

27th January 2012

Introduction: A systemic and global reflection for a new energy economy

Gimélec support and share the opinion of the European Commission regarding the need for a global and systemic approach, given that the European energy system requires a global¹ restructuring in order to evolve the energy mix in a structural manner and begin the energy transition in Europe sustainably.

Gimélec's position is based on the work done in France in an inter-ministerial committee dedicated to the promotion of eco-industries and concerning smart electrical systems and energy storage systems ("smart grids").

This work was done under the leadership of Gimélec along with all the stakeholders in the energy value chain, and the participants came to the conclusion that the only major change necessary consists in redeploying the value of production toward the end uses of energy, and that in order to adhere to that goal, the new energy technologies must be implemented within the framework of a new global regulation at the scale of the entire European Union.

It should be noted that Gimélec agree with the European Commission that the non-technological barriers resulting from the existing system must be removed, in France and in the rest of the EU. That existing system is largely based on a supply policy whose diplomatic and energy risks are known and have been pointed out by various European institutions, and it creates competitive positions for suppliers of energy that are asymmetrical in the light of the objectives of promoting energy efficiency, renewable energy (RE) sources and electricity storage aimed at by the EU.

> Section A - General policy approach:

a1. In the context of an ambitious program to reduce greenhouse-effect gases by 2050, it is imperative that intermediate goals be set so that the outlook can be a realistic one for financiers, given the liquidity problems on the current market: 2015 – 2020 – 2025 – etc.

a2. Neutrality must be ensured in granting public subsidies or State aid, whether direct or indirect, between conventional and renewable energy sources by integrating the total cost of ownership, and in particular the cost of reprocessing and recycling.

¹ Paragraphs 4 to 8 of the introduction of the consultation

a3. Public-sector contracts must promote the integration and deployment of renewable energy sources as long as this does not destabilise other markets, as is the case for wood energy and biomass².

It seems only logical that the European Commission should establish a watch on competition between raw materials according to their economic, social, environmental and industrial value for the European Union. For example, the indexing of wood for energy use with the price of gas via a regulatory text in a Member State should give rise to *a priori* notification of the DG Enterprises and Internal Market in order to ensure that it does not result in a destabilisation of the wood industry in the case of wood for energy.

a4. A framework for investment dedicated to renewable energy sources³ would seem necessary in the light of a capital market with low liquidity for long-term projects such as renewable energy, especially since aids to production would be reduced in a harmonised fashion on the European continent to allow the market to act in favour of true parity, so long as this does not contradict the goals mentioned in point a2.

> Section B - Financial support

b1. In any case, a harmonised European framework for financing renewable energy is necessary in order to avoid national rate policies that generate cyclical activity without visibility in the middle term for industry and private or institutional investors.

This European framework would aim at regulating a "green bond" market and at standardising any form of "securitisation" in order to avoid the excesses that have already been experienced on the financial market.

b2. The industry members of Gimélec are not favourable to subsidised markets in general, and as regards the market for integration and deployment of renewable energies in Europe, feel that current public actions should concentrate on allied, indispensable technologies such as:

- Electricity storage
- Energy aggregation and demand response

b3. Distortions of competition have been seen, and in certain countries have given rise to serious litigation – the example of France can be cited, with the controversy and court cases that marked the year 2011 regarding certain advantages allegedly enjoyed by public energy companies and their subsidiaries.

> Section C - Administrative procedures

c1. Administrative procedures are extremely varied across Europe, ranging from very simple to highly complicated, and an effort towards harmonisation needs to be made.

² *Les Echos*, 4 January 2012 in France "La biomasse dérègle-t-elle le marché du bois ?" ("Is Biomass Perturbing the Wood Market?")

³ See point B

According to the PV LEGAL Web site, which tracks bureaucratic barriers and their consequences for the development of Photovoltaic (PV) projects in EU member States, the administrative costs for a solar installation run from less than 10% of the total cost of development of the project (excluding equipment) in Germany to 70% in Poland, and administrative delays from 50 days in Bulgaria to 250 days in France.

c2. This administrative harmonisation must underlie the standardisation that is necessary at the financial level in order to create a legible investment framework for international financiers, thus broadening the field of competition and innovation as much as possible.

