



Greenpeace position on „Harmonising of support mechanisms in the EU?“

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The idea of harmonising support mechanisms to avoid further market distortions in the European power market must be well prepared to avoid disturbing existing markets. The first step towards harmonisation for renewables must be a well-functioning, undistorted, Internal Electricity Market and a truly level playing field. A harmonised Community-wide support mechanism for renewable energy at this stage would be premature, since there is not yet enough experience as to which system would be the most effective on a EU level to guarantee market development of all the renewable energy technologies. As a result of the adoption of the Renewables Directive in 2001, several national support mechanisms have been introduced during the past years and many are still at the implementation stage.

Feed-in systems and fixed-premium mechanisms are by far the most successful instruments

Experience to date shows that only feed-in systems and fixed-premium mechanisms have proven their ability to be effective in attracting investments, creating investor confidence, reaching the national targets and creating technology diversity. Introducing any harmonised, Community-wide system at this stage would lead to market instability and threaten technology development as well as the world's largest markets for renewable energy technology.

Harmonising support systems at this stage would seriously threaten the development of the European renewable industry, especially if an untested mechanism is pursued. A dramatic shift in all Member States' frameworks would jeopardise national renewable targets and undermine investor confidence. In this aspect we also refer to certain scientific surveys.

The European framework for renewable energy must be improved and the preparation for a Community-wide mechanism without harmonising the support mechanism at this stage must take priority. At a later stage, when more experience has been gained with the full range of policy options and when serious market distortions in the conventional power markets have been overcome, harmonisation might be considered. Instead, the EU should introduce detailed recommendations for the Member States and improve legislation at European level where necessary. Such recommendations would limit the variety of systems and could lead to bilateral cross-border agreements between Member States having similar systems. Member States with the same design of support mechanisms could start clustering their systems and by that seek to create and test cross-border mechanisms. In this way, more experience would be gained about the full range of options and a decision on future harmonisation can be based on concrete knowledge and experience.

Finally, it must be stressed that successful frameworks require not just a good payment mechanism and the encouragement of public support, but also effective policies to remove the numerous barriers to grid access and transmission, and barriers in the form of administrative procedures and non-transparency.

The power sector in general needs long term regulations in order to make multi-billion euro investments. This is not only true for renewable energies, but also for conventional power sources. Long term power contracts for fossil fuel power projects are (like the feed-in system) the usual

practice, therefore the same should be introduced to clean energy sources.

Harmonisation criteria:

- A harmonised Community-wide support mechanism for renewables at this early stage would be premature, since there is not yet enough experience as to which system would be the most effective on a EU level to guarantee market development of all the renewable energy technologies.
- There is no practical evidence yet of effectiveness beyond feed-in and fixed premium systems. Quota based mechanisms have not yet proven their ability to provide investor security, attract investment and provide considerable deployment. These must be given time to develop further in order to provide real experience rather than theoretical hypothesis.
- Any national support mechanism should guarantee an adequate return on investment to ensure attractiveness of investments adapted to the level of costs of all RES technologies .

Criteria for good mechanisms

A good mechanism must allow renewable energy sources stable growth in the coming decades. A market phase-in programme for renewable energy must be:

- Easy to handle
- Independent of governmental budgets
- Accelerate the renewable energy industry, to achieve a stable annual market growth of min. 30%

Policy measures need to be acceptable to the requirements of the investment community in order to be effective. There are two key issues:

- The price for renewable power must allow for risk-return profiles that are competitive with other investment options.
- The duration of a project must allow investors to recoup their investment.