

## **RES BEFORE AND AFTER THE DECISION OF THE OCTOBER 2014 SESSION OF THE COUNCIL OF EUROPE**

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**President, EREF**

Honourable Mr Chairman, dear Giannis,

Ladies and Gentlemen,

Firstly, I would like to thank IEAN for the invitation to speak at the 19<sup>th</sup> Energy and Development Conference, this important annual meeting-institution of the energy sector in Greece as it is considered by EREF and the European Union RES industry in general, particularly in light of the important decisions made during the recent session of the Council of Europe.

And let me get straight to the point.

In response to the challenges for the reduction of the dependence of the European Union on imported energy, the increase of green development and employment and the problem of climate change, the Energy-Climate 2030 packet agreed upon by the leaders of the EU member states following the suggestion of the outgoing European Commission is, at best, unsatisfying and constitutes an important deviation from the European Union's direction so far towards a sustainable energy system based on RES.

The main characteristics of the new energy strategy on the 2030 horizon is the decrease of the rate of development of RES, the indirect yet clear encouragement of the use of carbon and nuclear energy, even at a greater cost, and the differentiation of the supply sources and routing of imported natural gas.

The environmental dimension of this new strategy focuses mainly on the reduction of greenhouse gases through the adoption of binding targets at European but also at national level which are, however, undermined by the planned method for their achievement.

Also, new electricity and gas interconnecting pipelines between European Union member states are being promoted within the framework of the establishment of a united European energy market and the diversification of the external sources of its energy supply aimed at facilitating and broadening trans-border energy trade without, however, securing a better investment environment for RES and without confronting Europe's dependence on imported fossil fuels in the medium term,.

But let us take things one at a time.

2013 was the sixth year in a row during which Renewables represented the majority of newly-installed power at 72%. This could not have happened if, around fifteen years ago, relevant European institutional decisions had not established the foundations for a constant and predictable policy for RES.

By the end of 2013, the RES industry had created 1.24 million jobs in the European Union with high local added value and the multidimensional participation of citizens. This growth also contributed profoundly to the protection of the environment through the decrease in greenhouse gas emissions and to the improvement of European Trade Balance by over 550 billion Euro through the exploitation of local resources and the reduction of the importation of fossil fuels.

2013 however also saw the increase of amendments to existing RES policies in the European Union.

In contrast to what was happening in the rest of the world, a number of member states decided to reduce support for RES, particularly in the electricity sector.

Aimed at the containment of the further development of RES, the reformulation of National support frameworks in most countries included permanent retrospective cuts in the profits of RES producers and other seriously restraining measures that were taken very suddenly and shook the confidence of investors and increased bank premiums.

Only a few European Union countries adapted their RES support frameworks on the basis of programmes that aimed at improving the effectiveness and efficiency of RES support policies.

These changes can be ascribed to various reasons which I do not have the time to develop here.

The revision of the RES policies of member states was reflected in the thoughts, proposals and decisions initially of the European Commission and later of the Council of Europe particularly in relation to:

- ✓ The new European Union strategy on Energy and Climate on the 2030 horizon but also with
- ✓ The new directive lines on State Supports for energy and the environment for the period 2014-2020.

More specifically, the European Council adopted, almost in its entirety, the proposal of the outgoing European Commission and invited the European Union bodies and member states to institute, against the 2030 horizon:

- ✓ Commitments for a reduction, by at least 40% of gas emissions at both European and national level
- ✓ Increase in the contribution of RES to at least 27% in gross final energy consumption, binding at European level but not at national
- ✓ Indicative only increase in energy efficiency to 27% both at European and national level

On the contrary, the final decision of the outgoing European Parliament remained focused on the earlier 2009 targeting and asked for:

- ✓ Three binding, interconnecting targets for greenhouse gas emissions, RES and Energy efficiency

- ✓ Levels of at least 30% for RES, 40% for GGE (Greenhouse Gas Emissions) and 40% for energy efficiency

The EREF is in absolute agreement with the decisions of the European Parliament.

It anticipated that the target for a 40% reduction in Greenhouse gas emissions (GGE) agreed upon both by the European Commission and the European Council is, on the one hand, particularly inadequate in relation to the real need for a swift and smooth transformation of the European energy system in the direction of its sustainable development.

Moreover, there are serious doubts over whether this target can be achieved with the use of the tools agreed since these agreements are vague and contain numerous loopholes.

In relation to the indicative target of a 27% increase in energy efficiency by 2030, the EREF believes that this is not a sufficient motive for the realisation of investments in this sector since it is not expected to have any fundamental impact on any legislative and administrative frameworks that will be reformulated or created in the future.

The target of achieving a 27% minimum participation of RES in the gross energy consumption of the European Union by 2030 not only offers no new prospects for RES but also jeopardises the achievement of this particularly low level with existing and anticipated tools and frameworks.

Although this target is characterised binding at European level, this is not apparent in the agreed framework. No institutional “tools” are in place or anticipated to monitor and ensure the achievement of the target. For example, the European Union cannot ask for the conjunction of the European Court to turn against itself if the target is not achieved.

Through the implementation of new Directives for state support for energy and the environment for the period 2014-2020, the European Commission had earlier decided to change the criteria for the approval of financial support schemes for RES, thus ignoring the relevant adjustments to instruction 2009/28 which remains valid.

According to the new Directives but in contrast to a recent decision by the European Court member states no longer have the opportunity to select the state support mechanism which they believe is more suitable for the implementation of national action plans for RES for 2020.

More specifically, the new directives dictate that:

- ✓ FIT systems are to be abolished and only small RES systems can be applied. In contrast, a more recent European Commission decision has approved a high FIT for nuclear energy (£92/MWh public funding for the 3.2 GW Hinkley Point thermal power station in the UK for 50 years).
- ✓ From 2017 all RES installations over 1 MW (6 MW for wind farms) will receive financial support via technologically neutral competitor offer processes)

The EREF supports that these new directives:

- ✓ Remove from member states the possibility to select the RES support mechanism they deem most suitable in contrast to current European legislation which offers this right.
- ✓ Impose a single support mechanism for RES which has no proven track record of success over long periods of time.
- ✓ Cast doubt on the achievement of the 2020 targets and, by extension, those of 2030. A catalyst for this will be the observance or not of the European Committee's commitment that the implementation of the new directives will concern only new RES projects and will not affect existing, operational ones retrospectively.

The EREF adopts and fully supports the programmatic statement of the new President of the European Committee to promote Europe as a leading power in RES.

For this reason, the EREF monitors and will continue to:

- ✓ Record the course of every member state for the achievement of their national action plan targets for 2020
- ✓ Point out possible deviations from these targets to European bodies and member states
- ✓ Analyse their causes, and
- ✓ Suggest regulatory measures at European and national level that will ensure their achievement.

Also, the EREF will continue to defend the interests of independent RES producers and fight against the unilateral implementation of retrospective or other regulations that aim either at the further reduction of contracted electricity sale prices (FIT) for existing RES projects or the abolition of the priority of the distribution of the energy produced by these projects into the grid.

It will also contribute to the maintenance and upgrading of stable and functional support frameworks for RES and, in collaboration with its national contacts-members, will research and draw-up scenarios for the development of RES and achievable targets for the 2030 horizon. It is especially important for targets at national level even if these are not binding.

This will be facilitated by targeted interventions during the specialisation of the regulations that relate to the European Council's "New Governance". Such interventions could promote aspects of the Energy-Climate 2030 packet that could lead to the European Union's sustainable and secure energy supply over the following years.

Thank you very much for your attention.