

Pre-assessment of harmonisation concepts and their practicability

Contextualising the debate on
harmonising RES-E support in
Europe (WP 6.1)

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Dr. Corinna Klessmann, Malte Gephart

Structure of the presentation

1. Contextualising the debate on harmonisation of RES-E support policies
 - Recapitulation of the wider European integration debate
 - Recapitulation of the European RES-E policy debate
 - Status quo of RES-E policy coordination & harmonisation
 - Major arguments pro and contra harmonisation
2. Pre-assessment of *beyond2020* harmonisation pathways based on these arguments
3. Conclusions and ways forward

Main source:

Gephart, M., Klessmann, C., Kimmel, M., Page, S., Winkel, T., 2012. Contextualising the debate on harmonising RES-E support in Europe. A brief pre-assessment of potential harmonisation pathways. A report compiled within the European research project beyond2020. D6.1 Report.

www.res-policy-beyond2020.eu

The context of the wider EU integration debate helps to understand the RES-E policy debate

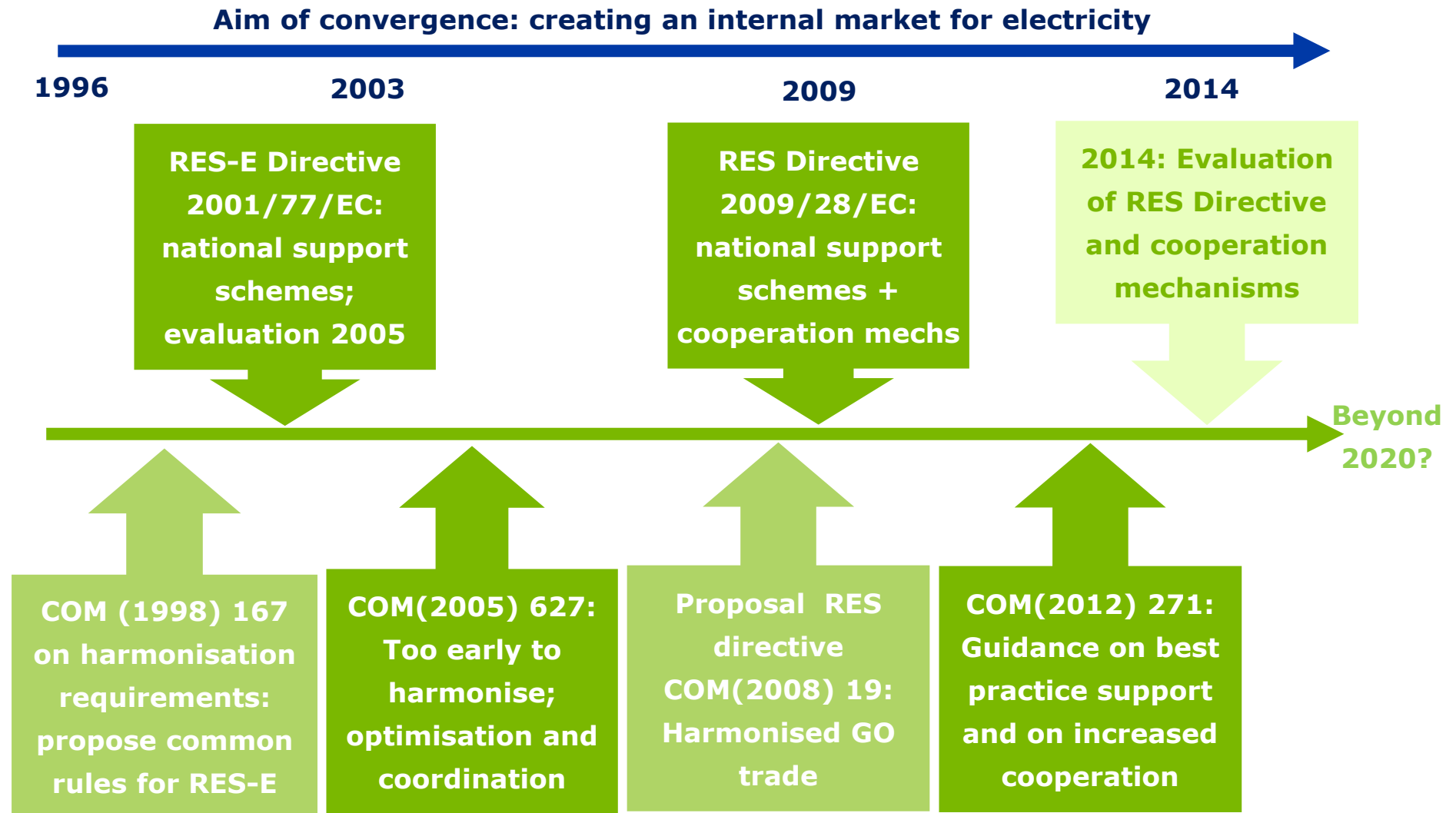
- The idea of a unified market was one of the founding principles of European integration (e.g. Treaties of Rome, 1957).
- However, the process from national markets to a single market has not been linear, neither functionally nor geographically.
- Where harmonisation was not functional or politically feasible (or both), other approaches leading to convergence have been applied.



