⁹ As outlined above, also further restrictions e.g. based on the technology-specific need for support over and above standard market revenues can be applied.

unsupported RES installations. For the management of the fund, two different options can be considered.

As a first option, the fund is managed by the labelling organisation, by an authorised third party or by the labelled supplier themselves. Guarantees of origin for RES volumes which are produced by installations supported by this fund are mandatorily earmarked with a private fund target earmark.¹⁰ As a second option, the fund contributes to the Union’s Financing Mechanism. Guarantees of origin for the RES volumes produced by installations which are supported by the Financing Mechanism from such private contributions are mandatorily earmarked with a FinMech target earmark.¹¹ These GO can subsequently be used either by the funding party, e.g. an electricity supplier which offers a labelled RES-E product, or be marketed towards other suppliers in order to be used for fuel mix disclosure. The proposed mechanism is illustrated in the following figure.

Besides these models, further approaches can be implemented in order to enhance market demand for such RES volumes. This could include the requirement to use GOplus for all electricity taken from the grid for the production of renewable fuels of non-biological origin (RFNBOs), in order to be eligible for recognition as 100 % renewable fuel produced in the sense of Art. 27 RED II, or the application of consistent fund-based support for RES by the RFNBO producer.

Schematic mechanism for the application of the concept of hard additionality in a supply-model approach (based on GOplus), and in a fund model approach (based on private fund contributions and the respective indication of target earmarks on the issued GO).



Source: own illustration Oeko-Institut

¹⁰ For any potential buyer of these GOs these earmarks make clear that the GO has gained third-party support and is not eligible as GOplus.

¹¹ For any potential buyer of these GOs these earmarks make clear that the GO derives from a new plant which has received third-party support.

1 Background and objectives

1.1 Introduction and objectives

The discussion paper at hand has been elaborated for EnergieVision e.V., the organisation providing the “ok-power” label to premium green electricity products in Germany. The purpose of this discussion paper is to outline a technical concept on how “hard additionality” as a mechanism to increase shares of energy from renewable energy sources (RES) over and above existing political targets could be introduced in a regulatory and technical way. It furthermore proposes how green energy markets (including green energy labels) could apply this option in order to make a real difference in achieving a renewable future. While the specific application and given examples refer to the energy type of electricity, the concept can be similarly applied to other energy types and to renewable energy in general.

1.2 The concept of hard additionality

The mitigation of climate change through increasing the share of renewables in our energy systems and thus reducing the emissions of CO₂ and other greenhouse gases (GHG) is one of the most critical challenges of our time and has to be tackled by the entire society. The most effective means for the promotion of a renewable energy system are public support systems and legal instruments. Besides these, voluntary efforts from consumers to support this development are equally necessary and welcome. In this case, public and private efforts should ideally complement each other well in order to achieve the best ecological impact. Private efforts should add to an increase of shares of renewable energy sources (RES) rather than reducing the responsibility of policy and of other less motivated consumers to contribute their fair share. Therefore, approaches to safeguard the additional environmental benefit of RES supply have been developed and applied e.g. by green power labels in the past two decades.

In the field of electricity supply, green electricity markets have developed in Germany and other European Member States (MS), giving consumers the option to choose a contractual electricity supply based on their individual preferences and their ecological level of ambition. If green electricity markets are supplied by RES electricity (or guarantees of origin - GO respectively) derived from hydro power plants which have been economically viable for decades or from plants which receive sufficient public support, the explicit demand by end consumers has hardly any practical effect on the increased investments and on the production of renewable energy. However, if consumers – by their choice of supply – add relevant financial incentives for the installation of new plants and thus take over the extra cost of new renewables, this, at least to some extent, likewise leads to reduced responsibility and cost for less motivated actors rather than to more renewables as could have been expected without this individual demand by consumers. In this context, politically set RES targets define a reference pathway on what policy makers are required to initiate and what the economy, citizens and consumers at large have to implement, triggered by instruments like support systems and regulatory law. In order to not only contribute to these efforts and thus reduce the responsibility of other parties, a maximum effect of voluntary efforts would be achieved if an additional stimulation of RES production over and above these given targets was ensured. This level of ambition will be referred to as “hard additionality” in the following.

This concept of an actual contribution of voluntary demand for “green electricity” towards the expansion of renewable energy generation beyond the given renewable energy targets can be relevant for different segments of electricity consumers. Firstly, this relates to the well-established

segment of consumers who have decided to purchase green power on a voluntary basis and expect that their choice actually makes a difference and helps to reduce the environmental impact of the power system. As specific groups within this segment of consumers, business enterprises and the public sector can be named, which increasingly strive to reduce the environmental footprint of their energy consumption. Similarly, the use of electric vehicles makes most sense if renewable electricity can be used which otherwise would not have been produced. This is even more relevant for electricity used for producing hydrogen and other synthetic fuels for the sectors of transport, industry and heat, as the related processes inevitably involve relevant losses in the steps of converting electrical energy into different types of fuel. Because of these losses, which are significantly higher than in the case of direct use of electricity, e.g. for transportation, it is very important that the electricity used is truly additional and therefore can be attributed with a very low emission factor.

However, such an approach can not be implemented just based on the decision of individual market actors like producers, consumers or green energy label organisations, as any RES production and its consumption is automatically counted towards public statistics and accounted for within the public monitoring of target compliance. This procedure is based on regulations as provided in European regulations like the Renewable Energy Directive or the Governance Regulation. The fundamental possibility for such a modified target accounting of specific RES volumes therefore has to be implemented by national governments and EU bodies.

