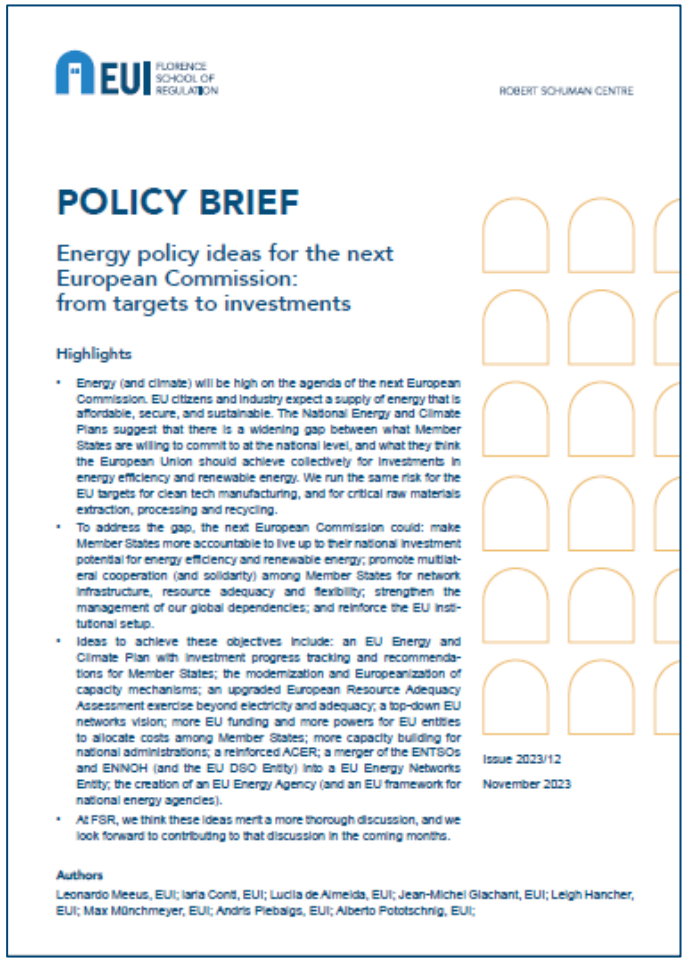
Belgian energy policy

Energy transition Congress, 11 December

Prof Leonardo Meeus
Director of the Florence School of Regulation
Loyola de Palacio Chair

EU framework

- EU 2030 climate and energy targets
  - GHG: 40% to at least 55% reduction
  - RE: 32% to 42.5% share
  - EE target final energy consumption: from 32.5% to 36%; primary energy consumption: 39%
- National Energy and Climate Plans
  - Clean Energy Package targets
    - Draft plans in 2018 did not meet the EE, RE, and non-ETS GHG
    - Final plans in 2019 did meet the RE and non-ETS targets (at the level they were then), but still fell short of the EE target
  - Fit-for-55 Package targets
    - Updated draft plans submitted in 2023 do not meet the targets of the fit-for-55 package



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ROBERT SCHUMAN CENTRE

POLICY BRIEF

Energy policy ideas for the next European Commission: from targets to investments

Highlights

- Energy (and climate) will be high on the agenda of the next European Commission. EU citizens and industry expect a supply of energy that is affordable, secure, and sustainable. The National Energy and Climate Plans suggest that there is a widening gap between what Member States are willing to commit to at the national level, and what they think the European Union should achieve collectively for investments in energy efficiency and renewable energy. We run the same risk for the EU targets for clean tech manufacturing, and for critical raw materials extraction, processing and recycling.
- To address the gap, the next European Commission could: make Member States more accountable to live up to their national investment potential for energy efficiency and renewable energy; promote multilateral cooperation (and solidarity) among Member States for network infrastructure, resource adequacy and flexibility; strengthen the management of our global dependencies; and reinforce the EU institutional setup.
- Ideas to achieve these objectives include: an EU Energy and Climate Plan with investment progress tracking and recommendations for Member States; the modernization and Europeanization of capacity mechanisms; an upgraded European Resource Adequacy Assessment exercise beyond electricity and adequacy; a top-down EU networks vision; more EU funding and more powers for EU entities to allocate costs among Member States; more capacity building for national administrations; a reinforced ACER; a merger of the ENTSOs and ENNOH (and the EU DSO Entity) into a EU Energy Networks Entity; the creation of an EU Energy Agency (and an EU framework for national energy agencies).
- At FSR, we think these ideas merit a more thorough discussion, and we look forward to contributing to that discussion in the coming months.

