

Financial Mechanisms for RE in New EU Member States

SF – Carbon Trading - Feed-in tariffs

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EU Structural Funds for the RE in CEE

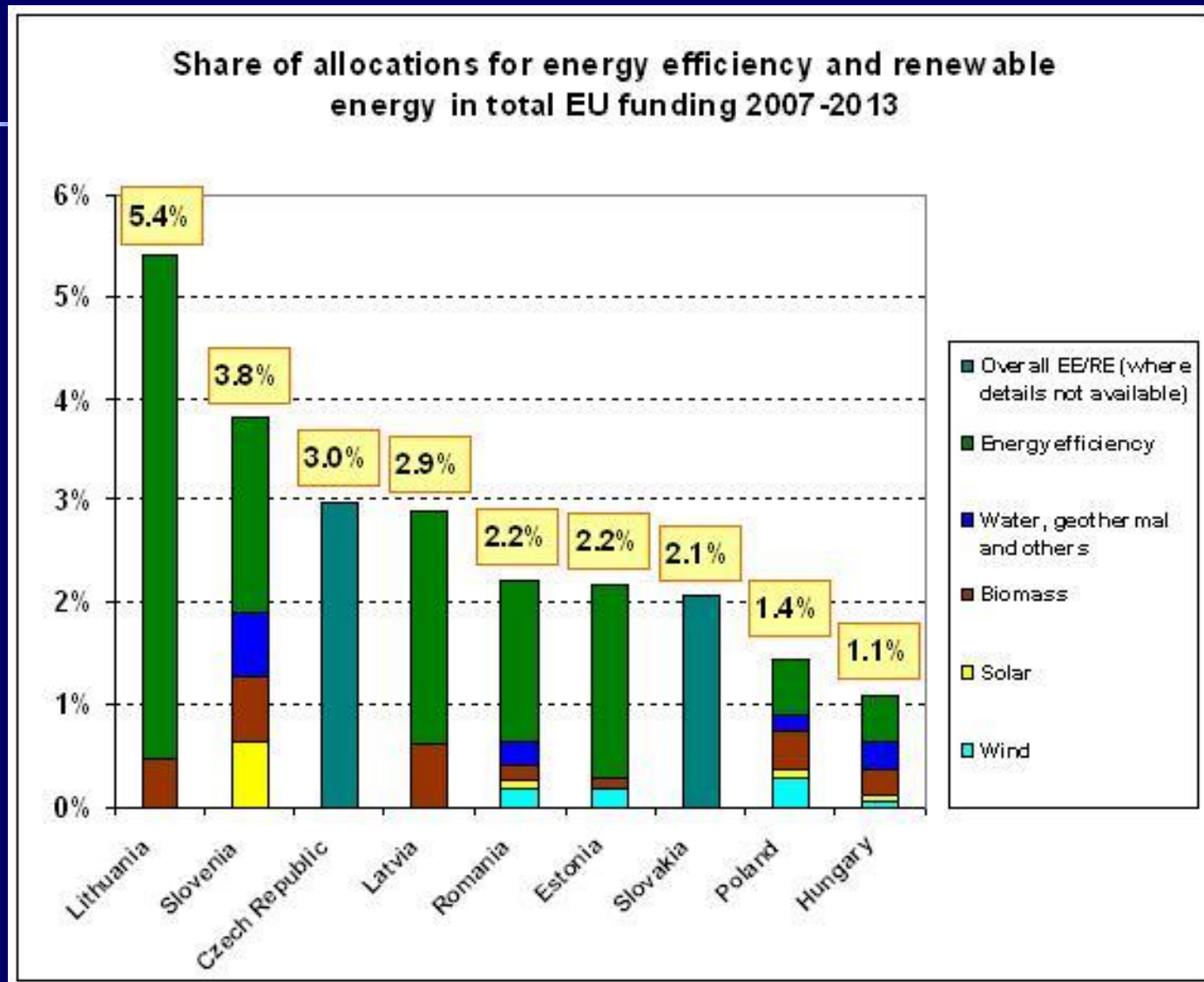
- Structural funds are by far the biggest means of distributing EU money.
- One third of the whole EU budget is allocated for SF.
- New EU member states from the CEE countries began receiving and using the first EU funds (accession funds ISPA, SAPARD and PHARE) during the period 2000-2003.
- After their accession to the EU in 2004 the SF were followed with cohesion and rural development funds (approximately 30 billion EUR in 2004-2006). The allocation is partly based on population and need. Half of this amount has been allocated to Poland.
- The member states distribute the funding to eligible projects through a government department, ministries or committees at national and local level, usually a mixture of the above.
- Distribution of funds through the Operating Programs (OP).
- Differences between CEE EU member states policies in terms of who is eligible for funding and how the funds can be used.
- The experience so far - no big success for RE and EE.