In order to support the concept of “hard additionality” and to distinguish the related volumes of renewable electricity, which shall be additional to the political targets, from other volumes of renewable power, the concept of “guarantees of origin plus” (GOplus) has been introduced by Oeko-Institut in a policy paper commissioned by Transport & Environment.¹² Following this concept, GOplus could be issued under certain conditions to renewable electricity from new installations, which have not received public support. All other renewable electricity would be eligible to the issuing of regular guarantees of origin (GO). The rules for the verification of the political targets would have to be modified in a way which ensures that the renewable energy volumes represented by GOplus are not accounted for as a contribution to meeting the targets.

1.3 The current framework of RES targets

Under the Renewable Energy Directive 2009/28/EC (RED I)¹³, binding national targets had been defined for 2020 for all EU Member States (Art. 3 in conjunction with Annex I). These were a suitable reference for defining the deployment of RES on a national level. Under the revised Renewable Energy Directive 2018/2001 (RED II)¹⁴ no national targets have been defined, but only a binding overall Union target according to Art. 3, stating: “*Member States shall collectively ensure that the share of energy from renewable sources in the Union's gross final consumption of energy in 2030 is at least 32 %.*”

¹² Oeko-Institut (2017): Improving the accounting of renewable electricity in transport within the new EU Renewable Energy Directive, Policy Paper for Transport & Environment, Freiburg/Berlin, June 2017

¹³ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

¹⁴ 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 (recast)

In order to ensure that this joint target is reached by the collective efforts of Member States, the Governance Regulation¹⁵ defines control mechanisms for its overall achievement. It also provides options for the European Commission to support Member States in their efforts towards reaching the overall target. European Member States are obliged to establish National Energy and Climate Plans (NECPs), including minimum shares of RES generation in relation to overall energy consumption. Based on the NECPs, the European Commission can assess whether the (planned) collective efforts of the Member States are sufficient in order to reach the joint target. As a specific instrument, the Governance Regulation introduces a “Financing Mechanism” which is entitled to raise funds from Member States, but also from private sources, and establishes a pan-European support system for new RES installations.

The Implementing Act for the establishment of this Financing Mechanism, which was approved on 15 September 2020,¹⁶ stipulates in Recital (14): *“Contributions from the private sector can play an important role in funding the mechanism and fostering the uptake of renewable energy projects under that mechanism. Those contributions should count as an addition to the Union binding target of at least 32 %. Thus, private sector contributions can bring added value and ensure additionality of projects.”* Article 26 (2) states: *“The renewable energy generated by projects receiving support from grants financed through the mechanism exclusively with funds arising from Union funds or private contributions shall not be statistically allocated to individual Member States, but shall count towards the Union binding target pursuant to Article 3(1) of Directive (EU) 2018/2001.”* Furthermore, Article 26 (3) clarifies that host Member States shall receive at least a statistical share of the statistical benefits, and Article 26 (4) states: *“Union funds or private contributions resulting in generated energy that counts towards the Union binding target pursuant to Article 3(1) of Directive (EU) 2018/2001 shall be accounted separately from the collective contribution by the Member States.”*

This is a remarkable regulation which opens up the application of the concept of hard additionality not only at the level of Member States, but also at Union level. The Draft Implementing Act, which had been published for public consultation in May 2020, was very clear by stating in Article 25 (2) (which is now Article 26 in the approved version): *“The renewable energy generated by projects receiving support from grants financed through the mechanism exclusively with funds arising from Union funds or private contributions shall not be statistically allocated to individual Member States. That renewable energy generated shall count towards the Union binding target pursuant to Article 3(1) of Directive (EU) 2018/2001, but only in addition to the target of at least 32 % which is to be achieved through the sum of the collective contribution by Member States pursuant to Article 5(2) of Regulation (EU) 2018/1999.”*¹⁷ Although the second part of the last sentence (underlined above) is not included in the final version, the regulation still suggests this statistical approach. Recital (14), though not being legally binding, states the ambition that private contributions should count as an addition to the binding target of 32 % in order to bring added value and ensure additionality. Article 26 (4) stipulates “separate” accounting to the “collective” contribution by the Member States pursuant to Article 3(1) of RED II, while Article 3(1) defines this “collective” contribution from Member States

¹⁵ Regulation on the governance of the energy union and climate action (EU/2018/1999 – Governance Regulation)

¹⁶ Commission Implementing Regulation (EU) 2020/1294 of 15 September 2020 on the Union renewable energy financing mechanism

¹⁷ Draft Implementing Act: Commission Implementing Regulation (EU) .../... of XXX on the Union renewable energy financing mechanism (consultation version, dated 05/05/2020)

as a share of 32% which has to be ensured by Member States. Thus, private contributions to the Financing Mechanism obviously still are to be accounted on top of the 32 % target. ¹⁸

The following proposal outlines an approach which has been in principle developed even before the publication of the Financing Mechanism Implementing Act, but which can directly integrate the respective rules for statistical accounting, In addition, the proposal allows for a more comprehensive application of the concept of hard additionality also independently from the Union's Financing Mechanism and thus suggests an approach towards a real empowerment of European electricity consumers.

