

EREF

European Renewable Energies Federation

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Press Declaration

Renewable Energy development “made in Europe” threatened by EU Commission’s plans

On the 12th of October 2007 key national administrators and key Director Generals from the European Commission will meet in Brussels to discuss the current internal legislative project of the Commission for a framework directive on Renewable Energies in Europe until 2020.

As representatives of Europe’s Renewable Energy Producers, EREF is alarmed about internal Commission proposals under consideration which will threaten the European target on renewable energies to the detriment of energy security and climate change mitigation. Forces within the European Commission consider proposing an EU wide mandatory trade and certificate scheme in parallel to existing national support mechanisms.

EREF President Peter Danielsson: “Such 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 (RES) 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, it is estimated, that the costs for renewable electricity compared to the present Feed-in costs will almost double.

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 by the German Ministry for Environment the net benefit of the Feed-in law amounted to 5.9 billion Euro per annum for Germany.

Countries with a high amount of cheap renewable sources (see big hydro in Sweden for example) will - even if they have own national quote certificate systems - face the rapid export of certificates related to this energy and thus a huge lack in its own national RES energy programme and an increase in costs for home-made renewables by staying behind with more expensive solutions (new offshore, new technologies).

The EC trading proposal will lead to investment uncertainty and market disturbances. Only 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 “survive”. Instead of decentralised deployment of renewable energies, the large scale concentration of only a few technologies will be favoured. This will stop the fine industrial development in some EU Member States 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 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 whereas feed-in mechanisms are in view of the Commission the most efficient and effective way for rapid deployment of renewables. There is no evidence at all that these facts have changed.

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.

Peter Danielsson: “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. The introduction of such a trade mechanism and a forced niche “market” for renewables would create a severe obstacle and barrier for access to the energy markets and thus potentially 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.”

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