European Commission Green Paper on a 2030 framework for climate and energy policies – Response from the UK's Renewable Energy Association

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The Renewable Energy Association (REA) is pleased to submit this response to the European Commission's Green Paper on a 2030 framework for climate and energy policies. The REA represents a wide variety of organisations involved in renewable energy in the UK, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 1,100 corporate members of the REA, making it the largest renewable energy trade association in the UK. The REA's main objective is to secure the best legislative and regulatory framework for expanding renewable energy production in the UK. The Solar Trade Association is affiliated to the REA.

Executive Summary

In 2009 the European Union had the foresight to approve the Commission's 20:20:20 proposals, including mandatory 2020 targets for greenhouse gases and renewable energy and an indicative target for energy efficiency. Whilst the directives and other measures that accompany these targets are not perfect, we should be celebrating their success and the huge impact that they have had in encouraging the realignment of Member State energy policies and systems. The Commission deserves our congratulations for having put in place such a framework.

Our contention is that the 2009 framework essentially got it right and that a similar approach should apply for 2030, extending the targets to provide the market with the continuing certainty so crucial to encouraging investment. For renewable energy this is vital if the Commission wishes to see its share continue to increase at the current growth rate. The Renewable Energy Directive has been extremely successful in helping to create the right conditions for the renewables markets to grow and it contains the basis for supporting cost-effective growth beyond 2020, subject to revision of the national and overall targets and review of certain detailed provisions. Why abandon such a successful approach?

It must be emphasised that renewables provide much more than carbon mitigation – they provide enhanced energy security, significant economic growth and employment potential, very good export prospects and long-term insurance against the rapidly rising costs of conventional energy. They do not require fuel to be mined/extracted, nor wastes to be stored, thus avoiding the environmental damage and health risks involved in these processes. Use of organic wastes as an energy resource provides valuable synergies with waste management practices. In addition there are security benefits from expanding renewable energy use. The decentralised nature of the resources means they are less of a target for terrorist attack. There is also less of a need to deploy military resources to protect the EU's fossil fuel supplies.

In short renewables represent an investment in the EU's future that will pay handsome dividends in due course.

That is not to say the renewables sector has been problem-free and that nothing needs addressing. There are arguments about affordability, yet there is also clear evidence that the costs of many renewables are falling. There have been issues relating to the design of certain support schemes, though the most obvious example of this has been due to the very positive (and largely unforeseen) dramatic reduction in the cost of PV technology. The debate around bioenergy sustainability standards continues and renewable energy technologies must continue to maintain public support as their deployment increases. The Commission should set standards based on the current scientific evidence and stick with them to avoid the kind of policy paralysis that is currently besetting the biofuels sector.

These issues are mainly the signs of a successful and growing industry - they can be dealt with by improving the support schemes and using the framework provided by the current Directive. The mechanisms exist to facilitate cross-border trading and incentive schemes are evolving to build in mechanisms that ensure support levels remain in line with falling costs.

Much has been learned at the European level as incentive regimes have evolved. The report due later this year on good practice in the design of policy instruments is to be welcomed. The transition from needing subsidy to being able to deploy purely under a carbon signal is approaching for some technologies and will pose some difficult questions. EU-wide guidance, driven by a specific renewables target, could play an important role. Its replacement with a carbon-only target would risk losing the momentum achieved to date to bring about the transition to a resilient, more self-sufficient energy future for the EU.

The crucial factor for renewables is that the journey to full competitiveness cannot be achieved in a few short years – it must be seen as a journey that requires long-term commitment by governments, industry and consumers. Renewable energy must be put at the very heart of energy policy for it to make a substantial contribution – this means ensuring the external costs of conventional energy are fully internalised, recognising that energy infrastructure has been built for centralised rather than distributed generation and putting in place an institutional and regulatory framework that acknowledges the diversity of renewable energy sources and the intermittency of some of these.

All this points to **a clear need for a separate renewable energy target for 2030, set at EU level but made up of mandatory national targets for all Member States**. This target should be set at the same time as the greenhouse gas and energy efficiency targets, as they are all inter-dependent. There are many reasons for the renewable energy target to be mandated at national level, not least the fact that this is where principal democratic accountability lies. We greatly regret that the UK government argues against a 2030 renewables target and intend to engage them forcefully on this, as we interpret their position as wavering from their commitment to renewables.

