

## VIEWS & PROPOSALS OF THE GREEK ASSOCIATION OF RES ELECTRICITY PRODUCERS (GAREP) ON THE EC DRAFT IMPLEMENTING REGULATION ON THE NEW UNION RENEWABLE ENERGY FINANCING MECHANISM

### A. General comments on the mechanism's main elements

1. It is important that this new RES financing mechanism, established by Article 33 of the Governance Regulation (EU) 2018/1999, and further developed/specified in the present Draft Implementing Regulation, can be activated by the Union not only in cases of a gap on the achievement of the EU or national RES targets ("gap filling function"), but also as an alternative, autonomous financing tool, for speeding up the penetration of renewables in the total Union energy mix ("enabling function"). In this sense, the new mechanism is primarily constructed as an EU-wide RES financing tool to be used for the benefit of its Member States and citizens. As such, the participation of third countries to the mechanism (as possible RES project hosts) should be examined carefully, on a case by case basis, and should, in general, be limited. Even then, **it should only concern third countries respecting the Community energy acquis communautaire, such as, for example, the countries of the Energy Community.**
2. Special attention must be given to ensuring that all Member States are given the same opportunities, as well as fair and equitable access, to this new RES financing tool. If projects in different Member States are to compete on equal footing with each other, then individual Member State parameters that are not controlled by the project promoters should be internalized in the calls, so as to establish a level-playing field for competition among all project promoters. Such parameters may include:
  - ✓ Financing scarcity, cost, security and terms. One way to deal with this issue would be for the successful project(s) to be given the opportunity for financing under the same terms and conditions (e.g. from the EIB), since it is reasonably expected that the great majority of the selection criteria would be fully compatible with those set for EIB financing eligibility.
  - ✓ Administrative and market participation costs
  - ✓ Taxation
  - ✓ Grid connection costs (construction and use)
  - ✓ Environmental termsetc.

3. Since the European Commission will be responsible for this financing mechanism and the attractiveness of its calls to the Member States and the project promoters, always to the benefit of the Union and its citizens, it should ensure that the interests of all involved parties are respected and carefully protected. Otherwise, the Member States will be discentivized and they will not participate voluntarily in this financing mechanism and process, but instead they will continue investing only in national or joint projects, or joint support schemes (Articles 9 - 13 of the recast Renewables Directive (EU) 2018/2001). If the European Commission wishes to ensure a high participation in this new financing mechanism and an effective functioning of it, it should make sure that the mechanism is offered under attractive terms and conditions, while:
- ✓ Providing the Member States with additional incentives, such as, for example, the financing of a minimum amount of support for each project with Union funds, and this part to be statistically allocated to the host Member States, not to the Union's target.
  - ✓ Providing more transparency and more detail, regarding all stages of the functioning of the mechanism and, in particular, those stages preceding the binding commitments and the deposit of the participation payment by the Member States.
4. The Draft Implementing Regulation must include specific provisions to safeguard the viability of the call and **the benefits of all involved parties, namely the contributing Member States, the host Member State(s) and the project promoters**. More specifically, since the ceiling price of the call is announced only after the binding commitment of the host Member State (Article 8), there should be protection of this Member State in case the ceiling price is very low and excludes national companies from participating in the call. The successful participation of a minimum number of companies from the host country is highly desirable in all these EU calls, to increase acceptance, local value and speedy realization of a winning project. We quote directly from the Draft Regulation recital 32, which is as follows: *“The mechanism should allow host Member States to obtain a number of advantages **potentially free of costs**, benefit from local investment and job creation, benefit from greenhouse gas reductions and improved air quality, modernize their national energy systems and reduce import dependency. Moreover, **host Member States should receive statistical benefits relating to the cost that the actual project generates, for instance network costs**”*.
5. Special attention must be given to the development and setting up of both the eligibility and the selection criteria in an EU call under the new mechanism. For example, what should be the minimum (licensing) maturity of a project that will be allowed to participate in the call? Or, should there be other selection criteria, besides the bidding price? Should environmental criteria be set in case of equal bidding prices? This could be reflected as an additional principle that the award procedure should comply with, **by adding in Article 14, paragraph 4 the concept of “taking into account environmental benefits”**.

