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The winter package essentials for the renewable sector

Nordic-Baltic Energy Conference 2017

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The EC Clean Energy Package (Nov 2016) - assessment

- Insufficient ambition to make a fundamental change
- Positive
  - Good basic agreement: market has to be rebuilt and redesigned for RES (flexibility, decarbonisation, decentralization)
  - More holistic view on sectors and needs
  - Aggregators and energy communities (despite vague definitions)

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The EC Clean Energy Package (Nov 2016) - assessment

- Negative
  - No Paris-Fitness (<2C)
  - Soft on coal, blind on nuclear, hard on renewables
  - Assumption on ETS over-confident
  - Assumed future prices of renewables not realistic
  - No binding element for Member States
  - Insufficient gap fillers in case target is not reached
  - Severe lock-in threats of conventional power

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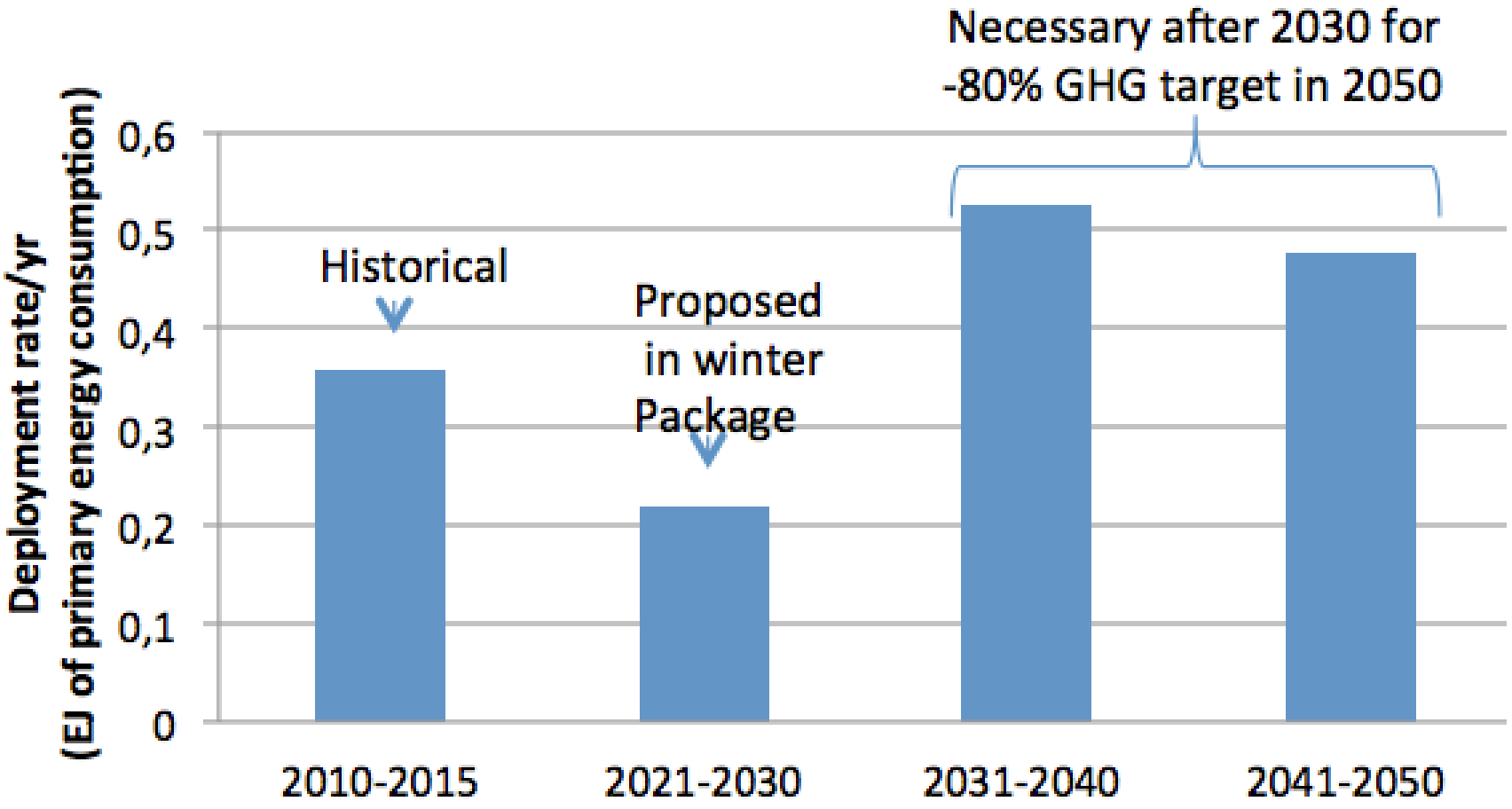
Paris needs more



Source: IDDRI

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Main negotiation points I

- **Significantly higher 2030 targets for renewables and energy efficiency**
  - EP Rapporteur: request for increased EU renewable target of (at least) 35%
  - Supported by all renewable energy associations
  - EREF and others: 45% renewable energy target
  - Pending study: assessment of changes in national targets for scenarios 35% - 40% - 45%