We think that the renewables target for 2030 needs to be set at an ambitious level, taking into account the potentials across EU Member States. It is important that the target be achievable at an acceptable cost, but also ambitious enough to drive the cost reductions that come from volume deployment. We think that it is important for renewables to contribute to all energy sectors and there is a particular need to maintain momentum in the transport sector by setting a sector-level target that recognises transport's unique challenges, including how to incentive the uptake of more costly second-generation biofuels.

So in conclusion we believe very strongly that ambitious, mandatory national renewable energy targets for 2030 are needed as part of a wider 2030 EU framework and that the current Directive provides the logical starting point for the regulatory framework. Without the clear focus that mandatory targets would provide it is likely that momentum will falter and renewables will fail to achieve their long-term potential. Renewable energy has been a European success story to date, and will remain so if the EU's commitment can be maintained. We very much hope that the focus can shift to how ambitious the target should be, rather than whether there should be one.

Green Paper Questions

General

1. Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?

One of the key success factors of the EU's 2020 Climate and Energy framework is that it links the different sectors to ensure that the European Union achieves its ambitious 2050 agenda. In order to reach many objectives (i.e. competitiveness, decarbonisation, security of supply, economic growth, etc) many instruments are needed. The EU 2050 agenda cannot be reached with a single CO_2 reduction tool.

The EU's 20% renewable energy target has shown how a long-term, legally-binding target distributed to Member State level can be successful in providing the necessary incentive for Member States to develop a renewables industry. Since the adoption of the RES Directive in 2009, the European renewable industry has grown 30%, providing 1.2 million jobs in 2011. The binding targets have been the impetus behind the EU reaching a share of 13% RES in final energy consumption in 2011. It should be noted however that growth has been uneven across the sectors, with the heating & cooling and transport sectors lagging.

It is important to emphasise that it is the binding nature of the target that makes its achievement possible. The Directive's requirement for Member States to produce National Renewable Energy Action Plans has provided the renewable energy industry with relatively clear direction to 2020. This combination of clear target and action plan provides the kind of certainty that industry needs if it is going to invest, so long as there is good evidence that both are being implemented through concrete measures.

Targets

2. Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?

Although the costs of renewable energy technologies are generally decreasing, the industry is still not fully competitive. Therefore, government needs to give clear investment signals to the industry by making a long-term commitment. Energy market price signals remain distorted in favour of conventional energies. Although their external costs are partially compensated for through the EU ETS and renewable energy market incentives, current retail prices do not reflect their true cost. Fossil and nuclear energy also still receive many times the level of subsidies of renewables.

To achieve the multiple objectives of European climate and energy policy, the EU should extend its integrated climate and energy framework to 2030 with ambitious and legally binding targets for:

- Renewable energy
- Energy efficiency
- Greenhouse gas reduction

This builds on the success of the 2009 20:20:20 package, which has demonstrated beyond doubt that binding targets are required if governments are to take them seriously. But the industry is already looking well beyond 2020 to justify the major supply chain investments that are needed. With regard to the 2030 renewable energy targets, they should be:

- **Mandatory**: A binding target at national level is the best way to encourage all Member States to commit to a sufficient level of renewable energy. Coupled with a

package of measures designed to achieve it, a clear target decreases the cost of capital and facilitates the achievement of the target in the most cost-efficient way. In order to guarantee concerted action the targets need to be legally binding.

- **National:** We disagree with the concept of a renewables target implemented only at EU level. An EU target needs to be devolved to Member State level as this is the most appropriate one for both energy markets and the regulatory regime; it is also where principal democratic accountability lies. In order to provide clarity to all concerned, penalties on Member States for non-attainment should be spelt out from the outset and should be commensurate with the effort required to achieve the targets.

  Renewable energy sources are geographically dispersed and generally best used close to where they arise. For electricity generation there are trade-offs between the costs (which are generally lower where the resource is most concentrated), transmission and distribution (cheaper the closer that generation is to demand) and public acceptability. A renewables target managed at EU level may have superficial attractions from an economic perspective, but focusing deployment on those areas of the EU with the very best resource will soon cause resentment from the local populations that would be exposed to these "concentrated" impacts and this would ultimately prove counter-productive. We envisage however that trading and flexibility mechanisms will play a greater role in the future as the levels of penetration increase.

We caution against reliance on a "greenhouse gas only" target. One has only to look at the current state of the EU ETS market to realise the dangers of going down this route and the instability this would produce for renewables investors, increasing their costs through the resulting higher cost of capital. Clearly renewable energy can make an enormous contribution to mitigating carbon emissions and the two targets should be seen as complementary.