¹⁸ In this context, it is worth noting that the Commission's National Energy and Climate Plans Assessment which has been published on 17 September 2020 concludes that the sum of planned contributions by Member States would add up to a RES share of 33,1-33,7 % by 2030, thus surpassing the current target. If the target remained unchanged, and the Member States' contributions would lead to the estimated effect, any further private contribution would automatically increase the share over and above the 32 % target. However, the effectiveness and reliability of the planned measure can not be taken for granted. Furthermore, the EU Green Deal, with a new climate target of at least minus 55 % GHG emissions by 2030 as envisaged by the European Commission, can be expected to lead to an increased target also for the share of RES in the range of 38 – 40 % (see: European Commission: "Factsheet - National Energy and Climate Plans: Member State contributions to the EU's 2030 climate ambition"; 17 September 2020, available at <https://ec.europa.eu/commission/presscorner/api/files/attachment/866229/National%20Energy%20and%20Climate%20Plans%20Member%20State%20contributions%20to%20the%20EU%E2%80%99s%202030%20climate%20ambition.pdf.pdf> last accessed: 27 September 2020

2 Possibility to introduce hard additionality for green energy markets

2.1 Introduction

This chapter shall present a discussion of different design options and relevant aspects which have to be discussed when developing a specific proposal on how to implement a concept of hard additionality. This includes the following aspects:

- Which types of RES should be eligible in principle in order to be potentially in line with a hard additionality approach over and above existing targets? What are fair claims with respect to the realisation of RES and the accounting towards targets?
- Should hard additionality refer to EU targets, to national targets, or to both?
- Should – from a logical point of view – hard additionality be implemented by formally increasing public targets, or by not accounting respective RES volumes towards the existing targets?

2.2 Fair claims and rights for target accounting

In order to safeguard the political process to set climate-specific targets and to enforce the achievement of these targets, it is crucial that Member States in principle maintain control over their national potentials for renewable energy and the necessary efforts to achieve their own targets as defined in their NECPs.

For this purpose, it is helpful to classify RES volumes according to four different categories of production sites:

1. Old plants (which are integrated in the energy sector and are economically viable; possibly having received support previously)
2. New supported plants
3. New unsupported plants
4. Special case: Old plants, which need additional support for further operation (typically plants which have received support previously, which has phased out; including e.g. biomass plants)

The first category “old plants” is relevant for Member States (and the EU alike) as a baseline to define their targets and efforts. Such old plants may in many cases have received public support in earlier times. Thus, the contribution of such RES volumes to the national target (and the overall EU target alike) is considered a fair claim.

For the second category “new supported plants”, public national support systems (i.e. tax payers or energy consumers paying a certain levy) are (or have been) paying the major share of support. Even with increasing readiness for markets of RES technologies public support still contributes the major financial share for the establishment of RES plants at least in the field of electricity. Public support schemes are the major instrument for Member States to reach their own RES targets and to contribute to the Union-wide target. Thus, also for this segment the produced RES volumes should be claimed by the respective countries with respect to their national targets, and similarly to EU targets.

The third category “new unsupported plants” is initiated and financed by voluntary private contributions. Therefore, it can be hardly claimed by governments of EU Member States or by the

EU that the respective RES contribution is based on their efforts. However, the host country in which a RES plant is installed may have to bear system integration cost (including cost for flexibility and the expansion of grid infrastructures) which also represents a contribution towards the installation of new RES. Thus, the major share of the RES volumes should be attributed towards the voluntary markets, and a smaller share towards the respective MS. In order to take the efforts by Member States for the system integration into account, an allocation according to an 80/20 ratio could be applied, where 20 % of the RES volumes in this category are accounted towards the RES target of the host country (and therefore also towards the Union-wide target). This ratio of 80/20 corresponds to the ratio which is also proposed for the accounting of RES installations between the financing and the hosting country under the EU Financing Mechanism.¹⁹

However, anticipating a development where RES technologies further gain full readiness for markets and can be applied at large scale without (or with very low levels of) public support, the option for “hard additionality” might have undesirable effects in the future. Firstly, if new RES volumes can be established at large scale which do not contribute to public targets, considerable competition with respect to natural RES potentials might evolve. Secondly, “cheap” RES technologies would likely be bought out of public targets by private actors, while the “public” target contribution would have to come solely from support-intensive and expensive RES technologies. This could finally mean that public RES targets can be hardly reached at all, or only at considerably higher cost, and can benefit only in limited terms from learning curves and increased readiness for markets. This would make it difficult for policy makers to predict the effects of the agreed targets at all. Taking these aspects into account, one could argue that the application of a “hard additionality approach” for new and unsupported RES volumes is only reasonable for new RES plants which are not per se economically viable and which therefore require a market premium paid by the private sector. While this is not the general case for the time being, an explicit restriction of eligible RES for hard additionality might need to be formulated for technologies which require a certain level of support.

The fourth category “old plants which require support” is considered a special case, which might be treated similarly as the third category. However, this fourth category is not explicitly addressed in this discussion paper which should focus on the fundamental concept of hard additionality.

With respect to the definition of what is considered a “new plant”, the definition of “new plants” according to a commissioning date after the RED II entry into force seems favourable over the definition according to a strict age criterion. Such a regulation has the benefit that a long-term marketing perspective is given for all new projects. This enhances planning reliability for long-term investments (e.g. facilitated by a long-term power-purchase agreement) and thus increases bankability.²⁰

¹⁹ Draft Implementing Act: COMMISSION IMPLEMENTING REGULATION (EU) .../... of XXX on the Union renewable energy financing mechanism (consultation version, dated 05/05/2020)

²⁰ For the future, it can be considered to restrict this eligibility e.g. on the period which is appropriate for a financial payback. Similarly to the support period of current RES support systems, this might be in the range of 15 to 20 years.

2.3 Reference to union-wide target or to national targets?

In Article 3 (1), RED II defines a Union-wide target for the expansion of RES generation, expressed as a percentage of total energy consumption. The exact wording of the regulation is the following:

Member States shall collectively ensure that the share of energy from renewable sources in the Union's gross final consumption of energy in 2030 is at least 32 %.