6. It is not clear if and how crucial RES enabler projects, such as: a) storage, b) grid reinforcement/upgrading/expansion, and c) interconnection with RES-rich remote regions and islands, fit in this new programme, since the only award criteria in the Draft Implementing Regulation is “...lowest price calculated in accordance with good and volume...” and this is defined “...in terms of production capacity kW or energy production in kWh ...”. **These RES enabler projects are of paramount importance to the host country, and they should be strongly supported by the new mechanism, otherwise the winning projects, under the mechanism’s calls, will place a heavy burden on the host country to finance their supporting infrastructure (connection costs, costs of required grid reinforcement, costs of additional storage capacity needed, etc.), especially under possible grid-saturation conditions.**

## **B. Comments on specific articles of the Draft Implementing Regulation**

### **Article 2**

Paragraph 2.2(a): Since many existing renewable energy projects are, or will soon be, under repowering, by adding more capacity based on new and more efficient technological equipment, the term “new renewable energy projects” should be expanded to encompass: “new renewable energy projects, or addition of new capacity in existing ones, or repowering”, so as to cover these common and very useful projects.

### **Article 4**

Paragraphs 3 and 5: The Implementing Regulation should include a provision about the time of communication of the Commission’s decision in regard to the contribution of the Union funds to specific calls. This communication should take place before the confirmation of the binding commitments by the Member States and shall include finalised contribution of the Union budget to each project of each call. Furthermore, it is important that there will be no additional advantage to the private entities that contribute, through donations to the mechanism, to the financial support of successful projects, besides the advantage explicitly expressed in recital 14 of the Draft Implementing Regulation, namely that “.. *the renewable energy generated by projects receiving support from private sector contributions may be linked to the Union-wide green label referred to in Article 19(3) of Directive (EU) 2018/2001, consistent with the Sustainable Finance taxonomy*”.

### **Article 6**

Paragraph 2(e): The Commission should provide the Member States with clear and specific information on the methodology it will follow to estimate the share of statistical benefits that will be distributed to a host Member State. A crucial parameter that this methodology should take into account is the fact that the host Member State provides, among other things, the necessary grid capacity and the land for the implementation of the winning project(s), thus giving the

contributing Member State(s), which may be struggling to meet their own national renewable targets, often for space planning reasons, the opportunity to do so. The provision of the necessary electrical space and land is a very important aspect, especially for Member States like Greece that have strong and multifarious limitations in the utilization of both the national grid and the available land. This should be very carefully taken into consideration, **so that the mechanism never allows the contributing Member State(s) to be allocated 100% of the statistical benefit (as it is theoretically possible by the current phrasing of Article 26, paragraph 3), or the host Member State(s) to be allocated less than 20% of the statistical benefit.** In addition, the methodology should take into consideration the specific technology installed, and should differentiate the benefit-distribution results accordingly.

Paragraph 2(f): It is assumed that this grid cost-related information will be needed for the estimation of the total cost of the proposed projects. To this end, it would be necessary for the host Member State to also provide an indication of the corresponding WACC, cost of development, imposed taxes, and, also, administrative costs. Furthermore, the host Member State should provide information about the estimated length of the relevant administrative procedures that will, to a large extent, determine the project's actual implementation/commencement date.

Paragraph 2(g): As already pointed out in the General Comments section, since the ceiling price is announced only after the binding commitment of the host Member State is made (Article 8), there shall be some protection for the host Member State, in case this ceiling price or the award price of the bids is very low and covers only a small fraction of the real local costs of the project. Therefore, after 2(f), an amended 2(g) should be inserted, with regard to the minimum price of support of the projects, as follows:

*"2(g) the minimum price (€/MWh) of support for each project implemented in the territory of the host Member State".*

Accordingly, the existing 2(g) should be amended to 2(h).

