

**CAB SIMSON/9 - Meeting of Head of Cabinet S. Grassi with Mr Christian  
 Verschueren, EuroCommerce  
 21 January – 16.30-17.30  
 Contribution ENER C1**

**SETTING:**

EuroCommerce is a European association representing the retail and wholesale sector. With citizens as their final customers, the retail and wholesale sector is aiming to **integrate the concept of sustainable development in its daily activities**. For renewables, this includes the implementation of the energy requirements of electronic goods, the use of renewables to satisfy energy consumption in their own operations (including transport) and within their supply chains, as well as the greening of their products.

You will be meeting with Dr. Christian Verschueren, Director-General of EuroCommerce (CV below).

**SPEAKING POINTS:**

- It is important to have the wholesale and retail sector on board for the European Green Deal. Their proximity to the end-consumer makes them an important player to make this transition work for European citizens. For example, several supermarkets (like Colruyt or Lidl) are already purchasing and producing renewable energy to satisfy their electricity demand.
- The costs of renewables continue to decline. For industrial and commercial actors in a number of Member States (eg. Spain and Portugal), renewable electricity is already cheaper than conventional electricity sourced from the market. We expect that more and more companies will directly source renewables (either through self-production or by establishing direct power purchase agreements with renewable project developers).
- The new renewable energy directive has a number of new measures that support the use of renewable in corporates:
  - The new Directive provides a framework to foster **long-term Renewables Power Purchase agreements (RES PPAs)**. These agreements are defined as contracts where a legal or natural person engages in a direct contract with an energy generator towards the purchase of renewable electricity.
  - In the new renewable energy directive, **Guarantees of Origin** have to be issued to covers all types of renewable energy i.e. renewable electricity, heating & cooling and gas (including hydrogen).
  - In the new directive, there is a move towards **more competitive support schemes**. This would also open up a larger market of project developers looking for corporate power purchase agreements.
  - The new electricity market design supports **cross-border power purchase agreements**, which would mean that corporates can purchase electricity from renewable energy projects in other EU Member States.

- For a climate neutral economy, we expect that commercial companies will increasingly use renewable power to satisfy their energy demand.
  - Overall, we expect to see a reduction of the energy consumption in the industrial, commercial and residential sectors due to energy efficiency measures. At the same time, we see an increase of electricity consumption.
  - For the industry sector, electricity consumption in the industrial sector could grow around 20% by 2050.
  - For the commercial sector, we expect that electricity consumption will not grow, but that the share of electricity in commercial and office buildings will increase from 45% today to 60% in 2030 and to 80% by 2050.

## **Corporate sourcing of renewables (Background):**

Corporate sourcing is a relative new phenomenon, and started to take off around 2012. Corporate sourcing has become a valuable instrument to address off-take risk for developers and financing parties. Corporate sourcing has mainly been done by US bluechip companies, which also use it as a corporate strategy. In the EU, corporate sourcing has started to grow since 2015 with around 700 -1000 MW of contracts signed annually. Bloomberg New Energy Finance estimates that the untapped potential in Europe is very significant - just the commitments of RE100 companies present in Europe could reach 67TWh by 2030 – which is equivalent to the electricity demand of Belgium.

There are a number of new developments that are of interest:

1. The new Directive provides a framework to foster **long-term Renewables Power Purchase agreements (RES PPAs)**. These agreements are defined as contracts where a legal or natural person engages in a direct contract with an energy generator towards the purchase of renewable electricity.

To facilitate the uptake of long-term RES PPAs Member States will need to:

- Assess the administrative and regulatory barriers for the uptake of RES PPAs and remove those deemed unnecessary;
- Ensure that PPAs are not subject to disproportionate procedures and charges which are not cost reflective;
- Describe policies and measures to facilitate the uptake of PPAs in the National Energy and Climate Plans and in subsequent progress reports.

2. In the new renewable energy directive, **Guarantees of Origin** have to be issued to cover all types of renewable energy i.e. renewable electricity, heating & cooling and gas (including hydrogen). Member States may choose to issue GOs for non-renewable energy sources such as fossils or nuclear sources e.g. if it has a tracking system for all electricity production. The impact on corporate sourcing is that regarding Guarantees of Origin issued for supported renewable energy, Member States may recognise that their market value is taken into account, when such Guarantees of Origin are issued directly to suppliers and consumers that buy energy under a long term corporate PPA

3. In the new directive, there is a move towards **more competitive support schemes**. This would also open up a larger market of project developers looking for corporate power purchase agreements.

