

The politics of EU policy on RES-E support

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1

Main phases

- Neo-liberalism in advance (1996-1999)
- Neo-liberalism in retreat (2000-2001)
- Time for experimentation (2002-....)
- Rethinking? (2005-)

2

1. Neo-liberalism in advance

- Green Paper of 1996
- White Paper of 1997
- Commission report on Electricity Directive 1998
- Working Paper of 1999
- Directive draft proposals 1998-1999
- State aid activities of DG Competition

3

Ad 1: Main neo-lib. beliefs

- Progress on RES-E will come about chiefly by trade and competition, i.e. market based instruments (quota/certificates, tenders)
- Such systems lead to much lower prices
- Such systems produce more innovation
- Such systems lead to faster and more sustainable growth (medium term at least)

4

Commission tries to force issue

- Commission attempts to subject Germany's RES-E laws to state aid controls 2000
- Commission argument before Court in *PreussenElektra v. Schleswag* 2000 to expand concept of state aid
- Community guidelines on state aid Jan.2001 detailing rules for RES-E state aid
- Last Papoutsis and first de Palacio proposals (1999)

5

2. Neo-liberalism in retreat

- Toned-down de Palacio directive proposal (May 2000)
- Commission state aid expansion argument defeated in Court (March 2001), thereby:
- State aid proceedings against Germany without basis
- Community state aid guidelines undercut
- RES-E Directive provisions on state aid change in significance

6

3. Time for experimentation

- Directive 2001/77/EC provides for decision on future harmonisation scheme on the basis of experience on
 - ability to meet national targets
 - compatibility with state aid provisions (largely irrelevant since Court decision)

7

Experience

- REFIT function since 1990 in German case, developed further in 2000, spread since
- automatic degression along learning curve
- equal distribution of extra costs
- time limit to special rates
- graduated tariff for wind power etc.
- ability to stimulate PV to levels proposed by Green and White Papers

8

Quota/certificate systems

- Introduced only in 2002 (UK, Belgium, Italy) and 2003 (Sweden, Poland)
- Results opposed to Commission expect.
 - higher rather than lower prices: 10 cents/kWh in UK, 13 in Belgium, 15.5 in Italy this year; no significant experience in Poland or Sweden
 - less rather than more innovation (limited to cheapest technologies; no equipment industry)
 - meeting targets this way twice as expensive?

9

4. Rethinking in Commission?

- Commission report on RES-E of May 2004 stresses need for additional finance rather than need to bring down prices through more competition
- Commissioner Piebalgs speaks of necessity to gather more experience, rejects harmonisation now (and for the next few years)

10