European Centre of Employers and Enterprises providing Public Services
ID-Nr in the Transparency Register: 59513031434-92

Energy Committee
CEEP.2012/ENER.02-2
6 February 2012

CEEP Answer to the public consultation on Renewable Energy Strategy

A - General approach

CEEP considers Renewable Energy development is a way to fight climate change by decarbonisation and to increase energy independence.
CEEP is in favour of European targets but considers mandatory targets at national level with caution. Nevertheless targets are important to tackle climate change and energy dependence. At the same time, a mandatory target at EU level meets investors need for planning liability. Taking the subsidiary principle into account, an EU-wide target has to be set by formulating national approaches keeping in mind specific regional and national circumstances. If so, national efforts have to be monitored and coordinated on a European level, to ensure that flexible balancing capacities and sufficient grid connections are available for added renewable energy generation and distribution. Up till now, the different sectors addressed by the renewable energy directive have developed more or less ambitiously. Therefore, CEEP welcomes sectoral targets (electricity generation, heat and cooling generation, transport etc) for the post 2020 period. When it comes to promoting certain renewable energy sources, certain focus could be laid on the primary energy factor. Only if the whole amount of energy consumed through the supply chain is taken into account, the most energy-efficient renewable source can be found, being in line with EU energy and environmental targets until 2050. Therefore a holistic approach will be necessary, focusing on the life-cycle of an energy source as well as its related technology (extraction, transport, production, distribution, waste collection, reuse and recycling).

B - Financial support

In order to continue the implementation of renewable energy sources, CEEP sees a need for financial support for certain technologies and in some regions after 2020. The amount of financial support for renewable energy depends on political targets, state-of-the-art of technologies, electricity market conditions, availability of resources etc. Therefore it is of great importance to find the most cost-effective policy that stimulates a competitive environment taking national circumstances into account. At the end of the day, renewable

energy technologies might reach market maturity. Even today, experiences from various member states show that certain technologies like on- and offshore wind generation will survive without financial aid in the mid-term, whereas other renewable sources (i.e. photovoltaic installation, biomass- and biogas-power plants) will still need subsidies.
Market oriented support schemes seem best fit to give higher financial security to investors. These instruments can also be made less distorting towards one specific technology as other models tend to do. Market instruments should be designed in a way that focuses on a holistic approach in order to identify to most cost- but also energy-efficient technologies (see general approach). In future, national support schemes will have to be coherent to a certain extend in order to guarantee cost-efficient allocation of production capacity from renewable energy. Also, national support schemes will have to open up for cross-border projects if economically and technically feasible. Cooperation between member states has to be coordinated and monitored on a European level in a non-discriminating way, but operated through public bodies on a national level.
In view of financial realisation, CEEP calls for adequate financial instruments. Financial investments have to be realised in EU regions, generating added-value as a very crucial additional effect. Support mechanisms should be cost efficient in order to minimize the impact on electricity bills, and financial costs have to be fairly distributed between all end-consumers (households, commerce, SMEs and industry, etc). Anyway, financial support for RES development should be transparent to all consumers.

C - Administrative procedures

Length and complexity of administrative procedures are main barriers for market entry of renewable energy sources. Examples of various countries show that it can take up to a decade to receive permit for a new installation. CEEP pledges for simple, fast and low-cost procedures, so that projects can easily be implemented in praxis. Therefore, CEEP urges for more standardisation on the one hand, but rejects complicated harmonising procedures on the other hand. Administrative solutions may be coordinated on a European level. Allocation of state aid has to remain a national competence. Nevertheless, the notification process in Brussels must be more simple, easier and faster.

D – Grid integration of electricity from renewable energy sources

Fast grid development will be the major challenge for the integration of renewable energy into the grid. CEEP wants to highlight that this will affect investment of both Transmission System Operators as well as Distribution System Operators. In many European member states, current grid investment is to be questioned for its ability to allow network companies to invest in new infrastructure. High investment costs in necessary infrastructure development affect the efficiency of network companies' economic outcome. The association wants to underline that investment costs must be accepted by national regulators - otherwise, essential investments cannot be realised. CEEP is of the opinion that it is of great importance that new generation capacities are included into a robust net. CEEP member companies are accorded a key function to promote the use of renewable energy resources. Allowing these network companies to be rewarded for making the necessary investments would help secure grid development. CEEP detects the handling of unregulated

electricity generation as a barrier to the implementation of renewable energy. Adding grid connection expenses into investment costs might be a way to meet this problem. By doing so, it is more probable to accelerate projects that are more likely to reach the point of self-sufficient revenue generation. The cost-benefit analysis of project to develop renewable sources should at least consider the connection to the network.

