



# **Impact Assessment Institute**

The Institute for Impact Assessment and Scientific Evaluation of Policy and Legislation

“Impartial Analysis for Policy Making”

**Final report of the study on the**

**Inception Impact Assessment**

**Renewable Energy Package: new Renewable Energy  
Directive and bioenergy sustainability policy for 2030 –  
AP 2016/ENER/025**

30<sup>th</sup> June 2016

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**Accompanying statement**

This report has been written according to the guiding principles of the Impact Assessment Institute (IAI): objectivity, transparency, legitimacy and credibility. It therefore analyses the subject matter critically from a purely factual and scientific point of view, without any policy orientation. The analysis is open to review and criticism from all parties, including those whose work is scrutinised.

By its nature the report has a critical characteristic, since it scrutinises the subject document, with its main findings entailing the identification of errors, discrepancies and inconsistencies, complemented by a revision of the analysis. In performing this work, the intention of the report is to be constructive in assisting the authors of the subject document and its background information, as well as all relevant stakeholders in identifying the most robust evidence base for the policy objective in question. It should be seen as a cooperative contribution to the policy making process, proposing ideas that may not have been considered in the original policy document under scrutiny.

This report is also to be considered as a call for additional input. Peer review (Annex I) is an essential step laid down in the procedures of the Impact Assessment Institute and this is manifested in the openness to further review and to new data.

The Impact Assessment Institute is a private foundation incorporated in March 2016 under Belgian law, number 0650.623.342. The Institute is inscribed in the EU Transparency Register, number 993290221302-35.

## Executive Summary

### **Main findings**

Inception Impact Assessments (IIA) are a new tool defined in the 2015 Better Regulation Guidelines intended to be “a comprehensive basis for stakeholders to provide feedback, information and opinions”. This scrutiny study on the IIA on the Renewable Energy Package finds that the IIA does not fully follow the processes laid out in the Guidelines and does not contain sufficient information to provide the “comprehensive basis”.

A key general finding is that the IIA was compiled and published before the completion of the REFIT evaluation, planned for late 2016. The data is therefore subject to change. To be fully consistent, each step in the policy cycle should be built on the full completion of the previous step. The Commission did not explain sufficiently why it deviated from consistent practice.

The IIA’s general depth of analysis and its flexibility is appropriate for early stage policy making. However, some specific issues undermine achievement of the IIA’s objectives:

- In many instances, including the IIA’s first paragraph, statements are made about the benefits of renewable energy, without balance through acknowledgement of the potential negative impacts and trade-offs in the area of energy policy.
- The statements themselves are not supported by evidence or references. Such statements are substantive and should form conclusions of the Impact Assessment based on full analysis, rather than starting points.
- The subsidiarity check and proportionality check are presented without explicit evidence or justification.
- The text does not provide sufficient explanation on the most relevant findings and background data, which would be necessary to meet the IIA’s objective to “provide a comprehensive basis for stakeholders to provide feedback, information and opinions”.

An additional issue is the frequent reference to the results of the 2030 Impact Assessment on Climate & Energy as the background to many of the analytical conclusions. The IAI’s own study on that Impact Assessment concluded that the lack of transparency in its data and modelling severely impair the legitimacy of the evidence. It is therefore not a satisfactory basis for analysis for developing policy and legislation. The Commission should provide transparent evidence on which it bases the future renewable energy legislation and the analysis in the accompanying Impact Assessment.

As a basis for policy making in this sector, the IIA has an important role in setting the scene and creating a platform for analysis. Due to the concerns identified above, a careful review of the identified issues is needed, to ensure that the discrepancies are not adopted and amplified in the future Impact Assessment and legislative proposal.

## Visualisation

The following table provides a visual overview of the results of this report for each element of the evidence presented in the Impact Assessment, using an assessment from 1 to 7 to indicate the level of confidence (1 = highest, 7 = lowest confidence level).

