ANNEX

EWEA has a number of concerns which it considers crucial for the Commission to address prior to publishing any proposal introducing a trade mechanism. We fear that such a mechanism could have negative impacts on investor confidence throughout the Union and that we risk creating an overly complicated market-distorting mechanism. Investor uncertainty will inevitable lead to higher risk premiums and higher cost of reaching the 20% target.

For the European wind energy sector it must be established by some degree of certainty that:

- “Virtual trade” will make it easier for Member States to reach their targets cost effectively
- “Virtual trade” will attract investors and increase their confidence
- “Virtual trade” will not unintentionally undermine existing well functioning support systems for renewable electricity in the Member States

EWEA is of the opinion that any deliberations on the introduction of virtual trade must be preceded by careful consideration by the Commission of a number of questions:

1) What economic analysis of “virtual trade” has the Commission conducted given the findings of a study by the German government which calculated an additional cost of €100 bn of introducing a trading mechanism (presented to the Amsterdam Forum on 2 October)?

2) What studies/analysis has the Commission conducted on previous experiences with cross-border trade of renewable electricity, notably the adverse effects of allowing exporters to benefit from the Dutch tax credit a few years ago.

3) How would such undesirable effects as non-additionallity be avoided?

4) What safeguards are being considered to ensure additionallity and avoid double counting of electricity and CO_2?

5) What analysis has the Commission conducted into the reasons for the failed negotiations between Norway and Sweden on creating a bilateral trading

mechanism for renewable electricity? If two countries are not able to agree on the terms of trade, is it feasible that 27 countries will be able to agree?

6) What safeguards are being considered to ensure that the mechanism does not unintentionally undermine national support mechanisms, including green certificate systems, feed-in tariffs and premium systems, given their critical importance for investor confidence?

7) To which extent will Member States be able to maintain control over their national support mechanisms, e.g. it can be foreseen that the price of Renewable Obligation Credit (ROC) contracts in the UK or Italy would fall the moment an unrestricted trade proposal is tabled by the Commission?

8) Has the Commission analysed how strategic grid planning can be compatible with a system where the level of domestic capacity investments is unknown?

9) How will the planning, transmission and other grid operation cost be shared between the importing and exporting country

10) Has the Commission considered how the CO_2 reduction should be taken into account? Will the CO_2 reduction count towards the CO_2 target of the Member State that is the purchaser or vendor?
11) Regardless of who receives the CO_2 saving, how does the Commission propose to calculate the CO_2 saving given that CO_2 savings are calculated on the basis of production and the renewable energy target on the basis of final energy consumption.

12) What safeguards are being considered to ensure that a trading mechanism does not undermine the meeting of the national renewable energy targets by, for example, building in a disincentive for domestic investment in grid extension and reinforcement?

13) What additional compliance and monitoring systems are the Commission considering?

14) What studies/analysis has the Commission conducted on the impact that the differing administrative and planning procedures of the 27 Member States will have on the mechanism?

15) What studies/analysis has the Commission conducted on the market distorting effects resulting from differing grid access costs, balancing costs

and gate closure times in the 27 Member States. What will be the impact on trading?

16) What studies/analysis has the Commission conducted on the market distorting effects resulting from differing tax based incentives in the Member States. What will be the impact on trading?

17) What studies/analysis has the Commission conducted on the market distorting effects resulting from differing (in some cases regulated) electricity prices in the 27 Member States. What will be the impact on trading?

18) How will the “virtual trade” mechanisms ensure the development of a broad range of renewable energy technologies, including offshore wind power, which is essential if the 20% by 2020 target is to be met?

19) How will the proposal impact polices to encourage technology diversity, innovation and technology development?

20) Given the complexity of setting up a certificates trading system based on Guarantees of Origin, what studies/analysis has the Commission conducted concerning the impact (e.g. increased bureaucracy) of such a system on SMEs, which make up the majority of companies in the renewable energy sector?

These are some of the questions that the European wind energy sector would like to have addressed in an independent analysis before a “virtual trade” mechanism is proposed. EWEA is concerned that “virtual trade” will introduce an additional element of uncertainty to the uncertainty embedded in many national mechanisms.