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Belgian NECP report card in 2020/2023 – targets

CEP target	Fit-for-55 target	BE NECP 2018	BE NECP 2019	BE NECP 2023
35% ESR	<42,6% ESR	On target by relying on flexibility	On target by relying on flexibility	On target by relying on flexibility?
25% RES	34% RES	18,3% RES	17,5% RES	21,5% RES with statement that BE target is infeasible
Primary energy consumption Final energy consumption		Modest ambition Low ambition	Low ambition Low ambition	Waiting for outcome of EPBD to update ambition

EUROPEAN COMMISSION

Brussels, 14.10.2020
SWD(2020) 900 final

CORRIGENDUM
This document corrects document SWD(2020) 900 final of 14.10.2020.
- Section 3: the plan was missing a sentence on GHG – now added in the SWD. "The integration of the circular economy roadmap and its interactions with GHG emission reductions."
- Modifications are introduced in Annex 1 of the report, regarding specifically values and annotations in tables 1 and 2.
- Minor editorial changes throughout the document.
The text shall read as follows :

COMMISSION STAFF WORKING DOCUMENT

Assessment of the final national energy and climate plan of Belgium

Draft update of the
Belgian National Energy and Climate Plan

Belgian NECP report card in 2020 - policies

- **Template**: Belgium's final plan is difficult to analyse as it does not follow the template provided in the Governance Regulation
- **RES policies**: the time frame, source of finance and quantified impact are lacking. This makes it impossible to assess whether the policies and measures concerned are consistent with the targets and whether they are credible.
- **EE policies**: Belgium has not yet submitted its federal level long-term renovation strategy
- **Energy market**: lacks specific policy objectives and measures renewable energy, demand-response, storage, aggregation, real-time price signals, smart grids, consumer protection and competition of the retail energy market.
- **Research innovation and competitiveness**: clarify national objectives and funding targets; make them measurable
- **Financing**: a preliminary overview of potential sources of financing at national, regional and EU level. However, no real assessment is made of these sources
- **Action plan removal fossil fuel subsidies**: missing
- **Just and fair transition, energy poverty, interaction with air quality**: no quantitative assessments
- **Cooperation**: Good points for Pentalateral Energy Forum & North Sea Energy Cooperation

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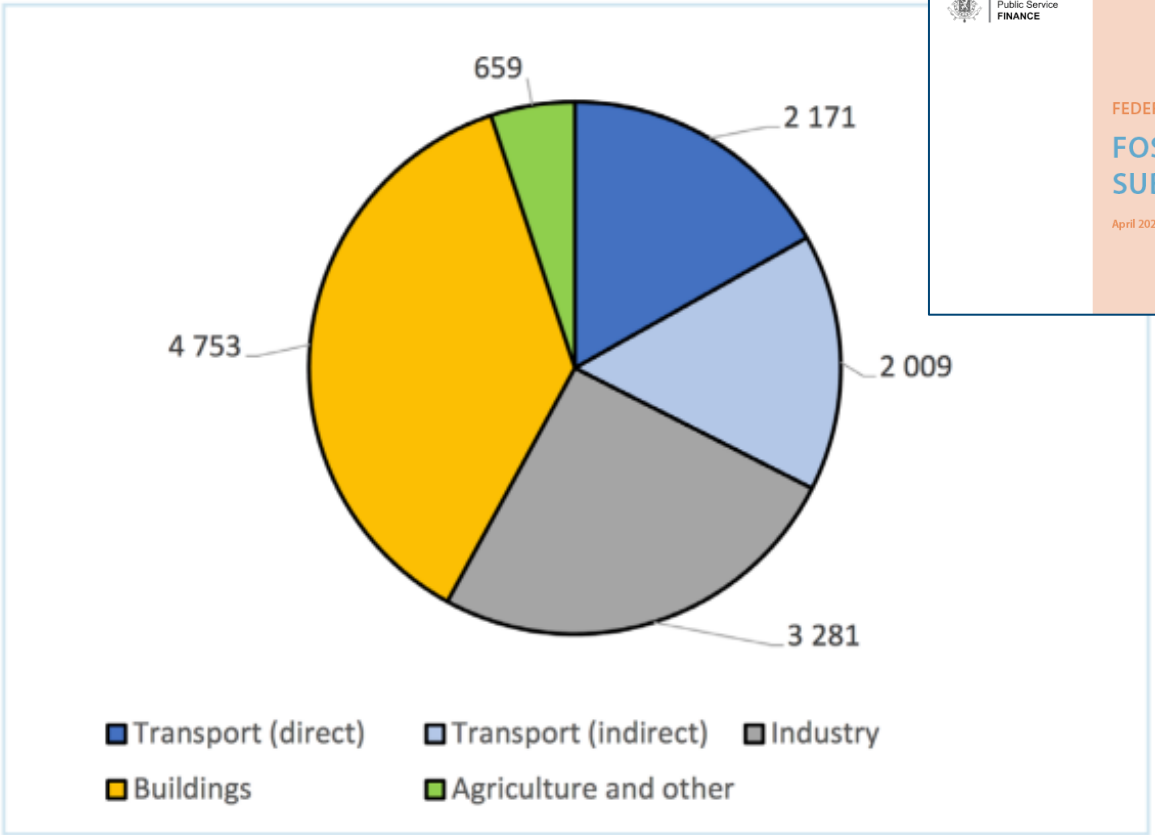
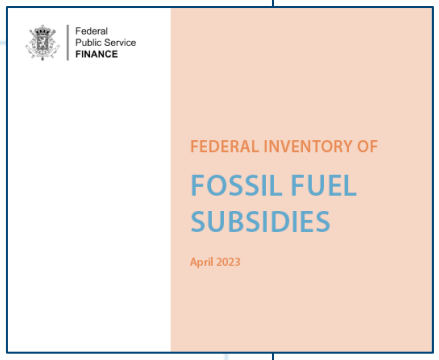
Federal inventory of fossil fuel subsidies

