EU-Thailand Newsletter

March 2023/ Vol. 4

Renewable Energy Directive revision: more renewables, less red tape

The Council and the European Parliament (EP) reached an agreement to reform the Renewable Energy Directive, introduced in 2009 and updated first in 2018 and again in 2021. Both institutions agreed to **increase the share of renewable energy in the EU's overall energy consumption** to a mandatory **42.5% by 2030** – a 2.5% increase from the target agreed in 2021. Moreover, the revision also includes a voluntary 45% target, which was the figure both Commission and EP wanted to set as mandatory. In practice, this means **the EU will have to almost double its renewable energy production**, which currently stands at 22.1%. The revision further tightens targets in specific industrial sectors where including renewables is proving most challenging, such as transport and energy-intensive industries.

One of the controversial elements in the decision is the role for **bioenergy**. While the EP sought to end subsidies for biomass used in power plants and exclude entirely primary wood burning, Northern European countries such as Finland and Sweden, who rely on biomass for a significant share of their energy production, won a partial reprieve. The EP argument was that biomass use is a driver for deforestation, and consequently harms biodiversity. The final agreement, after the Scandinavian intervention, now instead pledges to **strengthen sustainability criteria for biomass use.**

Another important aspect of the agreement is the **revision of permits for renewable energy projects.** As part of the European effort for 'better legislation' to reduce red tape in key sectors for the digital and green transitions, permits will be **fast-tracked for the deployment of solar and wind power.** To counter legal objections, the legal base for the deployment of these renewable energies will be considered as constituting 'overriding public interest.'

This agreement will still need to be formally ratified by the EP and the Council before it enters into force, but this seems little more than a formality. **The targets will be legally binding on Member States.**

This fresh push for renewable energy, coupled with the push to diversify supply, will create **business opportunities for Thai manufacturers**, especially in the solar panels sector.

Corporate Sustainability Due Diligence to favour the European mining industry

Although most European industry sectors have opposed the strict requirements imposed by the Corporate Sustainability Due Diligence Directive (CSDDD), that is not the case for the European mining sector, which sees the Directive as providing a potential competitive advantage. **European mining companies already have to abide by very strict sustainability and labour standards**, which are the focus of this Directive. This means that, once in place**, the CSDDD will have an asymmetric – and disproportional – impact on non-EU companies**, especially in Africa, Latin America, and Southeast Asia, where for a long time there have been concerns over general mining regulations in Brussels. **This will clearly advantage European production** as they already comply with the CSDDD requirements. At the same time, the Directive will indirectly help deliver on Brussels' push for re-shoring production.

How this Directive will affect the sector's small and medium-sized enterprises (SMEs) is still under discussion. **Mining is considered a high-risk sector** because of pollution from tailings and inadequate water treatment. The European Commission, in an attempt to mitigate this, has **proposed to lower the coverage threshold** in its proposal – more than 250 employees and €40 million in turnover – to draw many more companies into compliance. The EP, who is working on its position before entering negotiations with the Council, will certainly try to further lower the threshold.

EU-China relations: de-risking is the new black

The distortive foreign subsidies regulation, the ban on goods made using forced labour, the anti-coercion instrument… you name it. **Brussels' trade defence measures have long had Beijing at the spotlight.** Commission President Ursula von der Leyen's speech on EU-China relations on 30 April just spelled it all out: **the EU wants to de-risk from China**, who is seen as a competitor at the global stage. While cooperation on climate change, nuclear non-proliferation or global financial stability are seen as potential areas of cooperation, the EU's **over-dependence on China** for critical raw materials and components in the automobile and renewable energy sectors needs to be corrected.

To that end, Brussels' de-risking strategy will include not only **strengthening its industry and its toolbox of trade instruments**, as is being done with the Critical Raw Materials Act and the Net-Zero Industry Act, but also **strengthening trade relations with third countries**. Von der Leyen announced a three-proved approach to Free Trade Agreements (FTAs): **better use of the existing FTAs**, like Singapore and Vietnam; **modernise, update and deepen early generation FTAs**, like Mexico and Chile; and **finalise ongoing negotiations**, with an explicit mention to ASEAN. Although the idea of an EU-ASEAN FTA is on hold while the EU pursues comprehensive bilateral FTAs with individual ASEAN members, Brussels DOES aim to use these FTAs as the **framework for a future bloc-to-bloc agreement.** To Brussels, the recent re-opening of negotiations with Indonesia and Thailand and growing trade – and geopolitical – tensions with China are providing serious momentum.

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EU-Thailand Newsletter by the Royal Thai Embassy, Brussels and Mission of Thailand to the European Union, in collaboration with Polint, as part of the Embassy's Intelligence Monitoring and Early-Warning Unit (IMEU) Project.