

First international Workshop of the REALISE-Forum

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Viewpoints and Expectations of RES-E Stakeholders

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REALISE Objectives

Building on and complementing running national and EU activities, REALISE aims to:

- Analyse the various support instruments for RES-E
- identify existing barriers for (a) co-ordinated European scheme(s)
- initiate an organised dialogue of various stakeholders to discuss steps on the way to future incentive schemes compatible with market criteria, sustainability and social acceptability;
- create a stakeholders platform to discuss in a balanced way specific support policy issues and promote the exchange of information and experience;
- draw recommendations for future policymaking.



Open questions

- Are instruments and institutional frameworks of the analysed countries complementary or incompatible?
- Is there a common consensus (even if at a minimal level)?
- Are the national/European interest conflicts too high?
- Is there a supra-national alliance on common targets?
- The REALISE project has chosen dissimilar countries. Which of them show a convergence of policy system design and of (primary and secondary) objectives?



Liberalisation and RES-E

Critical questions

- Because of positive external effects, RES-E can be exempted from EU rules and thus compensate the lack of internalisation of externalities in a liberalised market. Does this alone favour a pluralism of national policies?
- Are liberalisation of the electricity market and support of RES-E contradictory?
- Are instruments and institutional frameworks of the analysed countries complementary or incompatible?

In practice

- Liberalisation should bring about efficiency. Competition should help pull down prices and favour the cheapest sources of energy.
- In Germany, at the beginning, liberalisation was used by opponents (large electric utilities) to limit the window of opportunities opened by the new legal framework offered by the StrEG and later on to decrease the remuneration paid for wind power.
- In Italy the market liberalisation encouraged the adoption of TGCs (anticipated as the dominant instrument at EU level) and increased the acceptance of this instrument and somehow legitimised it. The reform of the electricity market and unbundling reduced the market power of the incumbent and opened the country to European electricity companies.
- The impact of the EU policy on both liberalisation and RES-E on German policy appears to have been less pervasive than for example in Italy



Target groups and key actors

Target groups

- EU, national, regional and municipal administrations
- Local, regional and national energy agencies
- Electric utilities/ESCOs
- Research policy institutes
- RES-E producers and their associations
- Consumer and environment associations
- Financial institutions/brokers
- Public authorities and grid operators
- Private consultants
- Industrial and service associations
- International environmental networks/NGO's
- Other private institutions

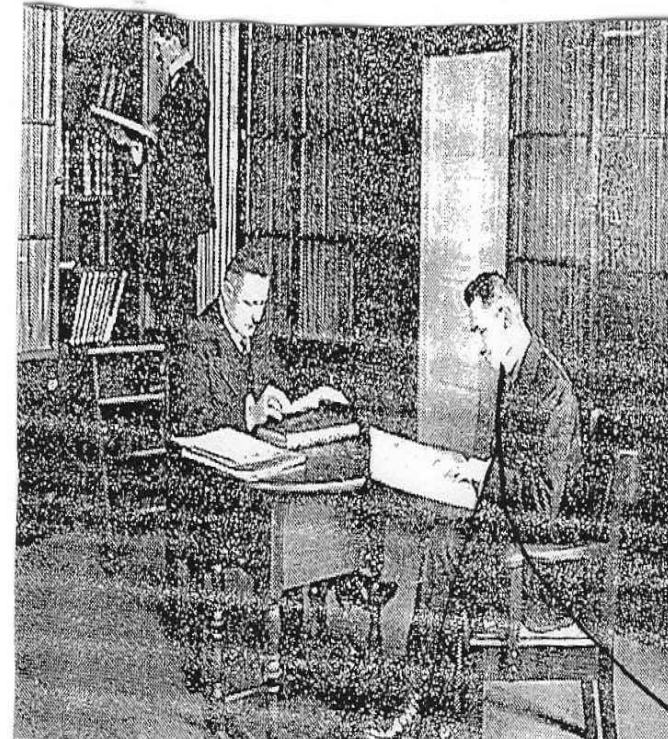
Key actors

- National institutional policy makers,
- Electric utilities/RES-E producers/ESCOs
- European International policy-research institutes
- Energy/environmental networks and NGO's
- Consumer Associations
- National and regional Energy Agencies
- National regulators
- Certificate issuing bodies