We know from our experience in the UK that renewable energy targets are far more effective at sending market signals than greenhouse gas targets. The UK Climate Change Act imposes a greenhouse gas reduction trajectory to 2050 but government modelling shows a tail-off in UK renewable electricity deployment post-2020, when the current Renewable Energy Directive expires. This indicates clearly that it is the current mandatory target that is driving renewable electricity uptake and that a greenhouse gas target alone is seen as insufficient.

However renewables provide much more than carbon mitigation – they provide enhanced energy security, significant economic growth and employment potential, very good export prospects and long-term insurance against the rapidly rising costs of conventional energy. They do not require fuel to be mined/extracted, nor wastes to be stored, thus avoiding the environmental damage and health risks involved in these processes. Use of organic wastes as an energy resource provides valuable synergies with waste management practices.

In addition there are security benefits from expanding renewable energy use. The decentralised nature of the resources means they are less of a target for terrorist attack. There is also less of a need to deploy military resources to protect the EU's fossil fuel supplies.

In short renewables represent an investment in the EU's future that will pay handsome dividends in due course.

3. Have there been inconsistences in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?

The existing 20:20:20 targets deliver mutually reinforcing objectives and we believe that they all need to be extended to 2030. To further ensure that they work in a coherent and concerted way and be mutually supportive, we would suggest that initial priority should be given to setting binding renewable energy and energy efficiency targets, given their

strategic long-term climate mitigation role and multiple benefits. The energy efficiency target is important in its own right but also because it facilitates attainment of the renewable energy target. The greenhouse gas target can then be set taking the resulting emissions reduction into account and provide additional incentives beyond efficiency and renewable energy, which could be met by additional renewable or energy efficiency action as well as by CCS, or nuclear.

4. Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO_2 reductions for passenger cars and light commercial vehicles?

We think that it is important for renewables to contribute to all energy sectors so Member States should continue to set targets for the power, heating and cooling and transport sectors in their national action plans. Member States should be encouraged to exploit their respective total potential and to address the barriers in those subsectors which seem to be the most appropriate, which will vary between and within Member States. The UK has shown relatively poor progress in the heating & cooling sector but we do not see setting a sector specific target in this area as the solution.

Past experience in the UK has shown that, before the current mandatory sectoral target for transport, government was unwilling to introduce the measures necessary to incentivise the uptake of renewable fuels in the transport sector. Even with the 10% EU-wide target, progress has been very slow. The Commission wishes to see second generation biofuels play a greater role but these are at an earlier stage of development and consequently more expensive to deploy. The required investment will only materialise if there is a strong regulatory driver, underpinned by an EU-wide renewable transport target. We therefore believe that a separate sub-target will be required for the transport sector.

5. How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?

Experience has shown that incentives for renewable energy technologies require evolving frameworks, which should be tailored to national characteristics and their differing levels of market maturity. It is important to stress that increasing the share of renewable energy by setting a 2030 target does not mean a continuation of existing support mechanisms for all renewable energy technologies. A coherent, stable and predictable 2030 framework, including an ambitious binding renewables target, will significantly minimise the costs of uncertainty, lower the investment risk, reduce the costs of capital and hence reduce the level of support needed. Post-2020 an increasing number of renewable energy technologies will be able to move away from existing support mechanisms into a fair and properly functioning energy market for electricity, heating & cooling and transport.

The UK government has learnt from recent experience with its renewable energy incentive schemes and is now building cost control mechanisms into all of these, to ensure that they deliver maximum value for money while continuing to provide an adequate level of incentive to renewable energy developers. Although we have a number of concerns with the detail of how these mechanisms work in practice, this is an example of how experience can gradually improve the cost-efficiency with which renewables capacity will be brought forward.

6. How should progress be assessed for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets?

Progress with respect to security of supply can be measured through the annual statistics on renewable energy supply published by Member States and amalgamated by EUROSTAT. While a greenhouse gas target cannot ensure increased independence from imports, renewable energy targets, as well as efficiency targets, reduce Europe's use of fossil fuels, which are the main reason for Europe's energy import dependency. It is important for the

enormous balance of trade benefits afforded by renewable energy to be factored into decisions relating to 2030.

In addition renewable energy sources are diverse and geographically dispersed, often contributing to demand close to where it is needed (e.g. locally-sourced biomass boilers or roof-mounted solar energy). By providing local employment, particularly in rural and less economically developed areas, they can make a significant contribution to local and regional economic growth. Bioenergy provides a major opportunity for diversification of the rural economy.

Instruments

7. Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?