In the context of a „hard additionality“ concept it needs to be discussed, whether additionality should relate to additional RES generation as compared to the EU-wide target set in RED II, or to the national RES targets set in the NECPs, or to both. In any case, if a mechanism for the stimulation of RES volumes over and above a certain target is established, one should be confident that the fulfilment of the respective targets by public efforts is sufficiently safeguarded.

The fulfilment of the EU-wide target can be considered safeguarded based on the existing legislation.²¹ Compared to that, the enforcement of the national targets as defined by the NECPs is much weaker as the Commission has only weak instruments provided by the Governance Regulation and has to rely to a large extent on the cooperation and motivation of national governments.²²

From a systematic point of view, the concept of hard additionality should apply in any case to EU targets. Otherwise, it would not be able to provide an overall additional benefit, but only a shift of cost and responsibilities within the EU. However, assuming that NECPs are consistent with the overall EU target (when neglecting hard additionality), the application of hard additionality at the European level could lead to a situation where all national targets are being fulfilled, while the (extended) EU target is not being fulfilled, and none of the Member States can be held responsible. Therefore, it would be desirable to apply the concept of hard additionality also at the level of Member States' targets as defined in their NECPs. This is in a similar way also provided in the context of public contributions of a Member State to the Financing Mechanism and the related pan-European RES support scheme. In that case, the “hosting country” (i.e. the Member State in which the new RES installation is implemented), is only entitled to claim 20 % of the respective RES production towards its own targets. The remaining 80 % of the RES production can be claimed by the funding party (here: a Member State). It seems very straightforward that such a mechanism could be applied analogously to private funding parties.

²¹ Art 32 (2) Governance Regulation: *In the case of insufficient national measures, the Commission shall, as appropriate, propose measures and exercise its power at Union level in addition to those recommendations in order to ensure, in particular, the achievement of the Union's 2030 target for renewable energy.*

²² Art 32 (1) Governance Regulation: *“...Commission shall issue recommendations to the Member State ...”*

2.4 Correction of targets or modified rules for accounting towards existing targets

In principle two general mechanisms can be defined in order to implement the concept of hard additionality in the accounting rules for RES targets:

1. Adaptation of RES target, which is – at the EU level – currently defined as at least 32% of the Union's gross final consumption of energy in 2030. Under this option, the target would be raised in order to reflect the volume of additional RES generation.
2. Modification of the accounting rules of RES volumes so that the “hard additional” RES volumes are not accounted towards the existing targets. In other words, the level of the target remains unchanged, but it is explicitly clarified that this target refers to RES volumes which have been achieved by public contributions and efforts.

The first option is probably difficult to implement as the target is clearly and explicitly defined in primary EU legislation. Furthermore, the quantitative target is in the focus of political interest and depends on manifold further driving factors, which makes any re-negotiation under consideration of this ambition for “hard additionality” highly complex. For example, an ex-ante definition of an increased target would require a robust estimation of the share which the private sector could contribute to the new target level. However, the current process which has been initiated by the European Commission in order to review the Renewable Energy Directive with a view to make it compatible with the European Commission's Green Deal might open a window of opportunity.²³

The implementation of the second option seems to be less difficult from a technical legislative point of view. It also seems to be more realistic to obtain the necessary political support. Furthermore, the given formulation of Art. 3 (1) of RED II also allows for the interpretation that the 32 % target is to be ensured explicitly by public efforts of Member States, and not by private efforts: “**The Member States shall collectively ensure that the share of energy from renewable sources in the Union's gross final consumption of energy in 2030 is at least 32 %.**” In addition, it does not require an ex ante estimation of the volumes of additional RES generation and can thus react in a flexible way to the development of the RES market.

Therefore, it appears more promising to pursue option 2.

²³ https://ec.europa.eu/info/news/review-renewables-and-energy-efficiency-directives-commission-launches-first-steps-process-2020-aug-04_en

3 Proposal for an approach to implement and promote hard additionality in voluntary markets

3.1 Overview

Based on the discussions and conclusions provided above, this chapter presents a proposal on how a concept of hard additionality could be technically implemented. This includes two different elements. The first element describes the general regulatory possibility for the application of hard additionality. The second element suggests approaches for the practical application of this concept in green energy markets.

3.2 Element 1: Introduction of the regulatory option for hard additionality

Only RES production from new and unsupported plants is considered to be additional to public efforts and therefore in principle eligible for “hard additionality”. In order to acknowledge structural efforts by the hosting country, and to increase political acceptance by Member States, the target attribute should be allocated in a [80]/[20] ratio towards the RES project and the public targets of the EU and the host country.²⁴

Further eligibility criteria with regard to technology, region, capacity or other conditions should possibly be defined in order to limit the eligibility of RES electricity in the context of hard additionality to those plants which are not fully economically viable anyway. Such criteria might not be relevant today, but could be applied in the future, depending on the market development for renewables.

In order to be able to verify these accounting rules, a specific type of guarantees of origin can be introduced (**GOplus**).²⁵ For any RES production fulfilling the defined criteria as outlined above, such GOplus should be issued on request of the producer instead of the regular guarantees of origin (GO) known today. Besides the different treatment with regard to the accounting towards RES targets, GO and GOplus fulfil the same functions for electricity disclosure towards final consumers of energy and are handled in an identical way. The qualification as a GOplus can be technically documented in the registry systems by a GO earmark.²⁶ The sale of such GOplus for a higher market price can generate extra funding for RES-E producers in order to stimulate hard additional RES-E.