Paragraph 3(a): When the contributing Member State confirms its binding commitment with regard to the volume per grant award procedure, combined with a maximum budget (Article 9), and transfers the payments to the Union budget (Article 10), it still does not know and cannot influence neither how, nor how many kWh of renewable electricity will be financed by its payment. However, the volumes that will be produced, are crucial for the statistical transfer. Therefore, the contributing Member State should provide the Commission with (a) the minimum volumes of renewable energy, expressed in terms of kWh, that they intend to support through the mechanism.

Paragraph 3(d): Host Member States, unlike contributing Member States, are not given the opportunity, in the Draft Implementing Regulation, to state their preference for technology-neutral, multi-technology, technology-specific or project-specific tenders. In any case, the

experience in countries such as Germany<sup>1</sup> or Greece<sup>2</sup> has shown that multi-technology tenders (e.g. common tenders for wind and solar energy) are not particularly effective, since only (or mainly) bids for solar projects have been successful. Therefore, the tenders should only be technology-specific, at least in the first few years of the functioning of the Union renewable financing mechanism, and, in addition, host Member States should have a serious saying in their selection.

The establishment and smooth operation of the Union renewable financing mechanism under consideration, is already complicated and challenging enough, since the tender design shall take into account the specificities of the Member States and, also, additional parameters such as those laid down in Article 6 of the Draft Implementing Regulation. As a result, the opening of tenders to complex multi-technology or technology-neutral award procedures should take place at a later stage, after a thorough evaluation of the effectiveness, the efficiency, the adequacy of the results and the overall practical experience of the first years of the mechanism. In any case, the design of these types of complex tenders (multi-technology or technology-neutral) should be made with due care, after a thorough analysis of all parameters and impacts.

**As a general direction, it is preferable that host Member States define the technology mix, according to their system needs and available land. Of course, Union based technology suppliers should be promoted.**

Paragraph 3 (g): It is proposed that a new number (g) is added at the end of paragraph 3, providing “evidence that the said contribution will not jeopardise the financial sustainability of the host Member State’s RES support scheme(s), creating, among others, debt or deficit to the Special Account dedicated to the support of existing RES generation projects”.

Paragraph 6: As already emphasised in the General Comments section, individual Member States’ factors and cost/financing parameters, such as financing scarcity and associated costs (WACC), cost of development, administrative and market participation costs, taxation, grid connection costs (construction and use), environmental terms, etc., should all be taken into account in the calculation of the ceiling price.

Paragraph 7: A time schedule for the steps described in Paragraphs 2-6 is missing. The only time indication is the requirement of Member States to provide their binding response in two (2) months from this step on. Host Member States should be entitled to participate in the formulation of the call parameters before the given call is finally launched.

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<sup>1</sup>[https://www.bundesnetzagentur.de/DE/Sachgebiete/ElektrizitaetundGas/Unternehmen\\_Institutionen/Ausschreibungen/Technologieuebergreifend/BeendeteAusschreibungen/BeendeteAusschreibungen\\_node.html](https://www.bundesnetzagentur.de/DE/Sachgebiete/ElektrizitaetundGas/Unternehmen_Institutionen/Ausschreibungen/Technologieuebergreifend/BeendeteAusschreibungen/BeendeteAusschreibungen_node.html)

<sup>2</sup> [http://www.rae.gr/site/categories\\_new/about\\_rae/factsheets/2020/maj/0204\\_4.csp](http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/maj/0204_4.csp)

## **Article 7**

Paragraph 1: Presumably, the said “irrevocable and unconditional” commitment of the host Member State is in regard to the parameters laid down in Paragraph 2. In which sense is the commitment binding? What are the legal consequences if the host Member State decides, at a later stage, not to participate?

Paragraph 2(a): The Draft Implementing Regulation sets no limit to the maximum capacity in the host Member States’ territory that can be declared available to projects. This may lead to extremely big volumes of available capacity in the host Member States’ territory, which, in turn, may lead to very low bids. Since the available capacity is one of the most important factors of the tender design, the Implementing Regulation should set criteria for the maximum available capacity that host Member States are allowed to propose. Therefore, the information about the calculation of the maximum capacity of the host Member State should be part of the information referred to in Article 6, paragraph 7.