E – Market integration

Exposing well-engineered renewable energy technologies to the market (for wind or hydro power for instance) is likely to be realised in the mid-term. Other technologies, like wave, tidal and PV technologies will still need subsidies in order to be competitive over fossil fuels on the electricity - as well as heating and cooling - market. As technology matures, subsidies can gradually be phased out. Furthermore, CEEP views that renewable energy producers will have to bear greater responsibility for system costs. A way to secure more flexibility within the system will lie in the development of storage capacity. Unfortunately, there is no storage technology (except pump storage) to be operated on competitive costs in the short to medium term. Storage capacity will not only be essential in terms of volatile feeding, but also when very high amounts of energy are taken out of the grid within a short time, as it is the case when charging the battery of electric vehicles. Cost of storage and back up equipment should be financially taken into account. Besides, overregulation and little competition hinder market-flexibility. Capacity mechanisms and DSM, including smart grids, can also contribute to flexibility.

F - Renewables in heating and cooling

When it comes to the implementation of renewables for heating and cooling, CEEP wants to highlight the fact that the building of necessary infrastructure remains a major impediment. From today's point of view, CEEP detects a lack of financial support in this field. Also building regulations remain a great barrier. In the associations' opinion, new buildings should be connected to district heating and cooling if there is a certain demand and if a positive cost-benefit analysis exists. This can be realised by mandatory regulations, economic incentives or both. While energy efficiency should be addressed first, renewable energy sources have to be examined for their added value. Hereby, the primary energy factor has to be taken into account. Development of renewable heat from biomass including CHP and heat pumps should be incentivised.

G - Renewables in transport

CEEP regards the promotion of biofuels with great caution. This is because of various reasons like the lack of sustainability regarding the production of biofuels (see "Sustainability"). Biofuels economic valuation should take account of a sustainable management of soils. CEEP therefore emphasises the promotion of electric molibity in general, but especially for public transport, both for short and long distances! It is easier to produce and transport electricity from renewable energy sources than biofuels. Besides, it avoids above-mentioned considerations. When it comes to e-Mobility, main barriers are the costs of technology and

infrastructure development, the lack of harmonised standards as well as the lack of awareness and information. Road transport users should bear a fair part of the costs induced by the development of renewables.

H - Sustainability

Biofuels have to comply with sustainable criteria! Regarding the supply chain, EU legislators have to take into account the amount of negative impacts related to the production of ethanol and biodiesel as are: high amount of unintended release of CO_2 emissions due to indirect land use change, use of other important natural resources like water as well as its related social impacts: High food prices arise because of balancing global food supply and demand or worker migration – just to name a few. CEEP welcomes the fact that the European Commission plans to introduce additional sustainability criteria. From a global point of view, the production and trade of biofuels is not in line with any social, environmental or energy related EU policy. CEEP rejects EU promotion of biofuels, since acceleration of bioethanol and biodiesel would lead to paradoxical EU policies as more CO_2 is being emitted on a global base and sustainability approaches cannot be addressed in any way.

I - Regional and international dimension

CEEP views current EU legislation as not sufficient to achieve the full potential of cooperation between Member States and third countries. Hence, the EU should focus on legislative actions in order to develop the great potential within the EU while assessing perspectives regarding cooperation with third countries.

J - Technology development

Without any doubt the EU will face great differences in technology standards within member states. Therefore special emphasis should be put on convergence in this field. Furthermore optimisation throughout the whole value chain will remain necessary. Moreover, CEEP sees system integration as a main challenge in the post 2020 period. Measures to meet these challenges are network expansion and new interconnectors for instance. Current measures are regarded as successful but implemented too slow.