4. The **first cross-border power purchase agreements** have been developed. Corporates are increasingly looking into this option as a way to get cheap electricity for their facilities, i.e. supporting the development of wind parks in high-resource places that could be used to satisfy demand of the data centres in a number of EU countries. Virtual power purchase agreements (see annex) have been developed for this purpose.

## **The role of corporate sourcing in a climate neutral economy (background):**

### **Electrification**

In our energy scenarios up to 2030 and up to 2050, we see a reduction of the energy consumption in the industrial, commercial and residential sectors due to energy efficiency measures. At the same time, we see a stabilisation and small increase of electricity consumption.

**For the industry**, we expect a decline of overall energy consumption in the range of 5-6% by 2030, but at the same time we expect an increase in electricity consumption by around 5-6%. Looking further ahead, electricity consumption in the industrial sector could grow around 20% by 2050.

**For services (office and commercial buildings)**, where we expect a significant decline of overall energy consumption. At the same time, electricity consumption is expected to decline in the period up to 2030, and to stabilise afterwards. This means that electricity consumption will not grow, but that the share of electricity in commercial and office buildings will increase from 45% today to 60% in 2030 and to 80% by 2050.

If you look at the absolute growth in electricity consumption in both industrial and commercial activities between today and 2050, it only accounts for 3% of all the new renewables power generation coming online over this period. In other words, there is sufficient technical potential to source all new electricity as well as existing electricity consumption in industry.

With the share of renewable electricity increasing to around 60% by 2030, corporate sourcing of renewables **in the long-term** will increasingly become an 'economic strategy' rather than a 'greening strategy'.

For both the industry and commercial companies, long-term power purchase agreements or other forms of corporate sourcing of renewables can provide stable and green options to satisfy future energy demand. Furthermore, the economic costs of electricity will become more prominent in the overall economics of industrial and commercial activities.

### **Other renewables**

While electricity consumption will become more important for corporate Europe, we should not forget that heating and cooling will continue to dominate energy consumption in the industry sector. Today, electricity consumption accounts for 30% of the energy consumption in this sector, and despite electrification it is expected not to exceed 46% by 2050.

93% of that heat production is produced on-site, and 7% of this heat is purchased in the form of steam. At the moment, biomass is the only form of renewables that is being used in the industrial sector accounting for around 8% of energy consumption. This is mainly due to the biomass being used in the pulp and paper industry.

This means that there is significant opportunities for industrial processes to procure renewable heat, either through on-site or near-site production. This will have to be next frontier of corporate sourcing of renewables.

However, there are a number of renewable energy technologies, such as solar heating, geothermal energy and heat pumps, to supply low-to-medium temperature heat. Other options are to connect industrial processes and renewable energy technologies to district heating and cooling systems, creating synergies between both the **industrial sector and the heating demand in buildings**.

## Christian Verschueren



Dr. Verschueren has been Director-General of EuroCommerce since July 2011. In this function, he is the chief spokesperson for the retail and wholesale sector. As head of a team of 20 professionals making up the EuroCommerce secretariat, he leads and coordinates major advocacy and communication activities at the EU level.

Before joining EuroCommerce, Christian Verschueren led ACE, the alliance for the beverage carton industry. Between 2000 and 2007, he was Director-General of CropLife International, the global federation of the plant science industry. Prior to that, he occupied various management and leadership positions in FEDESA and COMISA (now IFAH–Europe and IFAH), the European and global associations for the veterinary pharmaceutical industry.

Dr. Verschueren graduated as doctor of veterinary medicine at the University of Liège, Belgium. He also qualified as veterinarian-specialist in internal medicine and for companion animals. He holds a PhD from the University of Utrecht, the Netherlands.

Dr. Verschueren is a guest lecturer at HEC Paris. He is also an ambassador of WWF Belgium, a Board member at Vétérinaires Sans Frontières (Veterinarians without Borders), a development NGO and at Natagora, a nature conservancy organisation.