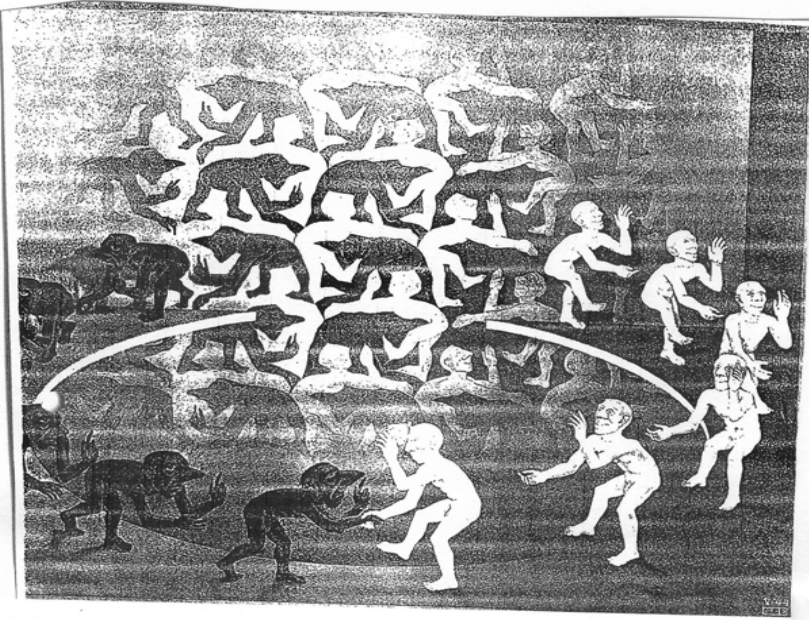
National Desks

- On the *national level*, national desks have been established by the project partners in their respective countries (D, NL, I, SI, NO)
- They are managed either directly or together with other actors (NGOs, RES-producers, consultancy firms, RES Associations, etc), according to the national peculiarities.
- These components of the project management act as national contact points with the following functions:
 - Networking;
 - Gathering of national data/ analyses for the country reports;
 - Initiation of a dialogue with major national stakeholders
 - Organisation of national/ international hearings and workshops;
 - Transfer of know-how on a national level and dissemination activities.



National stakeholder consultation

- The stakeholder consultation in the participating countries has followed different paths concerning its timing and methodology.
- In spite of different characteristics of the countries involved, it was possible to draw a common structure for a stakeholders survey.
- Thus three countries (Germany, NL and Italy) opted for a questionnaire followed by national hearings (Germany: 19 October and Italy: 15 November) The Scandinavian, Slovenian and Dutch consultation took another path, based on in depth

