

## Commission proposal for Environmental and Energy Aid Guidelines 2014-2020 18 December 2013

### Introduction:

The Commission published today its proposal for Environmental and Energy Guidelines for the period 2014-2020. A consultation period is now opening which EWEA and its members will actively contribute to. These Guidelines are due to enter into force on 1 July 2014.

The wind industry considers the on-going review as an opportunity to promote well-designed and stable support mechanisms for wind power thereby ensuring the cost-effective implementation of the 2020 renewable energy targets. However, under the current version, the Guidelines would fail to create fair market conditions for renewables and require fundamental changes to national support mechanisms worsening the crisis currently experienced by the sector.

### **Positive points:**

- The opening of national support mechanisms is not imposed on Member States.
- The implementation of the guidelines should not have any retroactive effect for national renewable energy projects.
- A differentiated approach is proposed for mature and immature technologies, the methodology needs to be fine-tuned however.

### **Key concerns:**

- The proposal rules out feed-in tariffs for installations above 5 MW, without making a clear case as to how this instrument intrinsically distorts the market.
- As a minimum, feed-in tariffs should be maintained for immature technologies including offshore wind to guarantee investor certainty.
- The methodology distinguishing between mature and immature technology is overly simplistic and opens the door to offshore wind being considered a mature technology thus needing to comply with the most stringent criteria under these guidelines.
- Tenders are imposed on Member States wishing to allocate feed-in premia even though several Member States discarded such tenders as inefficient in recent years.
- The imposition of standard balancing responsibilities for variable renewable energy producers will entail unnecessary costs increases and favour conventional technologies in the Member State lacking a mature market design.
- Member States may exclude renewable electricity from specific geographic areas if necessary to secure the grid.

## Summary of the guidelines:

### I. Key principles:

**Opening of national support mechanisms to non-national projects:** Member States are not required to open national schemes to other EU/EEA countries if they justify the absence of adequate cooperation mechanisms (Article 118).

**Distinction between mature and immature technologies** (Article 119):

- Any technology which contributes to more than [1-3] % of EU-wide electricity consumption is considered a mature technology.
- The technologies that are below this threshold benefit from a more flexible approach (the aid is not attributed via tender).

A more nuanced approach such as the one used in the EIB lending criteria (taking into account potential for cost decreases) and contribution to long term decarbonisation objectives would be more appropriate.

**Tenders** are a pre-requisite for allocating a feed-in premium. As a general principle, and in spite of scant evidence, the Commission considers that tenders are the most effective way to ensure the cost effective deployment of renewables.

**Standard balancing responsibilities** are imposed on variable renewables for both mature and immature technologies. This requirement not should precede the implementation of a proper market design including, in addition to intraday balancing markets, intra-hour gate closures and existence of state of the art forecasting tools.

**Feed-in tariffs** are limited to small installations, 5MW in the case of wind power and would need to be phased out for all other installations unless the guidelines are amended. In markets and for technologies that are fully developed, Feed-in Tariffs create a strong investment signal and help renewable energy roll-out making this requirement ill times and unjustified.

### II. Support mechanisms design

Prescriptions for feed-in tariffs and feed-in premiums

- Feed-in tariffs are limited to wind installations of less than 5 MW or three generation units (article 123).
- Mature technologies should be supported via a feed-in premium or equivalent measure (article 120):
  - o Aid is allocated via tenders;
  - o Member States can require a minimum of technologies to compete;
  - o Aid is granted until the plant has been fully depreciated;
  - o Standard balancing responsibilities apply in markets where competitive intraday balancing markets exist.
- For non-mature technologies (article 121):
  - o The feed-in premium should cover the gap between the LCOE and the market price;
  - o Standard balancing responsibilities apply in markets where competitive intraday balancing markets exist;

- Investment aid is deducted from production costs;
- Aid is granted until the plant has been fully depreciated.

#### Prescriptions for tradable green certificates (TGCs)

- For mature technologies (article 129):
  - No different levels of support could be applied;
  - Member States can require a minimum of technologies to compete;
  - Standard balancing responsibilities apply in markets where competitive intraday balancing markets exist.
- For immature technologies (article 130):
  - Different levels of support can be set;
  - Standard balancing responsibilities apply in markets where competitive intraday balancing markets exist.
  - Any investment aid must be deducted.

#### III. Timing of implementation

- When a beneficiary has received confirmation from a Member State that he will receive aid for a given period, this aid will be granted for the full period irrespective of the content of these guidelines (article 230).
- National support mechanisms will be amended to comply with the guidelines when the Member States decide to go forward with a review of the system. (article 230).
- Schemes are authorised for a maximum period of 10 years. If a scheme is maintained, it will have to be re-notified to the Commission. (article 116)