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RED III on the Horizon

Executive Summary

- On 31 October 2023, Directive (EU) 2023/2413 (“**RED III**”) was published in the Official Journal of the European Union.
- RED III amends and updates the existing Renewable Energy Directives.
- Member States (including Ireland) must transpose RED III into national law by 21 May 2025. However, certain provisions – most notably those aimed at accelerating permit-granting procedures – must be transposed into national law by 1 July 2024.
- RED III represents a significant step towards the European Union’s goal of promoting renewable forms of energy.

Background

The first Renewable Energy Directive (2009/28/EC) (“**RED I**”) provided the framework for the promotion of energy from renewable resources across the EU.

The second Renewable Energy Directive (EU/2018/2001) (“**RED II**”) revised RED I and entered into force in 2018. RED II set an overall European renewable energy target of 32% by 2030 and included measures to promote renewable energy across the EU.

A further revision to the Renewable Energy Directive was proposed by the European Commission in July 2021 in order to raise the 2030 renewable energy target to 45% by 2030.

We have set out below a summary of a selection of the key elements of RED III. If you would like to discuss any matter in further detail please feel free to reach out to [Garret Farrelly](#) or [Owen Collins](#).

1. Binding Overall Union Target for 2030

RED II required Member States to ensure that at least 32% of the Union's gross final consumption of energy in 2030 would come from renewable sources. This target has been increased, under RED III, to 42.5% by 2030.

There is also an additional requirement on Member States to endeavour to increase the share of energy from renewable sources to 45% by 2030.

2. Biomass

RED III introduces a number of new provisions concerning biomass.

Member States are required to take measures to ensure that energy from biomass is produced in a manner that does not distort the biomass raw material market and which does not adversely affect biodiversity, the environment and the climate.

Member States are also required to design support schemes for energy from biofuels, bioliquids and biomass fuels. By 2027, the Commission is to produce a report on Member States' support schemes for biomass which will address issues including the impact of the schemes on biodiversity, climate, the environment and market distortions.

3. Joint Projects between Member States

RED II included a non-binding obligation on Member States to co-operate on joint projects involving electricity production, heating or cooling from renewable sources. This has been significantly enhanced by RED III.

By 31 December 2023, Member States are required to establish a framework for co-operation on joint projects with one or more other Member States for the production of renewable energy. By 31 December 2023 they are to endeavour to establish at least two projects, while Member States with an annual energy consumption of more than 100 TWh must endeavour to establish a third joint project by 31 December 2033.

4. Offshore Wind Information and Permitting Requirements

RED III requires Member States which fall under the indicative goals for offshore renewable energy generation to be deployed within each sea basin, identified in accordance with Article 14 of Regulation (EU) 2022/869, to publish information on the volumes of offshore energy which they plan to achieve through tenders. Such information must consider the technical and economic feasibility of the grid structure and any ongoing activities.

Member States are also required to allocate space for renewable energy projects in their maritime spatial plans. A significant addition is the requirement for Member States to reduce the complexity and to increase the efficiency and transparency of the offshore permit-granting procedure.

5. Administrative Procedures, Regulations and Codes

A number of new requirements have been imposed on Member States, including the obligation to clearly define technical specifications to be met by renewable energy equipment and systems to benefit from support schemes and to be eligible for public procurement. Further, RED III imposes an obligation on Member States to promote the testing of innovative renewable energy technology for producing, sharing and storing of renewable energy.

The obligation on Member States to assess the regulatory and administrative barriers to long-term renewable energy purchase agreements and to remove barriers and promote the uptake of those agreements is retained but has been extended to include exploring how to reduce the financial risks associated with such agreements in particular by way of the use of credit guarantees. This measure will be of particular interest to the Corporate PPA market as it looks to extend its reach to smaller buyer companies.

Further, Member States must ensure that any associated Guarantees of Origin can be transferred to the buyer of the renewable energy under the renewable energy purchase agreement. This will be of particular interest to buyers under Corporate PPAs, given that this opportunity is not available to buyers in all Member States.

6. Permit-granting procedure

RED III implements new rules concerning permit-granting procedures in respect of a range of renewable energy projects, which will apply in respect of “all relevant administrative permits to build, repower and operate” those projects.

Provided that all information is made available, competent authorities must acknowledge the completeness of a permit application within 30 days for renewable energy plants located in renewables acceleration areas and within 45 days for renewable energy plants outside those areas. Renewables acceleration areas are areas designated by Member States as being particularly suitable for developing renewable energy projects.