New programing period 2007-2013

- The biggest potential in EE area is in isolation of buldings (savings of 30-40 % of energy consupctionin) - no impact of SF yet.
- Effective way to finance isolation of multi-story appartment buildings (50% of households) through SF is missing. Energy savings would offset the renovation costs.
- Public sector can benefit most but has no big interest in RE. Risk that old district heating systems (around 40% of households in CEE is connected to them) based on coal or oil boilers will not be converted to modern and efficient boilers based e.g. on biomass.
- Biomass heating (biggest and most cost effective way of RE utilisation) very slow development despite huge potential and various forms of support.

RE and EE as losers

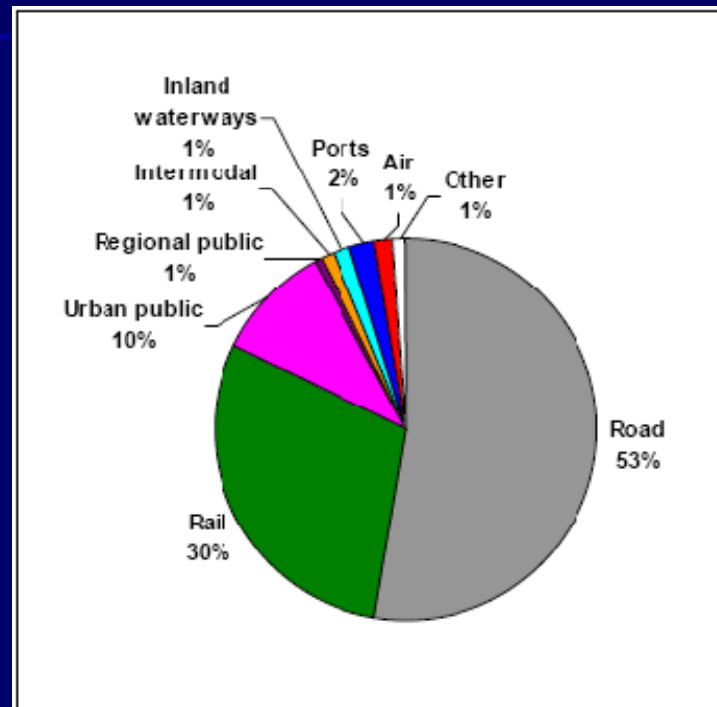
Total 3.1 – 3.2 billion EUR (only 2% of the overall SF allocation) to be invested in sustainable energy in 2007-2013.



Source: Channelling EU funds into efficient and renewable energy, FOE Europe, 2007

Who is the winner?

Almost 50 billion EUR (appr. 30% of the total for CEE countries in 2007-2013) is planned to be invested in transport.



Sustainable transport in cities : **10% of SF for road transport** support (2,5 bil. EUR) can change 100s of CEE cities to Lille or Goteborg-like solution of public transport (*buses and cars running on biogas produced from communal wastes, inv. costs 4-6 mil. EUR per MSW/food plant of 60.000 tons/yr*).

SF Problems

- **Transparency.** Commitment of beneficiary and donor to make publicly available the basic data of the project. Information about the projects, which were approved, why they were approved and why the others were rejected.
- **Public Awareness.** Community leaders do not know much about RE and how they can benefit from it.
- **Small vs. big projects.** Small decentralised RE projects in rural areas (communities).
- **Lack of skilled persons.**
- **Public (NGO) involvement is missing.**

SF - Conclusion

- The share of RE on electricity consumption in new EU MS is 6 % (15 % in the EU-15) funding through recent SF Operating Plans for decentralised wind, solar or biomass energy projects is not adequate to even slightly narrow this gap.
- The reduction of greenhouse gas emissions can be achieved but the opportunity to finance this approach through SF is wasted (so far).
- Revision of SF funding allocations with respect to economic crisis would be appropriate. RE and EE have far higher potential of domestic job and wealth creation in comparison to many other development projects supported by SF.

