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4th policy briefing

Keep on Track!

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National Policy Update



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AUSTRIA



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Consistent policy leading to a slow but steady growth of RES

Austria is one of the European countries that have demonstrated that a consistent policy aiming at increasing the share of renewable energy can be effective: the share of renewable energy is growing slowly but steadily. However, the expected changes in EU policies are seen as a massive threat.

Status of the RES production in Austria

From 2011 to 2012 the overall share of renewable energy increased from 30,7% to 32,2%. The renewable electricity share increased from approximately 61% to approximately 65% (depending on precipitation). Recent years have seen a strong increase in production, especially of wind and solar electricity (+22% and +70% respectively). However, the largest renewable share to overall energy consumption is biomass, for heating purposes. Nevertheless, the growing energy demand is consuming a large part of the increase of renewable generation.

Policy update in Austria

Electricity: The current law, guaranteeing feed-in tariffs, is in force since 2012, and has led to a stable increase of renewable electricity. Currently there is a conflict about plans to tax direct consumption of solar electricity.

Heating and Cooling: There is an annual subsidy budget for thermal insulation, including renovation of the heating system, of 100 million euro. This is however not enough to achieve a substantial reduction of heating energy demand. Renewable heating systems are popular and there is an effective support scheme. However biomass heating is suffering from an increasing popularity of heat pumps. Thermal solar energy is currently suffering from competition for roof surfaces from PV and from reduced popularity after a boom 10 years ago.

Transport: There are currently no developments in the field of biofuel. Rail transport is driven by 95% renewable electricity and is becoming more and more popular, but investments in new commuter railway lines are lagging behind. This slows down the increase of renewable electricity in transport.





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BULGARIA



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Renewable energy in Bulgaria – “the root of all evil”

The Bulgarian government declared a virtual war to renewable energy sources. For the past couple of years the government has been using the mainstream media to creating a negative image of RES and accompanied by the campaign with a wave of retrospective changes to the legislation. Recently the Ministry of Economy and Energy announced that support schemes for renewables have to be reconsidered as a way of assuring affordable electricity prices for households.

Status of the RES production in Bulgaria

According to the Second National Renewable Energy Action Plan Progress Report (NREAP), published by the Ministry of Economy and Energy, Bulgaria has already achieved its 2020 targets and has reached a share of 16.4% renewable energy use in gross final energy consumption.

Unfortunately, the alternative progress report prepared by the Association of Producers of Ecological Energy showed that the official figures have been inflated by about 1.6%. By using the methodology provided by the European Commission and based on the statistics by the Sustainable Energy Development Agency (the entity in charge of issuing guarantees of origin in Bulgaria), the industry report calculations give a different figure: 14.78%.

Policy update in Bulgaria

Electricity: Since the mid-March 2014, the distribution system companies (EVN, CEZ and Energo Pro) have been limiting the maximum power generation of all wind and PV power plant by 60%.

Heating and Cooling: Amendments to the current legislation should be implemented by the end of June 2014.

Transport: The Ministry of Economy and Energy has formed a working group to develop a new National Electric Mobility Action Plan draft.



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GERMANY



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Germany at a crossroads – Revision of the Renewable Energy Sources Act (EEG)

On 8 April 2014, the German Government published a legislative proposal for reforming the Renewable Energy Sources Act (EEG). The document covers a series of fundamental amendments to the current law – such as mandatory direct marketing, an expansion corridor and the introduction of tenders, which will significantly impact the development of renewable energy in Germany in the near future.

Status of the RES production in Germany

In Germany, renewable energy accounts for 12.3% of final energy consumption. A significant development can be observed in the electricity sector, where the share of RES in the gross electricity consumption amounted to 25.4% in 2013. In the heating and cooling sector, RES account for 9.0% of the total supply, while in the transport sector renewables account for 5.3% of the fuel consumption.

Wind and photovoltaic make up most of the installed renewable capacity. To date, wind power capacity peaks at 34.2 GW (33.7 GW wind onshore and 520 MW wind offshore) and solar power capacity at 39.5 GW. Biomass amounted to 8.1 GW in 2013. Electricity generation from wind energy is 17.2 TWh and 5.7 TWh from solar energy.

Germany continued being a net energy exporter, with 33.8 TWh being exported in 2013. The figures for renewable energy employment remain stable. The sector continues to employ about 380 000 people.



