PERSPECTIVES OF GENERATION OF RES-E IN SLOVENIA WITHIN THE CONTEX OF HARMONISATION OF THE SUPPORT MECHANISM AT THE EUROPEAN LEVEL

REALISE FORUM – SECOND SLOVENIAN NATIONAL HEARING

Energy Efficiency Centre – Jozef Stefan Institute,

Reactor Centre Brinje, Dol pri Ljubljani

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MINUTES FROM 2ND NATIONAL HEARING

Participants: Mr. Jadranko Medak, *Directorate for Energy - Ministry of Economics of RS*; Mrs. Blanka Polh, *HSE (Holding of Slovene Power Plants)*; Mrs. Taja Cvetko, *IREET Institute*; Mr. Marko Cerar, Mr. Mihael G. Tomšič, Mr. Gorazd Marinček, Mr. Andrej Klemenc, *Slovenski E-Forum*; Mrs. Andreja Urbančič, Mr. Stane Merše *IJS-CEU*; Mr. Alojz Ivanušič, *Elektro Maribor* (*Maribor Region Power Distribution Utility)*; Mr. Tomaž Ogrin (SEG - Slovenian Environmental Movement), Mr. Alojz Ulaga, Mr. Maks Polenik, *Cinkarna Celje*; Mr. Janez Dolinšek, *Lesnina EMMI Ltd.*, Mrs. Mateja Gornik, *Agriconsulting Ltd.*; Mr. Jure Videc, Mrs. Lea Lavrič, *Koto Ltd.*; Mr. Dušan Novkovič, *ACRONI*; Mr. Samo Cotelj, *BPT-E Ltd.*, Mr. Edi Iskra, *KLI Ltd.*, Mr. Janez Šilc, *Energetika Ljubljana*; Mr. Marko Jagodič, *Vevče Puplp&Paper Ltd.*, Mr. Jože Skok, *Radio Slovenia*; Mr. Stojan Žibert; *Svilanit.*; Mr. Jože Podpečan, *Iskra Invest Ltd.*

Activities, achievements and results of REALISE Forum in Slovenia

After welcoming the participants of the national desk the project co-ordinator in Slovenia **Mr. Andrej Klemenc** has at introduction presented in brief the project activities and results in Slovenia. **About 100 individuals** from research institutions, policy making, execution and regulatory public bodies, electricity generation and distribution utilities, wood processing industry, waste management services, interest organization of small hydro power plants, CHP operators as well as nature, landscape and environmental protection non-profit associations **have taken part within the** broad spectrum of activities of the **project.** Project has identified and stipulated broad **variety of standpoints, opinions and statements of stakeholders** and has enabled their **mutual interaction** thus stimulating exchange of information, know how

and trust building among the participants. In addition the project has brought relevant **information on relevant processes at the EU level** and increased awareness of their impact for design and implementation of EU sound RES-E support schemes and policy in general. Last but not least the project attempted to raise attention on the EU level to challenging issue of **interaction between need to support RES-E generation and need to reduce overall environmental impact of energy/electricity generation** and to protect nature and traditional landscapes. Those issues proved to be of outstanding concern in Slovenia due to the fact of its large bio-diversity, well preserved traditional landscapes however at the same time fragile habitats and eco-systems but are at the same time an EU challenge for preserving its values and identities while developing and disseminating renewable energy technologies. Further on has Mr. Klemenc presented in short individual activities of the project in Slovenia and their results. He has concluded the introduction by claiming that **national consensus on support to RES-E generation needs to be achieved yet** however this is very unlikely under the dominance of traditional supply side driven and toward large extension of fossil and nuclear capacities oriented energy policy.

Draft conclusions and recommendations of the REALISE Forum project on the EU level

Presentation of the draft findings, conclusions and recommendations of the REALISE Forum at the European level has been carried out by **Mr. Mihael Gabriel Tomšič**. At the beginning he has in brief **sketched the history of liberalisation of the energy and RES-E policy** at the EU level and EC attempts to move from traditional nationally framed state subsidies based approach in support to RES-E to more market instruments based and EU sound support schemes. Despite that on the long term the market might prove to play very supportive role for RES-E the dynamics of the development of RES-E in Europe are giving evidence that - within the context of hesitating and unaccomplished processes of emergence of a single electricity market in the EU - **market instruments of support to RES-E have so far generally failed to provide more and larger variety of RES-E generating capacities**. Rhetorically speaking one can say how can we get an effective and efficient RES-E EU market where we have not achieved to design and bring into being an efficient EU electricity market at very first. Far from being a perfect tool for development and dissemination of RES-E generation capacities thus for a time being "feed in tariffs" proved to be in most empirically evaluated cases more efficient and effective than green quota and certificates based support schemes. REALISE forum has brought at least some evidence that **co-existence of different RES-E support schemes** is not only possible but it **could provide more effective and efficient increase of RES-E generation** - both in terms of outputs as well as in terms of variety of generating capacities - while creating necessary space for more coordinated and harmonised approach at the EU level. **Combined schemes** could thus adopt more to the **differences** in both development l**ife cycle and learning curves of different RES-E technologies** as well to **national circumstances** and priorities while creating common space for **trading of green certificates on the EU level** for those RES-E technologies that are mature and at the margin to compete on "ordinary" EU electricity markets. Some necessary tasks like more clear and precise definition of (new) RES-E, improved certificate of origin systems, reduced administrative burdens and last but not least clearly defined and mandatory goals (till 2020) however needs to be carried out on EU level in order to create playing field for combined support schemes. DG TREN is also emphasising the need of learning lessons from past and present developments and is not forcing rush harmonisation based on ideology of competitive single market. At the conclusion of his presentation Mr. Tomšič has stressed that neither national states nor European Commission should forget that final objective is **an**

increased share of RES-E in electricity consumption while **decreasing adverse impact on climate, environment and nature** thus there is a large demand for a **combined support of energy/electricity conservation and efficiency and RES-E generation** in a coordinated and harmonised way.