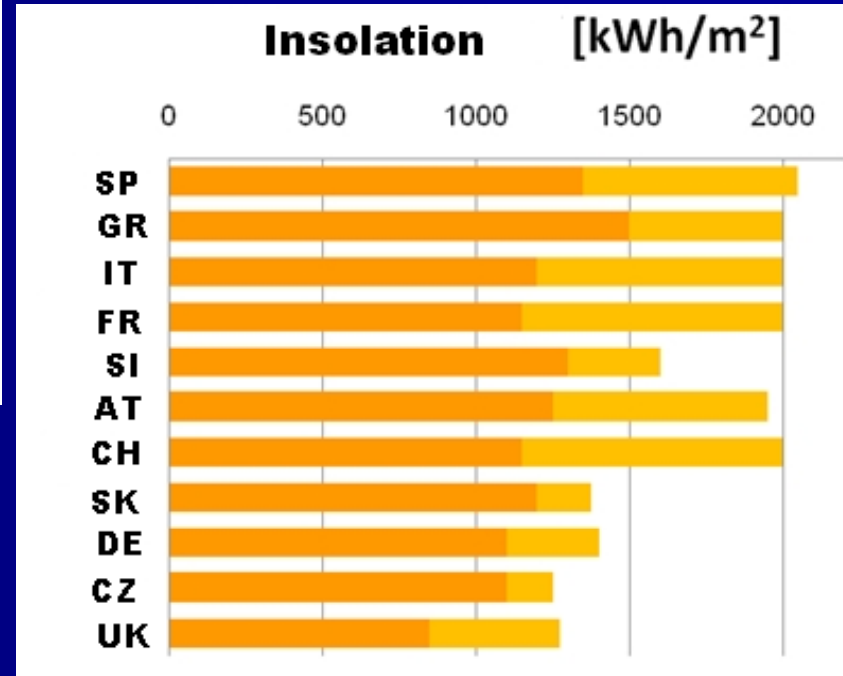
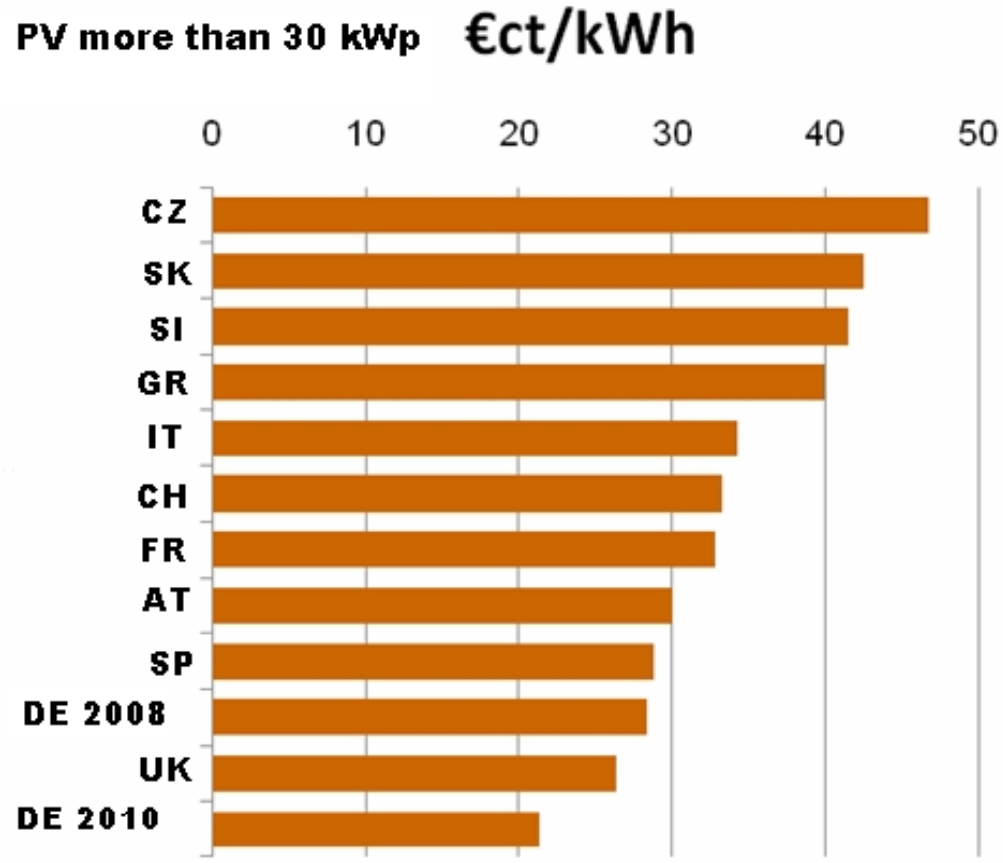
EU ETS - Cap and trade in new EU MS and RE

EU ETS is the key instrument of the EU's strategy for fighting climate change and carbon emission reduction. Renewables should be the winner. But they are not.