Table 2.
Details of main subsidies by sector, 2020

	millions of euros	% of subtotal
Transport		
Fuel cards	492.0	22.7%
Base rate differential across products	165.4	7.6%
Reimbursement of professional diesel	1,230.5	56.7%
Exemption for inland navigation	10.3	0.5%
Exemption for dredging activities	59.7	2.8%
Excise duty exemption for aviation kerosene	208.9	9.6%
Other	3.9	0.2%
Subtotal - direct subsidies	***2,170.7***	***100.0%***
Company cars	1,947.2	96.9%
VAT exemption for airplane tickets	61.9	3.1%
Subtotal - indirect subsidies	***2,009.0***	***100.0%***
Total Transport	***4,179.7***	
Industry		
Base rate differential across products	1,888.61	57.6%
Reduced diesel rate	383.17	11.7%
Reduced natural gas rate	911.19	27.8%
Other	98.49	3.0%
Total Industry	***3,281.46***	***100.0%***
Buildings		
Transfers to individuals (social tariffs etc.)	165.6	3.5%
Base rate differential across products	2,261.4	47.6%
Heating oil exemption	2,260.0	47.6%
Other	65.8	1.4%
Total Buildings	***4,752.8***	***100.0%***
Agriculture and other activities		
Base rate differential across products	251.5	38.1%
Exemptions on intermediate consumption	407.9	61.9%
Total Agriculture and other activities	***659.3***	***100.0%***

Figure 4. Breakdown of subsidies by sector, 2020
(Million euro)