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Main negotiation points II

- **National binding renewable energy targets**
  - EP Rapporteur: call for national binding targets as compensation for weak governance proposal
  - Under consideration: Czech proposal: renewable energy target corridors as benchmarks
  - EC reports: national binding targets most efficient instrument to reach overall target
  - EREF position: necessary of investment security and reduced capital costs for renewables

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Main negotiation points III

- **Amendment of information on costs of renewables in Impact Assessment**
  - EP: costs and cost effectiveness dominate political debate
  - EP Rapporteur Sean Kelly: request to EC for amended cost information on renewables in Impact Assessment
  - E.g.: current costs for off shore wind (Krieger's Flak) much less as assumed in Impact Assessment

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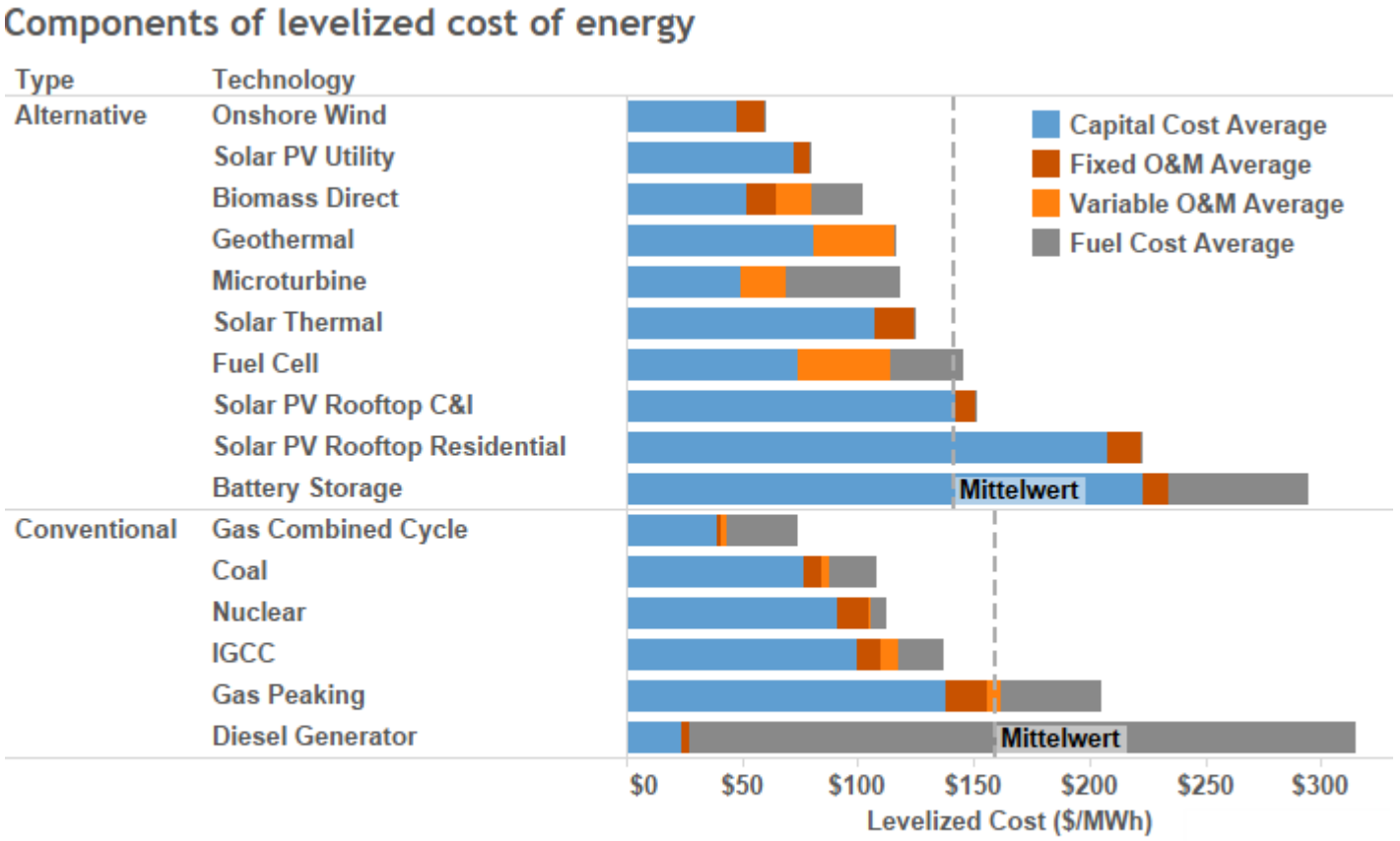
Renewables are cheaper than conventional energy



Source: Lazard's Levelized Cost of Energy Analysis--Version 8.0, September 2014
http://www.lazard.com/PDF/Levelized%20Cost%20of%20Energy%20-%20Version%208.0.pdf

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Main negotiation points IV

- **Soft treatment of conventional and nuclear energy**
  - Necessity to reduce over-capacity
  - Stop of subsidies for nuclear, gas and coal sectors
  - Call for structured phase out plans for nuclear, coal and gas capacity in the various Member States as progressive task (e.g. *Just Transition* initiative)
  - Use of dedicated structural fund regulations – a societal tasks similar to industry structural change e.g. in shipbuilding in the past

