European Commission Public Consultation
Renewable energy projects, permit granting processes & power purchase agreements

Shell’s views regarding permit-granting processes and power-purchase agreements for renewable energy projects

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Shell supports EU’s ambition to achieve climate neutrality by 2050, its 2030 greenhouse gas emissions reduction target of at least 55% established by the European Climate Law and welcomes the objective set out in the REPowerEU Communication to further accelerate renewable energy deployment to help the transition away from Russian hydrocarbons.

Shell has set a target to become a net zero emissions energy business by 2050 or sooner, in step with society. We are investing across the power system, from developing new wind and solar and decarbonised hydrogen value chains to managing large battery storage systems that help balance grid demand and installing and operating EV charge points for drivers.

In Shell’s view, unlocking the unprecedented and integrated level of investments to deliver the EU’s energy and climate ambition requires complementary and sectoral policy measures to address existing barriers to renewables, especially expediting permitting procedures, facilitating Power Purchase Agreements (PPAs) and providing policy and legal certainty for developers of cross-border projects, such as hybrid interconnected offshore wind projects.

Shell, therefore, recommends the regulatory framework to consider:

Need for demand-side policies accelerating renewables investment and deployment, via:

- Setting sectoral renewable targets and standards accompanied by a strengthened EU ETS price signal and gradually extending it to heat and transport;
- Increasing corporate demand for renewables by removing barriers to onsite generation - including facilitation to sell power back to the grid and to increase companies’ ability to sign longer term PPAs by removing existing barriers, notably:
  - Making all types of financial support schemes for renewables compatible with PPAs and avoiding the regulatory design of support mechanisms that pose a barrier to the development of PPAs.
  - Enabling third parties, like (peer-to-peer trading by) aggregators and energy service providers to provide renewable power to customers and sign PPAs. Aggregation helps to mitigate the risk of renewables intermittency as well as the price risk for suppliers and customers as is also promoted in the Electricity Market Directive, Article 13. Therefore, the definition of PPAs within RED III should be amended to include aggregators and not just direct contracts from an electricity producer to a customer.
  - Ensuring that all projects, including subsidized ones, receive Guarantees of Origins (GoOs) to enable generators to prove they have produced renewable power and enable consumers to verify they have consumed it. The current practice of some Member States to not hand out GoOs that benefit from financial support breaks the

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1 The companies in which Shell plc directly and indirectly owns investments are separate legal entities. In this document “Shell”, “Shell Group”, are used for convenience, where no useful purpose is served by identifying the particular entity or entities
2 While Shell is supportive of the EU target of net-zero greenhouse gas emissions by 2050, Shell’s business plans are forecasted for a ten-year period and are updated every year. They reflect the current economic environment and what Shell can reasonably expect to see over the next ten years. Accordingly, Shell’s current business plans are not consistent with the EU target. However, Shell expects that over time, its business plans will change as society and its customers move toward meeting the goals of the Paris Agreement.
link between renewable producers and consumers, and hence PPAs are not signed. Shell therefore welcomes the proposed removal (RED III New Art 19.2 & 19.8 as well as Recital 13 and Art 15.8) of the ability of Member States to not issue GoOs to a producer.

Shell does not support the proposed role of governments to finance/de-risk facilities by offering credit guarantees to private companies, as in our view this would crowd out the private financing and products which is already available to support smaller corporates access PPAs.

Need for supply-side policies that support competitive markets for generation and supply, via:

- Removing the planning and permitting bottlenecks experienced by both onshore and offshore renewable energy developers.
- Shell supports the proposal in RePowerEU suggesting that investments in renewable energy and related grid infrastructure are considered as projects of public interest, therefore receiving the most favourable conditions in planning and permitting procedures.
- Shell welcomes the EU Commission proposal in RepowerEU that would oblige Member States to develop clearly defined “go-to areas” for renewable energy development.
- We further believe that citizen participation in private renewable projects is an efficient mechanism to increase the acceptability of a project from within the impacted community. In our view, any form of citizen participation should ensure that the project owner retains full control of the project in order to avoid scheduling delays (e.g. due to blocking minority for important decisions) and ensure meeting HSSE recommended practice. We therefore prefer financial participation as the preferred form of citizen participation.
- Reforming tender regimes to deliver more regular, predictable and ambitious sea-bed tenders and ensure an integrated approach to delivery is taken at a regional level.
- Urgently clarifying rules about the regulatory treatment of “hybrid” offshore wind projects – those connected to more than one Member State’s power market via interconnectors; include a definition of hybrid interconnected projects in article 2 of REDIII and grant case-by-case exemptions for hybrid offshore wind projects, in particular, from the 70% interconnector rule which is a prerequisite to enable a “Home Market” approach.
- Promoting better regional co-operation including regulatory changes to EU interconnector policy to enable cross-border hybrid interconnected projects.
- Providing time-limited incentives to reduce the cost of new technologies. Governments should enable a transition from direct fiscal and financial support to merchant markets, gradually reducing price protection for mature technologies and moving towards market measures to manage price risk such as PPAs and flexibility solutions like batteries and hydrogen, which will provide sectoral and energy system integration and will lower costs to society.
- Providing regulatory stability, as stable regulatory environment is fundamental to consent rapid uptake of PPAs. Shell therefore urges the EU Commission to ensure that government interventions as a response to the current energy crisis do not increase regulatory instability, which ultimately translates in higher financing costs and hence hampering renewables roll out. The EU Commission should further ensure to limit the impact of individual governments’ (emergency) interventions as a response to high prices on the efficient functioning of gas and power markets. Governments should balance short term objectives with long term objectives, such as achieving EU’s climate and renewable targets and continue to enhance EU’s integration and liberalisation efforts of European markets, which are key of ensuring security of supply in the longer term.