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Policy update in Germany

The electricity sector has seen a lot of movement in recent months. Already the coalition agreement foresaw amendments to the German support scheme, which were then specified in a key issues paper of the responsible ministry and later in a legislative proposal of the government. Key proposed amendments include:

- The introduction of an expansion corridor for renewables of 40%-45% by 2025 and 55%-60% by 2035;
- Mandatory direct marketing for all renewable energy systems larger than 500 kW starting 2015;
- The announcement of tenders starting 2017;
- A “breathing cap” for wind onshore of 2500 MW installed capacity per year, where tariff reductions apply when the expansion is above 2500 MW;
- An expansion goal of 100 MW for bioenergy, concentrated on waste and residues;
- The collection of the EEG-surcharge on own consumption of solar energy.

These amendments aim at changing the substance of the EEG. They endanger the future development of renewables without providing any real solution to the issues at hand, such as a better integration of renewables into the market or creating a level playing field for renewables.

There are no updates on the regulatory framework for renewables in the heating and cooling sector. The coalition agreement did not include any significant measures for the sector. After talks about the introduction of tax relief for energy retrofitting failed to materialize.

The restriction of cheap imports led to biofuel production picking up after a slump, but the outlook remains grim. There is a lot of regulatory uncertainty for the biofuel industry due to the debate on ILUC and the expected introduction of the new Guidelines on environmental and energy aid for 2014-2020.

Furthermore, the replacement of the biofuel blending quota of currently 6.25% by global greenhouse gas reduction targets is approaching (2015). A lot of details regarding this switch are yet to be cleared. As regards electro mobility, there are no new regulatory developments.



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Good performances in 2013 production, but still uncertainty for the future

Between January 2013 and April 2014 three different Governments succeeded to each other. Continuous political changes created uncertainty and delays in the implementation of the overall energy strategy. A general slowdown in the growth rate of new electricity RES plants (both requests for authorization and grid connections) was caused both by the uncertainty linked to the new support scheme and by the shutdown of PV support scheme in July 2013.

Status of the RES production in Italy

According to the provisional data published by the TSO (Terna), the RES electricity production in the 2013 achieved 106.8 TWh. With the new decrease of -3,1% of the electric demand, this figure represents 38.5% of national production and 33.7% of national demand. The PV sector with 22.1 TWh represents 7% of the demand and 8% of the production. The overall RES production increased by 15.5% compared to 2012 (hydropower +21,4%, PV +18,9, wind +11,6%).

The end of PV's support scheme in July 2013 had 2 consequences: the amount of new installed capacity decreased from 3.6 GW in 2012 to 1.1 GW in 2013 (a large part of 2013 connections results from processes already started in 2012), and new plants are generally of smaller sizes (<20 kW).

Policy update in Italy

Electricity: Within the new support scheme for RES (excluding PV), the quotas available for registries were by far overfilled. Only a few plants participated in auctions. A new law established that electricity already subsidized through one of the support schemes in force cannot be eligible for the minimum guaranteed tariffs, except PV up to 100 kW and hydropower up to 500 kW. Technical rules for connection, distribution and sale of for self-consumed electricity have finally been issued.

Heating and Cooling: Uncertainty in district heating networks regulation. There has been incomplete implementation of legislative framework for the injection of bio-methane into natural gas grid.

Transport: On 17/12/2013 was published a Ministerial Decree which set up an incentive system for the use of bio-methane in the transport sector, but it is still not operational.



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Poland is still trying to cope with unstable support schemes for RES

The green certificate price continues to decrease. It now reached 50% of its nominal price. This causes a breakdown of the market for new investments in RES and serious problems to already operating units. At the same time, the full implementation of the RES Directive is still being delayed (more 2.5 years). However the Council of Ministers decided to suspend its work on a comprehensive RES law and to make efforts to implement the RES Directive.

Status of the RES production in Poland

RES-E grew fast in 2012 to reach 14TWh (11.5%). However large-scale biomass (including co-firing) and large-scale hydro plants are dominating the RES-E production. These may cause a total oversupply of green certificates up to 6TWh, which is more than 30% of targets needed for 2013.

In the first half of 2013, the total installed capacity in the wind sector increased to 2.8GW, in biogas to 140MW, in biomass to 940MW (excluding co-firing) and no noticeable increase in PV and hydro were observed. The shares of RES in the heating & cooling and transport sectors in 2012 are estimated at respectively 13% and 7%.

Policy update in Poland

In April 2013, the Council of Ministers decided to suspend its work on the adoption of three new Acts (including a new Energy Act, a new Natural Gas Act and the new RES Act, the so called "large package of regulations"). It was decided to accelerate the work on the amendments to the provisions of existing energy Act (the so called "small package of regulations").