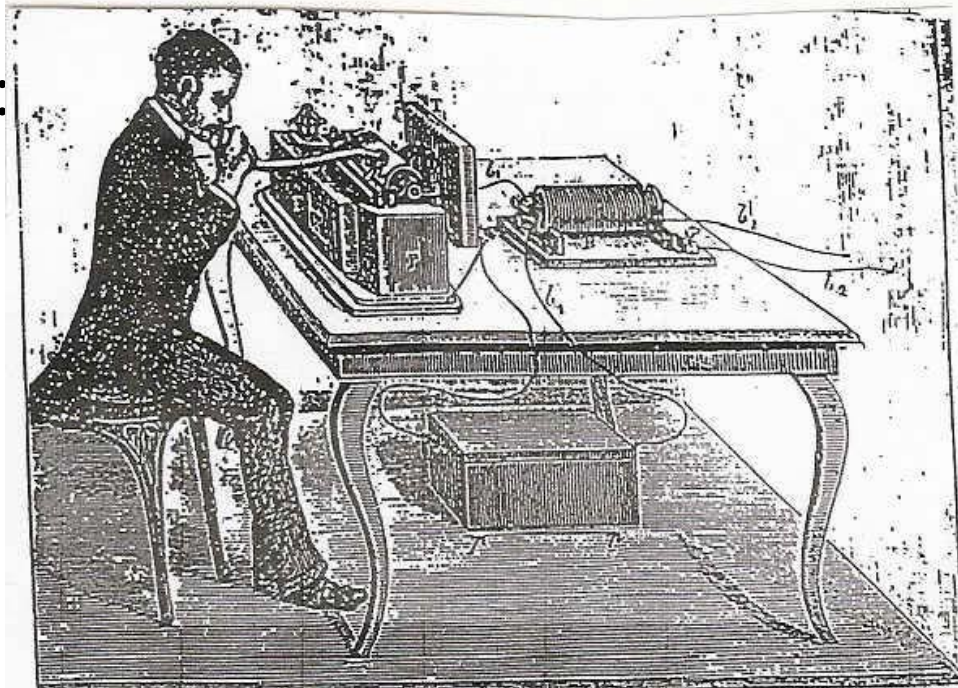


Activities

- Surveys in 3 countries: Italy, Netherlands and Germany, followed by national hearings.

Response:

- Italy N=82
- Netherlands N=52
- Germany N= 70



Activities of the Nordic desk

- The work at the Nordic desk consists of reviewing the policies and stakeholder views of 4 countries: Denmark, Norway, Sweden and Finland.
- Given budgetary constraints it is not possible to have permanent bases in all countries. The Norwegian partner has therefore developed an “ambulatory” desk which basically implies that the research team travels around to the Nordic capitals and holds stakeholder meetings there.
- This approach also makes it possible to contact higher level representatives, that are constrained from spending too much time for travelling to meetings.
- In addition to travelling, the Nordic desk seeks to communicate with Nordic stakeholders through its collaboration with Nord Pool, the Nordic power exchange, which helps arrange stakeholder workshops with broader Nordic representation



Critical questions addressed in the questionnaire and in depth interviews with national stakeholders

Which of the currently implemented support schemes are

- most effective (increase in the share of RES)
 - most efficient (social and economic costs of the system)
 - most compatible with the principles of the internal electricity market
- Interactions between various RES-E support schemes in different countries (also with CO₂ certificate trading)
 - Would harmonisation/co-ordination of RES-E support in Europe after 2012 represent a better solution with respect to effectiveness and to efficiency of the system?



The Netherlands

- The Dutch partner decided to undertake a more pervasive sort of consultation based not only on a survey and a one-day hearing. It was considered more promising to follow a different path including:
 - An online survey.
 - In-depth interviews with stakeholders.
 - Additional analysis of documents of organisations expressing their view and position on certain topics relevant for Realise-Forum.
 - A second online survey in 2006. This will examine whether actors have changed position in one year time and following the publication of the Commission's report on RES-E support.



Italy

- For the Italian Desk, a questionnaire was formulated and sent to about 300 RES-E Stakeholders by CESI with the assistance of APER (Association of RES-E Producers).
- 82 questionnaires were returned.
- The largest participating actors group included around 50% RES-E producers and their associations, followed by banks and other financial institutions (7.4%) and public authorities and grid operators (7%).



