

# EREF

European Renewable Energies Federation

**2020- Renewable targets in the electricity sector:**

## **Flexibility and stability - on the way to 20 % Renewables in 2020**

***EREF's condensed call on the European Commission, Parliament and Member States for a clear way forward to 20 % renewables in 2020:***

- 1. Priority access for renewables to the EU 27 grids.***
- 2. Forced unbundling of grid and energy production activities***
- 3. Priority for investment in decentralised energy production***
- 4. Priority for research in all renewable technologies***
- 5. Strengthening of structural and regional fund programmes focussing on deployment of renewables and increased manufacturing of renewable technologies in Europe***
- 6. Push for introduction of efficient new national mechanism and strengthening of existing national support mechanism for renewable energy development***
- 7. No harmonisation of national support mechanism for renewables in the short term***
- 8. No EU 27 voluntary or mandatory virtual Certificate trade for Renewables***
- 9. Clear national renewable targets with interim targets for all sectors of energy use***
- 10. Flexibility and balancing mechanisms for target achievement only between Member States which have reached their interim targets and are on track for the 2020 target***

## ***The Overall Setting - 27 for 27***

1. The general objective in Europe is to achieve the 20 % Renewable Energy targets for 2020 fairly and evenly distributed between the EU 27 Member States.
2. It is in the responsibility of the European Commission to propose a renewable directive which enhances and strengthens energy market opening and sustainable structures with strong focus on decentralised independent renewable production capacity.
3. Some Member States express doubt that their national potential could be too moderate to fulfil a redistributed national target based on the 20 % overall objective. This is one reason for the current calls for certain flexibility for Member States to reach their target.
4. In accepting this concern, it should be underlined that this is a too modest assumption. Germany for example is often described as country with - compared to countries such as the United Kingdom, Ireland or France – more moderate wind resources and – compared to Mediterranean countries – less advantageous solar resources. But it is this country with medium potential which has already reached its 2010 target in 2007: Germany has more than 12.5 % of its electricity consumption from indigenous renewables – thanks to feed-in support mechanisms which are working, fair and triggering independent renewable power production from very small to big installations. And offshore wind has not even been tapped in Germany.
5. Deployment of new Renewables has mainly been developed by independent small and medium sized companies (IPP).
6. New renewable deployment has already proven the feasibility of decentralised energy supply in Europe.
7. Broad renewable deployment even in less favourable locations happened - thanks to IPP and

- thanks to good feed-in support mechanism. This increases decentralised supply structures.
8. Employment and economic success stories have taken place in Feed-In Tariff countries such as Germany, Spain and Portugal and especially more than 230 000 jobs in Germany speak a clear language in keeping with the Lisbon Agenda of competitiveness, jobs and growth.
  9. Virtual certificate trade is no solution for flexibility enhancement. Certificate trade only provokes the run for the cheapest solutions in concentrated areas, often outside the European Union, increases costs for renewable energy and goes to the detriment of technology development and of price decrease of RES technologies and social acceptance.
  10. Certificate trade is paper trade. The respective country and its citizens under such virtual trade may not even see a single increase of kWh from renewables in their portfolio and this in times of increasing problems of security of energy supply. On the other hand, EU citizens in areas with the best available resources will have to bear a high density of renewables installations which might finally cause problems with acceptance.
  11. Certificate trading is not an efficient instrument – not even an appropriate one for reaching the European 20%-target. On the contrary: in such a model there will be a lack of potential buyers but only the cheapest available technologies in prime locations will be applied. There is no need, no room and no legal ground for introduction of supplementary certificate trade mechanisms in Europe, be it voluntary or mandatory.
  12. There are profound differences between CO<sub>2</sub>-Emission trading mechanisms in line with the European Emission Trading Directive and the Kyoto Protocol on the one side and RES support mechanisms for an increasing share of RES in the energy portfolio of EU-27 Member States on the other side. Cap and trade instruments with quantity restricting consequences go against the very idea of rapid uptake and increase of renewable energies in the overall energy mix in Europe.
  13. The introduction of an EU 27 wide virtual certificate trade – obligatory or voluntary - as proposed from within the European Commission will – depending on the details of the setup – sooner or later endanger and undermine successful national feed-in systems.
  14. The introduction of such EU 27 virtual trade would violate the principles of subsidiarity and proportionality as it is deeply cutting into the national energy sovereignty and putting at risk national energy policy mechanism.
  15. We, independent producers of renewable energies, say clearly NO to a harmonisation of national RES support mechanism in the short term and certainly NO to the introduction of voluntary or mandatory certificate trade regimes in EU 27.
  16. We say clearly YES to improvement and strengthening of good national mechanisms.
  17. Since we independent producers do not want virtual, certificate trade introduction for reasoned arguments of high risk for security of future investment in decentralised new renewables, it is the obligation of the European Commission, the European Parliament and the Member States to honour this No.
  18. It is overwhelmingly us who brought Europe this progress in renewable technologies and renewable energy. Alarm bells should ring that it is precisely a call from big utilities as those operating in Germany which have done so far next to nothing to install new renewable that are now calling for certificate trade mechanisms.
  19. Certificate trade will push independent power producers out of the market and will ever increase the power of oligopolies. If this is what the European Commission wants, it should admit this openly.
  20. The Commission should then take the whole responsibility for the tens of thousands of jobs which will be destroyed in Europe as a consequence, for the lost opportunity for new Member States to develop their own renewable industry, for the ever increasing prices for electricity and for a standstill of the broad renewable technology development.
  21. We already face a predominance of centralised power in distorted overall energy markets, how far do you want to stretch this?
  22. The European Commission currently and courageously is asking for forced ownership unbundling of grid activities away from power production activities in Europe.
  23. This missed unbundling of industries such as E.ON is one of the major obstacles towards a fair energy market.
  24. Unbundling of grid ownership from production, rapid enhancement and enforcement of the electricity grid as well as cross-border interconnections have to be realized in order to

physically transmit the amounts of electricity to be transferred. This will lead to increase of physical trade of all electricity including renewable electricity and should allow for more competition and lower prices.

