



# The European Commission's renewable energy proposal:

## Flexibility mechanisms



# Flexibility mechanism: Some concerns

- GO transfers are a threat to technology specific support
- GO transfers will lead to a uniform market price for GOs
- GO transfers will lead to windfall profits
- GO transfers will increase target compliance costs

So,

Commission has proposed a voluntary GO scheme whereby national support schemes do not need to be altered unless a Member State chooses, and so the risk of reduced technology incentives , price conformity, windfall profits and cost increase can be completely avoided.

# Concerns addressed: limits on transfers

- ***Member State to Member State transfer:***

- A Member State may only transfer GOs to another Member State if it meets its interim targets (*Art. 9.1*)

- ***“Persons” to “persons” transfer:***

- Only GOs from new installations may be transferred to “persons” in another Member State (*Art. 9.3*)
- Member States may require prior government approval of such transfers (*Art.9.2*)

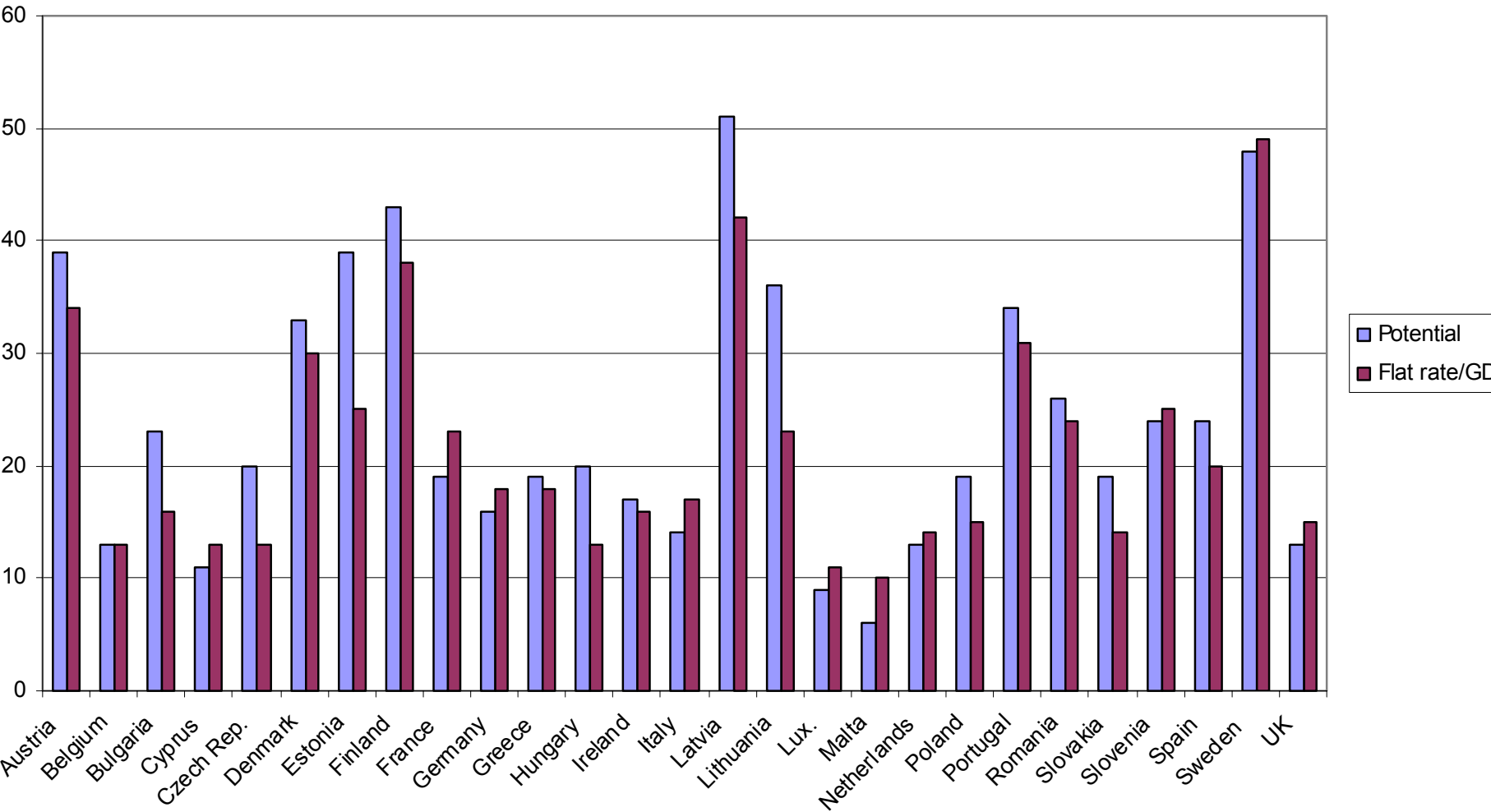
- ***Additional limitation on GO transfer:*** Lock-in clause (*Art. 8.2*)

# How would transfers work?

- **Member State transfers:** competent bodies monitor transfers of GOs between two Member States, however they are generated:
  - Bilateral agreements, memorandum of understanding, tenders, joint projects...
  - No rules have been imposed: Member States are free to agree such transfers as they see fit.
- **WHO?**
  - Potential Vs targets
  - differences in green certificate prices

# Who might trade GOs?

## Differences in targets (%)



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## Prior authorisation: Article 9.2

**Member States may provide for a system of prior authorisation if transfer of GOs are likely to impair ability to ensure:**

1. a secure and balanced energy supply,
2. environmental objectives underlying national support schemes,
3. achievement of national target in 2020,
4. achievement of interim targets.



# Risks

## Internal market

- Today, despite GO trade and the internal market, access to national support schemes is restricted.
  - