

# The Draft Proposal for a new EU Directive for the Promotion of Renewable Energies

EREF's view

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*European Sustainable Energy Policy Seminar*

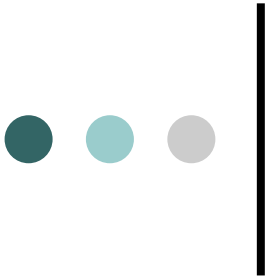
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[http://www.inforse.org/europe/seminar08\\_BXL.htm](http://www.inforse.org/europe/seminar08_BXL.htm)



EREF – INFORSE-Europe Seminar, 8 April 2008, Brussels



# EREF - The independent RES producers' voice in Europe

- EREF is the umbrella organisation of national European associations covering all renewable energy sources
- EREF is the Renewable Energy Independent Producer's Voice
- EREF's goal: to create a market environment in Europe which actively encourages independent power production from RES
- At present EREF represents in electricity more than 19.000 MW installed capacity



# Variations of incentives for RE take off

- Ecological tax reforms and programmes in some Member States
- **Political support mechanisms for RE Electricity** (grid-connected) feed in mechanisms or quota and certificate national mechanisms
- Energy Saving Regulation
- **Market incentive programmes for special investment in new technology (heat and electricity)**
- Low or no taxes for biogenic fuels
- Agricultural Policies encouraging growth of energy plants
- Use of EFRE money to attract investors



# EU-Policy for 2020 – some cornerstones

1. New RE-Share 2020: 20% in final energy consumption can only be a start
2. All Member States must exploit their potentials, all technologies are required
3. New Directive has to be compatible with successful MS policies and instruments
4. No disruption of markets



# The new legislative package on climate, efficiency and renewables

- Issued 23 January 2008, includes:
- (1) a proposal amending the EU Emissions Trading Directive (EU ETS);
- (2) a proposal relating to the sharing of efforts to meet the Community's independent greenhouse gas reduction commitment in sectors not covered by the EU emissions trading system (such as transport, buildings, services, smaller industrial installations, agriculture and waste);
- (3) a proposal for a Directive promoting renewable energy, to help achieve both of the above emissions targets.
- Other proposals that are also part of the package include
- a proposal for a legal framework on carbon capture and storage,
- a Communication on the demonstration of carbon capture and storage and
- new guidelines for environmental state aid.



# Renewable National mandatory targets for RE

## A. National overall targets

	Share of energy from renewable sources in final consumption of energy, 2005 (S <sub>2005</sub> )	Target for share of energy from renewable sources in final consumption of energy, 2020 (S <sub>2020</sub> )
Belgium	2.2%	13%
Bulgaria	9.4%	16%
The Czech Republic	6.1%	13%
Denmark	17.0%	30%
Germany	5.8%	18%
Estonia	18.0%	25%
Ireland	3.1%	16%
Greece	6.9%	18%
Spain	8.7%	20%
France	10.3%	23%
Italy	5.2%	17%
Cyprus	2.9%	13%
Latvia	34.9%	42%
Lithuania	15.0%	23%
Luxembourg	0.9%	11%
Hungary	4.3%	13%
Malta	0.0%	10%
The Netherlands	2.4%	14%
Austria	23.3%	34%
Poland	7.2%	15%
Portugal	20.5%	31%
Romania	17.8%	24%
Slovenia	16.0%	25%
The Slovak Republic	6.7%	14%
Finland	28.5%	38%
Sweden	39.8%	49%
United Kingdom	1.3%	15%



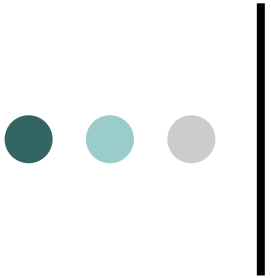
# Renewable heat and cooling

- First time that a EU Directive includes the promotion of renewable heat and cooling and makes this sector subject to obligatory growth



# Evaluation of national policy instruments by EU Commission in January 2008

- **SEC(2008) 57 Commission Staff Working Document –” The support of electricity from renewable energy sources”**
- **On Harmonisation - Page 14**
- The Commission considers that it is currently “inappropriate” to harmonise European support
- schemes
- The experience with quantity-based and price-based instruments does not allow picking a winner”,
- The introduction of one harmonised system would create a lot of uncertainty and disruption in the market for renewables, as it would abolish well-established national support schemes.
- In a harmonised system, it might be difficult to differentiate between different costs for different technologies in different countries. If this is the case, additional support measures would be needed for technologies which are still relatively far from producing renewable electricity at market price.
- National support schemes are often designed so that they also promote regional development, Harmonisation might oblige Member States to find other ways to promote regional development.