Element	Assessment level & description (1...7)	Notes
Rhetoric	4 Concerns identified with analysis and/or evidence	In many places the text states expectations about Renewable Energy that are incompatible with the necessary objectiveness
Assumptions	6 Serious concerns identified with analysis and/or evidence	Assumptions are based on the 2030 Impact Assessment that lacks transparency and the preliminary findings of a REFIT report
Background data	5 Substantial concerns identified with analysis and/or evidence	Data is referred to in a large number of background reports, but without a clear overview of the relevance of this data and how it is to be used.
Analysis	5 Substantial concerns identified with analysis and/or evidence	In certain cases inconsistent analysis has been identified. In particular, expectations on economic benefit and employment require additional evidence.
Results	5 Substantial concerns identified with analysis and/or evidence	The results of the analysis reflect the concerns identified above.
Conclusions	4 Concerns identified with analysis and/or evidence	Since the IIA presents a broad array of policy options, the conclusions leave openness for further adjustment. Care is required to ensure that some of the assumption referred to above do not fed into premature conclusions

### Key to assessment levels

1	2	3	4	5	6	7
Correct analysis, fully evidenced	Minor questions identified on analysis and/or evidence	Several questions identified on analysis and/or evidence	Concerns identified with analysis and/or evidence	Substantial concerns identified with analysis and/or evidence	Serious concerns identified with analysis and/or evidence	Incorrect analysis / evidence absent

## Table of Contents

Executive Summary .....	3
Visualisation.....	4
Table of Contents.....	5
1 Introduction and General Comments.....	6
2 Evaluation of Inception Impact Assessment Sections A to D .....	8
2.1 Section A: Context, Subsidiarity Check and Objectives .....	8
2.1.1 Context.....	8
2.1.2 Issue .....	10
2.1.3 Subsidiarity check .....	10
2.1.4 Main policy objectives .....	10
2.2 Section B: Option Mapping.....	10
2.2.1 Policy options and instruments .....	10
2.2.2 Proportionality check.....	10
2.3 Section C: Data Collection and Better Regulation Instruments.....	11
2.4 Section D: Information on the Impact Assessment Process.....	11
3 Evaluation of Section E: Preliminary Assessment of Expected Impacts .....	12
3.1 Likely economic impacts .....	12
3.2 Likely social impacts.....	13
3.3 Likely environmental impacts.....	14
3.4 Likely impacts on simplification and/or administrative burden.....	14
3.5 Likely impacts on SMEs.....	14
3.6 Likely impacts on competitiveness and innovation.....	15
3.7 Likely impacts on public administrations .....	15
3.8 Likely impacts on third countries, international trade or investment.....	15

## 1 Introduction and General Comments

This study scrutinises the Inception Impact Assessment ‘Renewable Energy Package: new Renewable Energy Directive and bioenergy sustainability policy for 2030 – AP 2016/ENER/025’.

Inception Impact Assessments were introduced, according to the May 2015 Better Regulation guidelines, in order to “provide a comprehensive basis for stakeholders to provide feedback, information and opinions”. This study evaluates both the general added value of this example of an Inception Impact Assessment (IIA) in comparison to this stated objective, as well as scrutinising the specific evidence that it provides.

A comparison of the Inception Impact Assessment on Renewable Energy to the January 2015 Roadmap on the related Emission Trading System is informative. These are both legislative dossiers within the Climate and Energy domain, with the former compiled under the principles of the 2015 Better Regulation package, the latter issued under the previous IA system. The following are the respective sections in each, with the equivalent sections highlighted:

<u>ETS Roadmap (January 2015)</u>	<u>Renewable Energy IIA (October 2015)</u>
A. <b>Context and problem definition</b>	A. <b>Context, Subsidiarity Check and Objectives</b>
B. <b>Objectives of the initiative</b>	B. <b>Option Mapping</b>
C. <b>Options</b>	C. <b>Data Collection</b> and Better Regulation Instruments
D. <b>Initial assessment of impacts</b>	D. <b>Information on the Impact Assessment Process</b>
E. Evidence base, planning of further work and consultation	E. <b>Preliminary Assessment of Expected Impacts</b>

The scope of the contents, as indicated by the section titles, is similar in each, if slightly reordered, with the Better Regulation Instruments being the only clearly new section in the IIA. In terms of content, the IIA in each section provides more information, in particular on the options, data, impacts, proportionality and subsidiarity checks. As such, the Renewable Energy IIA is a more elaborate document than the ETS Roadmap.

