

EREF

European Renewable Energies Federation

10th of October 2007

Open letter to Decision-makers

Dear Madam, dear Sir,

The European Commission is currently discussing the new legislative framework for Renewable Energies in Europe until 2020.

As representatives of Europe's Renewable Energy Producers, we are alarmed about proposals under consideration which will threaten the European target on renewable energies to the detriment of energy security and climate change mitigation.

Feed-in support systems have been deployed in the majority of Member States to support the early development of renewable energy; these have in the main proved to be both effective and efficient. The EU Commission now seems to be working on plans to replace them immediately or via introduction of an inefficient and ineffective mandatory trade mechanism in combination with formal coexistence of different national support schemes. Such initiative from the European Commission to introduce a mandatory trade mechanism will within a short time-frame lead to a break-down of fully operational Feed-in systems and thus jeopardizing the 20 % renewable target.

Renewables have expanded impressively in some EU countries. The EU Renewable target is now being set to 20 % until 2020. This is an important step in expanding the share of renewables in the European and for the global energy supply. Renewables will have to contribute well over 50 % until 2050 and eventually provide for all global energy needs.

This will only be achievable if the effective and efficient economic support mechanisms that are now in place are combined with supportive administrative procedures on national and EU levels.

The EU Commission's 2005 assessment (COM(2005) 627) had already previously concluded that quota and certificate trade systems used in some countries had resulted in high transaction costs, incalculable market risks to investors and steep extra costs for consumers. There is no evidence at all that these facts have changed.

Abrupt introduction of an EU-wide trading mechanism without analysis of the economic consequences and the consequences for the national energy policies is disruptive and may eventually lead to the collapse of existing energy programmes of the Member States.

An EU-wide mandatory trading system is not compatible with national renewable energy policies since Member States would lose grip over their support mechanisms and would not have control over their ability to achieve their targets.

Introduction of those EC trade plans would make renewable energy more expensive all over Europe. The German Government estimates additional costs of such a scheme would be 100 billion Euro until 2020 for the consumers in the EU-27. For Germany alone, the study estimates almost a doubling of the costs for renewable electricity compared to the present Feed-in costs.

With the present Feed-in system in Germany, for example, costs for wind electricity amount to 8.36 ct/kWh with more than 20 GW installed capacity, whereas under the United Kingdom quota/ certificate system the consumer has to pay 13-14 ct /kWh for wind electricity (2006) with only about 2 GW installed capacity.

According to the recent evaluation report on the German Feed-in law, the net benefit of the Feed-in law amounted to 5.9 billion Euro per annum.

The EC trading proposal will lead to investment uncertainty and therefore market disturbances. Most likely renewable electricity technologies with the lowest investment needs – such as co-firing bio pellets in coal-fired power plants, onshore wind and cheap hydro- will dominate. Instead of decentralised deployment of renewable energies, the large scale concentration of only a few technologies will be favoured. Allowing that to happen throughout Europe would significantly delay the industrial development of the wide portfolio of technology options and in particular would slow down the deployment of the globally most competitive sources of new electricity – such as solar electricity and presumably also offshore wind energy.

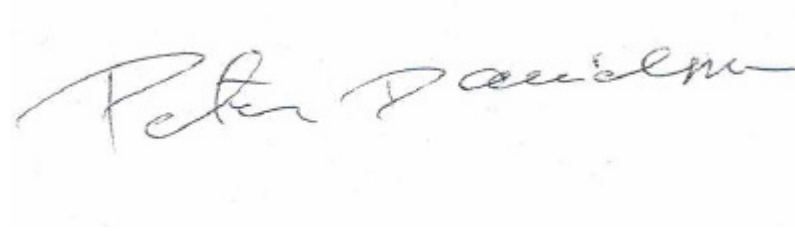
The Renewable Energy Industry employs more than 350.000 people in an increasing number of EU countries with 235.000 employed in Germany alone. This development could come to an abrupt halt and the industry may leave Europe. The successful deployment of renewables has led to income growth for many formerly poor regions in Europe. With the shift towards a trading system and the subsequent collapse of successful national support mechanisms Europe as a whole, but especially the new Member States in particular would be denied the opportunity to enhance rapid economic and sustainable growth with a mature and future-oriented industry.

We would also like to underline that support mechanisms for renewables are only necessary – according to constant evaluation by the Commission - in order to enable access to the overall distorted electricity markets in Europe. We do not want to be constrained under an inefficient niche market regime. Introduction of such a trade mechanism and forced niche “market” for renewables would create a severe obstacle for market access and thus violate the Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC.

As stakeholders, investors and employers in a growing industry and exporter of leading technology, we must most vehemently object to and resist such destructive, counter-productive and regressive bureaucratic intervention that would turn the clock back and put at risk what has already been proven to be one of Europe’s most successful job-creating and exporting achievements of recent decades.

We therefore urgently ask you to put an immediate end to this fruitless Commission debate, which would only lead to destruction of deployment of “Renewables made in Europe”. We ask you to call for the maintenance of national support mechanisms without imposed trade obligation.

With kind regards



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President

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