EREC EUROPEAN RENEWABLE ENERGY COUNCIL

REPAP 2020

Renewable Energy Policy Action Paving the Way towards 2020

What has happened since the National Renewable Energy Action Plans were submitted?

Updated: January 2012

In the framework of the REPAP2020 project which was completed in September 2011, EREC and the national renewable energy associations have decided to continue presenting you an update on the implementation of the 2009/28/EC Directive on the promotion of the use of energy from renewable sources. As a requirement under this Directive, National Renewable Energy Action Plans (NREAPs) have been submitted by EU Member States from June 2010 onwards. In this issue of the newsletter, we take stock of policy developments since then. Each national briefing has been drafted by the corresponding national renewable energy association. Please click on the links below to know more about the situation in the respective countries:

Belgium
Bulgaria
Estonia
Germany
Portugal
Spain
Sweden
United-Kingdom

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BELGIUM

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POLITICAL BACKGROUND

The new federal Government hasn't succeeded yet in starting the negotiations on the burden sharing of the 2020 mandatory renewable target. This would be crucial to support an ambitious renewables development in the different regions and to counter-balance the budgetary considerations as not reaching the target would have budgetary implications: The new Government has indeed proposed a penalty system in case of non-reaching the regional target.

The federal Government has unilaterally (without consulting the regions) decided to cancel any fiscal discount on small-PV installations and any other energy efficiency investments (except roof insulation). Furthermore, the Government is still challenging the timing related to the nuclear phase – out law. This uncertainty remains a very bad signal for renewables investments.

RENEWABLE ELECTRICITY

Updated statistics show a sustained wind energy growth (22,5% in Wallonia and 37% in Flanders) to reach a Belgian wind energy installed capacity of 1078MW (195 MW offshore, 541 MW in Wallonia and 324 MW in Flanders). Last figures have also shown an impressive PV-installation to reach nearly 1,6GW.

In Wallonia, the Government is revising the support system to consider the possibility to introduce a FiP system (Feed in Premium). The current green certificate (GC) system faces considerable amount of stocks leading to a collapse in the GC price. The revision of the support system would update the quotas from 2013 on (to reach 8 TWh green electricity in 2020) and the amount of GC / MWh / technology guaranteeing an expected IRR (internal rate of return).

The Walloon Government is also reviewing the wind energy guidelines by considering the implementation of concessions and tender systems. The new wind energy policy will be based on an ambitious 2020 wind production target (4500 GWh/year linked to a linear trajectory) and on a mandatory (50%) participation of local communities and citizen cooperatives for each single project. Local requirement rules are also considered.

BULGARIA

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POLITICAL BACKGROUND

In April 2011, a new Law on renewable energy sources has been adopted. The changes include:

- **Cutting the period for preferential purchase** of RES electricity from 25 to 20 years for photovoltaics (PV) and from 15 to 12 for wind and water.
- **Determination of a fixed price for the whole period** of the feed-in-tariff by the SEWRC (*we used to have a flexible price, that was set each year*).
- **The prepayment of 2500 Euro/MW** on the *Interconnection Statement* stage.
- **The prepayment of 25 000 Euro/MW** for the grid connection upon signing of the *Preliminary Contract*.

Signing of *Power Purchase Agreement* (PPA) in accordance with Art.176, para.1 of the Law on Spatial Planning (used to be upon signing of *Final Grid Contract*)

In December 2011, Eur'Observer published a press-release on the RES developments in Bulgaria that shows a share of 12.9% RES in gross final energy consumption for 2010. APEE has contacted Eur'Observer to clarify the methodology used for the calculation. If the given figures are definitive and official, this would lead indeed to a complete stop of the future RES projects for at least 2 years ahead: This would mean that the 2015 target set by the indicative trajectory in the Renewable Energy Directive would already be met in Bulgaria in 2011. APEE's external experts are now working in collaboration with all the sector associations to independently calculate the share of RES energy in the gross final energy consumption.

RENEWABLE ELECTRICITY

Installed capacities RES for 2011 (operational):	**Cumulative capacities:**
Wind – **14.33 MW** (*7 operational plants*)	Wind – **503.65 MW**
(53.50 MW total installed)	(*by 31 June 2011*)
PV and solar – **72.77 MW** (*180 plants*)	PV and solar – **60.47 MW**
Small Hydro Power Plants – **1.25 MW** (*17 plants*)	(*by 31 June 2011*)
	Hydro Power Plants – **2184.79 MW**
	Small and micro PP - 242.56 MW
Total: **88.35 MW**	Total: 2748.91 **MW**

*Sources: *State Energy and Water Regulatory Commission, National Directorate for Construction Supervision*

RENEWABLE HEATING AND COOLING / RENEWABLES IN TRANSPORT

No officially published or reliable information about the renewable heating and cooling or for renewables in transport in 2011 are available so far.