New provisions have been included to provide for:

- (a) permit-granting in renewables acceleration areas;
- (b) permit-granting outside renewables acceleration areas;
- (c) accelerating the permit-granting for repowering;
- (d) permit-granting for the installation of solar energy equipment; and
- (e) permit-granting for the installation of heat pumps.

RED III defines the timeframes for the permit-granting procedure. In renewables acceleration areas, the permit-granting procedure shall not exceed 12 months for renewable energy projects and for offshore renewable energy projects shall not exceed two years. Outside renewables acceleration areas the permit-granting procedure shall not exceed two years for renewable energy projects and three years for offshore renewable energy projects.

The rules in RED III in relation to permit-granting procedures will be of particular interest in an Irish context, where the renewable energy industry has raised concerns around planning delays.

7. Guarantees of Origin

RED III updates the provisions on Guarantees of Origin. These updates will be of interest to generators, suppliers and Corporate PPA buyers alike.

The obligation on Member States to issue a guarantee of origin in response to a request from a producer of energy from renewable sources has been extended to include gaseous renewable fuels of non-biological origin (such as hydrogen). A Guarantee of Origin’s standard size of 1 MWh has been retained, but RED III also provides for ‘fractional’ Guarantees of Origin which may be of a smaller size.

RED III also sets a timeframe for the Commission to adopt a report by 31 December 2025 assessing the options to establish a Union-wide green label with a view to promoting the use of renewable energy generated by new installations. Suppliers will use the information contained in Guarantees of Origin to demonstrate compliance with the requirements of such a label. The Commission will also engage in ongoing monitoring of the functioning of the Guarantees of Origin system and will provide an assessment by 30 June 2025 concerning the balance of supply and demand.

8. Promotion of Renewable Energy in Industry

RED III seeks to encourage the use of renewable energy sources in industry. Member States are to endeavour to increase the share of renewable energy sources used for final energy and non-energy purposes in the industry sector by at least 1.6% as an annual average calculated for the periods 2021 to 2025 and 2026 to 2030. Further, Member States are required to ensure that the contribution of renewable fuels of non-biological origin used for final energy and non-energy purposes shall be at least 42% of the hydrogen used for final energy and non-energy purposes in industry by 2030, and 60% by 2035.

9. Promotion of Renewable Energy in the Heating and Cooling Sector

RED III requires Member States to increase the share of renewable energy in the heating and cooling sector by at least 0.8% as an annual average calculated for the period 2021 to 2025 and by at least 1.1% as an annual average calculated for the period 2026 to 2030.

10. Promotion of Renewable Energy in the Transport Sector

Under RED II, Member States imposed an obligation on fuel suppliers to ensure that the share of renewable energy within the final consumption of energy in the transport sector would be at least 14% by 2030 in accordance with an indicative trajectory set by the Member State. This requirement has been enhanced under RED III.

Member States now must either impose an obligation on fuel suppliers that at least 29% of the final energy consumption in the transport sector comes from renewables by 2030 or a greenhouse gas intensity reduction of at least 14.5% compared to a baseline figure and in accordance with the indicative trajectory set by the Member State.

11. Promotion of Renewable Energy in Buildings

Member States must ensure that 49% of final energy consumption in the building sector comes from renewables by 2030.

12. European Union Database

RED III introduces a timeframe for the establishment of a European Union database. The Commission must establish a European Union database by 21 November 2024 to enable the tracing of liquid and gaseous renewable fuels and recycled carbon fuels.

Specific requirements are imposed in respect of Guarantees of Origin issued for the production of a consignment of renewable gas. Member States must ensure that those Guarantees of Origin are transferred to the Union database at the moment when a consignment of renewable gas is registered in the Union database and are cancelled after the consignment of renewable gas is withdrawn from the Union's interconnected gas infrastructure. Such Guarantees of Origin, once transferred, are not tradeable outside the Union database.

Comment

The impact of RED III on the Irish energy market will be significant. It is equal parts evolution (strengthening and increasing renewable energy targets) and revolution (introducing new requirements and mechanisms to support renewable energy development).

In particular, the increased binding Union target that 42.5% of the gross final consumption of energy by 2030 will come from renewable sources is the centrepiece of RED III and will act as a major driver for Ireland to increase its use of renewable energy sources.

Importantly, the impact of RED III will extend beyond the electricity sectors into other sectors that have not, in an Irish context, seen the same level of renewable energy activity to date – in particular, the building sector, transport sector, and the heating and cooling sector.

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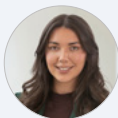


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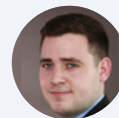


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