The following general observations are made:

- The seven pages of the IIA (as opposed to three of the Roadmap) provide additional useful information for interested stakeholders. In general, the depth of the analysis is appropriate and the IIA does not reach specific policy recommendations, for which a full and detailed Impact Assessment is necessary. However, critical details are missing, which would have been necessary to meet its objective to provide a “comprehensive basis for stakeholders”. Specifically, the IIA does not reflect an analysis of the reference documents and the main issues that the Commission took forward from the reports etc. that are mentioned in the document. In this respect the IIA could have been improved by presenting an overview of the available high level data on renewable energy in Europe, the past experiences and more, at an appropriate level of detail. A final conclusion on the comprehensiveness of the

document depends on the details of the data and analysis presented, reviewed in the sections below.

- The IIA frequently refers to the results of the Impact Assessment to the Commission's Communication "A policy framework for climate and energy in the period from 2020 to 2030 (COM(2014) 15 final and SWD(2014) 15 final)" (the "2030 Impact Assessment"<sup>1</sup>). As concluded in the IAI's own paper<sup>2</sup> scrutinising that Impact Assessment, the data and modelling used are not transparent and are not available for external scrutiny. Without that scrutiny, policy makers and stakeholders cannot have confidence in the results, nor in the related evidence presented for any subsequent legislation (including the Emissions Trading System and Renewable Energy) nor Delegated and Implementing Acts that follow from such legislation. The Inception Impact Assessment is based on unverified data and its conclusions cannot therefore be taken as a sufficiently transparent platform for further policy making.
- The IIA refers to the REFIT evaluation of the existing Renewable Energy Directive. According to the "List of Planned Commission Initiatives" dated 7<sup>th</sup> March 2016, the current version of the findings as communicated in the 2015 Renewable Energy Progress Report COM (2015) 293 are denoted as "preliminary". The text of the IIA states that the detailed results of the REFIT evaluation will be fed into the ex-ante Impact Assessment. The IIA is therefore to a great extent based on incomplete findings, since by definition the provisions of the preliminary report are subject to change and full detail, necessary for comprehensive assessment, is not yet available. A fully consistent procedure would see the publication of the final REFIT report before the process of preparing a legislative proposal is started and an Inception Impact Assessment is published.
- The above finding is reflected in the consideration of the stakeholder consultation, which was opened on 18<sup>th</sup> November 2015, following the October publication of the IIA. A fully consistent consultation on new policy requires all details of the existing policy, in particular the final REFIT report, to be evaluated and published. Therefore, stakeholders were not in a position to provide their opinions based on a comprehensive set of parameters.

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<sup>1</sup> 'Impact Assessments accompanying the European Commission Communications "A policy framework for climate and energy in the period from 2020 up to 2030" SWD (2014) 15', 22<sup>nd</sup> January 2014.

<sup>2</sup> 'Report on transparency, consistency and feasibility in the Impact Assessments accompanying the European Commission Communications SWD (2014) 15 and SWD (2014) 255', the Impact Assessment Institute, 14<sup>th</sup> December 2015.

## 2 Evaluation of Inception Impact Assessment Sections A to D

Sections A to D of the IIA cover the background, policy options and data to be used as the basis for the Inception Impact Assessment and for the future Impact Assessment. Each of the sections are assessed qualitatively in terms of the accuracy of the rhetoric, assumptions, data and analysis used.