ESTONIA

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POLITICAL BACKGROUND

After opening the electricity market in April 2010 to large consumers (over 2 GWh), further opening is foreseen in 2013. Preparations for market opening are well underway. The Government has prepared a set of changes in the Electricity Market Act which the Parliament is currently scrutinizing. Together with the legislation dealing with the market opening, the Act harmonizes 3rd energy market directives. Amended Gas Market Act has also reached the Parliament. Of the most substantial amendments, ownership unbundling has been foreseen by 2015. Estonia together with Finland, Latvia and Lithuania is currently fully dependent of Russian gas imports, the Government expects the unbundling to facilitate a diversification away from Russia´s gas.

RENEWABLE ELECTRICITY

The publication of consultation document regarding the changes in the renewables support scheme has not yet occurred.

According to a recent data from TSO Elering, renewable electricity production reached 1159 GWh in 2011, a 35% growth compared to 2010. As the Statistical Office has not yet produced the consumption data, the exact share of RES-E in final consumption isn´t clear yet. An additional 35,5 MW of new renewable electricity capacity was added in 2011. By the end of 2011, alltogether 258.2 MW of renewable generation assets have been installed, including 184 MW of wind power, biomass powered 67.5 MW CHP plants, 4 MW hydropower and 2.7 MW biogas capacities.

In 2012, renewable electricity production is expected to increase by 25% and reach to 1,455 GWh according to TSO Elering forecast. Alltogether roughly 100 MW new generation capacity is expected to be completed in 2012 - 92 MW wind farms, 2 MW biogas plant and 6,35 biomass CHP plant.

RENEWABLE HEATING AND COOLING & TRANSPORT

The Estonian Governments´plan to build Europe’s largest electric vehicle (EV) charging infrastructure and to create the world’s first fast-charging infrastructure with full nationwide coverage is well

underway. ABB won a tender to build a network of 200 electric vehicle (EV) fast-charging stations throughout Estonia.

The investments in electric mobility are financed by the Green Investment Scheme funded from the sale of Assigned Amount Units' (under the Kyoto Protocol) . The scheme also provides grants for the purchase of 500 EV for private and 500 EV for public use.

GERMANY

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POLITICAL BACKGROUND

By the end of 2011, renewable energy accounted for 12% of gross final energy consumption (first results from AGE, the official Government working group on RES statistics. More details will be published in February). The electricity sector contributed the largest share to the growth of renewable. The share of RES-E increased to 20% of gross final energy consumption by the end of 2011. This is more than a threefold increase since 2000. Despite these good results, there is an ongoing debate about the costs of RES, about electricity prices and the costs of new grid infrastructures.

RENEWABLE ELECTRICITY

After last year's decisions to reduce PV tariffs, there is a new debate about costs of PV. The unexpectedly high installation figures for PV in 2011 (7,500 MW of new capacity) will lead to quicker than expected additional reductions of tariffs for new installations. This is the result of last summer's amendment to the "breathing cap" for PV in the Renewable Energy Law (EEG). The tariffs for PV will be reduced in two steps: by 15% in January 2012 and probably by another 15% by July. Overall, the support level will be reduced twice as much as in 2011.

RENEWABLE HEATING AND COOLING

The discussion about introducing tax deductions for renewable energy in heating and cooling is still ongoing. So far, an agreement between the Federal Government and the State Governments (Bundesländer) could not be achieved. A similar situation arises in other areas: Despite the amendment of the Renewable Heating Law foreseen in 2012, there is still no government proposal for an effective, budget-independent instrument. As a result, there is no significant progress in the heating and cooling sector despite the huge potential (financial and environmental) in this field.

RENEWABLES IN TRANSPORT

In the transport sector, the stagnation at a low level of biofuels continued. The European sustainability criteria for biofuels turn out to become a real problem for biofuels development in Germany. While the relevant regulations have already been fully implemented in Germany, a number

of other Member States have not even begun. This leads to competitive disadvantage for the German market.

ITALY

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POLITICAL BACKGROUND

Political weakness and financial instability have led to a new Government which is now working on strategies to enhance economic growth including in the energy sector. First measures are foreseen by the end of January but at the moment no announcement has been made.

RENEWABLE ELECTRICITY

In January 2012, PV plants reached 12.500 MW installed (5,7 billion euros/year). Clear rules have been set only for the PV sector until 2016 with a target of 23.000 MW installed by that year.

Decrees on new incentives for other RES (wind, biofuels, bioenergy and solar thermal) were stuck by the former Government's difficulties. It is assumed that the new Government will define new incentives by the end of January.

RENEWABLE HEATING AND COOLING

Regarding renewable heating and cooling, there is no significant progress following new requirements for thermal energy production in new buildings or major renovation (legislative decree 28/2011).