Italian consultation (findings)

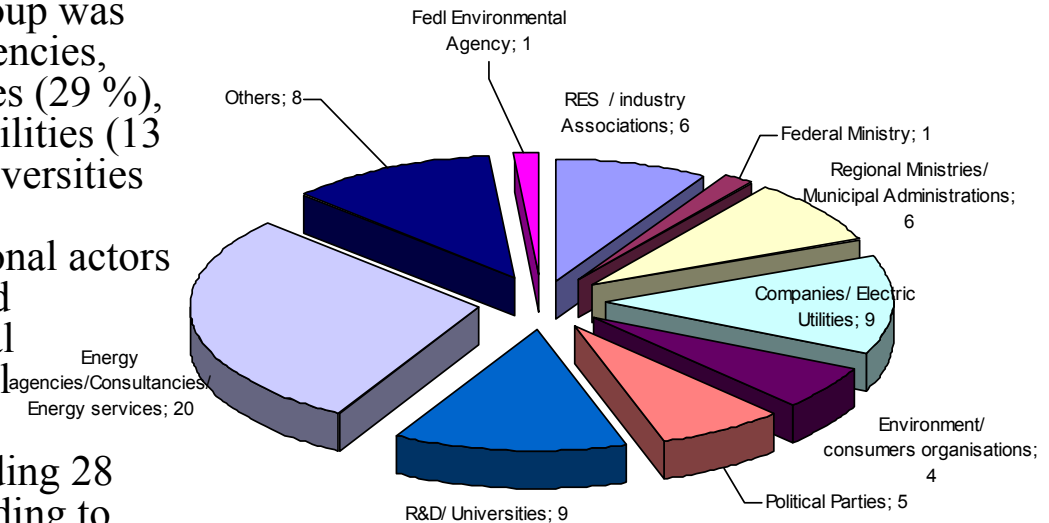
- Fairly good cohesion between stakeholder groups. Some discrepancy in fewer cases.
- The former CIP 6/92 feed-in system got better ratings than Quota/TGC as to capacity deployment, investors' risk, understanding, fair deal with sources, but its cost to the whole system was deemed higher.
- Quota/TGC system is considered more compatible with the liberalised electricity market.
- Recent extension of TGC to some actually non-RES-E plants, and poor compatibility of Italian TGC with EU TGC market were often criticised.
- A mandatory RES-E quota is felt to be quite needed for maintaining RES-E plant deployment.
- Differing views between stakeholder groups about capital cost subsidies.

Italian consultation. Findings (2)

- A number of stakeholders felt that Italy is unlikely to achieve its 2010 RES-E target set by EU Directive (authoris. procedures, grid and acceptance issues)
- Harmonisation of support systems in the EU is felt necessary, but mostly deemed feasible only after 2010
- Opposite views about changing the current Quota/TGC system in the next 5 years, with nearly the same trend in main stakeholder groups
- The preferred change would be to reduce investors' risk by extending TGC beyond 8 years. Fewer want to go back to feed-in systems
- The main reason for changing is financial (encourage investment), then (to a lesser extent) political and economic. Technical reasons come last
- The chance to sell energy on a liberalised electricity market is seen as a good opportunity for RES-E producers

Germany

- The German country desk developed a questionnaire on current RES-support systems, liberalisation and perceived need for a coordinated EU-approach. 70 actors responded to the survey. The largest participating actors group was the one comprising energy agencies, consultants and energy services (29 %), followed by companies and utilities (13 %), research institutes and universities (13 %) and RES and industry associations (8.7 %). Institutional actors were also well represented and comprised federal and regional ministries as well as municipal administrations (11.5 %).
- The breakdown of the responding 28 companies and services according to the RES branches (multiple answers were allowed) shows that all RES sources were well represented. The majority of respondents were active in the biomass/biogas sector.