# Recommendation from Commission Working Paper – and Refusal by current Directive Proposal

- Member States to take measures to harmonise support schemes from the "bottom-up", such as
- by developing common feed in schemes
- or linking up their green certificate regimes.
- **BUT: The current Directive Proposal is in contradiction to this approach –**
- The tune is set towards introduction of an EU 27 Member States harmonised new virtual trade system for Renewables
- This goes immediately to the detriment of national policies, thus the end of feed-in mechanisms and national quota mechanisms



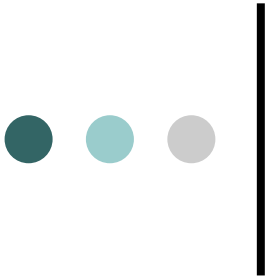
# Good binding targets but difficult approach to Mechanism

- Current Directive 2001/77/EC on the Promotion of Renewable Energies in the Internal Energy Market ensured
  1. Priority on national support mechanisms
  2. Barriers to enter the overall energy market as main reason for the need of support mechanism
- Now : Both points are now in danger in new proposal



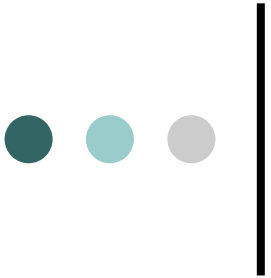
## Virtual certificate trade becomes main tool now

- National policies on support mechanisms will face out if the EU 27 wide certificate trade will stay in this Directive as its very essence
- This will increase costs for renewable energies drastically



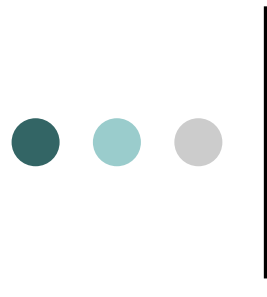
# RES Directive Proposal ends national policies for support

- The Directive introduces a **new virtual trade system, based on Art. 95 ECT**
- It introduces a specific **harmonised** new trade mechanisms and policy **only for the virtual trade** in renewable certificates.
- This move renders great difficulties for **national energy policy** in support mechanisms for renewable energy.
- The former Certificate of **Origins** in the current Directive 2001/77/EC will become now tradable papers
- **The exemptions placed in Article 9 Paragraph 2** of the Directive proposal which supposedly allow Member States to stay out of this new mechanism may **not work at all**.



# Harsh consequences for Member States and for RE industry and employment

- All national policies will become alienated and are not sheltered by the exemption of Article 9 and will be regarded as a harmonisation-hindering exemption
- Any opt out of Member States from this harmonised faces high insecurity to have no legal reason for phasing out of this new trade mechanism and will face constant attack from energy industry before the Courts pressing for trade under the new EU 27 mechanism.



# Difficult consequences

1. EU-27 Trade of GC/GoO might destroy national systems
  2. Countries with low cost potentials/ technologies will lose that potential
  3. Additional costs EU's own Impact Assessment: 3EU-wide additional annual costs arising from the windfall profits caused by trade in GOs between persons are up to € 30 billion higher than the costs of Europe-wide technology specific support
- Estimate of German Government:
    - ~ 4 Billion €/a 2020 for Germany**
    - > Trade ~ 40% more expensive
    - > Loss of public acceptance
  - **EU-wide: 100 Billion € up to 2020**
  - **(source: German Ministry for the Environment)**