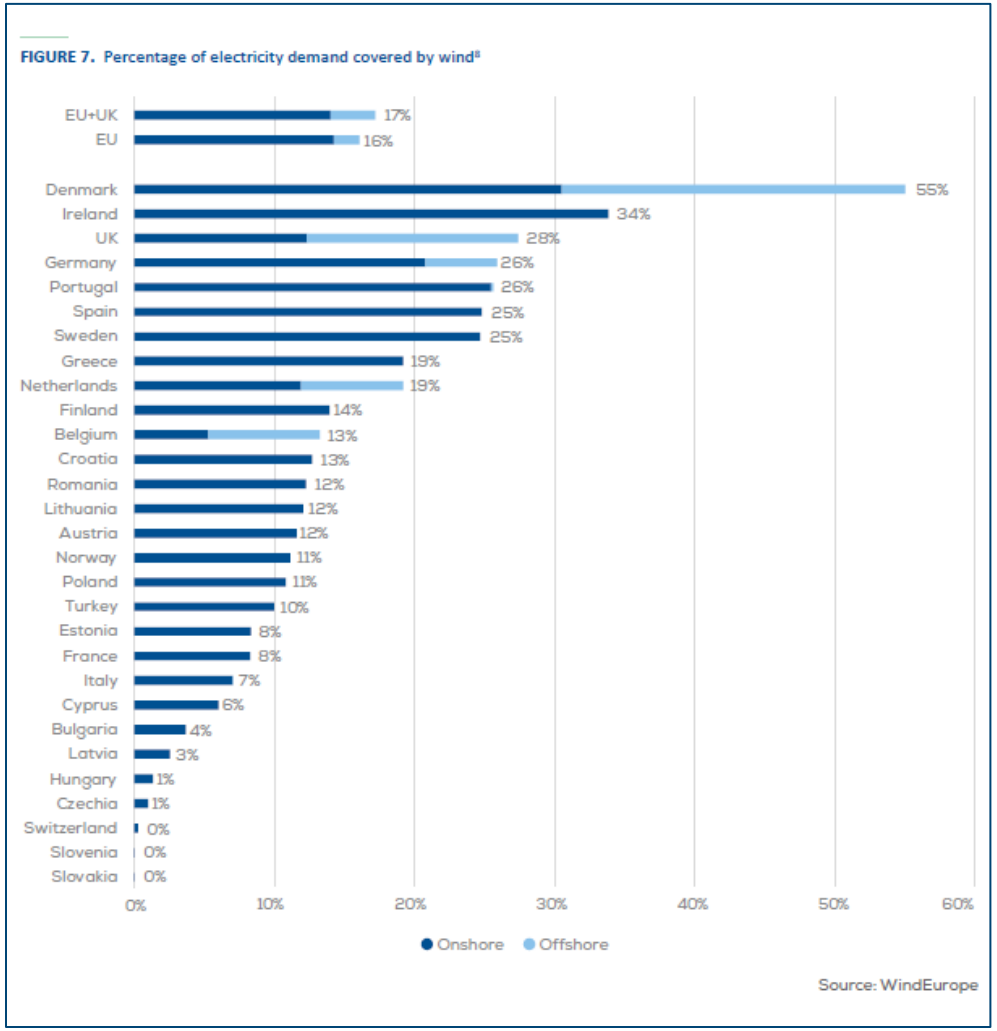
Draft update of the
Belgian National Energy and Climate Plan

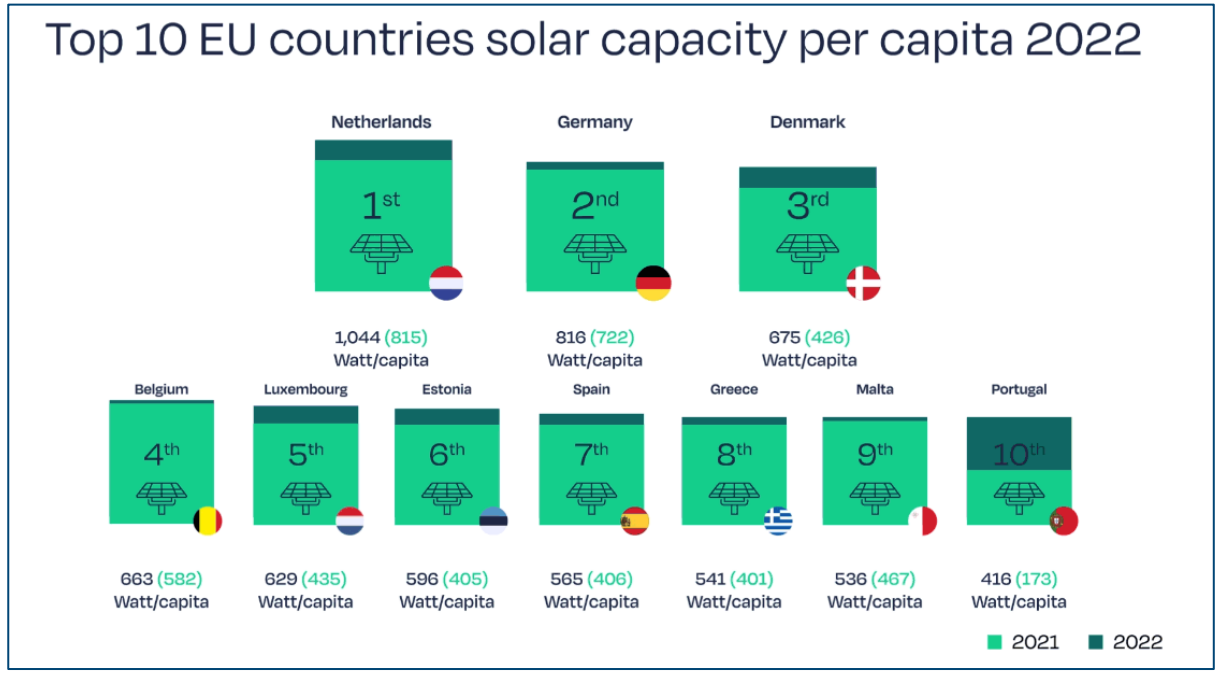
Fossil fuel subsidy action plan?