The small amendment to the Energy Act in relation to RES ONLY tries to introduce:

- a definition of micro-installation (up to 40kW)
- guaranteed access to the grid for micro-installations (but only for customers-prosumers up to power capacity that is already taken by the customer).
- a guaranteed price for electricity generated surplus at the very low level (in a given year at 80% of the average market electricity price from previous year)



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- a system for certification of installers (for biomass boilers, PV, solar)
- a guarantee of origin for international cooperation.

These requirements are however far from reflecting all of the requirements set out in the Directive.

At the same time, in May 2013, the President of the Republic presented a draft law on the amendment to some laws related to the reinforcement of the landscape protection tools. The draft law introduced additional barriers for the development of RES in Poland, especially for wind farms. The draft provided a new form of landscape protection, the so called “priority landscapes”, but the justification does not even attempt to determine what percentage of the area of the country may qualify in this category and to what extent the existing and new forms of landscape protection would be overlapping. Also, the principles of their determination should be defined by future secondary legislation that may not be assessed as the assumptions for such secondary legislation have not even been provided. These issues have already been quite precisely regulated in the effective legislation, both those on establishment of landscape parks or areas of the protected landscape and the procedures for environmental impact assessments.

In addition, the request to have administrative authorities responsible for granting permissions for location of wind farms and other systems seems to be unfavourable for development of self-government. Moreover, it strengthens a passive approach of local communities and it is in conflict with the constitutional principle of subsidiarity.





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PORTUGAL



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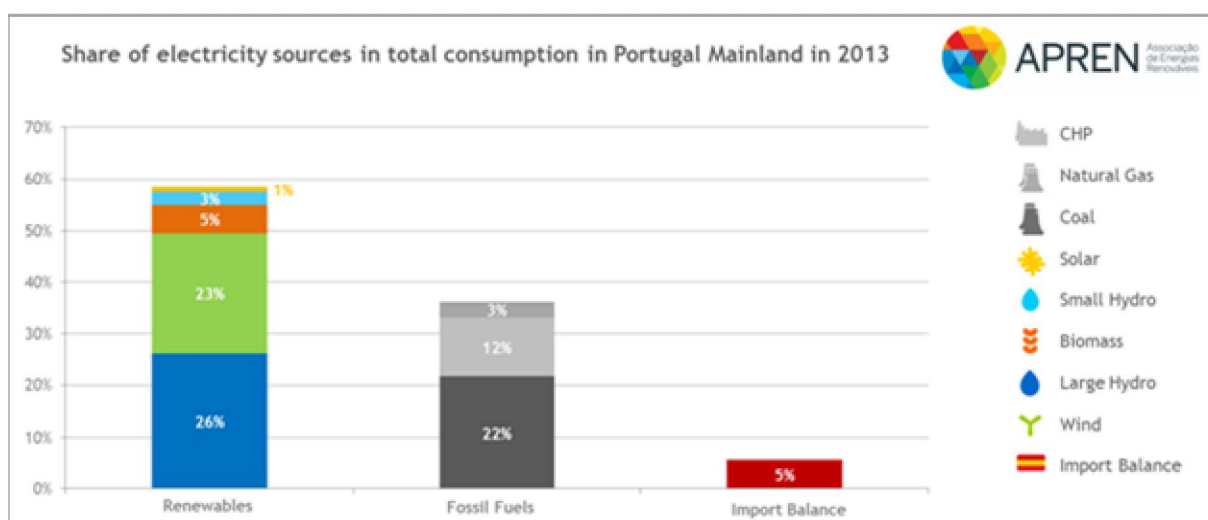
The continuation of the high RES shares in Portugal might be at risk

Portugal has been conducting a comprehensive structural reform of the RES sector and support policies. Although this has not significantly affected existing projects, it might jeopardize new RES developments until 2020, due to a lack of long-term strategy and removal of previously existing incentives.

Status of the RES production in Portugal

In 2013, 58% of electricity consumption in Portugal mainland was supplied by renewable energy sources (RES), a considerable increase compared to the 39% achieved in 2012, and the highest value since there is available data. The increase was a result of progress in production from water and wind sources - with the latter accounting for 23% of domestic consumption.

These values have been increasing in 2014 reaching new records. At the end of February the RES share in electricity consumption was as high as 94%, with which wind accounting for a share of 35%.



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Policy update in Portugal

Electricity: In October 2012 a new electricity framework regime was published. It removed the moratorium in place but stopped support schemes for new projects (except for micro and mini generation units) which should from now on be under the general regime and paid according to market prices. Support schemes can only be envisaged via a specific power granting tender.

