



Bundesverband
WindEnergie e.V.

Coordination of support schemes – do we need it?

Claudia Grotz
German WindEnergy Association / Bundesverband
WindEnergie (BWE)

**Final International Conference of the REALISE-
Forum Project**
2/3 November 2006, Berlin



www.wind-energie.de

Harmonisation of support systems in EU would be premature:

- Shares of RES (new RES, without large hydro) are still small in EU – no critical mass for RES electricity trading reached
- Internal electricity market is presently dominated by conventional sources for power generation without real market competition

Understanding of “coordination” = cooperation of similar systems (e.g. existing feed-in systems or quota systems in EU member countries)

- Coordination to avoid double support (e.g. support through compensation system and certificate trading at the same time)
- Coordination to get experience with **cooperation** of systems

Necessary preconditions for any harmonisation or intensified coordination:

- Effective competition in the EU internal electricity market and level playing field for RES
- Removal of direct and indirect subsidies for fossil and nuclear energy
- Grid expansion at European level for transport of RES electricity (Kuppelstellen)
- Sufficient shares from RES: to reach these, mandatory targets for electricity, heat and biofuels are necessary up to 2020
- Long-term successful support policies, removal of administrative barriers

Harmonisation: quota model is not efficient

Feed-in systems (example of EEG): windfall gains avoided through

- Differentiated tariffs according to quality of site
- Annual degression (wind energy in Germany: 2 %)

Quota model:

- Certificate price is oriented on marginal costs for most expensive technology or least good site
- No differentiation according to site – windfall gains at better sites, cheaper technology or written off plants

Conclusion: electricity generation is more efficient under feed-in system with differentiated tariffs than under quota model with single price.

Do we want the future structures implied in an EU-wide quota model?

1) Producers structure in quota model

- High price risk because of insecure price development – established energy utilities will be main actors and investors, not SMEs and farmers
- Missing variety in market players, support of oligopolistic structures, higher prices

2) Green electricity production on best sites in Europe only

- Quota model will lead to concentration on utilisation of best sites in Europe
- Local and regional added value missing; consumers in one country would pay for renewable energy expansion in another country
- On the other hand acceptance e.g. for wind energy would fade in coastal regions if main capacity is concentrated there
- Danger: diminishing support in politics and society for RES

In general: broad expansion will support acceptance and will contribute to equal distribution of decentralised generation and local value generation.

“Harmonisation through a TGC scheme without technology bands (...): only the most competitive technologies would expand. While such an outcome would be beneficial in the short-run, investments in other promising technologies might not be sufficiently stimulated”.

“Employment and rural development, diversity and thus security of indigenous energy supplies and reduced local pollution are important effects of an active renewable policy. Member States that become importers of RES-E in a harmonised system may be unwilling to pay the bill if they do not profit of these local beneficial effects.”

(Meeting document for the Amsterdam Forum on 13 October 2005)

Looking at the practical side: grid expansion needed!

- Electricity trading can not happen in virtual space and without grid expansion
- Higher production of e.g. wind electricity in coastal regions needs to be transported to consumers
- Grid expansion is important subject in all countries with high shares of decentralised RES electricity generation

Requirements for grid expansion at European level:

- Development of a European electricity grid to improve the EU-wide trading (increase competition, more transparency in consumer prices)
- Strengthen the European grid to prepare it for increased quantities of renewable energies. Necessary to facilitate cross border exchange of renewable electricity.
- European regulator could develop and control common rules and procedures. Important to create and strengthen incentives for grid operators to expand the networks for cross border transport. Sanctions for culpable delay ?
- Improve cooperation of the network operators on data exchange and prognoses (European centre for energy networks as proposed in recent Green Book?)

If coordination and harmonisation: for the long-term discussion we should also think about applying feed-in systems!

General questions:

- Is harmonisation possible based on a feed-in tariff?
- How could such a system be designed?

Ideas:

- EU-wide standard for framework conditions of such a system (feed-in tariff, priority grid access, minimum administrative requirements (e.g. building law))
- Application in Member States (voluntary or later mandatory)
- Cooperation of feed-in countries according to the existing model (founded by Germany and Spain)

Thank you for your attention!

For questions please contact:

Claudia Grotz

Bundesverband WindEnergie (BWE)

Marienstraße 19-20

D - 10117 Berlin

Tel.: +49 / (0)30 - 28482-109

Fax: +49 / (0)30 - 28482-107

mailto: c.grotz@wind-energie.de

www.wind-energie.de