### 2.1 Section A: Context, Subsidiarity Check and Objectives

#### 2.1.1 Context

The introduction provides a standard overview of the policy framework for renewable energy. However, the first paragraph makes important qualitative statements that are not accompanied by relevant evidence or references. By its nature this paragraph sets the tone and the framework for the rest of the document, and similar statements are made throughout the rest of the IIA. In particular:

- The text states “The EU and the world are moving towards a more sustainable and renewable energy system”. Such a statement requires definition of terms, statistical evidence and clear references. The graphs on the next page present the growing renewable energy share of total energy consumption in the EU and the World respectively from 2005 to 2014, with steady growth in recent years. However, the data do not justify the profound statement that opens the IIA.
- The second sentence lists a number of advantages of renewable energy, suggesting that these advantages are the driving force for the global shift. In fact, the shift towards renewables has been driven mainly by policies such as mandates, subsidies and feed-in tariffs, which have complemented the steady cost reductions in the renewable energy technologies themselves. To present a balanced and factual framework for the IIA, this introduction should ideally have listed the disadvantages of renewables, such as higher cost, intermittency and emissions from indirect land-use change alongside the advantages.
- Finally, the text refers to the jobs and growth that can be secured by economies grasping the opportunity of renewable energy. This is true if the effect of future renewable energy policy is positive economically in net terms. However, these benefits have yet to be fully studied and should be the result of future Impact Assessments that calculate the jobs and growth developments in gross and net terms. In particular, in the light of the lack of transparency in the underlying data for EU Climate and Energy policy mentioned above<sup>2</sup>, such assumptions lack legitimate evidence.

The above observations are material, since the rhetoric used to frame the debate can be expected to have shaped the assumptions for the subsequent Impact Assessment process. Balance is needed, with a recognition that there are trade-offs in implementing renewable energy policy. Such balance in the rhetoric would provide a much stronger platform for compilation of the future Impact Assessment and for effective policy making.

Further, the climate and energy targets, including the 40% GHG targets and the 27% renewable energy target, were decided by the European Council and confirmed in the Energy Union strategy and by the European Parliament. These decisions confirmed the earlier



European Commission recommendations from an EU strategy paper whose results were based on the 2030 Impact Assessment<sup>2</sup>, containing intransparent data and analysis. As policy is further developed, the ultimate origin of the targets and the lack of transparency in the underlying evidence for them should be effectively addressed. The data on which the policy is based needs to be fully published.

Additionally, this section of the IIA describes in summary form some of the elements of the current status, in particular referring to the June 2015 Renewable Energy Progress report. It also refers to observations of the ongoing REFIT evaluation of the current Renewable Energy Directive that will be fed into the planned Impact Assessment process. With only the preliminary main findings of the REFIT evaluation being fully available for assessment and scrutiny, but not its detailed interim results, the IIA does not provide a comprehensive and transparent basis for stakeholders. For example, the quality of the Option Mapping cannot be properly checked.

The text refers specifically to the Progress Report’s overview of the progress of the Member States in meeting their 2020 targets for renewable energy, stating that “almost all Member States were on track” by 2013. The Progress Report (page 5) states that 19 are projected to exceed the 2020 targets, with doubts expressed about the other 9, including a number of large MS. This proportion of MS does not correspond well to the assertion that “almost all” are on track. The IIA therefore does not appear to have acknowledged sufficiently the difficulties for some MS in meeting the existing targets and the implications of this for future policy making.

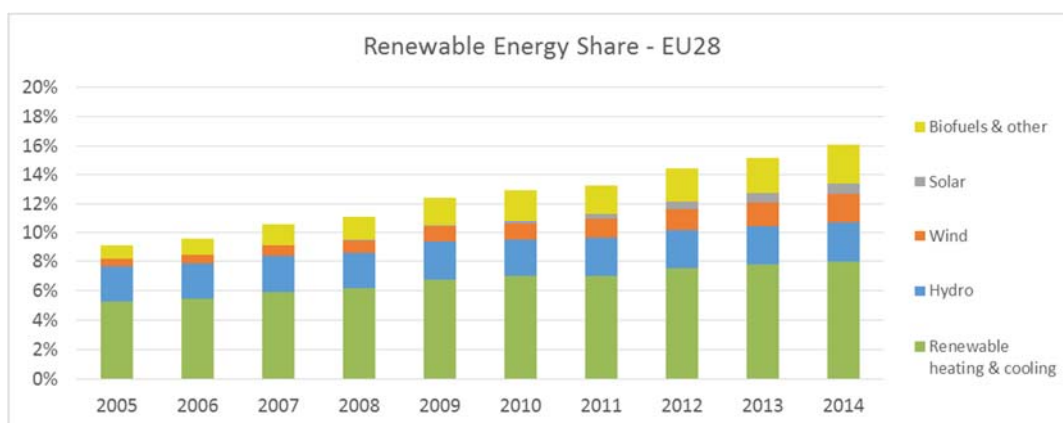


Figure 1: Renewable energy as a share of total energy consumption in EU 28 2005-2014 (source: Eurostat SHARES)