If renewable energy is to reach its full potential then it must be placed at the very heart of energy policy and a holistic approach must be adopted. Setting a target is only part of the story, even if accompanied by adequate support measures. The national renewable energy action plan (NREAP) should seek to create a regulatory and institutional framework that recognises the particular features of renewable sources. The capital intensity of renewable energy technologies means that investors are particularly sensitive to policy risk that may destabilise returns. The Commission can play a valuable role by setting a clear framework through an extended Renewable Energy Directive and monitoring Member State actions to ensure compliance.

Many renewable energy technologies have scope for enhanced performance and cost reduction through R&D and EU support could play a significant role there, complementing and co-ordinating activities at the Member State level. There is also a significant need for common standards and certification procedures, encouraging the internal market and removing barriers to trade.

8. How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?

There is always a tension between achieving the lowest cost renewable energy deployment, encouraging contributions from emerging technologies and ensuring a reasonable geographical spread to deployment. As an association that covers the full spectrum of renewable energy technologies we believe that support should focus on those technologies most able to make cost-effective contributions to energy supply whilst also providing targeted opportunity for emerging technologies to prove their worth and potential. The strength of renewable energy is its ability to provide a broad portfolio of options for energy supply, but it would be unrealistic to expect the emerging options to compete with those that are well established.

The Commission is providing guidance on the design of Member State renewable energy support schemes and this is a welcome opportunity to encourage best practice and cost-efficiency. There is a tendency for the Commission and Member States to focus on electricity to the detriment of the other sectors – this should be addressed.

9. How can fragmentation of the internal energy market best be avoided particularly in relation to the need to encourage and mobilise investment?

Concentrated markets, powerful incumbents and regulated prices are only a few of the impediments to the realisation of fully-functioning European energy markets. The objective of the renewable energy industry is to be competitive and cost-efficient in markets designed with regard to the characteristics of renewable energy sources at their heart. The current EU energy markets and infrastructures were developed during state-owned times with centralised, incumbent energy monopolies. Renewable energies face significant challenges

integrating into such markets, where prices do not account for the externalities of conventional energy. In the absence of a functioning EU ETS which can internalise environmental costs and because of existing fossil fuel subsidies and governmental support for nuclear energy, support for renewables is necessary to counteract market failures and to create a more level playing field.

It should be noted that the current Renewable Energy Directive already makes full provision for trading and co-operation mechanisms between Member States, though relatively little use of these has been made to date (the Commission is due to issue a paper on this later in 2013). It would be wise to allow the use of these mechanisms to develop gradually over the coming years before judging whether additional incentives are required. As a national association we would prefer to see the UK's target being met through deployment at a UK level, but we recognise the benefits of achieving EU deployment in the most cost-effective way.

10. Which measures could be envisaged to make further energy savings most cost-effectively?

Both renewable energy and energy efficiency have been identified in the EC Energy Roadmap 2050 as no-regret options. Combining these provides the double benefit of increasing the cost-effectiveness of renewable energy (as less capacity is required overall, and where meeting on-site needs, smaller and therefore cheaper installations are required) and reducing primary energy use e.g. in buildings. Greater use of combined heat and power (CHP) provides an opportunity to generate power more efficiently, as well as opportunities for these to be fuelled from renewable energy sources.

11. How can EU research and innovation policies best support the achievement of the 2030 framework?

Policies to promote renewable energy need to provide both "demand pull" (via market incentives) and "supply push" (via R&D) to develop a broad portfolio of technologies, though the primary focus should be on the former.

Innovation driven only by carbon pricing would narrow the focus of technology deployment to the lowest cost, i.e. closest to market technologies. This would be at the expense of the broad range of critical renewable energy technologies, which could be competitive in the medium term and which could be necessary for the long-term cost-effective decarbonisation of the energy sector.

Our suggestion would be for EU innovation policy to focus on emerging technologies that are relatively early in their development and deployment, require significant investment to reach a fully commercial status and have the potential to provide the EU with large amounts of renewable energy. Examples include marine energy (wave and tidal stream), geothermal energy and second generation biofuels. Another area that could make major advances through research and innovation policies is electricity storage, both at large-scale and at energy user level. EU support should focus on opportunities that require investment beyond the scope of individual Member States, or where it can add value beyond national activities.

Competitiveness and security of supply

12. Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?

