

EREF

European Renewable Energies Federation

Brussels, 08 January 2008

Dear Madam, dear Sir,

This is another urgent appeal from Europe's increasing number of independent RES producers to request you to abandon the introduction of voluntary or mandatory virtual certificate trade with the upcoming Renewable Energy legislative package.

We appreciated the open discussion we had with you or with many of your colleagues. We want to underline that we were often met with considerable comprehension and understanding.

We have already presented our arguments against the introduction of any virtual paper trade mechanisms in several discussions in the European Commission. If any harmonisation would be seen to be necessary it can only be via the introduction of a unified feed-in system in Europe.

Unfortunately, there seems to be no change at all within parts of the European Commission. We understand that it has decided to go - by all means –for a certificate trading system as the only prevailing system with Feed-in systems to being phased out, being tolerated for a few years until they have been destroyed. As long as this voluntary or mandatory trade for EU 27 is put in the directive, feed-in mechanism and with that investor confidence and a whole emerging and promising industry will be put at risk rather than being encouraged. We have outlined our analysis and we attach some of the background material again.

The Commission is placing our industry at risk and by this the real uptake of new renewable energy in Europe when proposing the most costly certificate system which will generate hardly any new renewable energies across the EU 27, but would instead become a very expensive burden for the final electricity consumer and further cement the power and dominance of the oligopolies in the energy market by pushing out independent power production from their territory and through the windfall profits they would obtain.

We need to inform you that the utility driven voluntary Renewable Energy system RECS is currently under heavy criticism in Germany of fraud-like behaviour in a sort of electricity laundering and one should better not align too close with such practices.

(DER SPIEGEL2/2008-05. Januar 2008 - Trickereien mit Ökostrom -

<http://www.spiegel.de/spiegel/vorab/0,1518,526802,00.html>).

We cannot understand that this European Commission wants to become the one entering international energy policy history as the terminator, the destroyer of successful, cost-efficient and effective national feed-in systems which have already proven to be the catalyst for the swift increase and promotion of new renewable energies.

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More than 40 countries world-wide have copied the German or Spanish feed-in Systems for rapid deployment of renewable energies. In the United States several States, such as Minnesota, New Mexico, Washington and Wisconsin have applied feed-in mechanisms for new renewable energies and are on their way to implementing them. The most important state in the United States, California, in itself regarded as one of the world's leading advanced economies, has just received the recommendation and draft by Public Energy Commission that the state adopt feed-in tariffs to spur renewable energy development.

<http://www.earthtoys.com/news.php?section=view&id=3547>

In March 2008, the third international Renewable Energies Conference will take place in Washington, following the first event in 2004 in Bonn and the second in 2005 in Beijing. The Commission should be prepared to stand up at this conference and declare that it proposed to finish feed-in systems in Europe by introducing voluntary or mandatory certificate trading at the very time when the former is being accepted and implemented across the world.

The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety outlined:

1. Mandatory or voluntary Trade of GC/GoO destroys Feed-in Tariffs when applied in parallel
2. Countries with low cost potentials/ technologies will lose that potential
3. Additional Costs for going certificate trade and endangering feed-in
 - ❖ Case of Germany:
 - ~ 4 Billion €/a 2020 for Germany
 - Loss of public acceptance
 - ❖ EU-wide cost: 100 Billion € up to 2020

In 2005 the Commission published a report (COM(2005) 627) on the effectiveness and efficiency of the national support mechanism.

The report underlines explicitly that “Feed-in”

- 1 Is “cheaper and more effective”
- 2 Gives investment security
 - differentiates between technologies and has
 - less windfall profits
 - promotes mid- and long term technologies
 - Chance for new-comers and new technologies

And we have also learned that recent evaluations by the Commission do not come to another conclusion.

Especially German energy utilities have earned unjustifiable windfall profits with the current emission trade regime EU-ETS. It means that the utilities obtained these emission trading rights allocated for free without auctions, but that they had increased the electricity price as if they had been obliged to acquire them through auction.

And, another aberration is now going to be introduced with virtual RES trade: The EU-ETS will be at least partly auctioned from 2012 on. Thus the utilities will lose roughly 5 billion EUR per year in windfall profits. This figure was calculated for example by the VIK -German Association of Industrial Energy Users and Self-Generators)

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It is estimated by a recent study by Fraunhofer Institute that they will basically gain the exact amount of new windfall profits through introduction of RES certificate trade.

The Fraunhofer study is entitled: "Increased auctioning in the EU ETS and trade in guarantees of origin for renewables: A comparison of the impact on power sector producer rents ". The study can be found at http://www.isi.fhg.de/e/working%20papers/WP_ETSAuctioning.pdf .

In principle, this study compares the dimension of future windfall profits avoided with an introduction of auctioning under the EU-ETS with the new windfall profits for the big utilities resulting from introduction of certificate trade.

Introducing a renewable certificate virtual pseudo market stabilises and increases the dominance of the oligopolies not only on the electrical power market but also on the future "CO2-market". There will be only a handful of buyers: the utilities. On the other hand, nobody has something to deal, because the targets are not fulfilled and with such erroneous (misguided) system they will never be achieved. So in the end you would have destroyed everything, the emission abatement objective and the renewable deployment objectives. Our industry will be gone – and will have left Europe (to benefit from more propitious US or other markets applying feed-in best practices) faster than you can imagine We only know a handful of giant electricity companies who will stay and stand to applaud the Commission for having done their job.

We cannot accept to let an administration which is not working as we do in the reality of actual and distorted energy market condition destroy a young and thriving industry, a sustainable job creator and independent power production in Europe by stubbornly following the voice of big utilities who so far have done next to nothing to increase renewable energies.

Sincerely yours

A handwritten signature in blue ink, appearing to read "Peter Danielsson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter Danielsson
President