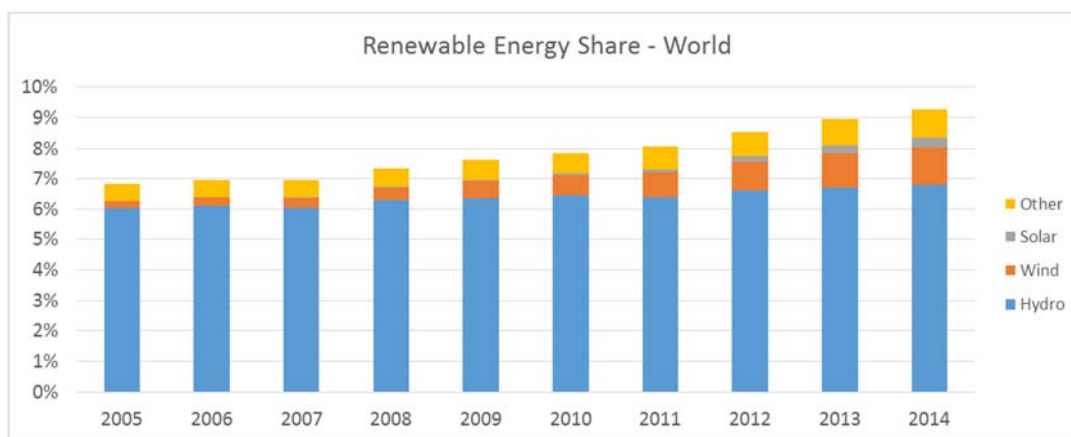


Figure 2: Renewable energy as a share of total consumption - World 2005-2014 (source: BP Statistical Review of World Energy 2015 dataset)

### 2.1.2 Issue

This section mostly describes the policy issue factually.

However, the final paragraph appears to make the assumption that the result of the renewable energy strategy will be to introduce grid competitive, less expensive and abundant renewable energy technologies. Successful introduction depends on many factors that still need to be fully analysed as part of the ex-ante Impact Assessment.

Even if this assumption is correct, the text further states that it will increase the competitiveness of the EU economy and provide first mover advantage to the European industry. This also requires full analysis before such a conclusion can be drawn. In particular, the possibility that other global regions may take advantage of increasing European demand for renewable energy technologies, through their own investments, should be taken in account.

### 2.1.3 Subsidiarity check

The subsidiarity check is a standard and important element of the analysis behind EU policy making. The statements made about uncoordinated actions, investor certainty and cost efficient deployment make qualitative sense, but the evidence for them has not been presented in the IIA nor have relevant sources been referenced. Important provisions such as these should be supported by well-referenced reasoning. It should not be assumed that these arguments are known and accepted by all stakeholders without reference to evidence.

### 2.1.4 Main policy objectives

Within the framework of the target set for renewable energy by the EU Institutions, the objectives are set out in a factual manner.

## 2.2 Section B: Option Mapping

### 2.2.1 Policy options and instruments

The policy options under consideration by the Commission are described to a level of detail that can be expected for an Inception IA. The completeness of the presented options cannot be fully assessed since important final data from the REFIT evaluation and other references to the claims made are lacking. It is important to have the flexibility implied by the sections “Alternative/differentiated scope” and “...new technological developments”. This flexibility in the selection of the recommended policy options should be consistently observed from this early stage until the REFIT evaluation of the relevant evidence has been completed.