Multiple approaches for convergence have been applied across different policy fields in the EU

Concept	Intergovernmental cooperation	Open method of coordination (OMC)	Enhanced cooperation	EU-Opt-out	Harmonisation
Direction	bottom-up	top-down + bottom up	top-down + bottom up	top-down + bottom up	top-down
Binding nature	not binding	not binding (but often benchmarking and shaming)	deliberately binding (geographically limited)	binding (geographically limited)	binding
Level of convergence	possible, but not likely for entire EU	possible, but not likely for entire EU	necessary, but not for entire EU	necessary, but not for entire EU	full convergence between all MS of selected aspects
Policy field applied (examples)	Fouchet negotiations (1962, formal) Feed-in Coop, Coop Mechs, (informal)	Lisbon Strategy (2000), employment, taxation, etc. ~RES Directives (similar)	EU patent law (25 MS), divorce law (14 MS)	Schengen, monetary (Euro) zone	“Community Method”

The focus of the European RE policy debate has moved from harmonisation to coordination and cooperation



The context of convergence: Creating an internal European electricity market

- The European Commission, the Council and the Parliament agreed to create an internal European electricity market
 - Directives 96/92/EC, 2003/54/EC, 2009/72/EC concerning common rules for the internal market
 - Target: Completion of internal European electricity market by 2014
- Subsidiarity principle: Member States remain in charge of their national energy policy, including national RES-E support schemes

