(CAB SIMSON/203)

BRIEFING FOR COMMISSIONER SIMSON

MEETING WITH [redacted] ENGIE

SCENE SETTER

Biography [redacted] ENGIE

- [redacted] has been appointed as [redacted] ENGIE since [redacted] left the group. [redacted].
- [redacted] has spent most of [redacted] career in [redacted] served as [redacted], Minister for Finance and Public Accounts. Prior to that, [redacted].
- [redacted] is highly experienced in **European affairs**: [redacted] represented France on the European Economic and Finance Committee and [redacted] has worked for the [redacted] and has extensive international experience, in the economies of both developed and emerging countries.
- [redacted] is a graduate of the Ecole Polytechnique, the Ecole nationale de la statistique et de l'administration économique and the London School of Economics, and has a PhD in economics from the University of Paris X.

Main facts & figures on ENGIE

- ENGIE is a French multinational **electric utility company** that operates mainly in the fields of electricity, natural gas, and energy services.
- In 2018, Engie generated EUR 61 bn of revenues (47,2 bn in Europe).
- In 2018, ENGIE had 104.3 GW of installed power production capacity with 55% of natural gas, 27% of renewables, 7% of coal, 6% of nuclear and 5% of other sources.

- ENGIE is and aims to remain a key player in **renewable energies**. It is the leader in wind and solar in France, leader in micro-grids in the world and 2nd in the world for electric vehicle recharging station.
- ENGIE has **24.8 GW of installed renewable capacity** (66% hydro, 22% onshore wind, 9% solar, 3% other sources).
- ENGIE is committed to doubling its installed renewable energy generating capacity to 16,000 MW by 2025.
- ENGIE would like to increase the share of new renewable energy projects dedicated to specific customers to 50% by 2021.
- The renewable strategy focuses on making zero-carbon transition possible for business and local authorities through the development of integrated solutions “as a service” (smart, energy-efficient equipment, powered using carbon-free energy, drastically reducing consumption).

LINES TO TAKE

SYSTEM INTEGRATION

- The Commission is preparing a Strategy on "**Energy sector integration**", which we intend to adopt on 8 July.

- "Energy sector integration" is a broad term, and covers several concepts:
    - the direct electrification of buildings, transport, industry
    - the use of decarbonised fuels in these sectors, such as biogas, hydrogen, or synthetic fuels
    - but also the move towards a more "circular" energy system, where we make better use of waste heat and waste biomass

- Sector integration is about looking at our energy system holistically, as a whole, and creating stronger links between the electricity, gas, buildings, transport, agriculture and industry. It is essentially about optimising our energy system as a whole!

- Sector integration is not really an option. If we are serious about reaching carbon neutrality (and we are!), then we need to make our energy system work as efficiently and as smartly as possible. Only by doing so can we limit the cost of the energy transition for our citizens.

- The Strategy will present the vision of the Commission for a smart energy system of the future, consistent with the

ambition of the Green Deal, and building on the Long Term Strategy that the Commission presented in 2018.

- It will also propose a set of actions that the Commission will take in the coming months and years, to implement this vision, and get Europe ready on track for a smart, carbon-neutral energy system.

- We foresee actions in the following areas:

- Create **a more circular energy system**, **with "energy-efficiency-first" at its core**: Too much energy or potential energy is wasted in our current system, from heat and gases that are released into the atmosphere, to by-products of industrial processes and energy production, which could be captured and used for other purposes.

- **Accelerate electrification, and build a largely renewables-based power system**: To meet our emissions reduction goals in the power sector we need more electricity to be generated from renewables and to power areas such as buildings, industry, and transport.

- **Promote renewable and low-carbon fuels, including hydrogen, for hard-to-decarbonise sectors**: Some sectors, like heavy transport and industry, are harder to electrify, so we need to invest in cleaner fuels to power them.

- **Adapt energy markets for decarbonisation and distribution of resources**: Customer information, choice and access is essential

to enable and encourage smarter energy use and tackle energy poverty. We will ensure a more level-playing field across all energy carriers, making electricity and gas markets fit for decarbonisation. The role of flexibility is crucial in this regard (including the one provided by flexible – increasingly carbon-free - generation alongside demand response and storage)

- The work also started on adapting the gas market design to the decarbonised gases where we plan to facilitate an uptake of clean hydrogen and biomethane and prevent market fragmentation when such locally produced gases will gain importance. A proposal is planned for 2021 (Q3).

- **Build a more integrated energy infrastructure**: by adopting a new holistic approach for both large –scale and local infrastructure planning for district heating, electricity, gas, hydrogen, and CO2.

- **Set up a digitalized energy system and a supportive innovation framework**: by upgrading market design for digital services and supporting research and innovation framework.