Renewable energy not only provides a contribution to mitigating climate change and a way to improve energy security, but also a way to boost economic growth and competitiveness. Investment in the sector is a way to restore Europe's economy to health. Stable frameworks to promote the development of the renewable industry should be maintained and

enhanced, even in times of austerity. The renewable energy industry provides multiple opportunities for investment in European growth. The EU renewables sector directly and indirectly employs more than 1.2 million people, rising to 2.7 million people in 2020 (our own study conducted in 2012 projected a figure of ~400,000 for the UK in 2020[1]). Ambitious 2030 renewable energy targets could result in 4.4 million jobs in the EU[2].

Achieving this will undoubtedly require a 2030 EU renewable energy target to be set and we have no doubt that to be effective it needs to be distributed as before at the Member State level and the targets must be legally binding.

13. What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?

Clearly the best way to avoid carbon leakage is for the UNFCCC to deliver an agreement in 2015 that removes the incentives for energy intensive industries to move to countries with lower environmental standards – the so-called level playing field. We strongly encourage the Commission to continue its work in pursuit of that objective, though not at the expense of losing sight of the important role that a growing renewable energy sector can play in meeting a wide range of energy, climate change and economic development goals.

We know of no evidence that supports an assertion that the cost of renewable energy is responsible for energy intensive industries leaving the EU, though that assertion is sometimes made by those industries and elements of the media opposed to renewables.

14. What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?

The most important thing that the EU can do is ensure that the costs of conventional energy sources fully reflect their external costs. The EU ETS has shown itself to be ineffective in that regard so careful thought needs to be given to its reform, or an alternative approach such as a carbon tax.

There is clear evidence that rising fossil fuel prices are the major reason for the recent increases in consumer energy bills. The REA recently supplied evidence[3] in support of this to the UK Parliament's Energy and Climate Change Committee. The EU has little margin for manoeuvre to influence world trends in energy costs: it is a price-taker, not a price-maker. This is another argument in favour of renewable energies, which will in some cases become the marginal energy technology and thereby have a moderating effect on global energy costs. One of the attractions of renewables is the insurance they provide against the volatility of energy markets.

Because wholesale market power prices are determined by marginal costs and because renewable power from many renewable sources has very low marginal cost, when these are available they displace the high marginal cost power plants, namely gas, coal and oil, thus decreasing the overall electricity price. Policy stability enhances investors' confidence and minimises the risk premium for financial investors which is critical for capital intensive technologies such as renewable energy.

15. How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international negotiations be taken into account?

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[1] See the report 'Renewable Energy: Made in Britain' on the REA website: www.r-e-a.net/resources/pdf/61/Renewable_Energy_-_Made_in_Britain_Executive_Summary.pdf

[2] European Renewable Energy Council, Hat-trick 2030 - An integrated climate and energy framework, http://www.erec.org/fileadmin/erec_docs/Documents/Publications/EREC_Hat-trick2030_April2013.pdf

[3] Please see http://data.parliament.uk/writtenevidence/WrittenEvidence.svc/EvidencePdf/423

This is clearly an important factor when it comes to setting the overall target for greenhouse gas emissions and we agree that the EU's offer in this area should be linked to the willingness of others to do likewise. However it should not necessarily influence the process for setting renewable energy and energy efficiency targets as these have important objectives other than carbon reduction, in particular reducing the EU's dependence on fossil fuel imports.

16. How to increase regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets)?

Investments in the energy sector have become significantly more difficult due to the uncertainty about the mid and long-term policy perspectives. The Renewable Energy Directive has provided the market with a degree of medium-term certainty independent of political cycles. Policies which ensure stability and predictability mitigate risk and increase market confidence. This in turn reduces the cost of capital and helps to unlock private investments.

By providing the necessary long-term predictability of market volumes and direction, a binding 2030 renewables target will decrease the costs of uncertainty while at the same time facilitating the achievement of the existing 2020 targets in the most cost-efficient way.

17. How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?

We agree that hypothecation of the revenues from EU ETS auctions into climate change mitigation and adaptation measures makes a lot of sense. From a renewables perspective we would advocate support for the most promising emerging technologies which cannot make the transition to full competitiveness with other renewables sources without additional support, but which have significant potential (see our answer to Question 11).

18. How can the EU best exploit the development of indigenous conventional and unconventional energy sources within the EU to contribute to reduced energy prices and import dependency?

