

‘Clean Energy for All Europeans’ Package: The Future for European Renewables

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Some General Observations

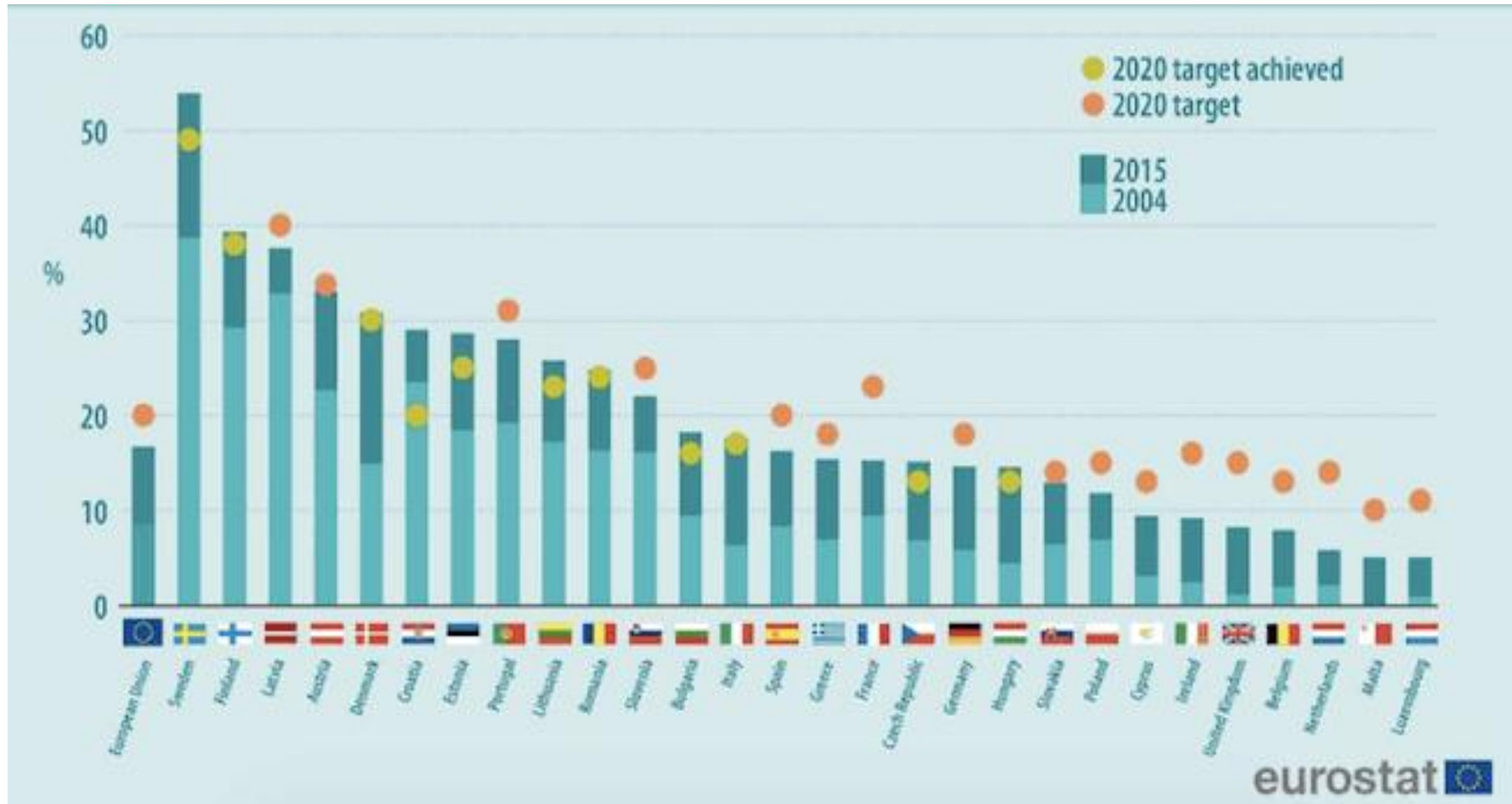
- Renewables are increasingly becoming mainstream
- Regulation of Renewables is no longer limited to the Renewables Directive – Renewables are increasingly interwoven through the Clean Energy Package:
 - COM (2016) 759 Proposal for a Regulation of the European Parliament and of the Council on the Governance of the Energy Union
 - COM (2016) 861 Proposal for a Regulation of the European Parliament and of the Council on the internal market for electricity (recast)
 - COM (2016) 767 Proposal for a Directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (recast)
- Aspiration is decarbonisation with support free renewables – Clean Energy Package aims to increase renewable penetration while minimising supports
- Much greater focus on regulating processes than outcomes
- No tolerance for retrospectively rolling back on support schemes
- A decarbonisation agenda gives rise to some very complex macro questions – and it is unclear whether the Clean Energy Package has answers for all of them