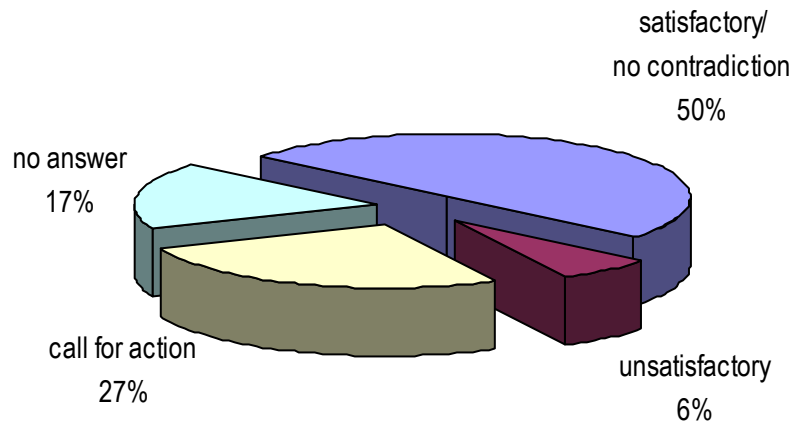
Summary of the findings. (Germany)

- The answers to the question concerning the level of remuneration in the RES Act (EEG) for the individual RES technologies stressed the adequacy of the present level of support. The present remuneration rates were believed to be appropriate by a large majority. Around 11 % of the respondents considered the support for PV excessive. By contrast the support for biomass and biogas was considered by approximately 24 % of the respondents as low.
- The consulted stakeholders saw no obvious contradiction between a liberalised European market and the support scheme in use. 37 % of the respondent stated that a fair competition in the internal market is not yet available.
- According to the RES Associations (EREF, BWE, and BEE), there is no level playing field so far in the electricity sector. Renewable energies need support schemes in order to counter the bias in favour of fossil and nuclear energy. As far as the degree of market conformity of the present support system is concerned, especially the RES Associations remarked that market distortions associated with the traditional energy sector are still high and need to be removed before a new support scheme based on tradable certificates can be introduced in an open electricity market.



Liberalisation and RES

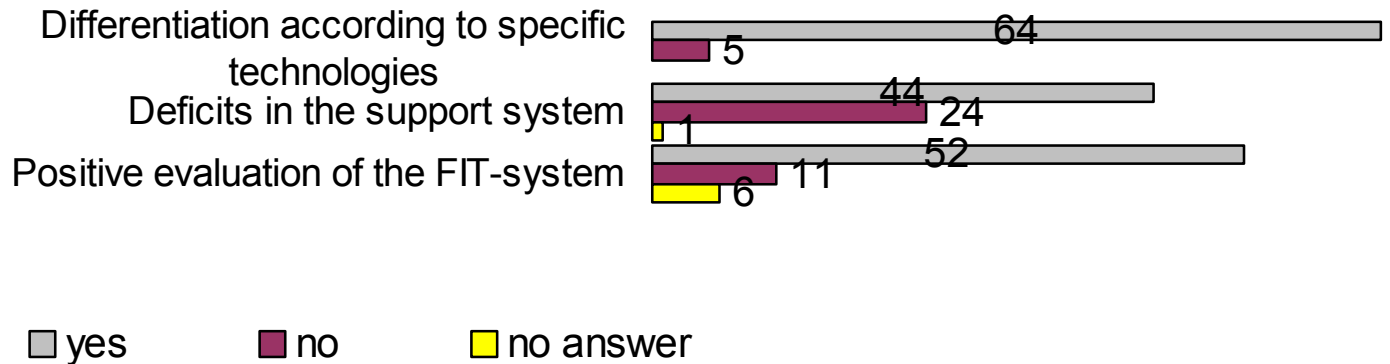
Conformity of the German support system with the liberalised internal electricity market (%)



- By the evaluation of the compatibility of the support system c 50% of the participants considered the German scheme in line with liberalisation principles.
- RES organisations adhered the position purported by their European umbrella organisation EREC and EREF considering effective competition in the conventional power market as a precondition for creating an undistorted and well-functioning market for RES-E.
- It was remarked that unless the current distortions in the internal electricity market are overcome, there can be no effective internal RES-E market.