- Limitation to Jan 2022 of the reimbursement of commercial diesel and the gradual reduction in tax deductibility for petrol and diesel company cars
- EU Energy Taxation Directive (ETD) expected to contribute to abolition of fossil fuel subsidies (e.g. in international air and maritime transport).
- At Flemish level, study the technical feasibility of allowing local administrations to use differentiated additional cents from property tax within the boundaries of their territory.
  - This can be a useful tool for local administrations to encourage accelerated deep renovations at neighborhood level.
  - A municipality may then opt for lower additional cents or a zero rate if the district agrees, for example, to phase out fossil fuel heating systems.
- We also call on the Federal Authority to carry out a thorough assessment of all fossil fuel subsidies/reductions and to phase them out where appropriate.

Co-funded by the Erasmus+ Programme of the European Union

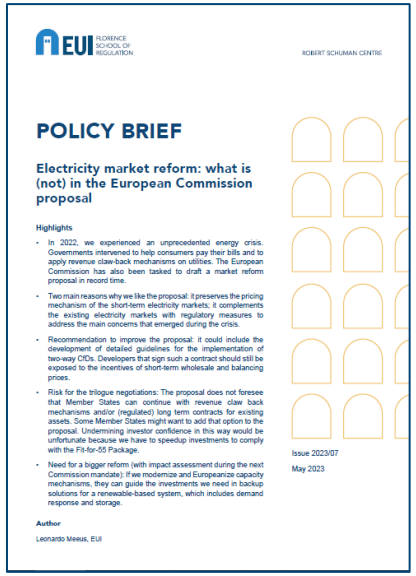
Below average for wind, 4th place in solar





Markets & security of supply

- Implementation of the 5th electricity market reform in Belgium
  - PPA & CfD
  - Flexibility assessments and direct support for flexibility
  - Offshore bidding zones & use of congestion revenue to compensate offshore wind farms (transmission access guarantee)
  - Retail markets: price insurance (e.g. fixed price contracts), supplier hedging obligations, energy sharing
- Beyond the current reform
  - Europeanize and modernize capacity mechanisms
  - Energy Resource Adequacy Assessment
    - beyond adequacy (to include flexibility and other risks)
    - beyond electricity (to look at system integration issues)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POLICY BRIEF

Electricity market reform: what is (not) in the European Commission proposal

Highlights

- In 2022, we experienced an unprecedented energy crisis. Governments intervened to help consumers pay their bills and to apply revenue claw-back mechanisms on utilities. The European Commission has also been tasked to draft a market reform proposal in record time.
- Two main reasons why we like the proposal: it preserves the pricing mechanism of the short-term electricity markets; it complements the existing electricity markets with regulatory measures to address the main concerns that emerged during the crisis.
- Recommendation to improve the proposal: it could include the development of detailed guidelines for the implementation of two-way CfDs. Developers that sign such a contract should still be exposed to the incentives of short-term wholesale and balancing prices.
- Risk for the trilogue negotiations: The proposal does not foresee that Member States can continue with revenue claw back mechanisms and/or (regulated) long term contracts for existing assets. Some Member States might want to add that option to the proposal. Undermining investor confidence in this way would be unfortunate because we have to speedup investments to comply with the Fit-for-55 Package.
- Need for a bigger reform (with impact assessment during the next Commission mandate): If we modernize and Europeanize capacity mechanisms, they can guide the investments we need in backup solutions for a renewable-based system, which includes demand response and storage.