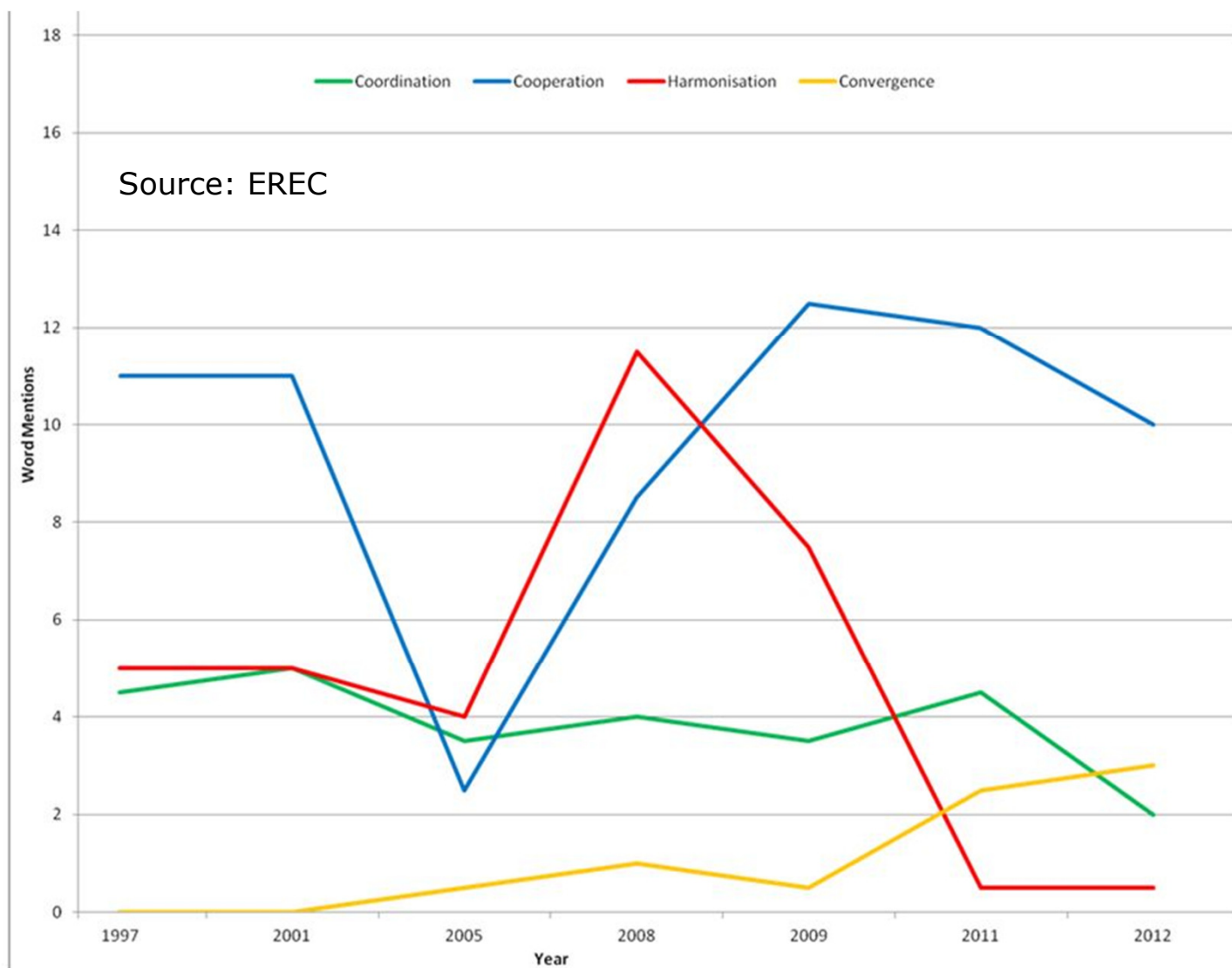
The focus of the European RE policy debate has moved from harmonisation to coordination and cooperation

- With the liberalisation of electricity markets, the EC called for harmonisation of RES-E support schemes (EC communication COM (1998) 167 on harmonisation requirements; Directive 2001/77/EC calls for evaluation)
- Opposition by Member States and RES-E industry stakeholders
- EC communication COM (2005) 627 considered coordination of support schemes more appropriate than harmonisation, at least in the short term
 - Coordination of the existing systems based on two pillars:
 - cooperation between countries and
 - optimisation of the national schemes
 - Combination will lead to a convergence of the systems
- Debate was reopened in the negotiation process of directive 2009/28/EC:
- EC proposed harmonised trading scheme for guarantees of origin for (financially supported) RES-E
- Proposal rejected by the Council and the Parliament; instead directive 2009/28/EC introduced voluntary cooperation mechanisms