RECOVERY PACKAGE

- The Recovery Package underlines the importance of a **green, digital and resilient** recovery. The Commission proposed to reinforce the financial strength of the MFF to benefit such recovery.

- While the financing instruments for the recovery are largely horizontal, (cross-sectoral), 25% will be earmarked for delivering the climate goals of the Green Deal. Energy investment and reforms are good for the recovery as they create growth and jobs, as also recently underlined by the International Energy Agency in their proposal for a recovery plan. Moreover, from past experience we are confident that energy can provide a quick pipeline of "shovel-ready" projects to invest the new money, as the financial reinforcement that the Commission proposed for the MFF will be concentrated in the first years of the MFF.

ENERGY EFFICIENCY AND RENOVATION WAVE

- Meeting our ambitious climate objectives will require pushing the boundaries in every field – also energy efficiency, even if more and more energy comes from renewable source.

- In line with the European Green Deal the Commission will strive to address energy efficiency as a matter of priority. In this context, we will try to ensure that the energy-efficiency-first principle is followed across the board and applied in all parts of energy systems and the whole value chain.

- In times of crisis, the energy efficiency first principle becomes ever more compelling, because energy efficiency investments

can be directed to modernise industries, to reduce operating costs, and contribute to affordable energy bills for energy consumers, local jobs supporting employment, a smarter and healthier environment for all people.

- Indeed, energy efficiency investments and buildings renovation fit under the dual challenge we are facing currently: the energy sector decarbonisation and the green recovery after the COVID crises.

- The Renovation Wave is a flagship area under the Recovery Plan for Europe. Financing the renovation of buildings is one of the most urgent and immediate action that the EU can take to stimulate the economic recovery and help achieve decarbonisation of our economy.

- **This is as a flagship initiative of the European Green Deal, and central to the Recovery package**.

- With **buildings being the largest energy consumer (40% of energy use in the EU) and responsible for 36% of greenhouse gas emissions**, they are indispensable for reaching the EU's carbon neutrality, energy efficiency and renewable energy objectives.

- The initiative's aim is at least doubling the rate of renovation of existing building, lowering energy bills and improving living and working conditions.

- In addition to the reinforced regulatory and financial support, the aim is to remove barriers to renovation (e.g. whether regulatory, financial, lack of skills or information, skills or workforce shortages).
- Utilities have an essential role to play for energy efficiency of buildings, and for building renovation by proposing affordable and innovative products and services to consumers.

- **We know ENGIE is engaged in this endeavour notably** via digitalisation, smart technologies and services.

TEN-E

- The TEN-E revision to be presented by the end of the year will be crucial in ensuring that our infrastructure policy fully supports the Green Deal, but also to kick-start the economic recovery post the COVID 19 pandemic.

- This revision will strengthen the focus on electrification and renewables integration, including offshore, the need to scale up smarter grid solutions, and address the different opportunities to decarbonise the gas grid by looking into the potential of hydrogen and other carbon neutral/renewable gases, retrofitting of existing infrastructure and elements of smart sector integration.

- The revised TEN-E, as well its funding priorities under the Connecting Europe Facility will continue to be fully dedicated to the accelerated deployment and financing of sustainable infrastructure.

OFFSHORE ENERGY STRATEGY

- The Strategy on Offshore Renewable Energy – planned for autumn 2020 - will provide a vision and a series of policy initiatives for steering the multi-dimensional step change necessary to achieve a massive, rapid, cost-effective and sustainable scale up of offshore renewable energies in the whole EU up to 2050.

Background on energy system integration

Energy sectors that used to be separate are becoming more and more interlinked as the economy transitions towards carbon neutrality. The electrification of transport is a good example. Electric vehicles connect the transport sector and power sector, but also buildings, where charging points are often located.

Smart sector integration is a way to anticipate, plan and accelerate the transition to the sustainable energy system of the future, making sure that it happens in a cost-effective way that benefits all citizens and where all sectors of the economy play their part.

This integration is required because of changes in energy supply, in energy demand and advances in energy technologies. Over the last decades, the bulk of energy demand has moved from traditional heavy industries towards transport and service industries. Simultaneously, the European energy supply is changing, away from fossil fuels and towards renewable energy. This transformation of the whole energy system will continue over the next 30 years as we progress towards our objective of a climate-neutral economy. Sector integration combined with decentralised energy technologies, digitalisation, changing consumer needs, and environmental constraints are also changing when, where, and by whom energy is used and produced. .

These changes in energy demand and supply creates opportunities to rethink how the energy system and its infrastructure is organised and regulated. By looking at how different sources and carriers of renewable energy can be coupled with end-use sectors the total investment and operation cost of renewable energy production, transmission, transport, distribution, storage and energy conversion can be minimised.