However, it can also be possible to enhance hard additionality by a funds approach, where consumers of RES-E provide extra funding for a “private support model” of eligible RES-E plants. Also in this case it is necessary that the RES volumes which are covered by hard additionality can be identified by market players and can also be sufficiently monitored. It is proposed that the existing systems for handling guarantees of origin should facilitate these requirements. However, GOplus can not be used in such a fund model approach, as the relevant supporting element is not

²⁴ Alternatively, the respective RES volumes could be fully considered as “hard additional”, and not account towards fulfilling existing political targets at all (in other words: in a 100/0 ratio instead of the proposed [80]/[20] ratio) in order to reduce complexity of the regulation.

²⁵ If the “GOplus” eligibility criteria only include “new and unsupported”, this information can in principle be drawn from the existing minimum information on a GO according to Art. 19 (7) RED II. Possibly, this also is the case if further eligibility criteria with respect to technology, region, capacity or other criteria are applied. However, the introduction of a clearly distinguished GO category “GOplus” may enhance marketability and consumer awareness.

²⁶ Technically, this requirement can be implemented by the label earmark which is proposed for the revision of CEN EN 16325.

the revenue derived from the production of the funded plant, but the direct funding of the plant itself. Therefore, the GO systems should ensure that specific further attributes can be documented by adequate GO earmarks.

1. First of all, it is important to document on the GO that the MWh represented by the GO is only attributed with a share of [20] % to the public target, while a share of [80] % is additional to the public target.
2. Furthermore, the characteristic of the specific means of a potential fund-based support for eligible RES volumes (i.e. new and not being otherwise supported) should be documented. This should include – depending on the implementation of element 2 according to section 3.3 – an indication that the respective RES volume has gained support by a private contribution to the Union Financing Mechanism according to Art. 33 GovReg, and/or an indication that the respective RES volume has obtained support by a target-effective green energy label.

In order to facilitate this transparency, a “**FinMech target earmark**” and a “**private fund target earmark**” should be introduced.²⁷ In the case that either a GO with one of the proposed target earmarks²⁸ or a GOplus is issued, the hosting MS has to ensure that only 20 % of the produced RES volume is both attributed to national targets and reported to the EU for contributing to the EU RES target within the given 32% target. The remaining 80% of the produced RES volumes may also count towards the Union binding target, but only over and above the given target of at least 32 %. Thus, these 80 % of RES production result in a RES share over and above the existing target.

3.3 Element 2: Creation of market demand for hard additionality

In order to create market demand for RES with hard additionality in voluntary markets, green energy labels can introduce criteria which refer to the concept of hard additionality. These labels could be based either on a supply model criterion or a fund model criterion, or both. In case that both criteria types are implemented by a label in parallel, the parametrisation of the required minimum share of the supply model and the monetary fund contribution should ensure a similar level of ambition in terms of extra RES volumes. For this purpose, a standard procedure could be based on the ratio of the required support level per kWh produced by new RES plants (which is to be paid by the fund) and the minimum share for new additional RES.²⁹

Supply model criterion: A criterion for a required minimum share of eligible energy within the supply portfolio of a labelled product could refer either to RES from “new & unsupported” plants³⁰, or alternatively to RES with hard additionality (documented by GOplus). If such GOplus are implemented according to section 3.2, both definitions automatically relate to each other with a defined correlation factor of [80] %. As an example, this criterion could thus require a share of either

²⁷ N.B.: the simple indication of a general support earmark as is currently implemented e.g. in the EECS standard is not sufficient in this respect. Transparency on the specific mechanism is considered relevant due to the different regulatory character of the different instruments and the potential different regulatory requirements which follow from this.

²⁸ Being either the FinMech target earmark or the private fund target earmark.

²⁹ Example: for a required minimum share of new plants of [33] % according to the label's supply model criteria and a required level of support of [3]ct/kWh produced RES on top of expected market revenues, the fund contribution could be 33 % * 3ct/kWh, being 1ct/kWh of sold RES.

³⁰ As outlined above, also further restriction e.g. based on the technology-specific need for support over and above standard market revenues can be applied.

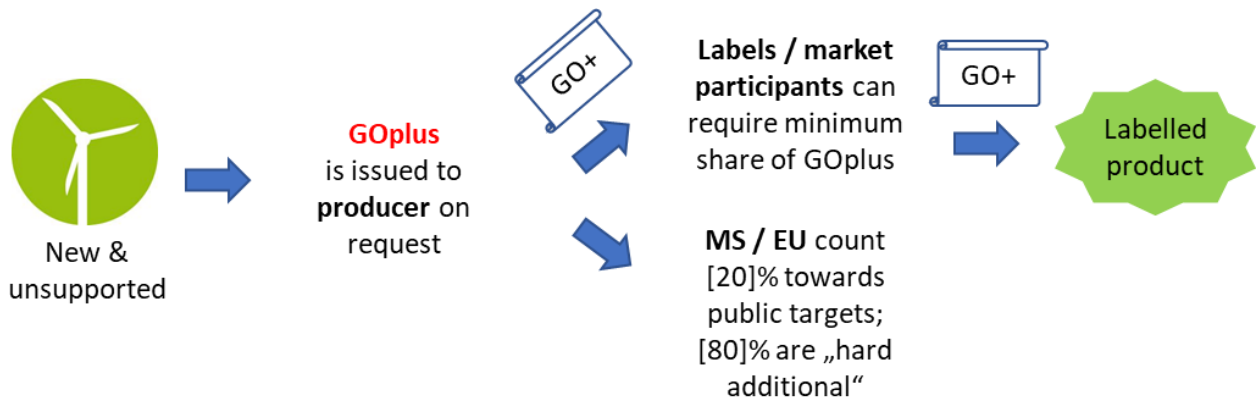
[30] % RES coming from new and unsupported plants, or a share of [24] % of RES which is accounted over and above existing RES targets.