In addition, measures to finance the reduction of the electricity tariff deficit (4.500 M€ in 2014) are in place, including a compensation regime applicable to RES-E, published in February 2013. These measures for wind are the outcome of negotiations between the Government and wind promoters. Small Hydro Power did not reach an agreement and are currently fighting it in court.

Furthermore, there are concerns regarding the deployment of overpowering projects (a new legislation is expected) and the fiscal burden that has been placed on RES-E projects, related to tax depreciation of RES-E equipment, the incidence of Municipal Real Estate tax (IMI) and the limits to the fiscal deductibility of financial costs. Overall, the new framework lacks transparency, adequacy and has discretionary dispositions, bringing uncertainty to RES-E investments.

Heating and Cooling: According to the Portuguese NREAP, a decrease in the share of renewables in the H&C sector is expected to happen between 2005 and 2020, revealing the lack of a long-term promotion strategy. There is currently no direct support mechanism for RES-H&C. The Energy Efficiency Fund has not renewed the budget to support RES-H&C equipment installation in the household sector, which had been in place between November 2012 and July 2013.

Nevertheless, the RES-H&C sector is indirectly supported via the micro generation regime as electricity producers shall install a minimum of 2m² of solar thermal panels or a biomass boiler as a counterpart to be entitled to the FiT. However, the dramatic cut to the micro generation FiT might decrease new installations. Overall, monitoring the status of the RES-H&C sector is very difficult, due to the inexistence of market statistics.

Transport: In Portugal, dedicated small producers of biofuels are exempted of the petrol product tax. A quota scheme for all biofuels of 5.5% in energy content is also in place for 2014. This percentage increases gradually, starting at 5% (2011-2012) and reaching 10% (2019-2020). There is also the obligation to blend a minimum of 6.75% (v/v) of biodiesel in diesel for road transports by 2015, and specific obligation to incorporate 2.5% in energy content of gasoline substitute biofuels from 2015. There is also a maximum selling price for biodiesel.

The electric mobility program - MOBI.E, implemented in 2010, is currently under review and will have its pilot phase extended until 31 March 2014. The review of the program foresees a revaluation of the target group and network planning, as well as a review of the geographical scope of the pilot network and the feasibility of including new municipalities. Meanwhile, all acquisition incentives for electric vehicles were removed.





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SPAIN



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The Spanish government has gone ahead with the call electricity reform, though still unfinished

Compared to other energy sources, renewable energy sources are receiving discriminatory treatment by the Government that is implementing retrospective and retroactive cuts to tariffs of the different renewable technologies. Many measures undertaken since 2011 are reducing the revenue of the sector in 2014 by more than 3,400 million euros.

Status of the RES production in Spain

Renewable energy accounted for 43.2% of net electricity generation in Spain in 2013. Wind accounted for 20.9% of the national total. The technology is becoming prominent within the electricity mix. The Renewable Special Regime, regardless of large hydro, accounted for 30.3% of total net generation. Thanks to the renewable contribution, 64% of net electricity was generated without CO2 emissions.

During the first 9 months of 2013, the consumption of biofuels in diesel was around 685 kt – 57% below the figure for the same period of 2012 – while the consumption of bioethanol was around 198 kt (-18%).

Policy update in Spain

Electricity: In July 2013, the Spanish government approved a Royal Decree-Law establishing urgent measures to ensure financial sustainability of the electricity system measures. Some of these measures included a new remuneration system for RES and retroactively changed the existing system. In December 2013, the new Electric Power Act radically changed the remuneration of renewable energy.

This new law started the beginning of the electricity reform. In April 2014, the new remuneration scheme to be applied to existing facilities, as well as those implemented in the future, was still not approved by the Government. The Decree-law of July 2013 changed the remuneration scheme of renewable facilities but the final retribution of the energy generated during these months is still unknown.



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According to drafts renewable facilities could receive capacity payments depending on the installed power. Only those that have a higher cost of operation than the market price would receive a payment for the energy generated. In both cases, the retribution shall be complementary to the price obtained in the electricity market.

The new remuneration system is based on standard projects that will get a pre-tax return of 7.39% over its lifetime. Therefore, past earnings are taken into account in calculating future retribution. As an example, the wind farms built before 2005 will not receive any additional retribution to the market price.

One of the most troubling aspects of the law is that will have priority dispatch only if there is equality in the electricity market deals. Any fossil generation that bid below the cost of renewable energies will enter in the market and displace renewable generation. Today, in off-peak hours, the renewable energy is being wasted because the market has very low prices and the costs of renewable generation are higher.