RENEWABLES IN TRANSPORT

As for heating and cooling, the legislation has not been modified in the last months.

PORTUGAL

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POLITICAL BACKGROUND

The adverse political background reported in the last policy update remains. The new Government argues that renewables are too expensive and the consumer cannot afford them. Their slogan is that energy should contribute to the economy instead of the contrary, ignoring that the renewable energy sector has been contributing significantly to jobs creation, exports, security of supply and savings in fossil fuels imports over the last decade, along with other benefits.

The second review of the Memorandum of Understanding which states the conditions of the bailout of the Portuguese Economy, has defined the end of January as the new deadline to "review in a report the efficiency of support schemes for renewables, covering their rationale, their levels, and other relevant design elements". This report is being carried out by a consultant firm, along with a revision of the NREAP, to adapt it to the economic recession and to the decrease in energy consumption. Although not much is known about this process, it is expected that the scenarios coming from the analysis will decrease substantially the amount of renewable energy, and some of them might even jeopardize the compliance with the 31% target.

The Government has not presented its energy strategy yet, and has kept communications with the representatives of the energy sector at a minimum level. On the other hand, there have been plenty of interventions in newspapers and in conferences, bringing instability to the sector.

RENEWABLE ELECTRICITY

The sale of 20% of EDP, the Portuguese electricity utility, has ruled the electricity market over the last five months, and EDP-Renewables, one of EDP´s branches, was one of the most desirable assets. For this reason, the Government chose not to change the sector's regulations, even if it has always stated that the electricity production contracts must be reviewed, both from conventional and renewable generation.

Now that the sale was finalized, an outcome is expected soon. Two possibilities are on the table: the one presented by the Government, consisting on an extraordinary tax on all installed power, which would have dramatic consequences on the project finance contracts; or the alternative presented by

the promoters, which have offered to pay a certain amount per MW installed, buying an extension of the feed-in-tariff duration.

On the 5th of January, the Council of Ministers approved a decision suspending indefinitely the allocation of new power for Renewable Electricity Production, in result of "orientations of energy strategy (…) which point to the need to reassess the legal framework of renewable electricity production".

RENEWABLE HEATING AND COOLING

Nothing of importance has happened in the renewable heating and cooling sector.

RENEWABLES IN TRANSPORT

Nothing of importance has happened in the renewable transport sector.

SPAIN

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POLITICAL BACKGROUND

The last months of 2011 have been marked in Spain by two major things/events:

1. The approval on the 11th of November 2011 of the new Renewables Plan (PER) for 2011-2020, a new Royal Decree regulating grid connection for small electricity generation facilities.
2. The Government change – as the outcome of the general elections in Spain on the 20th of November 2011 – from the former socialist Government to the new conservative one based on a clear majority of the Spanish People's Party (Partido Popular) under the new president Manuel Rajoy.

The adoption of the new PER can be seen as a positive sign as it gives a clearer picture on the renewable energy planning in Spain for the coming years. Nevertheless, it lacks ambition, as its overall target for RES for 2020 (20.8%) is only slightly above the 20% minimum target for Spain set in the RES Directive of 2009 and clearly lower than the target communicated by the Spanish Government to the European Commission (22.7%) in its NREAP.

RENEWABLE ELECTRICITY

On 18th of November 2011, the Royal Decree (RD) regulating grid connection of small electricity generation facilities has been finally approved. The new regulation transposes parts of the Renewable Energy Directive (RED) into Spanish legislation regarding grid access simplification of electricity installations up to 10 kW to the (low voltage) distribution grid as well as partly for installations up to 100 kW respectively up to 1 MW in the case of cogeneration, biogas and biomass plants connected to grids up to 36 kV.

Among others, it establishes a fast-track grid access procedure for these small installations and exempts small PV installations (≤ 10 kW) from the obligation to present a bank guarantee for their investments.

Furthermore, it fixes a maximum period of 4 month (after coming into force) to prepare a draft of another RD regulating the possibility of own consumption of electricity based on a net balance approach.

A first draft for a net metering scheme was also presented in November by the former Government inviting the RES sector to make its comments. Although this regulation is very much expected by the RES sector to promote distributed generation in Spain, there are still issues in the first draft which should be solved: The limit of its applicability for installations of only up to 100 kW is too low. (It ignores the possibility to gain for example SMEs, shopping malls, etc. with higher electricity consumption to become part of the net metering approach).

Besides, currently the wind sector is urgently waiting for a new promotion scheme for new installations from 2013 onwards as the one in force only applies until the end of 2012. As new wind projects have lead times of several years, the sector is already suffering a de facto moratorium. The Spanish Concentrated Solar Power sector is also confronted with the same problem from 2014 onwards.

RENEWABLE HEATING AND COOLING

Regarding RES heating & cooling in Spain, there have been no new developments during the last months (with the main promotion programs BIOMACASA (for biomass installations), GEOTCASA (for geothermal installations) and SOLCASA (for solar thermal installations) still running).