Renewable Energy Objectives

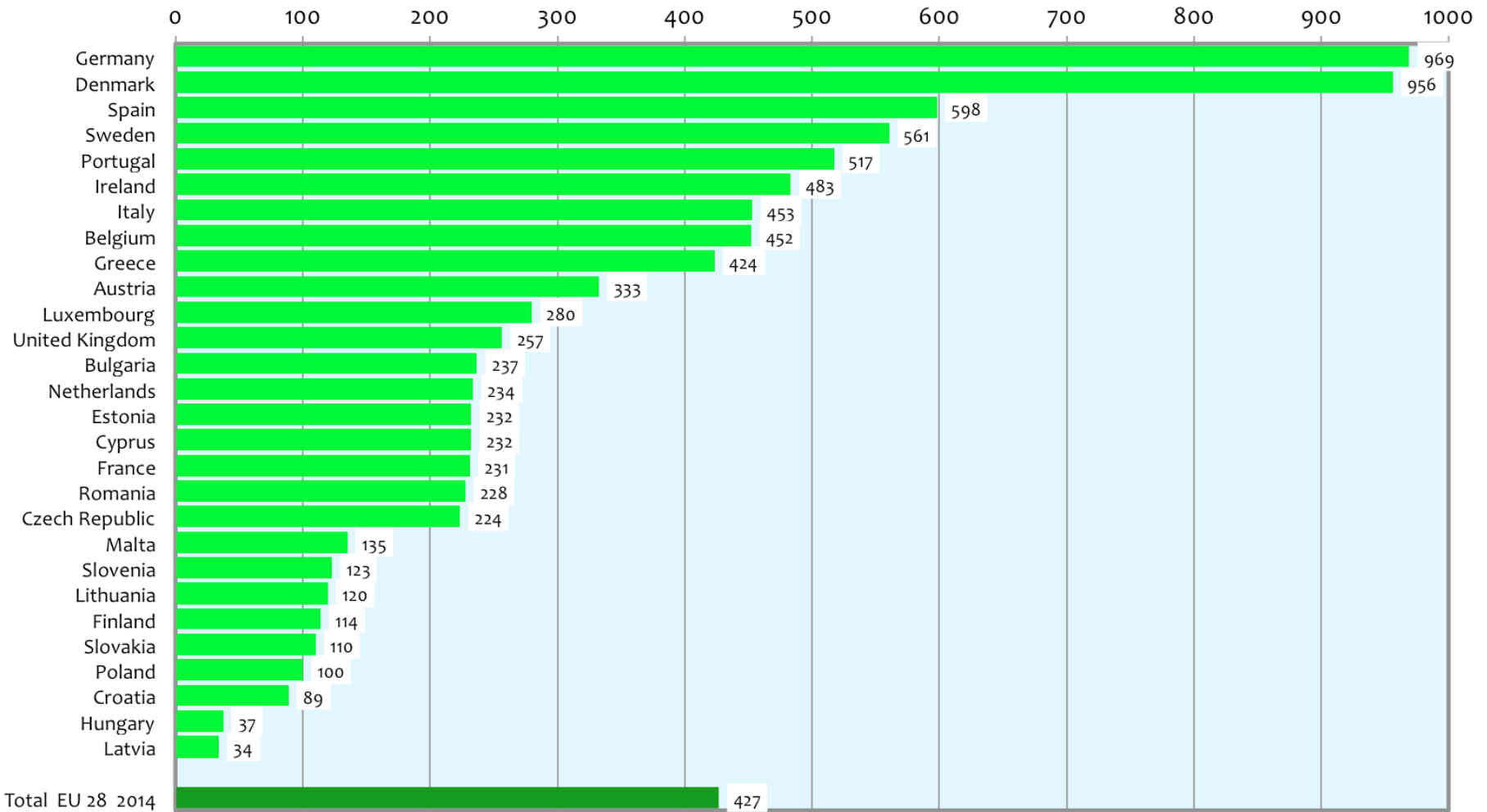
To ensure that the share of renewable energy in the EU final energy consumption reaches at least 27% by 2030 in a cost-effective manner, taking into account the following specific objectives:

- address investment uncertainty, along a path that takes account of medium and long term decarbonisation objectives
- ensure cost-effective deployment and market integration of renewable electricity
- ensure collective attainment of the EU-wide target for renewable energy in 2030
- developing the decarbonisation potential of advanced biofuels and clarify role of food-based biofuels post 2020
- develop renewable energy potential in the heating and cooling sector