> Section D - Grid integration of electricity from renewable energy sources

d1. It is worth recalling that the variety of grid codes and technical requirements (for example certifications), sometimes coupled with the absence of translations of reference documents, constitutes a source of complexity and costs for manufacturers of electrical equipment.

d2. A certain number of measures specific to intermittent RE (wind, solar) are proposed in the European Commission document (question D3) in order to encourage their integration into grids, and all of these measures are worth promoting and implementing.

d3. This item is not detachable from the standardisation under way in the areas of smart grids and interoperability between load side and supply side, and is coherent with the absolute need for conceiving of the integration of RE as a building block of a new energy system; any compartmentalisation or "siloing" must be avoided where standardisation is concerned, at the risk of slowing investment and failing to create an overall context of confidence for investors, manufacturers and financiers.

> Section E: Market integration

e1. It is important to underline the fact that "making producers bear heavier responsibility for the costs of evolving the grid" constitutes a brake, because the needs in question will be very large in scale (due to the move from a network wherein production is largely centralised to a network with highly decentralised production), and that brake could have major consequences on the growth of the European Union – restriction of competition downstream, sagging innovation, and drastic reductions in investment projects.

e2. The success of the integration and deployment of non-carbon⁴, renewable energy sources depends on the creation of storage operators, and, in parallel and without conditionality; the demand response market must be developed at the scale of the EU in close coordination with the white certificates and carbon (black certificates) markets.

e3. The conclusions of the report drawn up by EU deputy, Claude Turmes point in this direction and must be supported by the European Commission and the European Council, for the reconstruction of the European energy system must be carried out in global fashion, and the energy efficiency market taken in the broad sense must be open, transparent and competitive at the level of the EU-27.

⁴ Wood for energy, in our opinion, needs to be regarded in a highly circumspect way because its energy and environmental balance can be negative for employment, for ecosystems and for the sustainable attainment of environmental goals, and may even be a source of destabilisation of other industrial sectors.

> Section F: Renewables in heating and cooling

f1. The production of cold for cooling / air conditioning combines well with PV solar.

> Section G: Renewables in transport

g1. There is a strong advantage in associating electric vehicles and solar canopies, since PV solar guarantees greenhouse-gas-free production, which is the ultimate goal of electric vehicles, and also, by its local nature, limits needs for reinforcing the grid and also limits transmission losses.

> Section H: Sustainability

This section would seem to apply only to biomass, especially in its wood-energy version, and criteria should be imposed to avoid windfall effects similar to the feed-in rates in PV production; a framework harmonised at the European level will promote greater market integration, strengthen European manufacturers and provide a framework for long-term investment which will inspire confidence among international, European and national financiers⁵.

> Section I: Regional and international dimensions

In response to questions 14 and 15 on co-operation with third-party countries, it seems important to reaffirm the importance of the electrical industry in Europe and its position as a leader in Balance of System PV.

International cooperation provides opportunities to export European standards and European know-how⁶ and to strengthen our positions vis-à-vis competitors outside the EU zone.

> Section J: Technology development

Support for technological development must be oriented towards all technologies that meet two cumulative and priority goals:

- 1) Everything that encourages integration of renewables in general, from PV in particular to grids
- 2) Everything that encourages integration of renewables in general, from PV in particular to residential and non-residential buildings.

That is why two priorities are necessary:

- Concentrate R&D on electricity storage in all its possible components and forms
- Create a new framework for economic, financial and environmental regulation to migrate towards an economical energy system in which reasonable consumption is consistent with increased competitiveness for the European Union.

⁵ An example might be individual savings, which need evidence of profitability over time and confidence in the market.

⁶ In this context, DESERTEC – decentralised cooperation – must be developed on the African continent.