There is much discussion and excitement at present concerning the prospects for shale gas, though these have yet to be established at an EU level. There is no doubt that gas will continue to play an important role in the medium term, complementing renewable electricity due to the ability of gas to provide flexibility, load following and ancillary grid services. It is also very important in meeting high heat demand for short, intensely cold periods, which will be a significant challenge the more that heat production is electrified. If the environmental impacts of exploiting shale gas prove to be acceptable, the resource is economically exploitable and its development meets with public approval, it has scope to help the EU decarbonise though fuel switching and would improve the balance of payments. However there are widely differing views on the extent to which shale gas could revolutionise the economies of EU member states the way that it has in the US.

It certainly could play an important transitional role, but we would strongly caution against letting the development of shale gas shift the emphasis away from renewables, nor do we see why it should. The EU currently has a significant competitive advantage in the renewable energy sector and should aim to capitalise on that. Plus the EU needs zero carbon energy, which shale gas can never provide, unless coupled with CCS.

19. How can the EU best improve security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes?

Improved security of supply will be improved if the EU:

- Increasingly invests in renewable energy and energy efficiency: this will help ensure a diversified portfolio of technologies and hence improve security of supply.
- Ensures that sufficient infrastructure, grid and interconnectors are in place. The increased grid and interconnection capacity should be used for balancing purposes, which ensures better security of supply.
- Promotes demand-side management and cost-effective electricity storage.

Setting a mandatory renewable energy target for 2030 is a key step towards achieving these.

Capacity and distributional aspects

20. How should the new framework ensure an equitable distribution of effort among Member States? What concrete steps can be taken to reflect their different abilities to implement climate and energy measures?

Overall targets should be set at the EU level, distributed at national level and they should be binding on Member States under an effort sharing calculation similar to the process used for the 2009 Renewable Energy Directive. Member States are thus given the flexibility to meet their targets with the technologies and in the sectors they prefer, according to their renewable energy potentials.

Cooperation mechanisms should be reinforced to facilitate target achievement while ensuring a fair distribution of efforts among Member States.

21. What mechanisms can be envisaged to promote cooperation and a fair effort sharing between Member States whilst seeking the most cost-effective delivery of new climate and energy objectives?

The Renewable Energy Directive already includes cooperation and flexibility mechanisms available to the Member States: statistical transfers, physical trading and joint support mechanisms. Whilst most Member States have started by focusing on their domestic renewable energy potential, there is evidence that many are now looking at opportunities under the cooperation mechanisms. For example, there have been recent discussions between the United Kingdom and the Republic of Ireland concerning joint development of the onshore wind resource in Ireland. The UK government has also been looking at the possibility of importing geothermal electricity from Iceland. It plans to publish a strategy looking to develop both medium and longer-term approaches by the end of 2013.

Based on the experience gained before 2020, the EU will be able to draw lessons and further develop these mechanisms post-2020. Cooperation mechanisms, together with target-sharing (based on contributions from all Member States and taking into account GDP) will promote cooperation between Member States in the most cost-efficient way.

22. Are new financing instruments or arrangements required to support the new 2030 framework?

The European Investment Bank and its national counterparts (like the UK's new Green Investment Bank) could play a major role in stimulating the very significant amount of investment that renewable energy will require between now and 2030. In particular they can help to leverage investment from the private sector by de-risking some of the emerging technologies that cannot currently compete with the better established renewable energy technologies, as well as electricity storage.

Conclusion

Our conclusion focuses on the role for renewable energy.

The good news is that the current Renewable Energy Directive provides a very strong basis for looking forwards towards 2030 so the Commission only needs to consider what refinements are required to take into account progress since 2009 and experience in implementing its provisions. We would argue that virtually all of the necessary elements are already in place and the Commission needs only to work with Member States and energy stakeholders to make best use of these. The Commission must ensure that its approach seeks to encourage deployment across all three of the renewable energy sectors.

What is vitally important is to a reach consensus at the earliest opportunity that there should be an updated EU renewable energy target for 2030, that this should continue to be distributed across Member States as before and be legally binding, that the penalties for non-attainment should be spelt out from the outset and that, as before, Member States should set out their detailed plans for achieving their 2030 target, by the end of this decade.

What remains is to have an intensive and informed debate about what is the appropriate level to set this target at. We believe that it should be ambitious, but the important thing is to set it at a realistic level based on evidence and discussion between the key stakeholders. We recognise that affordability is important - a balance must be struck between the need for volume to drive down costs and the total sums involved.

The UK renewable energy industry is ready to play its part in the debate and in meeting the chosen target. The most important thing is to have a clear trajectory that drives governments to think long-term and the renewable energy industry to plan for the future. If this is in place, we are very confident that renewable energy can continue to be a major European success story, repaying the investment made in it many times over.

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