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Subject: Public Consultation on Renewable Energy Strategy

Position, Association of Local Enterprises Austria, VKÖ

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A - General approach

VKÖ considers mandatory targets with great caution. Nevertheless, targets are important to tackle climate change and energy dependence as well as to meet investors need for planning liability. Hence, targets are a necessary precondition for Member States to establish favourable conditions for renewable energy to thrive (i.e. comprehensive support mechanisms). 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. Furthermore, sectoral targets are recommended as they prevent the danger of lopsided developments in different sectors within and between EU-countries. Thereby, particularly the transport sector has to be stressed. At the same time, 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. When it comes to the promotion of renewable energy sources, focus should 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 increase the share of renewable energy sources financial support will still be a necessary condition in the post 2020 period. VKÖ advocates the most cost-effective policies that stimulate a competitive environment taking national circumstances into account. Market oriented support schemes, such as premiums or investment aid, seem best fit to give higher financial security to investors. These instruments can also be made less distorting towards specific technologies as other models tend to do. Market instruments should be designed in a way that focuses on a holistic-approach in order to identify the most cost- and energy-efficient technologies (see “A - General approach”). While it is important to Member States to continue operating support schemes on a national level and retain control over who benefits from them, support schemes will also have to be coherent to a certain extent to guarantee cost-efficient allocation of production capacity from renewable energy. 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. VKÖ is certainly not in favour of aligning financial support EU-wide and underlines the importance to keep financial support entirely up to Member States. In view of financial realisation, the association opposes innovative 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, industry, etc).

C - Administrative procedures

In VKÖ's opinion, length and complexity of administrative procedures (authorization; certification; licensing) are seen as main barriers for market-entry of renewable energy sources and fast realization of renewable energy projects. Examples of various countries show that it can take up to a decade to receive permit for a new installation. To improve that, VKÖ suggests to strengthen rules to intrude more directly into Member States procedures (i.e. one-stop-shop) and urges for more standardisation. Standardising approaches must not result in complicated harmonising procedures. Administrative solutions may be coordinated on a European level while allocation of state-aid has to remain a national competence. Nevertheless, the notification process in Brussels must be more simple, easier and faster. When it comes to national implementation of European policies, VKÖ has to say that too rigorous national applications have often led to even more administrative burdens.

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. VKÖ wants to highlight that this will affect investment of both - Transmission System Operators (TSO) as well as Distribution System Operators (DSO). High investment costs in necessary infrastructure development affect the efficiency of network companies' economic outcome. Therefore, investment costs must be accepted by national regulators. Otherwise, essential investments cannot be realised. VKÖ 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. VKÖ 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. Furthermore, the association considers a wide range of national rules and framework conditions, such as grid connection-, cost-sharing- and balancing-rules as well as curtailment regimes as possible obstacles after 2020. EU-wide guidelines help establishing comparable conditions. On top of that, VKÖ detects some renewable-energy-specific grid related rules as relevant. These are: Obligation for network operator to develop network; priority or guaranteed access as well as priority dispatch and obligation on TSOs to counteract curtailment. With regard to system integration of wind and solar power, following measures are considered important to increase the flexibility reserve of the system: Increasing flexible back-up capacity; increasing availability of demand response; accelerating infrastructure development and interconnection; introducing market-based measures for better use of interconnectors (implicit auctions) or for trading closer to real time; increasing available storage as well as enabling renewable generators to offer balancing services to TSOs. While formulating a strategy to increase the share of renewable energy, the commission must not forget the role of efficiency within the system in order to meet EU-targets. Equal dispatch of electricity from high efficient cogeneration and renewable energy sources is necessary. At the same time, requirements are essential to expand cogeneration- and district heating- and cooling-networks. Only then, it will be possible to decrease CO₂-emissions.

E – Market integration

Renewable energy can be made responsive to market signals by price risk, thus producers of renewable energy should be obliged to sell their production on the market and aid could be granted exclusively as premiums or investment aid. Further market arrangements such as dedicated arrangements to reward availability of generation capacity and favourable regulatory treatment of storage operators should ensure that market arrangements reward flexibility. Unfortunately, there is no storage technology (except pump storage) to be operated on competitive costs in the short to mid-term. Storage capacity will not only be essential in terms of volatile feeding, but also in time of very high energy demand, as it is the case when charging the battery of electric vehicles. Besides, over regulation and little competition hinder market-flexibility.

F - Renewables in heating and cooling

In order to increase energy efficiency and abate CO₂-emissions, heating and cooling does not necessarily rely on renewable energy sources. While energy efficiency should be addressed first, renewable energy sources have to be examined for their added value. This means that first of all waste heat (i.e. from industrial plants) has to be used for heating-purposes, if there is a certain demand and if economic feasible. In the associations' opinion, new buildings must be connected to district heating and cooling. Only if district heating and cooling networks are being expanded by high efficient cogeneration, Europeans ambitious energy-saving targets can be realised. Therefore, this technology should be promoted and privileged. This can be done by mandatory regulations, economic incentives or by guaranteeing priority grid access and priority dispatch on an equal footing with renewable energy sources. The additional use of renewable energy sources can then complement sustainable heating and cooling approaches. Hereby, the primary-energy-factor has to be taken into account. Geothermal and electrification together with a higher share of renewable in electricity production are identified as promising pathways for doing so. Also, the development of renewable heat from big biomass-plants including cogeneration and heat pumps should be incentivised. When it comes to the implementation of renewables for heating and cooling, VKÖ wants to highlight the fact that the building of necessary infrastructure remains a major impediment. From today's point of view, VKÖ detects a lack of financial support in this field. Also building regulations remain a great barrier.

G - Renewables in transport

VKÖ 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 "H - Sustainability"). The association therefore emphasises the promotion of e-Mobility in general, but especially public transport 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. As a result, VKÖ advocates research and development efforts in this field. Furthermore, 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 CO₂ 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. VKÖ 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. VKÖ rejects EU-promotion of biofuels, since acceleration of bioethanol and biodiesel would lead to paradoxical EU-policies as more CO₂ is being emitted on a global base and sustainability approaches cannot be addressed in any way.

I - Regional and international dimension

VKÖ views current EU-legislation as not sufficient to achieve the full potential of cooperation between Member States. 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, VKÖ 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. Research and technology development on storage of electrical energy is a crucial issue as well. The association has to say that all renewable energy sources facing the potential to reach market maturity should be considered and financially supported. In this sense, geothermal is regarded as an example for an important potential future technology. Generally speaking, current measures are regarded as successful but implemented too slow.