Fund model criterion: A defined minimum monetary amount per labelled kWh is collected by the supplier of the labelled RES product and has to be used for the promotion of new and otherwise unsupported RES installations. For the management of the fund, two different options can be considered.

As a first option, the fund is managed by the labelling organisation, by an authorised third party or by the labelled supplier themselves. Guarantees of origin for RES volumes which are produced by installations supported by this fund are mandatorily earmarked with a private fund target earmark.³¹ As a second option, the fund contributes to the Union’s Financing Mechanism. Guarantees of origin for the RES volumes produced by installations which are supported by the Financing Mechanism from such private contributions are mandatorily earmarked with a FinMech target earmark.³² These GO can subsequently be used either by the funding party, e.g. an electricity supplier which offers a labelled RES-E product, or be marketed towards other suppliers in order to be used for fuel mix disclosure.

The proposed mechanism is illustrated in Figure 3-1 for the case of the supply model approach, and in Figure 3-2 for the case of the fund- model approach respectively.

Figure 3-1: Schematic mechanism for the application of the concept of hard additionality in a supply-model approach based on GOplus

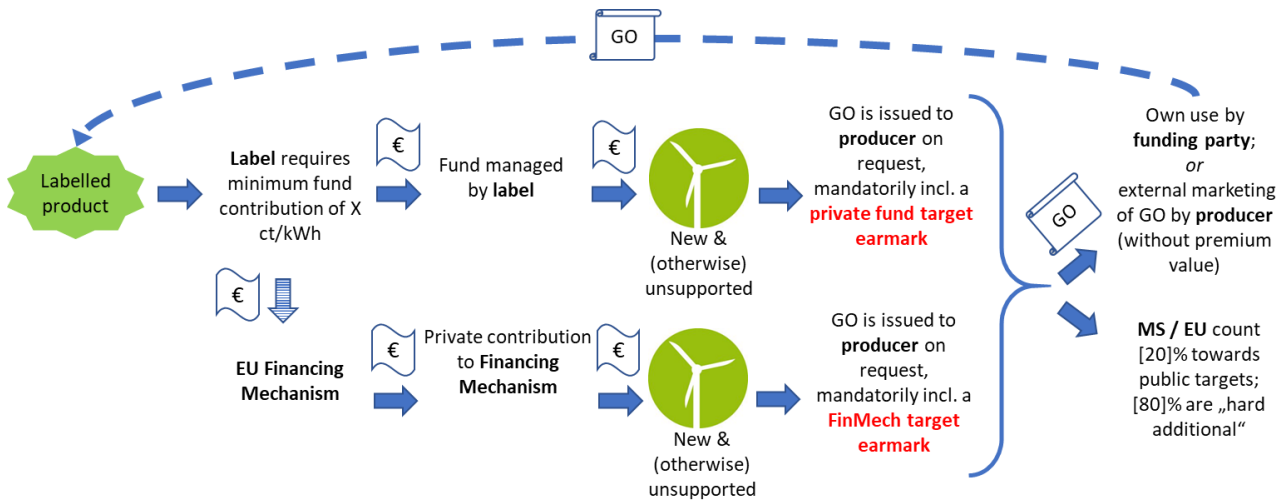


Source: Own illustration Oeko-Institut

³¹ For any potential buyer of these GOs these earmarks make clear that the GO has gained third-party support and is not eligible as GOplus.

³² For any potential buyer of these GOs these earmarks make clear that the GO derives from a new plant which has received third-party support.

Figure 3-2: Schematic mechanism for the application of the concept of hard additionality in a fund-model approach based on private fund contributions and the respective indication of target earmarks on the issued GO



Source: Own illustration Oeko-Institut.

Besides these models, further approaches can be implemented in order to enhance market demand for such RES volumes. This could include the requirement to use GOplus for all electricity taken from the grid for the production of renewable fuels of non-biological origin (RFNBOs), in order to be eligible for recognition as 100 % renewable fuel produced in the sense of Art. 27 RED II. Alternatively, such a link to Art. 27 could be established by building on a verified financial support for that RES by the producer of the RFNBO on the one hand and the respective GOs with either a private fund target earmark or a FinMech target earmark on the other. The same mechanism could be used by fleet operators and users of electric vehicles, including railway companies, and finally all private and commercial consumers of “green power” who want to ensure that their choice for certain electricity products has an actual positive impact on the environmental footprint of the overall energy system.

Annex: Relevant legal references

Annex I. 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 (recast) (RED II)

Article 3: Binding overall Union target for 2030

1. Member States shall collectively ensure that the share of energy from renewable sources in the Union's gross final consumption of energy in 2030 is at least 32 %.

Annex II. Regulation on the governance of the energy union and climate action (EU/2018/1999 – Governance Regulation)

Art.32 Response to insufficient progress towards the Union's energy and climate objectives and targets

[...]

3. Where, in the area of renewable energy the Commission concludes, based on its assessment pursuant to Article 29(1) and (2), that one or more of the reference points of the indicative Union trajectory in 2022, 2025 and 2027 referred to in Article 29(2) were not met, Member States that have fallen below one or more of their national reference points in 2022, 2025 and 2027 as referred to in point (a) (2) of Article 4 shall ensure that additional measures are implemented within one year following the date of reception of the Commission's assessment in order to cover the gap compared to their national reference point, such as:

[...]