### 2.2.2 Proportionality check

The text of the proportionality check states that the framework is a proportionate response to the objective. Since proportionality is dependent upon all the relevant policy factors including those captured under economic, social and environmental impacts, it should be considered as a result of the analysis rather than an input.

In particular, in light of the lack of transparency of the underlying data and modelling, a conclusion on proportionality cannot be reached at this point in the process.

### 2.3 Section C: Data Collection and Better Regulation Instruments

This section refers to a large number of studies that provide general input to the process and adds a further “non-exhaustive” list of ongoing studies. In total this represents 160 completed studies, of which the first 10 alone sum to nearly 2000 pages, and a further 800 pages (so far) of ongoing studies. Only a limited number of stakeholders may be in a position to review this data in its entirety to gain a full understanding. To meet the IIA’s objective to provide a comprehensive basis for stakeholders, without requiring them to read all the background data, it would have been necessary to provide a high-level explanation for why this data has been selected, its relevance to the policy objectives and the general plans for its analysis.

For example, the overarching past and future trends for renewable energy capacity and contribution in the EU, investment in the sector in Europe and globally etc. would have provided insight into the issues that the Commission will focus on. This information would provide useful references for stakeholders about the type of information the Commission is using and thus what kind of additional input they could productively provide in addition.

A further key issue with data collection is the underlying data and modelling for Climate & Energy policy. It is important to reiterate in the context of this section that the data generated by the PRIMES model on economic and energy effects of scenarios for Climate & Energy policy is not transparent and cannot be independently verified. Ongoing work should seek to correct this as a matter of priority, in order to enhance confidence in the decisions that will be taken.

The information on the consultation process would have been enhanced by referring to the consultation website of the DG responsible for this initiative, as detailed in the Better Regulation Guidelines page 77, section 6.1.4. Step 4.

### 2.4 Section D: Information on the Impact Assessment Process

This brief section simply provides information about the planned preparation of Impact Assessments.

One element that requires additional information is that regarding the technical support for the future Impact Assessment. The supplied link leads to a public procurement page, but no terms of reference appear to be available, which would enable stakeholders to scrutinise the scope and form of the underlying analysis.

### 3 Evaluation of Section E: Preliminary Assessment of Expected Impacts

This chapter evaluates the preliminary assessment of impacts, with the expectation that any impacts, even if preliminary, should be fully evidenced with transparent data.

A consistent observation is that the Commission’s “2030 Impact Assessment (reference???)” has been assumed as the basis for the analysis in the Inception Impact Assessment. As concluded in the IAI’s own study on the 2030 Impact Assessment, the lack of transparency in the underlying data and modelling (using the PRIMES model) makes this an inappropriate foundation for further policy making. This is further reflected in the comments on each section of the IIA below, where relevant.

#### 3.1 Likely economic impacts

The quoted economic impacts, specifically the costs and benefits, are dependent on the modelling performed for the 2030 Climate & Energy Impact Assessment. As stated above, the lack of transparency in the modelling does not allow for a confirmation of these results by stakeholders.

This section of the IIA states “With regard to the cost components, in scenarios with explicit energy efficiency policies and renewables targets, energy purchases are significantly reduced but investment costs increase.” Comparing scenarios with both energy efficient and renewables targets to those without either, this is indeed the case. However, the reader could conclude from this text that energy efficiency and renewables targets each independently achieve the same effect of reducing energy purchases and increasing investment costs. A consistent analysis would separate the effect of energy efficiency policy and renewables targets, as indicated by the following extract from table 40 of the Climate & Energy Impact Assessment. The arrows show where the figures increase or decrease in the cases of **renewables targets** or **energy efficiency policies** being implemented:

Scenario	Ref.	GHG35 / EE <sup>®</sup>	GHG37 <sup>®</sup>	GHG40 <sup>®</sup>	GHG40	GHG40 / EE	GHG40 / EE/RES30	GHG45 / EE/RES35
Renewables share	24.4%	25.5%	24.7%	25.5%	26.5%	26.4%	30.3%	35.4%
Energy savings	-21.0%	-24.4%	-22.9%	-24.4%	-25.1%	-29.3%	-30.1%	-33.7%
Investment costs €bn	816	833	835	846	854	875	879	909
Energy purchases €bn	1,454	1,428	1,447	1,446	1,436	1,421	1,423	1,431

Figure 3: Scenario data from Climate and Energy 2030 Impact Assessment

The effect of renewables targets (GHG40/ EE/RES30 vs GHG40/EE) is to increase both investment costs and energy purchases. The effect of energy efficiency policy (GHG35/EE<sup>®</sup> vs Ref and GHG40/EE vs GHG40) is to increase investment costs and decrease energy purchases.