Author

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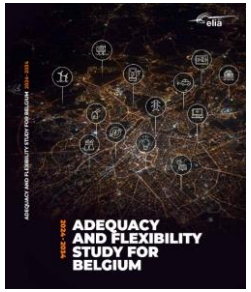
elia | Elia Group

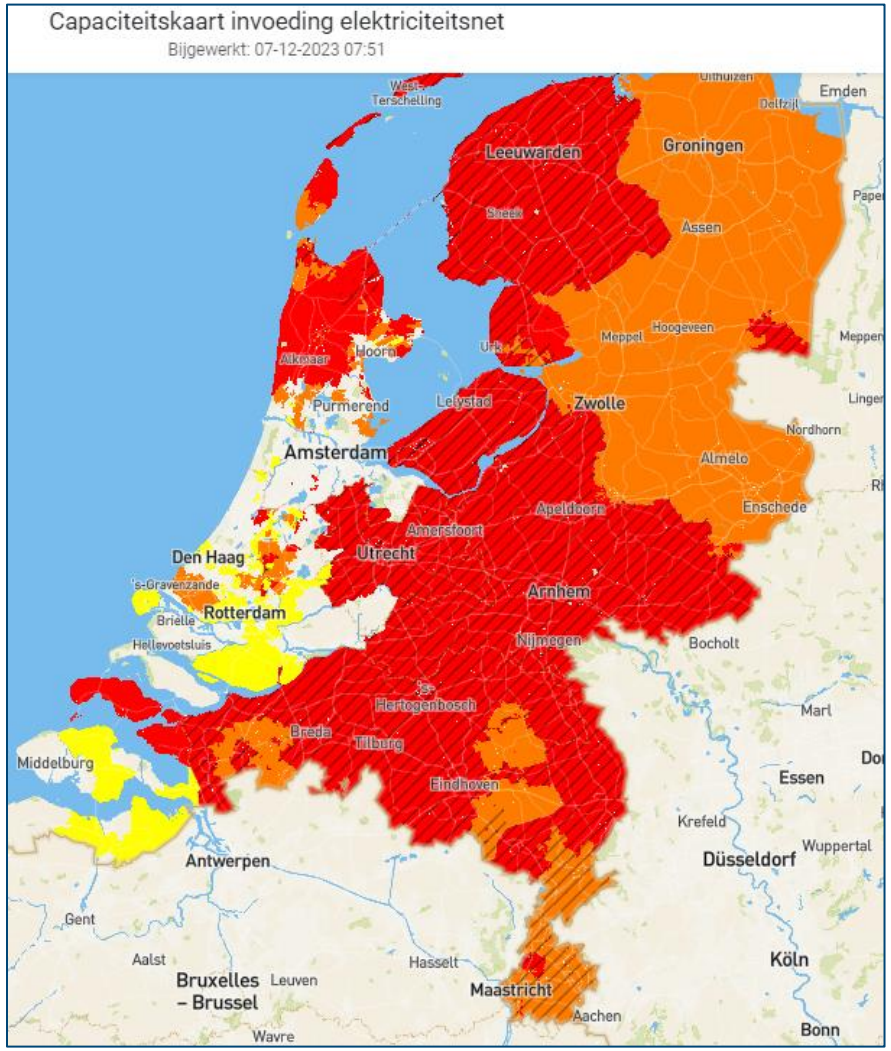
PRESS RELEASE | 30 October 2023

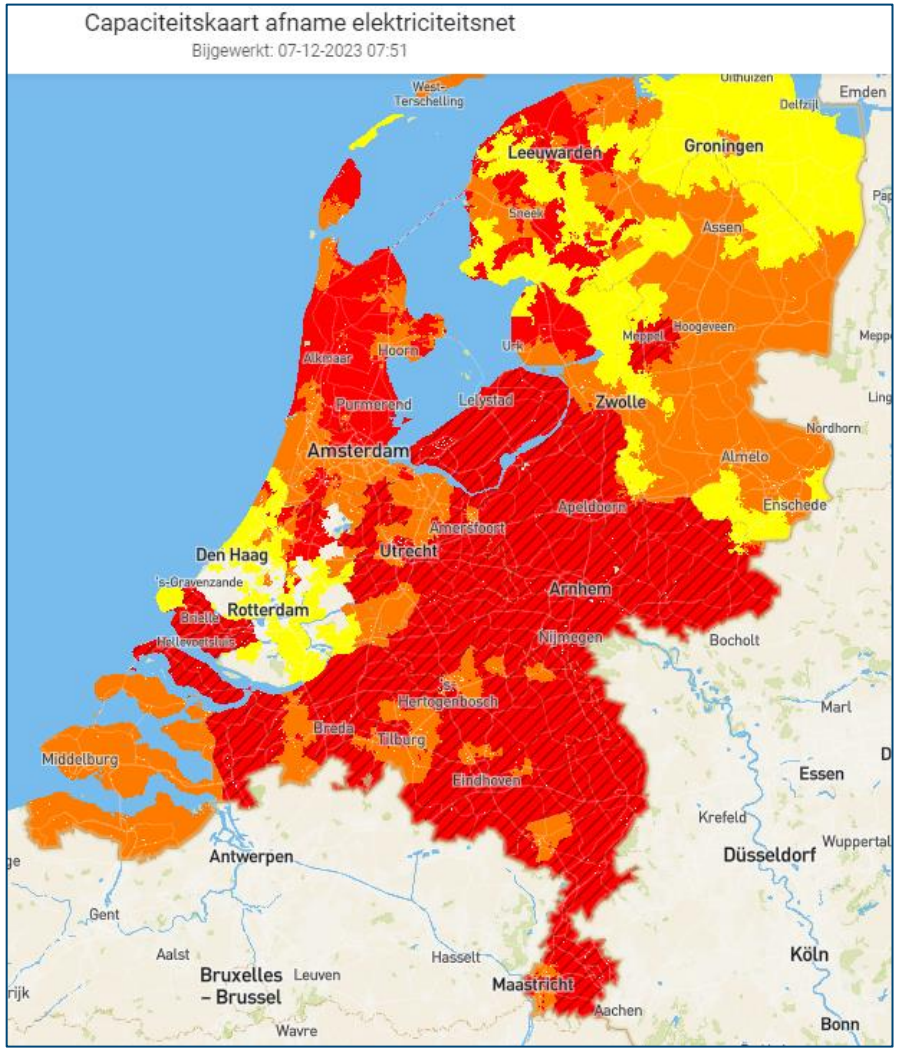
CRM auction result (Y-4) for 2027-2028 published on elia.be/crm

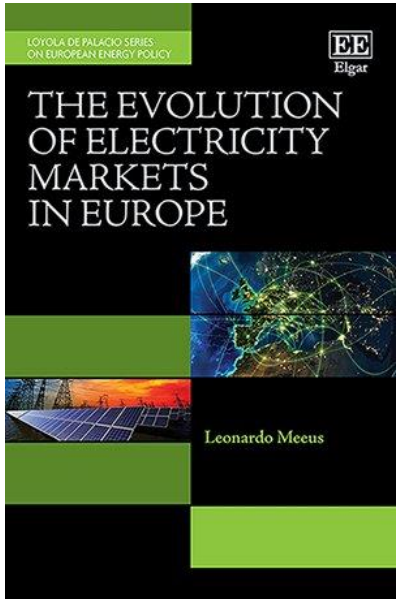
BRUSSELS | System operator Elia has published the result of the third Capacity Remuneration Mechanism (CRM) auction. This auction is designed to maintain security of supply over a four-year period (2027-2028 delivery year). The results show that 22 projects took part, with a total capacity of 1,576 MW. All projects have been contracted. The average annual price of this third auction was in line with that of the previous auctions at €36,372.88 per MW.

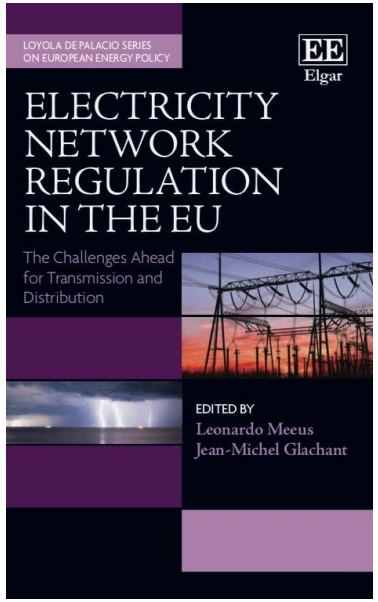


Networks (https://capaciteitskaart.netbeheernederland.nl/)









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