Paragraph 2(d): Since the host Member State actually “hosts” the investment by providing the necessary land and other implementation means, it should have the right to co-determine some special additional eligibility, selection and award criteria for the grant award procedure, reflecting its economic, technical/technological and administrative situation and constraints. The Commission shall then examine, finalise, modify and accept some (or all) of these special criteria. Therefore, Paragraph 2(d) shall be replaced as follows:

“(d) special additional eligibility, selection and award criteria for the grant award procedure, as proposed by the host Member State”.

Accordingly, the existing Paragraph 2(d) should be renumbered as Paragraph 2(e): "other relevant elements".

New version of Paragraph 2(e): Since the Implementing Regulation does not define the “other elements”, this information should be part of the information referred to in Article 6, paragraph 7.

## **Article 8**

It is not specified in this article, nor in the referred Article 6(6) how exactly the ceiling price and the maximum budget will be determined by the Commission. The calculation method should be announced to the participating Member States at this stage, the latest. In general, as already mentioned, ceiling price, type of support and duration are expected to vary among technologies, due to different maturity level and LCOE. Furthermore, it is noted that the scope of the grant award procedure affects the ceiling price. Therefore, the Commission should communicate to participating Member States, already at this stage, the scope of the grant award procedure, together with the calculation methodology for the ceiling price and the maximum budget, that will be available for each call for proposals.

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## **Article 9**

Paragraph 1a: The contributing Member State cannot determine the financial contribution per grant award procedure, since, at this stage, it is not known how many award procedures are going to take place in the same call for proposals.

## **Article 10**

Paragraph 1: It is surprising that the Draft Implementing Regulation includes no provision about the minimum level and form of information that will be announced in the call for proposals. Thus, Paragraph 1 should be amended, so as to specify that the call for proposals will, at least, include the information provided for in Article 6, paragraph 5, as well as the elements that are included in the binding commitments of the host and the contributing Member States.

A case such as the one described in this paragraph, i.e. where *“the interest expressed by contributing Member States and/or host Member States results in volumes which are too low to successfully implement a call, or where the related transaction costs would be excessive”*, mostly manifests itself when there is no interest on the part of the contributing Member State(s). **In any other case, and if there are grants available, the calls should proceed, even if the expressed interest of the host Member State is low.**

Furthermore, there are no criteria in this article for the decision of the Commission to *“launch several calls at the same time, or conduct several grant award procedures under the same call”*. For example, one of the most important elements of a tender is the tender volume: it is different to have just a single award procedure for the whole available capacity, and different to have several award procedures for each part of the tender volume. Similarly, it is not clear if there will be any geographical limitations in regard to the available capacity of the host Member State. The Draft Implementing Regulation provides no criteria about the geographic allocation of the tender volume or of the bids. How many, or which host Member States, will be involved in the same award procedure? The same questions arise in regard to the allocation/distribution of the different technologies, in cases of multi-technology grant award procedures. On which criteria will these decisions be based? Furthermore, **there is no provision in regard to a) whether, b) when and c) how can the Member States raise objections to a specific call for proposals, or to the decision not to launch a call for proposals.**

Finally, the Draft Implementing Regulation does not provide any methodology for the definition of the transaction costs. How will these costs be calculated?

**All the issues raised above should be clarified by the Commission, communicated to the Member States, whose responses should be taken into consideration, and then the relevant provisions should be finalised and included in the Implementing Regulation, as well.**

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## **Article 11**

Paragraph 1: As mentioned in Article 10 as well, Article 11 (or any other article in the Draft Implementing Regulation) does not include any provision in regard to a) whether, b) when and c) how can the applicants raise objections against the evaluation of their applications by the Commission, or against the award decision. The Implementing Regulation should include provisions in regard to all those rights mentioned above. Furthermore, as mentioned in Article 7, the eligibility criteria, as well as the specifics of the award process should be proposed by the hosting Member State.

Paragraph 2: When two projects of the same technology offer the same price, then priority should be given to the project with the larger amount of kWh produced.

## **Article 13**

In case the project developer fails to implement his proposed and call-winning project, and in order to keep a balance between the different interests of all parties involved, there should be clear rules for each case of failure.