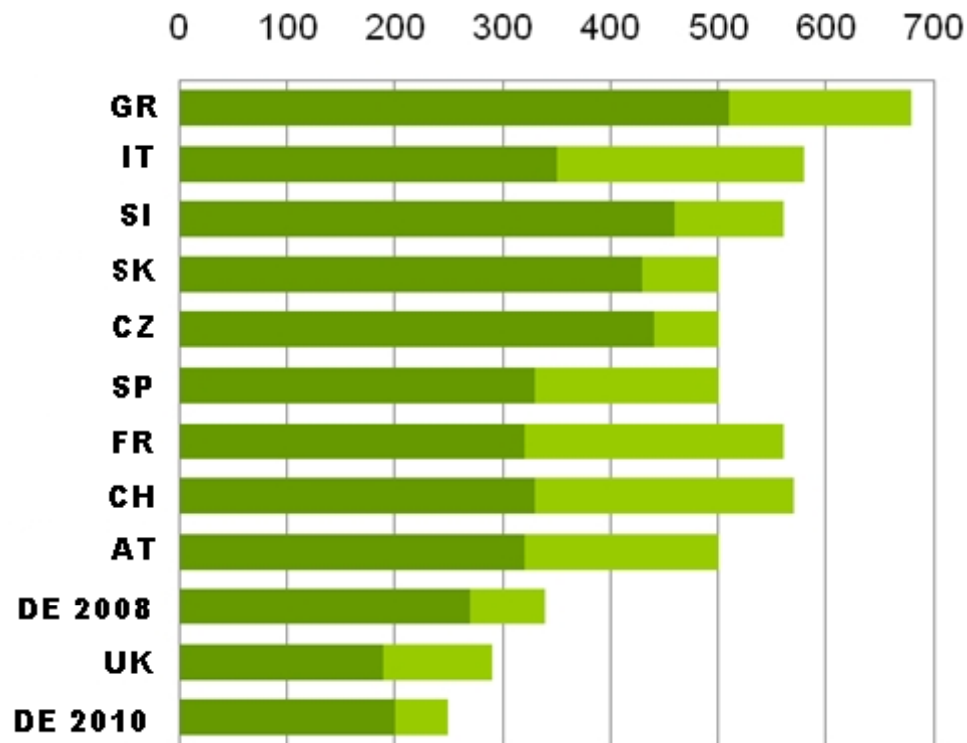
- Overalllocation of CO2 permits almost everywhere. Subjects obliged for ETS are not pushed to RE and EE measures.
- Power utilities (fossil fuel based) = huge windfall profits yet. No need for fuel changes.
- Larger heating facilities (centralised DHS) = profits from lower natural gas price (2009). In case of shortage of permits in the future – costs will be transferred to heat consumers.
- Industrial facilities – excess of permits due to economic crisis.
- Carbon price of 12-13 EUR/ton = no incentive for RE.
- Future of ETS based on auctioning + exemptions + CDM = ?

Feed-in tariffs

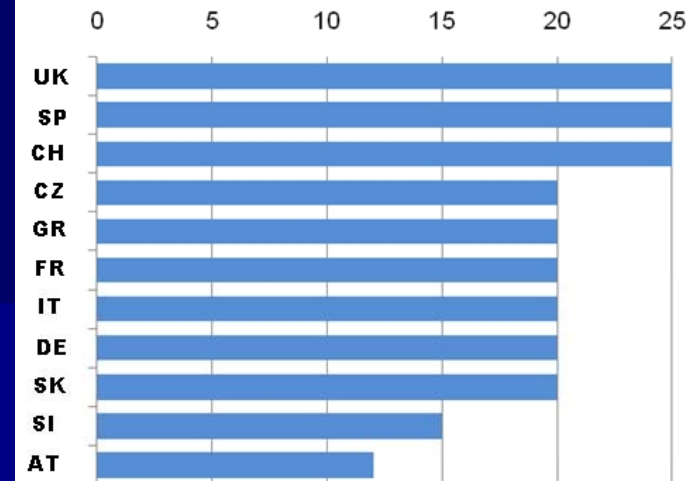
FiT: The most effective measure for development of RE electricity.



