

Green Paper – “A 2030 framework for climate and energy policies”

MEDGRID contribution to the public consultation

MEDGRID is an international consortium of energy companies, transmission grid operators and manufacturers, aiming at studying the feasibility of a new electricity transmission grid between both sides of the Mediterranean, at the technical, economic, legal and regulatory standpoints. MEDGRID is particularly interested in the potential contributions to the EU Climate-Energy policy from electric interconnections in the Mediterranean area.

MEDGRID understands that an important question, for the EU Climate-Energy policy after 2020, is “*whether having only a GHG emissions target for 2030 would be appropriate*” (instead of two separate targets on renewable energy and on GHG emissions reduction for 2020).

We first consider the case of keeping the renewable energy target after 2020. In the existing Directive 2009/28 on renewable energy, Article 9 allows for “joint projects” from renewable sources in third countries to contribute to the renewable energy target in a member state. Surprisingly, it appears that Article 9 has never been applied so far. MEDGRID suggests that the reasons for this lack of interest be analyzed in detail, investigating the possible causes:

- The economic crisis in the EU,
- The complexity of conditions required in Article 9,
- The visibility limited to 2020 (investments in renewable energy need a longer horizon),
- The preference of investors for a simpler “Clean Development Mechanism”.

If the EU decides to keep a renewable energy target after 2020 (together with a GHG emissions target), MEDGRID suggests introducing a simpler mechanism for joint projects from renewable sources in third countries to contribute to the EU target. MEDGRID is ready to help in defining the new conditions (simpler than those in the existing Article 9) to be applied for joint projects in third countries after 2020.

If the EU decides to keep only a target on GHG emissions for 2030, joint projects in the sense of Article 9 of the Directive 2009/28 will not exist anymore. However electric interconnections can still be a significant contributor to GHG emissions target, by allowing transfer of electricity from low emission sources in one country (renewable source or efficient generation technology), in another country to replace electricity from higher emission sources. More precisely, interconnectors between North and South of the Mediterranean can contribute to GHG emissions reduction when used in one direction or the other, in particular depending on the availability of renewable sources in the North or in the South of the Mediterranean.

Therefore, it is important that adequate mechanisms exist to encourage the development of new interconnectors around the Mediterranean Sea. This will depend on the emissions targets to be decided, not only at the EU level, but also globally (to be applied after 2020):

- If only developed countries have emissions targets after 2020 (as it is the case presently), it is important that Clean Development Mechanisms exist for electric interconnectors, not only between third countries (like the existing CDM mechanism AM0108), but also between a developed country and a third country.
- If all countries (including not only developed countries but also third countries) have emissions targets after 2020, the CO₂ price will be an adequate signal for investors in interconnectors. Importantly, adequate measures should ensure that the CO₂ price signal is clear and predictable.