Therefore, the following clarification amendments to Article 13 are proposed:

1. *“Where the project promoter fails to deliver in accordance with the call for proposals and with the relevant grant agreement”*, the responsible authorising officer may suspend payments or the implementation of the legal commitment. In this case, the Commission shall offer the contributing Member State the opportunity to keep its contribution in the mechanism, or even in the same Member State calls, to be utilized in the future.

2. *“Where the project promoter delivers after the delivery time laid down in the call for proposals and in the relevant grant agreement, or where the project promoter does not deliver the expected generation capacity or renewable energy”*, the responsible authorising officer may reduce the grant in proportion to the extent of the breach of the corresponding obligation. In this case, statistical benefits to Member States shall be attributed on the basis of the actual capacity provided or renewable energy generated. In that event, the participating Member States shall be deemed to have taken additional measures in accordance with Article 32(3) of Regulation (EU) 2018/1999 for an amount of energy calculated by the Commission on the basis of the expected generation capacity, the financial contribution paid by the Member State, and the ceiling prices applicable to the tender, in which the Member State committed to participate.

## **Article 14**

Paragraph 3: The term “voluntary payment” must be changed to “additional payment”



## **Article 15**

### **Paragraph 1:**

We highly encourage the existence of all those grant award procedures. However, as there have not been any end-use specific grant award procedures in the Member States so far, especially for heating and cooling, the Draft Regulation should clarify the scope of these procedures.

Furthermore, in line with the corresponding comment made in the General Comments section, it should be, once more, emphasised that renewable energy penetration in the EU and its Member States is directly and strongly connected to storage capability. Calls that will include storage capacity reimbursement will be attractive for host Member States and, in addition, such projects will help the EU to effectively meet its renewable energy targets in the years to come. Therefore, a sixth category of grant is suggested in Paragraph 1, as follows:

“(f) Renewable energy and storage grant award procedures, where appropriate ceiling price is selected to include a fair capacity payment for storage”.

## **Article 20**

There is a reference for demonstration projects in this article, but there is very limited definition (“*representing significant innovation*”). The Draft Implementing Regulation should provide significantly more details about this particular, and very useful, aspect. We suggest that **this category includes the introduction for the first time (i.e. first project) of a specific technology in a host Member State.**

## **Article 21**

Paragraph 4: The specific time for defining the volumes of the competitive grant award procedure is not foreseen in the Draft Implementing Regulation. It is assumed that this definition takes place in the calls for proposals, but this should be stated in the Implementing Regulation.

## **Article 22**

Paragraph 1: The information about the implementation periods should be provided in the calls for proposals.

Paragraph 2: The meaning of this key paragraph is not clear. From the experience gained so far, it is a well known fact that some technologies are easier to develop, compared to others (e.g. photovoltaics vs. wind). As a result, if delivery time is a critical selection criterion, then it is better that this requirement refers not to a specific duration, but a reasonable time range.

## **Article 26**

**Paragraph 3:** As the generation of renewable electricity (in kWh) is the basis for the calculation of the statistical transfers, the most important factor for the distribution of statistical benefits between contributing and host Member State should be the contribution of the financial support by the contributing Member State to each generated kWh. To this end, the Commission should be able to estimate the total cost of production of each generated kWh in each individual Member State. Consequently, the Commission should provide the Member States with this information, **before the allocation of the statistical benefits.**

**The distribution proposed by the Commission should be based not only on the criteria (a), (b) and (c), mentioned in this paragraph, but also on the comparison of the award price of a specific call to the host Member State's national wholesale-price average. If the award price is lower than this average, then the maximum foreseen allocation (50%) should be given to the host Member State.**

**Paragraph 4:** The present article does not foresee any specific time for the communication of this information. Paragraph 4 should, thus, be amended, so as to require the Commission to inform the Member States on the allocation at the stage described in Article 8, the latest.

**The Greek Association of RES Electricity Producers (GAREP)** is an association of independent power producers active in the development, installation and operation of RES-electricity projects in Greece. GAREP represents the majority and the full technological spectrum of installed renewable capacity in Greece and strives to facilitate the implementation of RES projects nationwide.

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