Overview and trends in shaping of "green electricity" policy in Slovenia

At beginning of his presentation has Mr. Jadranko Medak addressed the audience by **presenting general overview of responsibilities and policy tasks for "green" energy in Slovenia**. While the responsibility for utilisation and development of RES (as energy sources) and for energy efficiency are at the Ministry of Environment and Spatial Planning the Ministry of Economy is in charge for support to RES-E. Yet the current legislation is indeed shaping RES-E and CHP generators as "qualified producers" whereas the mandate for support to high efficient CHP is at Ministry of Environment and Spatial Planning. Next to feed in tariff/premium scheme for RES-E generation the RES-E generation investments are also eligible to investments support for RES power plants and CHP but only if they are not beneficiaries of the feed-in scheme. The investment support are designed according to the EU state aid rules and declared us such while in the opinion of Slovene government this not applies to the present feed-in scheme. Bearing in mind that electricity sector in whole is owned by the state or by the companies where the state has majority of stock the **DG Competition has however launched an investigation on Slovenian priority dispatching scheme** that is integrating feed in support mechanism, assuming the scheme to be indeed non declared state aid. This is not the single dispute of its kind on the EU level but until it is not solved **no changes of the feed in scheme or non EU authorized changes of amount of feed in tariffs/premiums are allowed** under EU rules. The government is however aware that the present scheme in some cases shows negative effects (no new investments, no reduction of the costs, no innovation etc.) while in general does not provide sufficient support to meet its RES-E obligations. The government would also like to **avoid future disputes on state aids with EU** thus it is intending to design new support scheme that will also correspond to obligation under "CHP Directive". Within the **new feed in scheme** the qualified generators will be in principle **divided between (natural) gas based CHP** (except micro and small CHP) regulated with the backbone to Directive 2004/8/EC **and RES-E power plants** (most probably including micro and small CHP) regulated under the same scheme according to "green electricity" Directive (2001/77/EC). The benefits from the scheme will not be distributed to the old power plants however the retrofitting of existing qualified power plants will be eligible to feed in support under not yet specified rules. Financing of the support scheme with the allowances **additional to the network usage fee s**hall be, most likely, replaced by **the lump sum fee paid per meter**. The Government is planning first part of new scheme to be operational within 6 – 8 months while the second within a year.

Potentials and barriers for CHP in Slovenia

Mrs. Andreja Urbančič first presented some **basic facts and figures on CHP** share in electricity generation in Slovenia and CHP potential in the country and continued by presenting recent trends that can be described as decrease of total installed capacities in industry but significant increase of new capacities below 10 MW in other sectors, at very first gas engines below 2 MW. The introduction of **FIT** was assumed to have **marginal importance for new investment** except for biogas CHP. The later is demonstrating an

interesting dynamic since till 2006 only few auto-producers and small pilot-demonstration plants were while in 2006 an uptake of considerable new investment started, however it can not yet be predicted weather this is a sign of a trend or an exception. Similar dynamics can also be observed in PV sector when an uptake can be expected in 2007 due to considerable improved tariff/premium for installation above 36 kW of installed power. Rather then to single support instrument the recent **positive trend in small CHP** could be explained by **comprehensive set of mechanisms** in support to qualified CHP generation in the country: minimal grid fees, exempt to system service obligation, allocation of CO_2 allowances, partially exemption to CO_2 tax, favorable credits of Environmental Found etc.. Last but not least **low level of technology risks** due to installation of mature technologies should be considered as important factor. It is to early to make any assessment of the impact of new planning instruments in support of CHP. Resolution on National Energy Program from 2004 is providing some **additional support mechanisms** that still **needs to be implemented**: standardized grid connection procedures; arranged "peak load" and reserve capacities services, mandatory CHP feasibility study at installment/retrofitting of boilers above 500 kW etc. **Questionnaire based analysis** has showed investment risk, economic feasibility, administrative procedures and capital costs to be the **main barriers to invest in new CHP** installation in opinion of owners/operators of (industrial) CHP in Slovenia. Far largest impact in assessing project risk is attributed to **uncertainties of future fuel** (natural gas) **costs**, followed by **uncertainties of the long term selling price of electricity** and long term **amounts and prices of CO_2 allowance**s. Long pay back period and relatively huge demand on capital investment are further barriers to convince the industrial managers to invest. In order to **encourage investments** in the filed the government should next to provide stable long term feed in/premium revenues also provide premium for net electricity not distributed to the grid, additional allowances for new/increased capacities and premium for market sold electricity. Published guidelines on administrative procedures, single shop administrative offices, co-financing of feasibility studies are also very much needed to improve investment climate for exploitation of additional technical potential of CHP in the country that has been assessed at 600 to 950 MW.

Discussion:

Preliminary key findings and conclusions of REALISE Forum national desk activities in Slovenia

Minutes prepared by:
Andrej Klemenc

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