25. Centralised power is still seen as sole guarantor for security of supply – independent power production is seen as nice but not necessary – this prejudice and partiality requires the strong attention of the European Commission and the Member States in order to be put into the dustbin of wrong assumptions.
26. The Renewable target discussion for 2020 and EU Institutions have become trapped in the middle of sheer market dominance interests of the incumbent industry.
27. It is high time for thought and de-escalation – we see as an important step a clear agreement on flexibility mechanism between Member States which will not endanger national support mechanism for RES.

### **A balanced Flexibility Approach – embedded in a pro-renewable environment**

EREF is ready and willing to support sound flexibility solutions and to cooperate with the European institutions in order to push the excellent work of the Commission for a new renewables' directive to the next level of legislative process but without endangering successful national renewable energy policies in Europe.

There are some important conditions which need to be in place to accompany the way forward to 20 % renewable in 2020:

1. Europe needs to better mobilise Structural funds and EIB mechanisms to encourage new Member States to design strong RES support policies for their country. Attracting Renewable investing industry to the new Member States and creating own hubs of excellence and rapid deployment for Renewables will increase the commitment of those Member States.
2. The introduction of Independent RES Power production and manufacturing industry in the new Member States is to the benefit of the energy market and the regional and social welfare.
3. Information policies must be designed so that new management systems for electricity supply and storage would enable an increase of flexibility and supply security in the respective country as a mix between centralised and decentralised power production with increasing input of new renewable sources. This should at least be integrated in the reasoning of the new 2020 directive and taken into future design of structural and regional programmes and the Cohesion fund.

### **Flexibility via Member States' Co-operation**

1. Flexibility mechanisms between Member States in order to help each other are certainly acceptable, if some conditions such as security of own engagement in home-made new renewables and clarity are met. Using clear Certificates of Origin to prove such balancing of surplus between Member States is correct.
2. Subsidiarity principle leaves it to the Member States to define – within the limits of the directive – suitable support mechanisms, as long as interim targets and the 2020-target are met.
3. Following the agreement of the heads of States and governments at the European spring summit, a first step should be to agree upon binding national targets for the 27 Member States. In their national action plans, Member States will have to describe their way towards the target.
4. Starting point and the framework should be fair, politically negotiated national targets.
5. Certain flexibility for national sectoral target-setting based on GDP influence is in principle a fair approach and can well ease conflicts and stress with Member States.
6. Flexibility is to be restricted to the area and level of Member States policies and cooperation.

## **Flexibility by exchange between Member States**

A certain, well defined part of the agreed national target could be opened to be reached apart from increased deployment of renewable energies at home, but without bureaucratic and expensive certificate trading.

Part of the national target can be achieved by counting from the national target of another Member State.

Preconditions have to be met:

1. Binding sectoral and interim targets for each Member State must be established in the directive. Member States must be obliged to report regularly to the Commission concerning their progress toward their target. Infringement and sanction rules must be introduced by the new Directive.
2. The aim for each of the 27 Member States must be to reach an overwhelming share of their national targets by increased production at home.
3. Member States will be obliged to introduce or reinforce their support and promotion programmes.
4. The overall national objective has to be subdivided in fair and relevant sectoral targets for electricity, heating and cooling and biofuels.
5. In the context of national target achievement only Member States, not companies, may negotiate and decide on quantities of electricity to be transferred in order to be counted towards another country's national target. Every Member State must have the right to unilaterally prohibit imports or exports.
6. Only Member States having proved that they have reached all their interim targets and most likely will also reach all following (interim) targets may transfer - at the cost of the average renewable electricity mix - amounts of electricity to be counted towards another Member State's target.
7. Only amounts of electricity exceeding the respective national (interim) target are eligible for transfer to another Member State. Transfer must not cause non-compliance with (interim) target in the following years.

With these preconditions fulfilled, the introduction of the following balancing mechanisms to be applied by two or several Member States would be conceivable:

1. Surplus quantities of electricity could be transferred to one or more Member States for a defined period (or definitively) by a joint declaration vis-à-vis the European Commission.
2. Two or more Member States may jointly declare vis-à-vis the Commission that they have pooled their individual national targets and that they wish to be jointly obliged and liable in the sense of the directive. Precondition will be that they unequivocally present to the Commission the contents of the agreement, particularly concerning liabilities in case of non-compliance with the joint target and related sanctions.
3. Additionally, based on agreements between the respective Member States, it could be considered to allow joint investments of companies from two or more Member States aiming to share the electricity production and therefore counting towards the national targets of more than one Member State.

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