This new payment scheme based in power capacity and strong retroactive pay cuts will cause the loss of renewable resources and many facilities will have to close because they cannot get a reasonable return on their investments.

In relation to self-consumption, the adoption of a Royal-Decree is still pending. However, the drafts do not include the net balancing and introduce a backup toll to be paid by owners of facilities for self-consumption to utilities. This will make unfeasible the development of self-consumption in Spain.

Heating and Cooling: The Council of Ministers approved a set of measures in April 2013, to stimulate the RES mainly for heating & cooling in the residential sector such as the regulation of the State Plan to promote rental housing, rehabilitation, recovery and urban renewal for the period of 2013-2016, approval of certification procedure for energy efficiency in buildings, technical instructions for thermal installations... Besides that, an order from September 2013 partially transposes the European Directives on energy efficiency of buildings.

Transport: The Spanish Government approved in February 2013 a severe reduction in the biofuels consumption mandates from the year 2013 onwards: global biofuels mandate was axed to 4,1% from 6,5%, whereas biodiesel and bioethanol targets were reduced to 4,1% (from 7%) and 3,9% (from 4,1%), respectively.

This Spanish U-turn policy on biofuels has been devastating, bringing uncertainty to the sector and preventing Spain from approximating towards the 10% goal of renewables in transport by 2020.





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UNITED KINGDOM



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The UK renewables market is currently active but mixed political signals continue to undermine confidence

The renewable electricity and heat sectors continue to show good levels of activity despite an increasingly difficult political landscape. Short term conditions are generally favourable but there are worrying signs that the government lacks a long-term commitment to renewables and concern that momentum will slow as we approach the 2020 target date.

Status of the RES production in the UK

Renewable electricity generation reached a share of 13.8% in 2013 and has grown an average of 21% per annum since 2009. Uptake of the new Renewable Heat Incentive continues to increase but needs to grow even faster if the government's 12% renewable heat ambition is to be achieved by 2020; in 2012 renewable heat only reached 2.3%. Progress on renewable transport has stalled due to policy uncertainties at both EU and national level.

Policy update in the UK

Electricity: the UK's support for larger scale renewable electricity is undergoing major transformation with the replacement of the Renewables Obligation by a 'Contract for Difference' mechanism in line with the requirements under the new EU state aid guidelines. This looks to be a complicated mechanism that will favour larger scale generators, especially with the introduction of competition based allocation mechanisms. Many of the details remain to be resolved, however the new mechanism is due to be introduced during the course of 2014, with the Renewables Obligation phased for new projects out 2017.

Planning consent continues to be an emotive topic, especially for onshore wind and now also large-scale solar parks. The Conservative Planning Minister has started intervening personally in planning decisions and the Conservative party has stated that consents for new onshore wind farms will cease if they are returned to power in next year's election (this is despite the continuing popularity of all forms of renewable energy in public opinion polls). Over the last two years there has been a huge increase in deployment of solar parks, with some projects approaching 50 MW, causing increasing



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government concern. Offshore wind continues to be the government's favoured option but industry is looking for longer term government commitment in order to justify the huge investment required on their part.

The new state aid guidelines are a major cause for concern for the renewable electricity sector. It remains to be seen how the detailed requirements for competitive allocation will be implemented within the CFD mechanism. Particular concern surrounds the impact that the guidelines may have on the UK's Feed in Tariff mechanism, which has an upper size limit of 5 MW, and which the government was hoping to increase to 10 MW for community projects.

Heating and Cooling: the Renewable Heat Incentive has been in operation for over two years now in the non-domestic sector and its uptake has been gradually increasing. By far the majority of uptake has been in the biomass sector. Following lengthy consultation the government is on the verge of expanding the non-domestic scheme to new technologies, as well as increasing tariffs for some existing technologies that have deployed slowly in the initial period. In April 2014 the RHI was expanded to cover the domestic sector, covering support for biomass, air and ground source heat pumps and solar thermal. Support for biomass under the RHI has been subject to emissions controls since September 2013 and sustainability requirements are due to be introduced in 2014/15.

Transport: policy on renewable transport has essentially stalled since the European Commission's proposals in autumn 2013 to place a 5% cap on crop-based biofuels. With the Council having failed to reach a decision on the proposals in 2013, it looks like we will need to wait for the arrival of the new Commission in 2014 to make further progress. Meanwhile, the UK government's support mechanism (the Renewable Transport Fuel Obligation) only has a trajectory until 2014, set at a 4.75% biofuel contribution by volume.