As stated above, it is correct that both energy efficiency policies and renewables targets act to increase investment. However, the text further states “Importantly, these investments have great potential for driving jobs and growth in the EU and have a positive impact on

GDP”. The results quoted in the 2030 Impact Assessment table 40, extract below, are not sufficient to reach this general conclusion. They indicate reductions as well as increases in GDP and do not provide differentiation of the individual scenarios. No explicit reference is provided for additional detail of the figures generated by the quoted models, GEM-EE, E3MG and E3ME.

	Ref.	GHG35/EE <sup>®</sup>	GHG37 <sup>®</sup>	GHG40 <sup>®</sup>	GHG40	GHG40/EE	GHG40/EE/RES30	GHG45/EE/RES35
GDP impacts	na	Typically smaller impacts than -40% GHG options			GEM E3 model: -0.45% to -0.10% <sup>149</sup> E3MG + E3ME models: 0.0% to +0.55% <sup>150</sup>			Typically higher impacts than -40% GHG
Employment impacts	na				GEM E3 model: -0.61% to 0.20% <sup>151</sup> E3ME model: 0.3% - 0.5% <sup>152</sup>			
Distributional impacts between MS	na				Lower income Member States have higher costs, but benefit more from reduced air pollution Costs spread more for options with higher system costs			

Figure 3: Table on GDP and employment impacts from Climate and Energy 2030 Impact Assessment

Without the possibility of scrutiny of the underlying cost figures that derive from the PRIMES model and those on GDP and employment, the true relationship of the costs and benefits cannot be verified. A full, open and accessible reanalysis of the figures is necessary to assure their efficacy.

As acknowledged in Section A of the IIA, some member states may need to take additional measures to meet their 2020 targets under the current Renewable Energy Directive. Specifically, in the “Issue” section on page 2, differing national capacities need to be taken into account. The differing burdens between Member States should also be taken into account in the assessment of economic impacts, in particular in terms of the investment requirements, especially where capital is scarce.

### 3.2 Likely social impacts

Similarly, social impacts are strongly dependent on the results of the modelling. In particular, employment effects are associated directly with the calculated economic benefits. As indicated in the above section, the employment effects themselves are not fully presented in the 2030 Impact Assessment. Specifically, the statement “ambitious energy efficiency and renewable targets are expected to increase employment” is not accompanied by transparent evidence.

Transparent verification of the relative employment gains and losses in different sectors would be necessary to determine the overall net effect. The balance of the burden between, for example regions and Member States, would also need to be taken into account in an initial appraisal of the effects.

The text refers to the size of and employment in the renewable energy sector. This information is relevant only in the context of the potential increase in turnover and employment and only if also combined with the losses in other sectors from redirected investment, to assess the net effect.

The text refers to the price of fossil fuels and electricity prices, both projected to increase already in the reference scenario. Prices for fossil fuels and electricity are also output from the model (PRIMES) whose calculation has not been available for scrutiny. In particular, the model projected little difference in prices for all scenarios implying greenhouse gas reductions at 40% or less. This is a highly significant result and requires full open scrutiny for stakeholder verification. Expected energy price developments are of particular importance

for consumers, especially those that might be at risk of energy poverty or significantly higher energy costs. These effects should be analysed, at least qualitatively.

In addition, in the light of the recent drop in fossil fuel prices, the need for a transparent model allowing stakeholders the possibility for scenario and delta analysis is essential.

