

REPowerEU chapters in recovery and resilience plans

2022/0164(COD) - 18/05/2022 - Legislative proposal

PURPOSE: to enhance cohesion through measures enabling Member States to promote independence and security of energy supply at national and Union level in the context of the current geopolitical situation.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: since the adoption of [Regulation \(EU\) 2021/241](#) of the European Parliament and of the Council establishing the Recovery and Resilience Facility, unprecedented geopolitical and economic events have shaken the Union's society and economy. In particular, it has become clear that the **Union's energy security is essential for a successful, sustainable and inclusive recovery** from the COVID-19 crisis. Russia's invasion of Ukraine also makes the need for a rapid transition to clean energy in line with the EU's 2030 climate objectives and its 2050 climate neutrality target stronger than ever.

An action at the Union level is needed to coordinate a powerful response to the aggravating energy-related challenges, with unprecedented energy price hikes which risk exacerbating socio-economic divergences and inequalities, as well as worrying geopolitical developments at the Union's border. In addition, certain regions face similar energy-related challenges which calls for coordinated cross-border efforts, allowing to unlock greater synergies.

The Commission therefore suggests amending Regulation (EU) 2021/241 in order to **strengthen its capacity to support reforms and investments aimed at diversifying energy supply**, including fossil fuels, and thereby enhancing the Union's strategic autonomy in parallel with an open economy. Reforms and investments to increase the energy efficiency of Member States' economies should also be supported.

To maximise complementarity, consistency and coherence of policies and actions taken by the Union and Member States to foster independence and security of the Union's energy supply, these energy-related reforms and investments should be established through a dedicated 'REPowerEU chapter' of the recovery and resilience plans (RRP).

CONTENT: the overall objective of the proposed regulation is to contribute to a phase-out of the Union's dependency on fossil fuels well before 2030, by increasing the resilience of the energy system and diversifying gas supply sources via higher LNG and pipeline imports from non-Russian suppliers, and boosting the use of sustainable biomethane, i.e. produced from organic waste and agricultural and forest residues, and renewable or fossil-free hydrogen ('the REPowerEU objectives').

Specifically, the proposal foresees **amending Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility** in order to:

- impose a new obligation on Member States submitting or amending their RRP to include a REPowerEU chapter, providing for specific reforms and investments that address energy-related challenges;

- introduce a **derogation** so that reforms and investments included in the REPowerEU chapter are not taken into account when calculating the total allocation of the plan for the purpose of applying the digital target requirement of Regulation (EU) 2021/241;
- introduce a **targeted exemption** from the obligation to apply the do-no-significant-harm principle for reforms and investments improving energy infrastructure to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole;
- introduce a new assessment criterion catering for the specific objectives of REPowerEU as well as reporting obligations regarding the REPowerEU chapter.

The proposal introduces targeted amendments to:

- Decision (EU) 2015/1814 prolonging the current intake rate of allowances to the Market Stability Reserve until 2030 and provide a possibility to release and auction a portion of allowances held therein and allocate the generated revenue towards the RRF
- Directive 2003/87/EC (ETS Directive) establishing modalities for the auctioning of allowances released from the Market Stability Reserve and transfer of the generated EUR 20 billion revenues to the Recovery and Resilience Facility;
- Regulation (EU) 2021/1060 laying down common provisions (CPR) providing a possibility for Member States to transfer up to 7.5% of their national allocation to the RRF, in addition to the existing 5% transfer possibility, to support reforms and investments included in the REPowerEU chapter;
- Regulation (EU) 2021/2115 on CAP strategic plans providing a possibility for Member States to deliver part of the EAFRD through the RRF, to support reforms and investments included in the REPowerEU chapter.

BUDGETARY IMPLICATIONS: the financial envelope of the Facility should be **increased by EUR 20 billion** (in current prices) that will be financed from the auctioning of ETS allowances. The amount will be made available to Member States in the form of non-repayable financial support under direct management to support exclusively reforms and investments included in the REPowerEU chapter.

The voluntary transfers of commitment appropriations from the funds governed by the CPR and the EAFRD will lead to commitments being made as from 2022 for the CPR funds and as from 2023 for the EAFRD and is compatible with the multiannual financial framework 2021-2027 ceilings for commitment appropriations for Headings 2a and 3. Payments will take place over 2023 to 2026, in line with the implementation deadlines for the RRF. The exact annual impact will depend on the amounts actually transferred by the Member States.