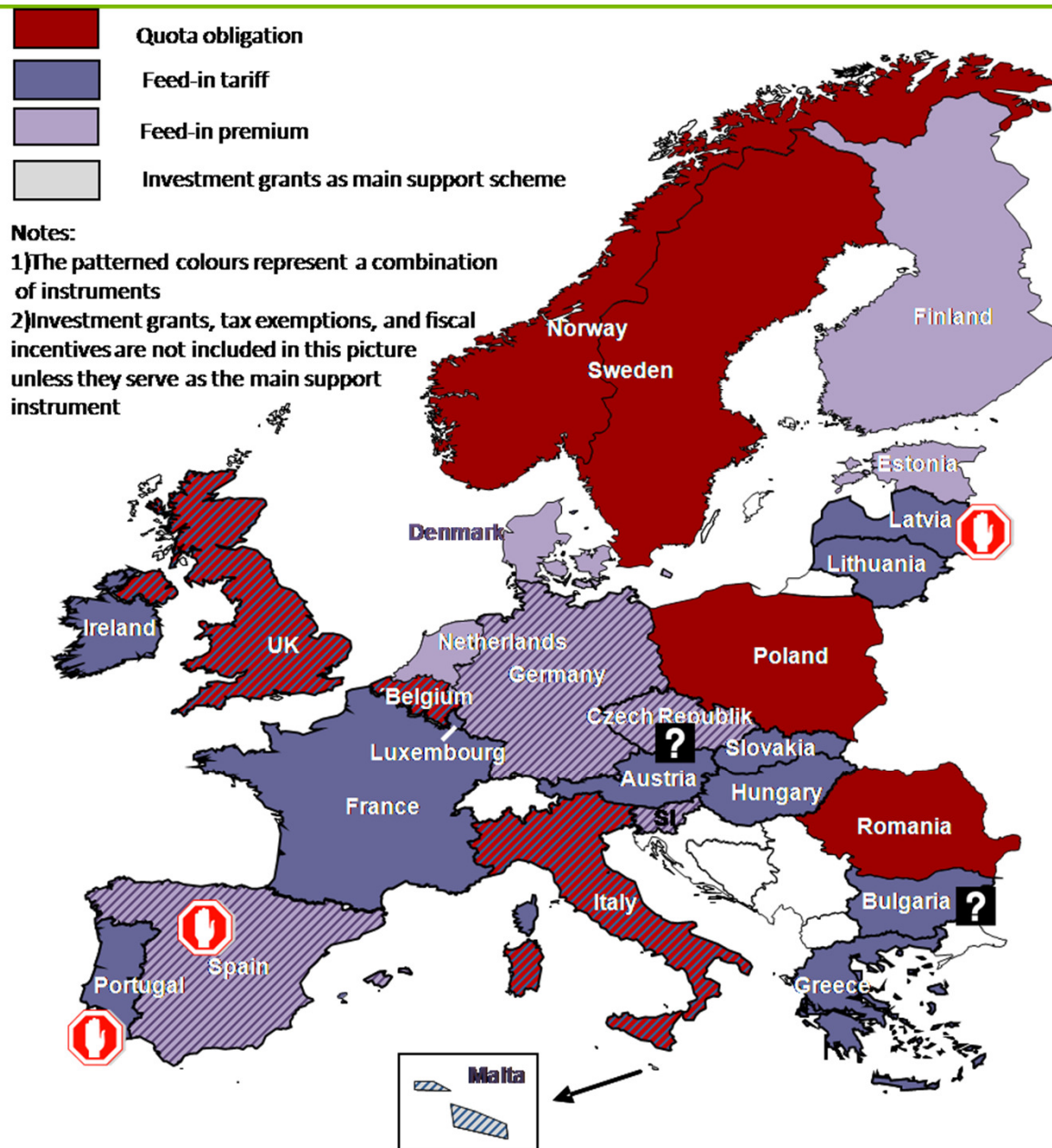
The debate on convergence is ongoing

- EC communication 2012: EC will prepare guidance to improve support schemes and boost cooperation and RE trade
- 2014: Review of the implementation of directive 2009/28/EC, particularly with regard to cooperation mechanisms
 - If appropriate, proposals for adjustments of the cooperation measures
 - Proposals shall not affect Member States' control over national support schemes and cooperation measures.

Analysis of keyword mentions in EC RES Reports



Status quo: Diversity of RES-E support schemes in Europe but some converging trends and some harmonised rules



Source:
Ecofys based on
Ragwitz et al. (2012). RE-
Shaping
Ecofys et al. (2012). RE
progress and biofuels
sustainability.