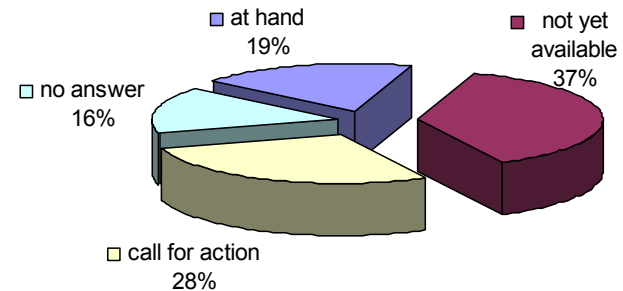


Germany: Support system: General evaluation of the RES-Act



Assessment of the possibilities for a fair competition in the internal electricity market

- By the evaluation of the possibilities for a fair competition in the internal electricity market, the majority of respondents saw large deficits and a need for corrective action.
- Some actors from the conventional power sector and research institutes called for more competition in the European market for renewable electricity.
- It was remarked that unless the current distortions in the internal electricity market are overcome, there can be no effective internal RES-E market.
- There has been a general call for action especially in unbundling the major utilities.
- Investments need to be carried out in order to guarantee grids enforcement, interconnection and an adequate level of capacity and infrastructure.



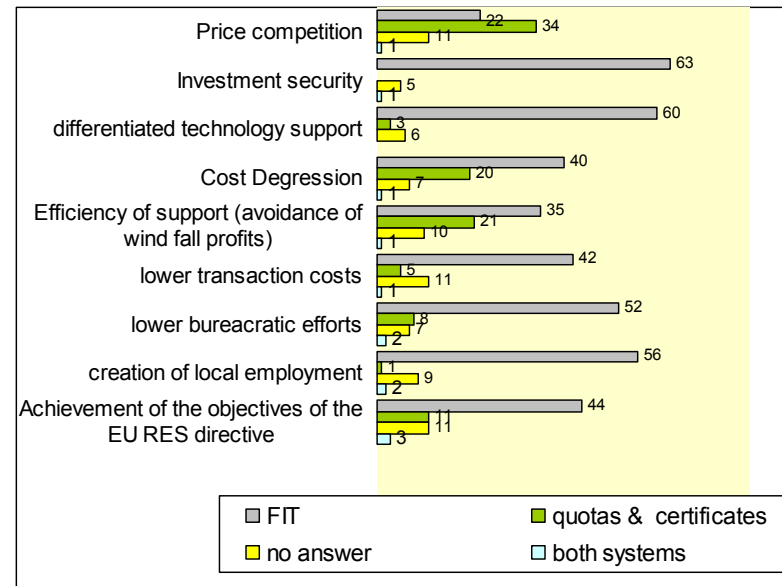
WILLINGNESS TO CHANGE SUPPORT SCHEME. STAKEHOLDERS VIEWPOINT

- The German case has shown that support for renewable energy cuts across traditional political fields. The national election in September has placed RES issues higher on the political agenda. This somehow has rendered the possibility for a balanced discussion among stakeholders more difficult.
- The degree of perceived need to support the present scheme or the willingness to modify it has been changing over the last few years. The trend from all-party consensus to a more polarised policy approach accentuated during the election campaign time. Energy policy and the role of RES have been part of the political manifestos of all parties.
- The energy policy discourse in spring 2005 has been characterised by a proposal of the electric utilities head organisation VDEW.
- VDEW propagated the need for a change in the support schemes and advocated the introduction of TGCs after 2012.
- On the other front, a wide group headed by the associations of the RES sector stressed the significance of the FIT system.
- After the election, the governing parties have confirmed the importance of the present support scheme. It remains to be seen how and whether the position of quota supporters will change following the publication of the Commission's communication on RES-E support.