(d) making a voluntary financial payment to the Union renewable energy financing mechanism set up at Union level, contributing to renewable energy projects and managed directly or indirectly by the Commission as set out in Article 33;

Art 33 Union renewable energy financing mechanism

1. By 1 January 2021, the Commission shall establish the Union renewable energy financing mechanism referred to in point (d) of Article 32(3) to tender support for new renewable energy projects in the Union with the aim of covering a gap in the indicative Union trajectory. Support may be provided, inter alia, in the form of a premium additional to market prices, and shall be allocated to projects bidding at the lowest cost or premium.

2. Without prejudice to paragraph 1 of this Article, the financing mechanism shall contribute to the enabling framework pursuant to Article 3(4) of Directive (EU) 2018/2001 with the aim of supporting renewable energy deployment across the Union irrespectively of a gap to the indicative Union trajectory. To that end:

(a) payments from Member States referred to in Article 32 may be complemented by additional sources, such as Union funds, private sector contributions or additional payments by Member States in order to contribute to the achievement of the Union target;

(b) the financing mechanism may, inter alia, provide support in the form of low-interest loans, grants, or a mix of both and may support, inter alia, joint projects between Member States in accordance with Article 9 of Directive (EU) 2018/2001 and Member States' participation in joint projects with third countries referred to in Article 11 of that Directive.

3. Member States shall retain the right to decide whether, and if so, under which conditions, they allow installations located on their territory to receive support from the financing mechanism.

4. The Commission, assisted by the Energy Union Committee referred to in point (b) of Article 44(1), may adopt implementing acts to set out the necessary provisions for the establishment and functioning of the financing mechanism, in particular:

(a) the methodology for the calculation of the maximum level of the premium for each tender;

(b) the tender design to be applied, including conditions for delivery and associated penalties;

(c) the methodology for the calculation of the payments of Member States and the resulting statistical benefits for the contributing Member States;

(d) minimum requirements for Member States' participation, having regard to the need to ensure both continuity of the mechanism by means of a sufficient duration of the Member State payment, as well as the maximum amount of flexibility for Member States' participation;

(e) provisions ensuring the participation and/or approval of hosting Member States, and where necessary provisions relating to additional system cost charges. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 44(6).

5. Every year, renewable energy generated by installations financed by the financing mechanism shall be statistically attributed to the participating Member States, reflecting their relative payments. Projects supported by this financing mechanism that are financed by other sources than Member States payments shall not count towards Member States' national contributions but towards the Union binding target pursuant to Article 3(1) of Directive (EU) 2018/2001.

Annex III. Commission Implementing Regulation (EU) 2020/1294 of 15 September 2020 on the Union renewable energy financing mechanism

Recital (9)

Regulation (EU) 2018/1999 provides for the mechanism to obtain resources from payments by Member States, Union funds or private sector contributions. Such resources should be accounted for separately and under specific fund sources within the budget line of the mechanism.

Recital (14)

Contributions from the private sector can play an important role in funding the mechanism and fostering the uptake of renewable energy projects under that mechanism. Those contributions should count as an addition to the Union binding target of at least 32 %. Thus, private sector contributions can bring added value and ensure additionality of projects. Therefore, to increase the transparency

of such additionality, the renewable energy generated by projects receiving support from private sector contributions may be linked to the Union-wide green label referred to in Article 19(13) of Directive (EU) 2018/2001, consistent with the Sustainable Finance taxonomy. To incentivise private sector contributions, the private entity that contributes to the mechanism may request to receive the guarantees of origins for the energy production that corresponds to its contribution and that could be issued for the renewable energy production in accordance with Article 19 of Directive (EU) 2018/2001 and subject to the national legislation.

Recital (30)

The renewable energy generated each year by installations that received non-repayable financial support by the financing mechanism should be statistically attributed to the participating Member States in a way that reflects the relative financial contributions as well as the distribution of statistical benefits between contributing and host Member States established in the particular call for proposals. The statistically attributed renewable energy should be included in the calculation of the share of renewable energy sources of the participating Member States pursuant to Article 7 of Directive (EU) 2018/2001. For the period between the signature of the grant agreement for a project and the start of renewable energy generation of that project, the participating Member States should be considered to have taken additional measures in accordance with Article 32(3) of Regulation (EU) 2018/1999 for an amount of energy calculated on the basis of the expected generation capacity of that project, the respective financial contribution and the ceiling prices applicable to the call for proposals. After this period, the Member States should be considered to have taken additional measures in accordance with Article 32(3) of Regulation (EU) 2018/1999 for the actual energy generated. Renewable energy produced by installations that were financed exclusively by sources other than Member States payments should not count statistically towards Member States' national contributions but to the Union target of at least 32 % in final energy consumption by 2030.

Recital (32)

The mechanism should allow host Member States to obtain a number of advantages potentially free of costs, benefit from local investment and job creation, benefit from greenhouse gas reductions and improved air quality, modernise their national energy systems and reduce import dependency. Moreover, host Member States should receive statistical benefits relating to the cost that the actual project generates, for instance network costs. In order to cover these costs, it is justified that these statistical benefits should be received by host Member States also in case the installation was financed by sources other than Member States payments.

Article 4 Sources of funding

1. Pursuant to Article 33 of Regulation (EU) 2018/1999, the actions under the mechanism may be financed from payments by Member States, Union funds, or private sector contributions.

[...]

4. The mechanism may receive private sector contributions from any private entity, whether a natural or a legal person. Before making its contribution to the mechanism, the private entity may indicate a

preference for the call for proposals to which its payment is intended, or a type of technology or end-use that it is willing to support, without distorting market competition, and may request to receive the guarantees of origin that could be issued for the renewable energy production. The Commission may take that preference into account, which is not binding on the Commission. Within three months from receiving information on the final elements of the call for proposals, the private entity shall make its contribution to the mechanism.