Status quo: Diversity of RES-E support schemes in Europe but some converging trends and some harmonised rules

- Diversity of support schemes in the EU but some converging trends
 - Use of combination of instruments instead of one size fits all (e.g. FIT for small scale, auctions for offshore wind)
 - Diffusion of feed-in premiums across Europe as compromise between revenue security for investors and RES-E exposure to market signals
- The RES Directive 2009/28/EC leaves the choice of support instruments to the Member States but introduces some elements of coordination and harmonisation
 - Standardised monitoring and reporting requirements (NREAPs, progress reports)
 - Guaranteed/priority grid access and priority dispatch of RES-E
 - Standardised guarantees of origin
 - Cooperation mechanisms
- RES Strategy 2012: Guidance on support scheme design and cooperation mechanisms

Major arguments pro and contra harmonisation from the political and academic debate

Pro harmonisation

- Harmonisation is a means to realizing and expanding the internal market
- The creation of the internal market generally facilitates cost savings
 - optimized allocation of resources
 - more competition and innovation
 - reduced transaction costs for investors, economies of scale
- Harmonised European support schemes and/or targets could be more effective and easier to enforce, at least compared to countries lagging behind.

Contra harmonisation

- Uniform support payments across Europe could lead to high producer rents for producers and high costs to society.
- Each MS has different geographical, legal, political, and market conditions in which renewable energy support schemes operate.
 - A lack of context specificity could decrease the effectiveness and efficiency of support.
 - Domestic energy policy and different policy interests make harmonisation difficult to achieve.
- Politically accepted distribution of costs and benefits would have to be achieved. Negligence of domestic costs and benefits could lead to (local) opposition and loss of public acceptance.

How do those arguments relate to the *beyond2020* harmonisation pathways?

<i>Instrument</i>		<i>FIT Fixed (Feed-in) tariff</i>	<i>FIP Feed-in premium</i>	<i>QUO Quota with TGC</i>	<i>QUO banding Quota with banded TGC</i>	<i>ETS (no dedicated support for RES)</i>	<i>TEN Tendering for large-scale RES</i>	<i>Reference (national RES support)</i>
<i>Degree of harmonisation</i>	<i>Characterisation</i>							
<u>Full</u>	<ul style="list-style-type: none"> One instrument EU target Burden sharing Yes / No 	1a	2a	3a	4a	5	6 Sensitivity to 7 (national support, but harmonisation for selected technologies)	7 <ul style="list-style-type: none"> National targets Co-operation mechanism: w/o increased cooperation w/o minimum design standards for support instruments (i.e. with minimum design standards represents a case of <u>Minimum Harmonisation</u>)
<u>Medium</u>	<ul style="list-style-type: none"> EU target One instrument Additional (limited) support allowed 	1b	2b	3b	4b			
<u>Soft</u>	<ul style="list-style-type: none"> National targets One instrument MS can decide on various design elements incl. support levels 	1c	2c	3c	4c			

Some issues are independent of the instrument, but relate to the degree of harmonisation

- Medium and full harmonisation would either abolish additional RES policy efforts by MS (full harmonisation) or would put them under pressure (medium harmonisation)
- Medium and full harmonisation would create substantial challenges regarding a fair and, more importantly, politically acceptable distribution of costs and benefits.
- → Medium and full harmonisation seem politically challenging and risk being dysfunctional with regard to envisaged RES growth.

Some issues are related to the potential policy instrument chosen for harmonisation

- Disadvantages of uniform support (quota without banding and ETS)
 - Low dynamic efficiency and technology development (e.g. of offshore wind)
 - Uniform support would either lead to very limited RES deployment or to substantial producer rents for producers of least-cost RES-E
- Path dependency: Due to differences between MS regarding market orientation vs. more state interventionist approaches, a harmonisation of either FIT or quota schemes seems politically difficult to achieve. A FIP and/or a combination of instruments (small- /large-scale RES) might be more feasible.
- The choice and harmonisation level of support instruments will not yet determine the effectiveness and efficiency of RES-E support. Best practice design is key.

Conclusions and ways forward

- There has been a complex interplay of coordination, cooperation and selective harmonisation.
- From our analysis, such combination might also be the most functional and politically feasible way forward.
- The continuation of a mixture of top-down and bottom-up processes would focus on harmonised minimum design standards (top-down) and intensified coordination and cooperation between MS (bottom-up).