ECOHZ

Oslo, Tuesday 7 February 2012

Response from ECOHZ to the European Commission's public consultation on the Renewable Energy Strategy

As Europe's leading independent provider of Guarantees of Origin, ECOHZ supports the conclusion in the European Commission's Energy Roadmap 2050 that the further development of renewable energy is key to achieving the vision of 80 to 95 percent greenhouse gas reductions compared to 1990 levels by 2050.

ECOHZ would like to take this opportunity to highlight a few policy objectives that can contribute to bridging the gap between 2020 and 2050:

- The increased uptake of renewable energy documented with Guarantees of Origin,
- The need for harmonized European support systems for new renewable production
- Use of electricity from renewable sources in further deployment of electric vehicles

How can renewable energy documented with Guarantees of Origin contribute to reaching renewable targets (response to questions in section A: General policy and B: Financial support)

Following the adoption of the EU renewable Energy Directives, the latest one in 2009 (Directive 2009/28/EC), Guarantees of Origin were introduced in order to provide information to consumers and businesses about the origin of electricity generation. Guarantees of Origin document to the buyer that the volume of supplied electricity has been generated from a specific and accredited power plant. The generator gets an extra financial incentive on top of the electricity price.

The market for renewable electricity documented with Guarantees of Origin (GO) has grown steadily and matured since it was established. In 2011 approximately 240 TWh is sold to European consumers. With demand outpacing supply for the year, prices are currently significantly higher than for earlier years (up 200-300 percent since 2008).The GO market value in 2011 is estimated to EUR 200 million.

By making an active choice regarding the supply of electricity, customers are therefore now providing new and additional revenue sources to investments in renewable energy production. Provided that the market sees a continued 16-18 percent yearly increase in both volume development and end-user pricing, the market for renewable electricity documented with Guarantees of Origin (GO) can generate in excess of EUR 10 billion of new funding to the renewable energy industry by 2020. The above scenario assumes end-user pricing of EUR 3 per GO or 0, 3 cents per kWh. With European governments increasingly lacking public funds, these revenue sources can play an important part in realizing Europe's ambitious renewable targets.

In a more aggressive scenario – where the market's willingness to pay for renewable energy nears that of the price of carbon offsets (EUA, CER) – the revenue generation will increase

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even more dramatically. Using a price of EUR 15 per 1 ton of CO_2 as baseline in 2020, and a conservative emission factor of 500 grams of CO2 per KWh (European mix) during the period – the price of a Guarantee of Origin should reach EUR 7.5. This would then bring the potential revenue generation to EUR 18.5 billion.

Assuming a conservative gearing of 70 percent, available funds for new renewable energy projects will amount to roughly EUR 23 billion in the first scenario, and EUR 43 billion in the second scenario. Using an investment estimate of EUR 0.5 per KWh, 47 TWh and 87 TWh of new energy production can be realized respectively for the two scenarios.

The GO market can therefore contribute in a significant way to financing a part of the new renewable generating capacity needed by 2020, estimated to around 700 TWh.

There are multiple benefits in further strengthening the framework for the GO mechanism:

- GOs represent a “no-regret policy”;
- GOs are a technology-neutral, cost efficient instrument, incentivizing the realization of the projects with lowest costs first;
- GOs contribute to increasing public climate awareness through the ability of consumers to make an active choice regarding their supply of electricity;
- GOs is a voluntary market and requires no public funding.

In realizing the above “value scenario” it is essential with a continued effort from key EU institutions to build a level playing field through an even more harmonized market for renewable energy documented with Guarantees of Origin. These efforts should include:

- Strengthening the demand for tracking of the revenue flows from sales of GO and documentation of reinvestments in new renewable energy generation
- Avoidance of linking sale and delivery of GO, and physical electricity, and thus limiting the market growth
- Actively seeking support from NGO’s and key stakeholder organizations
- Strengthening the framework and basis of the market for further development
- In the ongoing energy policy formulation and discussions, highlight that the market for GOs will be further developed and constitute an important tool for developing new renewable investments in connection with the Energy Roadmap goal for 2050

Financial support mechanisms (response to Section B, question 2)

The deployment of renewable energy production at a larger scale is critical in order to reach the 2050 goals. The present national support schemes in the EU lead to sub-optimization and cost efficiencies. Investments take place in locations where the highest support is offered and not necessarily in locations where the production costs are lowest. This, results in higher costs for consumers and in many cases also represent a burden on public budgets.

Use of the joint cooperation mechanisms in the present Renewable Directive should be stimulated, and a transformation of the present national support systems towards harmonization after 2020 would be desirable. This would create a level playing field, with investments directed into areas with competitive and cheap resources.

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If such a transformation of policy is not developed, the increase in new renewable investments necessary to realize the 2050 Energy Roadmap may be jeopardized.

Section G: Renewable in transport

Road vehicles are a major contributor to greenhouse gas emissions, pollution and oil dependency. The rapid deployment of electric vehicles (EVs) would reduce emissions from road transport. There are however some important requirements that should be in place in order to obtain maximum benefits of the development and use of EVs

- The electricity used by EVs should be supplied from renewable sources documented with Guarantees of Origin. Emissions of greenhouse gases related to the use of EVs would then be negligible and in addition it will stimulate investments in new renewable generation. If not renewable electricity is used, EVs will contribute to emissions as their usage will be based on an unspecified electricity mix and with emission factor of 500g of CO_2 per kWh.
- Support of infrastructure development for electric cars.

In order to obtain maximum environmental benefits from the deployment of EVs, it should be compulsory to use renewable electricity documented with GOs. This policy ought to be implemented as a part of EUs measures towards the 2050 goals.

We would like to thank the European Commission for this opportunity to express our views and look forward to answering any further questions you might have.

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ECOHZ is a Norwegian based company, with offices in Oslo and Geneva. ECOHZ' primary business is providing renewable energy with Guarantees of Origin to businesses and organizations across Europe. ECOHZ is the leading independent provider in Europe. It has more than 47 TWh of renewable energy in its portfolio in 2011, and offers a wide range of qualities from hydro, wind, biomass and eco-labeled production. ECOHZ currently has sourcing agreements with more than 25 power-producers, and distribution partners in 12 European countries.