Article 26 Allocation of statistical benefits to Member States

1. The renewable energy generated by projects receiving support from grants financed exclusively by Member States payments through the mechanism shall give rise to the allocation of statistical benefits to participating Member States, in line with Article 7 of Directive (EU) 2018/2001, and in accordance with the terms laid down in the call for proposals.

2. The renewable energy generated by projects receiving support from grants financed through the mechanism exclusively with funds arising from Union funds or private contributions shall not be statistically allocated to individual Member States, but shall count towards the Union binding target pursuant to Article 3(1) of Directive (EU) 2018/2001.

3. Host Member States shall receive a share of the statistical benefits from renewable energy generated by projects that are located on their territory and receive support from grants financed by other sources than Member State contributions under the enabling function of the mechanism. The distribution of the statistical benefits to the host Member State shall be defined in accordance with Article 27.

4. Union funds or private contributions resulting in generated energy that counts towards the Union binding target pursuant to Article 3(1) of Directive (EU) 2018/2001 shall be accounted separately from the collective contribution by the Member States.

5. The renewable energy generated by projects receiving support through grants by the mechanism financed with funds arising from Member States payments, on the one hand, and Union funds or private contributions, on the other hand, shall generate statistical benefits for the contributing Member States up to the proportion financed by Member States' payments and in the terms laid down in the call for proposals as regards distribution of statistical benefits between contributing and host Member States. As regards the statistical benefits for the host Member States, paragraph 3 shall apply.

Article 27 Distribution of statistical benefits between contributing and host Member States

1. The renewable energy allocated to contributing Member States and host Member States shall be the renewable energy generated by the installations supported under a specific call for proposals in which the Member States participated.

2. The renewable energy generated by installations supported by the mechanism shall generate statistical benefits for contributing Member States for an implementation period defined in the calls for proposals and communicated to Member States according to Article 7(7) and 7(8), calculated on the basis of the expected depreciable or economic lifetime of the technology supported. Following that period, all statistical benefits shall remain with the host Member States.

3. Subject to paragraph 2, the renewable energy generated by installations supported by the mechanism shall be statistically allocated pursuant to Directive (EU) 2018/2001 and shall be distributed as follows:

- (a) 80 % to contributing Member States;
- (b) 20 % to host Member States.

4. The Commission may propose to deviate from the distribution set out in paragraph 2 of this Article and to allocate the energy to contributing and host Member States within a range going from 50 % to 100 % for the contributing Member State, and from 0 % to 50 % for the host Member State, where the total allocation for both contributing and host Member States amounts to 100 %. The proposed distribution shall be applicable for a given call for proposals and shall be based on the following criteria:

- (a) the likelihood of the call to attract a balanced interest from contributing Member States and host Member States to ensure effective competition in the call for proposal;
- (b) the likelihood of the call to result in no or little support being disbursed by the mechanism;
- (c) the potential costs, including system integration costs, which the host Member States may incur.

5. The Commission shall inform the Member States on the allocation which it intends to include in the call for proposals according to Article 7(7) and Article 7(8).

6. In case of renewable energy generated by installation supported by the mechanism which are located in third countries participating in the mechanism, 100 % of the statistical benefits shall be distributed to the contributing Member States, in line with Article 11 of Directive (EU) 2018/2001.

Article 28 Reporting of energy production and calculation of statistical benefits by the Commission

1. The host Member States and the third countries participating in the mechanism and hosting projects shall report to the Commission the available data on the energy production in a particular year from projects financed by the mechanism twice – by 1 January and by 1 July of the year following the year of production.

2. The actual statistical benefits to be allocated to the participating Member States shall be calculated yearly by the Commission and communicated to the participating Member States by 1 October of the year following the year of production and shall be reported by the participating Member States in accordance with the provisions of Directive (EU) 2018/2001. The total statistical benefits attributed shall correspond to the actual generated energy, in line with data and market values communicated by the Member States.

Annex IV. Draft Implementing Act: Commission Implementing Regulation (EU) .../... of XXX on the Union renewable energy financing mechanism (consultation version, dated 05/05/2020)³³

Article 25 Allocation of statistical benefits to Member States

1. The renewable energy generated by projects receiving support from grants financed exclusively by Member States payments through the mechanism shall give rise to the allocation of statistical benefits to participating Member States, in line with Article 7 of Directive (EU) 2018/2001, and in accordance with the terms laid down in the call for proposals.
2. The renewable energy generated by projects receiving support from grants financed through the mechanism exclusively with funds arising from Union funds or private contributions shall not be statistically allocated to individual Member States. That renewable energy generated shall count towards the Union binding target pursuant to Article 3(1) of Directive (EU) 2018/2001, but only in addition to the target of at least 32% which is to be achieved through the sum of the collective contribution by Member States pursuant to Article 5(2) of Regulation (EU) 2018/1999.
3. Union funds or private contributions resulting in generated energy that counts in addition to the target of at least 32% pursuant to Article 3(1) of Directive (EU) 2018/2001 shall be accounted separately from the collective contribution by the Member States.
4. The renewable energy generated by projects receiving support through grants by the mechanism financed with funds arising from Member States payments, on the one hand, and Union funds or private contributions, on the other hand, shall only generate statistical benefits for Member States up to the proportion financed by Member States' payments and in the terms laid down in the call for proposals as regards distribution of statistical benefits between contributing and host Member States.

³³ <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12369-Union-renewable-Financing-mechanism>