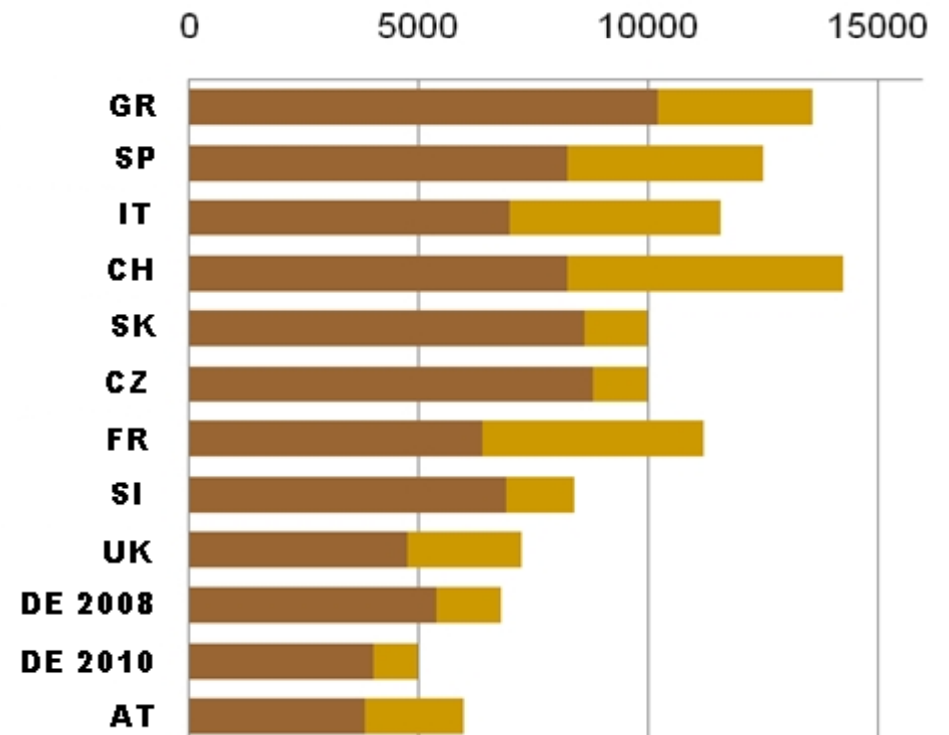
Annual yield [€/kWp]



FiT Guarantee (years)



Guaranteed yield [€/kWp]



Installed PV capacity in CZ

Until the end of 2008	In 2009
61 MW _p	350 MW _p

2010 (CZ , SK) : the rules are changing -10% decrease of tariffs.

SK (50 kW from PV): Regulatory obstacles for PV larger than 100 kW. FiT for smaller inst. (100 kW_p) - 0,431 EUR/kWh.

SK - Wind development stopped already. Less capacity in 2009 than in 2008.

Conclusion

- **EU SF** – Huge potential. Small impact on RE heat market yet. Impact on RE electricity = negligible.
- **EU ETS** = no impact on RE development in new EU MS at all.
 - Situation beyond 2013 =?
 - Problems: Overallocations, offsets from CDM and passing the costs on to consumers.
 - Actual winner = carbon market itself !
- **Feed-in tariffs** huge incentives for investors. Large potential for electricity. Fast growth of PV in some EU MS. 2010 = regulatory obstacles despite non-compliance with EU RE target.
- RE development driven by national measures so far.

Goals

- Support for financial measures which works (FiT) and change the rules for measures which do not (SF, Carbon Trading).
- Stop fighting FiT on national level.
- Avoid wasting of funds from SF on non-sustainable solutions.
- Redirect the profits from Carbon Trading to RE incl. super grid and smart grid.

Selling of **Hot Air** (difference between KP target and real emissions in 2008-12 = AAUs): if profits arising for CEE governments will be redirected to FiT it can feed this scheme for many years (Note: Green Investment Schemes are complicated and not working properly).

*CZ : 100 mil. AAUs (potential market value 1,2 bill. EUR, 70 mil. AAUs contracted),
PL: 200 mil. AAUs, RO: 100 mil., HU: 55 mil. (contracted), SK 50 mil.
(contracted), LT: 50 mil., LV 40 mil. AAUs.*