Evaluation of the competitiveness of the FIT-model vs. quotas and certificates (Q&C)

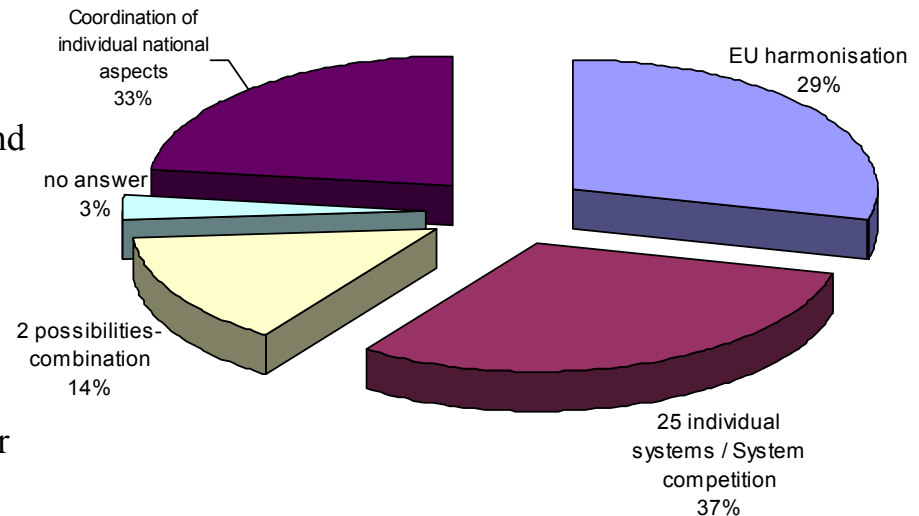
- A small fraction of respondents advocated a change to a novel system based on Q&C.
- The main grounds justifying a change were economic reasons (need to minimise the electricity price to end-users) and a perceived low compatibility of the German system with requirements of a liberalised EU internal market for electricity.
- The majority of respondents ranked FIT systems better than Q&C with respect to all categories, except price competition.
- The pre-eminence of the FIT system is also explained with the geographical spread of this instrument: 16 out of 25 Member States have opted for FIT systems.
- The Q&C opponent front was very wide and, though most of them recognised that is inappropriate to generalise the performance of quota systems before they have reached maturity, their position ranges from sceptical to very critical.
- Q&C have been advocated particularly by conservative parties, (esp. the liberals), and the confederation of the electric utilities (VDEW). It was argued that the introduction of TGCs, with target quotas could provide a more efficient system. They also asserted that this instrument encourages increased competition and helps reducing prices. VDEW warned that maintaining the current system would add €10 bn to the national electricity bill by 2020.



Perceived need for a harmonised RES- support scheme.

- Public opinion has shown a rather indifferent position on harmonisation issues.
- German stakeholders do not endorse harmonisation on account of preservation of established and favourable domestic support conditions.
- Yet approximately 29 % of the interviewed stakeholders stressed the importance for a harmonised support system across the EU and favoured the convergence of the national systems to promote RES.
- This was a somehow composite front comprising almost all stakeholder groups. The majority of respondents of the survey agreed that harmonisation of policies across the EU is not yet necessary
- They endorsed the position of Commissioner Piebalgs that it is premature to propose a harmonised European support scheme.
- Approximately 14 % of the respondents gave two answers, thus conceding that whilst competing national schemes could be seen as the best solution, on the short and medium term a coordination of the existing systems is necessary

Assessment



Case of liberalisation and degree of market opening. Winners and losers

- The liberalisation of the electricity market has forced a sort of harmonisation also for RES, at least in terms of a common definition of renewable energy and initial steps to a common certification system (GO).
- This alone was a difficult process.
- The quest for a possibly common support policy based on market conform instruments such as quotas and certificates has found no consensus and eventually has been withdrawn.
- What will it be the role for first-comers?
- Can we talk about burden of first-comers and a false perception of market opportunities?



Europeanisation or Germanisation?

- 16 (18) countries have experienced a range of support measures and eventually adopted FIT-systems.
- In place of Europeanisation of national policies are we experiencing a sort of “Germanisation” of policies at EU-27 level?



Thank you

for your
attention

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