The sector is urgently waiting for a new register for RES heating & cooling installations to be elaborated in 2012, as fixed in the new PER 2011-2020.

RENEWABLES IN TRANSPORT

The transposition of the RED into the Spanish legislation took place in November 2011 through the adoption of a Royal Decree. The Royal Decree establishes the sustainability criteria for biofuels and bioliquids, sets the basis of the national system for sustainability verification and the basis for the double counting mechanism for certain biofuels. The practical implementation of the sustainability criteria will be further detailed via a set of regulations to be adopted in 2012.

SWEDEN

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POLITICAL BACKGROUND

Sweden has a new energy minister since October 2011, Anna-Karin Hatt. Ms Hatt promised to introduce so called net charging of small scale renewable energy.

Cooperation with Norway concerning green certificates begins in 2012.

The energy consumption decreased substantially compared with the very cold 2010, resulting in a share of RES of more than 50 %.

RENEWABLE ELECTRICITY

Wind power has increased from 3,5 to 6,1 TWh during 2011. The capacity factor of nuclear power has been lower than 70 % during 2010-2011.

RENEWABLE HEATING AND COOLING

Biofuel usage in distric heating has increased. 2010 was 141 TWh bioenergy used in Sweden, most of it for heating.

UNITED KINGDOM

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POLITICAL BACKGROUND

The UK Government published a Renewables Roadmap that identifies eight technologies that Government thinks has the greatest potential to contribute to the target. There are concerns for technologies not on the list. The Ministers Annual Energy Statement in November 2011 provided an update on Government's progress towards energy objectives; it also focused strongly on protecting the consumer to rising energy prices. There is a great deal of criticism of the costs of green measures on energy bills, and a number of negative comments from think tanks. The Committee on Climate Change (CCC) has recently issued some data, which shows that renewables will account for about half of the additional costs on energy bills by 2020. The CCC itself is not greatly helpful to the renewables case as it is agnostic between nuclear, carbon capture and storage and renewables and often uses overly-simplistic assumptions – particularly on bioenergy. The Government is intending to publish its own Bioenergy strategy in early 2012. Industry is also very worried about the implications of the End of Waste Regulations for Anaerobic Digestion.

Government continues to be committed to reform of the electricity market and more detail on the Feed-In Tariff Contract for Difference (this will support large scale renewable replacing the RO from 2017) is expected in early 2012. An Energy Act in spring 2012 should introduce primary legislation for the reforms. The Green Investment Bank's first priorities until 2016 will include offshore wind power generation, and energy from waste generation. The UK has published the first progress report towards the renewables target.

RENEWABLE ELECTRICITY

Small scale Feed-In Tariff (FiT)

The UK Government is reviewing the small scale FiT, which is the main preoccupation at the moment. The Budget allocated is a cumulative £867m by the end of March 2015 and the Government is determined not to provide further funds. There had been no action to reduce PV tariffs up to 50kW until the 31st October 2011, when the second "fast track" PV fit tariff consultation document was published. (Note the REA had previously called for all tariffs to go down by 25%). The deadline for the consultation was 23rd December but with an effective date for a reduction of 50% on the tariffs of 12th December. This document caused absolute turmoil. There was a rush of installations (9,000 per day in the run up to 12/12/2011). Two companies and Friends of the earth launched a legal

challenge, which they won. Government is seeking to appeal and the hearing has taken place on 13th Jan. The comprehensive review is expected to be published in early 2012. During the 2010-2011 period 30,201 installations were registered under the scheme, which amounted to a total capacity of 108.3MW, and generated 68,559.4MWh of electricity.

Renewables Obligation (RO)

The RO Banding review came out months late, but was fairly well received. Many of the bands are to reduce in line with the anticipated cost of a reduction in offshore wind, and also the introduction of a carbon floor price. Final decisions for support 2013-17 are expected by summer 2012. The RO is set to close for new projects in 2017. Electricity generation from renewable sources increased by nearly 2% (reaching 25.7TWh) between 2009 and 2010

RENEWABLE HEATING AND COOLING

The first phase of the Renewable Heat Incentive started at the end of November. There was a last-minute reduction in the biomass heat tariff for larger schemes, caused by a state aid challenge from EU. Following the delay, a revised timeline is expected early in 2012. A further (phase 2) consultation is due, which should include domestic installations, as well as several technologies omitted from phase 1. Our (unofficial) guess is that the consultation would be launched before Easter 2012, with implementation Q1 2013.

RENEWABLES IN TRANSPORT

No trajectory is set for deployment levels of biofuels post 2014 and the Government seems determined to delay a decision for as long as possible. Morale is low in the industry, not helped by loopholes over treatment of ethanol under customs codes.