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Main negotiation points V i

- **EU ETS, carbon floor price and Emission Performance Standard (EPS)**
- EPS:
  - EP: support for proposal of 550g CO2/kWh as ceiling for capacity markets mechanisms
  - Support of all renewable energy association; some call for 350g limit
  - Visegrád group: rejection of 550 limit

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Main negotiation points V ii

- EU ETS, carbon floor price and Emission Performance Standard (EPS)
- ETS and carbon floor price and revenues
  - EU wide energy taxation
  - Potential increase in electricity wholesale market price in range of € 40-60/MWh (up from today's <€30)
  - FR and UK for carbon price floor; DE tbd after election

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Main negotiation points VI

- **Priority access and priority dispatch for renewables**
  - Over- capacity from nuclear and conventional power stations and capacity markets
  - Continued subsidies for nuclear and fossils
  - Failed capacity markets designed to be rescue aid undisguised for a long term (see UK mechanism for 15 years approved by EC before setting now stronger criteria for capacity markets in EMD)
  - EP Rapporteur: same wording as in current RED
  - RAP/Agora Energiewende proposal: remove of PD to be bound to MS obligation to have first fully implemented a renewable market design (at least a level playing field)

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Main negotiation points VII i

- **Continued national support schemes**
  - Restrictions for financial support for renewable energies
  - But: no explicit obligations for Member States to use tenders

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Main negotiation points VII ii

- **Auctions and tenders (including cross-border)**
  - De facto cap for renewable energy development
  - High danger of exclusion of small producers and citizens
  - Perpetuation of dominance of large players

- **No technology neutral auctions**
  - Lower technology diversification by predominantly encouraging technologies characterised by low generation costs, and neglecting support for more innovative technologies
  - Limited development possibilities for less mature technologies and thus can limit the variety of market participants

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Main negotiation points VIII

- **Heating and cooling**
  - Political debate:
    - Danger to reduce H&C only to biomass
    - Anti-bioenergy campaign of some NGOs
    - Need to go into large scale renewable energy installations (e.g. DK)
  - RES position: binding and higher H&C renewable targets

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Main negotiation points IX

- **Transport / electric cars**
  - Car industry reports about technical break-throughs and instalment of EU-wide infrastructure
  - Car industry supports renewable energy (not another *Dieselgate*)
  - Request: each new electric car must be powered by an additional renewable energy installation
  - Request; clear and transparent Guarantees of Origins
  - Idea: biogas and biofuels for heavy road transport, tractors, ships and airplanes

Main negotiation points X

- **Timing of co-decision process**
  - EP: 11 May: decision on Committee lead on governance and sustainability criteria for biomass
    - ENVI, ITRE, others?
    - Might result in delays in timetable
  - Maltese Presidency: gas and energy efficiency
  - Estonian Presidency: energy market design
  - Renewables discussed only from 2018 onwards?
  - Proposal: split into two packages:
    - RE, EE, Governance to be discussed as one
    - Market Design

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Thank you for your attention!

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Prerequisites for an energy system transformation

1. **Strong political will and courage as well as dedicated long-term commitment** to 2050 EU goal and international commitments

2. Clear and **reliable governance framework** for renewable deployment (investment security and confidence)

3. **New energy market design with renewables and energy efficiency as centerpiece** (vibrant home market as basis for exports)

4. **Financing structure and tools**

- Access to cheap capital throughout the EU
- Public-private partnerships
- Funding schemes for small and medium-sized RE projects ("Think Small" approach)

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Renewables in the EU: success despite obstacles

- 1.2 million renewable energy jobs in Europe
- €30bn were cut from Europe's energy import bill in 2014 – Renewables reduce Europe's energy import dependence
- €44bn were invested in European renewable energy plants in one year - Renewables attract double the investments of fossil fuels
- €35bn were exported by the renewable energy industry 2014 – Renewables can be a significant European export industry

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Renewables in the EU: success despite obstacles

- €15 trillion will be invested world-wide in renewables if countries meet their COP21 Paris Agreement pledges. Renewables are the safe long-term investment.
- 7% fewer CO_2 has been emitted in Europe thanks to renewable energy deployment
- 91% of Europeans want more renewable energy

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An increased role for new players: energy citizens and energy cooperatives

- Energy from citizens and energy cooperatives as
  - Substantial contribution to national renewable energy targets
  - Additional capital for needed investments in renewables
- Empowerment of consumers (households, cooperatives, SMEs)
  - Produce, use (self-consumption) and sell surplus energy
  - Minimum of bureaucracy and administrative burdens
  - Exemption from auctions and tenders

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Benefits of the engagement of energy citizens and energy cooperatives

- Impact of renewable energy from citizens
  - Local jobs
  - Local wealth creation as money for energy stays within community (instead of paying for energy imports)
  - Reduced energy poverty
  - Energy security as neither import nor transport is required
  - Increased social acceptance for renewables
  - Democratic energy system
  - Energy consciousness resulting in decreased energy consumption