% of renewable energy in gross final energy consumption



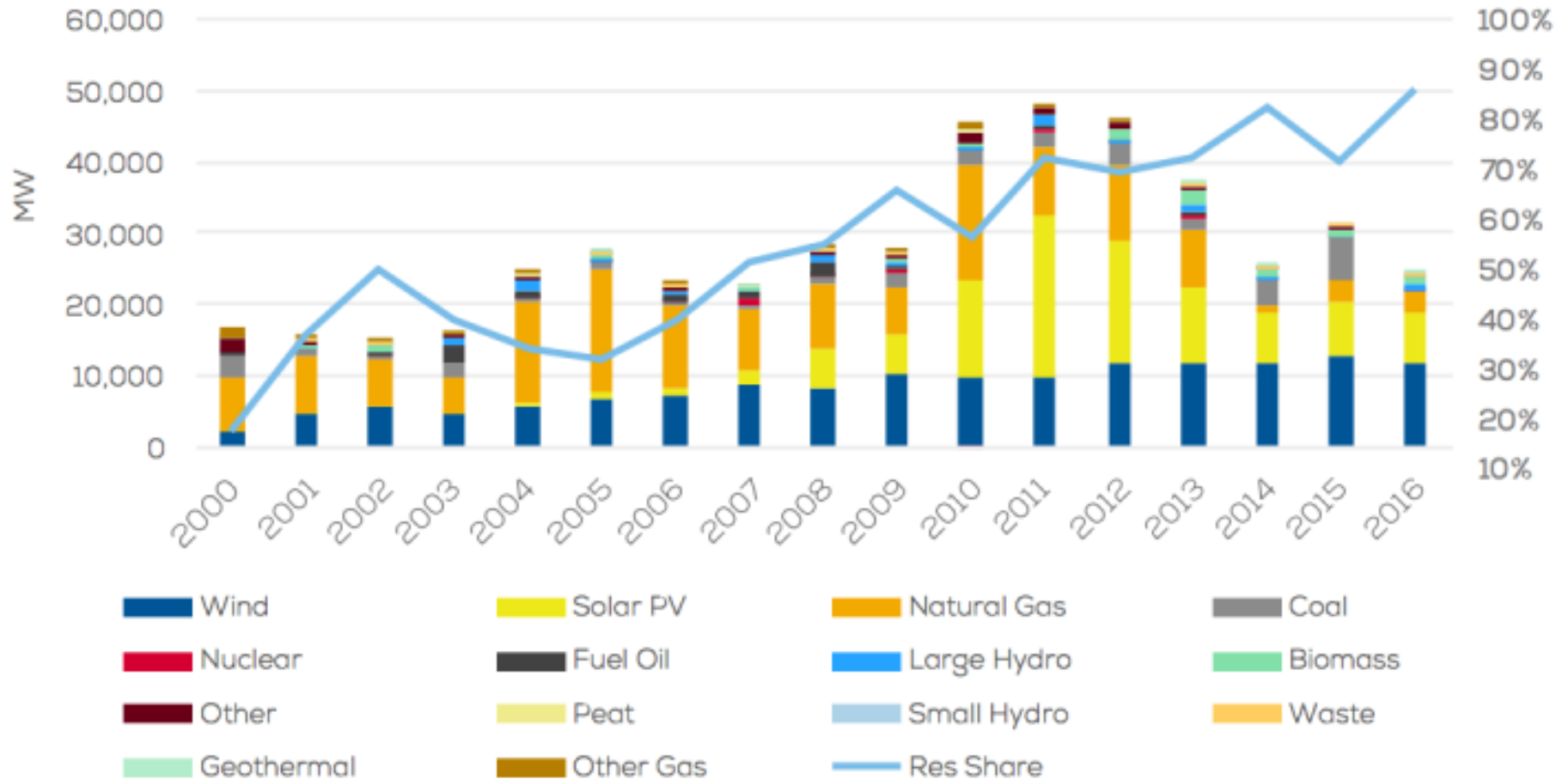
MW of Installed Renewables / million head of population



Revised Renewable Targets

- Target of 27% share of renewable energy in gross final consumption by 2030 (note that consumption still means production)
- Member States set and notify own targets in Integrated National Energy and Climate Plans covering the period 2021-2030, submitted under COM (2016) 759 Proposal for a Regulation of the European Parliament and of the Council on the Governance of the Energy Union (Governance Proposal)
- Every two years the Commission assesses progress of EU and Members States to reach their 2030 targets on the basis of a linear trajectory and if not met, Member States must ensure gap is covered by additional measures, such as:
 - adjusting the share of renewable energy in heating, cooling or transport;
 - improved energy efficiency;
 - making financial contributions to a platform managed by the Commission;
 - other measures to increase deployment of renewable energy;
- If a Member State does not maintain its 2020 “minimum baseline”, any gap must be covered by a financial contribution to the financing platform managed by the Commission.