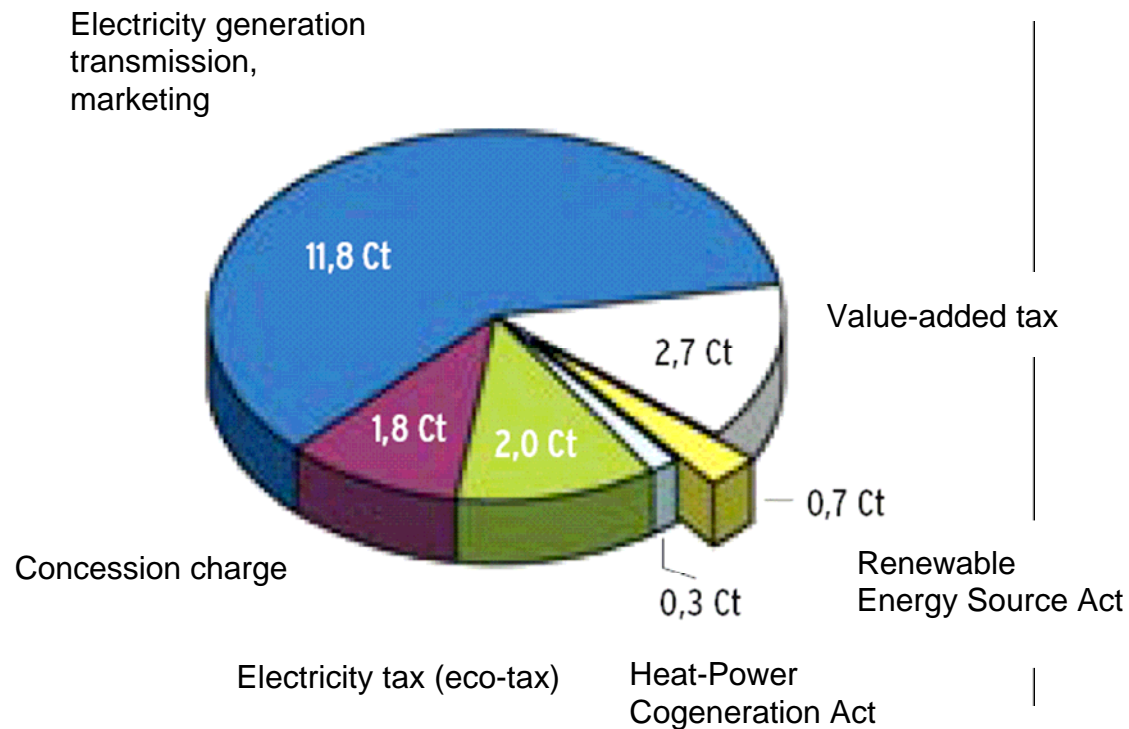
# Price -Examples in MS per Support mechanism

All €/MWh	DE (Feed in Tariff)	Lowest FIT	UK GC (20 years)	IT GC + FIT (20 y.)	SWE GC
Wind	53 – 84	53	~120	162	~68
Biomass	82 – 172	51	~120	151	~60
Small hydro	66 – 97	43	~120	162	~60
Geothermal	72 – 150	39 – 108		162	
PV	406 – 568	310		445 – 539 FIT)	~60

Source: German Ministry of Environment



# EEG: Share of costs for one kWh of electricity in private households (19,4 €-Cent), 2006.



Source: BMU 2006



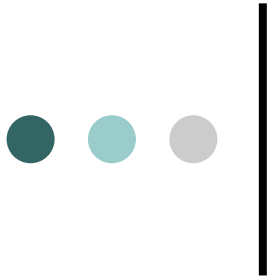
# Necessity to modify the current Directive proposal

- Rejecting the introduction of GoO as **Trade paper**
- Restrict meaning of GoO's to the level pure disclosure paper, as in the current Directive 2001/77EC, a simple proof of origin.
- Deletion of the trade introducing new paragraphs, especially Article 9 Par. 2 and 3
- Extend Article 9 Par 1 a bit more towards facilitation of transnational or regional cooperation and joint sub action plans between Member States.
- Article 8 should be re-defined back to simple disclosure structure of GoO



# Hope

- Strong Member States' position against such introduction of EU 27 trade mechanism
- Clear voting in the European Parliament
- All Renewable Energy Industry and EU intensive energy industry against such drastic change and destruction of the successful national support mechanisms



Thanks for your attention!

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