The text states that, according to the 2030 Impact Assessment, energy efficiency and renewable energy policies can facilitate citizen involvement. The relevant section in that Impact Assessment (5.1.5.4) points to two pieces of evidence:

- greater individual ownership of renewable energy capacity in Germany
- Europeanisation through harmonised framework for planning, information and best practice exchange, citizen involvement and reduction of administrative barriers

These are not sufficient to support the statement above, the first referring only to one Member State, the second being measures that could potentially be introduced for all types of energy.

### 3.3 Likely environmental impacts

The stated effect, of increased renewable energy use leading to reduced GHG emissions and fossil fuel use, describe the generally accepted benefits of renewables. This assumption can only be applied as a general rule if the issues of land use, land-use change and forestry as well as indirect land use change for bioenergy are appropriately resolved, as referred to later in the text of this section of the IIA.

The text refers to EU28 implicit fossil fuel subsidies related to air pollution, referring to a figure of €145bn quoted by an IMF study. Assuming the accuracy of this figure, which is in fact (according to IMF?) an externality rather than a subsidy, a relevant appraisal of the impacts of renewable energy policy would explicitly quote the proportional effect (reduction of the implied subsidy) due to the action of the planned EU policies, rather than quoting only the total figure.

The expectations expressed regarding the EU bioenergy sustainability policy can only be aspirational and do not constitute evidence. The relevant text should only refer to this as an expectation and should not make absolute statements about the results. The expectations need to be properly evidenced in the future Impact Assessment.

### 3.4 Likely impacts on simplification and/or administrative burden

The text in this section refers to the objectives of a simplification agenda. Without explicit evidence these effects cannot be characterised as “likely”.

### 3.5 Likely impacts on SMEs

The economic effects on SMEs are dependent on the general economic effect, in turn dependent on the output of the modelling and therefore, as mentioned before, not independently verifiable. This section mainly lists the expected positive effects but the effects on SMEs should be analysed in net-terms.

The qualitative assessment in this section, identifying potential added and avoided future burdens, is useful as a foundation for further work.

### 3.6 Likely impacts on competitiveness and innovation

Again this section quotes the 2030 Climate & Energy Impact Assessment. The effect on competitiveness, due to the interplay between investment and costs, is particularly dependent on the results of that Impact Assessment's modelling.

Additionally, the text quotes the volatile and unreliable nature of fossil fuel supply as a factor in security of supply and competitiveness. Currently, some renewable energy supplies could equally be described as volatile and unreliable due to their need for favourable conditions and their consequent intermittent nature. The evidence on this part is not consistent nor transparent and does not have sufficient maturity to enable specific conclusions to be reached.

The figures quoted on trade balance in renewables technology and equipment and on renewable energy patents are relevant to the analysis but do not constitute quantification or qualification of potential impacts.

### 3.7 Likely impacts on public administrations

As a qualitative estimate of potential impacts, this section includes relevant observations. All elements should be clearly analysed and evidenced in the future Impact Assessment, including updated national renewable energy action plans or their replacements, and additional administrative procedures such as those referred to on page 2 of the IIA.

### 3.8 Likely impacts on third countries, international trade or investment

The assertion that "Reaching the at least 27% EU renewable energy target will incentivise the development of EU innovative renewable energy technologies and reduce the costs of key technologies available for renewable energy deployment anywhere in the world" has not been demonstrated with evidence. In particular, the potential for third countries to export technology to the EU should be taken into account, according to investments that those countries are able to make.

The assertion can only be expressed as an expectation but still does not constitute evidence for assessment of impact.

## Report on the Renewable Energy Inception Impact Assessment

### *Annex I: Peer review*

The draft version of this study was sent to involved European Commission services, affected industry associations, interested non-governmental organisations and think tanks on 10<sup>th</sup> May 2016, giving the option to participate in a four-week peer review.

A number of the organisations contacted acknowledged the study informally. One substantive response was received:

<b>Stakeholder organisation</b>	<b>Response received</b>
IFIEC Europe (International Federation of Industrial Energy Consumers)	IFIEC Europe drafted a paper on 3 <sup>rd</sup> June 2016 acknowledging and supporting the findings of the IAI study.