Annual Installed Capacity and Renewable Share



Source: WindEurope

ARTHUR COX



New investment in clean energy in Europe (US\$B)



Note: Total values include estimates for undisclosed deals. Excludes corporate and government R&D, and spending for digital energy and energy storage projects (reported in annual statistics only).

Source: Bloomberg New Energy Finance

Support Mechanisms

- Support mechanisms must be designed to integrate renewables in the market and should be granted in an open, transparent, competitive, non-discriminatory and cost-effective manner
- Consistent with the Guidelines on aid for environmental protection and energy
- Support schemes must be open to projects from other Member States for at least 10% of the new capacity between 2021 and 2025, and 15% thereafter
- Co-operation Mechanisms retained
- Guarantees of Origin continue: if a renewables support scheme exists, Guarantees of Origin will be auctioned to offset the cost of the renewables support

Priority Dispatch

Current Position

Priority Dispatch for all RES, CHP, some indigenous resources; lacks clarity



Issue: when everybody has priority, no one has priority; distorts market; loss of flexibility incentives



Solution: merit order dispatch, unless ...

Small Scale <500kW

Demonstration Projects

Grandfathering

Priority Access: Constraints & Curtailment

Current Position: Priority Access for all RES & CHP, no definition



Issue: balancing economic efficiency, secure system operation, and achieving decarbonisation objective; legal certainty



Solution: clear curtailment rules

Voluntary & Market-based where possible

Clear curtailment order

Reporting & Planning, Countermeasures

Compensation (incl. financial supports)

Balancing Responsibility: Article 4 of COM (2016) 861 Recast IME Regulation

Current position

Third Package: No principle. EEAG: Beneficiaries of new schemes after 1/1/16 subject to standard BR, subject to exceptions



Issue: BR is fundamental for flexibility (e.g. aggregation), stable network & liquid short-term markets



Solution: BR for all with *possible* Exemption (X) or Compensation (€)

Small Scale <500kW (X)

Demonstration Project (X)

Grandfathering where State Aid approved support scheme (X or €)

Increased Investor Certainty

- Member States must publish a long-term schedule in relation to expected allocation of support over at least the next 3 years
- By 1 January 2021, single administrative body must co-ordinate the entire permit granting process for projects and associated grid infrastructure
- Permitting should not last longer than 3 years, or 1 year where repowering. Demonstration projects and installations <50 kW only require notification
- Level of and conditions attached to the support of renewables are not altered in a way that negatively impacts the rights conferred or the economics of supported projects

Auto-producers and Renewable Energy Communities

- Participation of consumers in the renewable energy market to be enhanced by allowing auto-producers to sell excess production at market prices without losing rights as consumers
- Member States must take into account renewable energy communities when designing support schemes and must ensure they are entitled to generate, consume, store and sell renewable energy without being subject to disproportionate procedures and non-cost-reflective charges
- Renewable energy communities are small, medium or not-for-profit organisations which fulfill four of the following five criteria:
 - shareholders are natural persons, local authorities or SMEs;
 - at least 51% of the shareholders with voting rights of the entity are natural persons;
 - at least 51% of the shares of the entity are owned by local members;
 - At least 51% of the seats on the board are reserved to local members; and
 - has not averaged more than 18MW of new capacity per year in the previous 5 years
- Whilst the definition of a renewable energy community is quite detailed, the consequences of qualifying as one are not very specific.

RES-Transport and RES-Heating & Cooling

- 10% RES-T Target deleted, but Member States must require fuel suppliers to include a minimum share of energy from biofuels and biogas in transport fuels, increasing from 1.5% in 2021 up to at least 6.8% in 2030
- Limits imposed on biofuels in transport that can be produced from food crops
- Share of renewable energy in heating and cooling to increase by 1% each year.
- Subject to limited exceptions, Member States must ensure:
 - where a district heating or cooling system is not “efficient” within the meaning of the Energy Efficiency Directive (Directive 2012/27), customers are allowed to disconnect from the system in order to produce heating or cooling from renewable energy sources themselves, or to switch to another supplier of heat or cold which has access to the district heating or cooling system
 - non-discriminatory access to district heating or cooling systems for all heat or cold produced from renewable energy sources and for waste heat or cold.

If that was where I was going, I would not start from here

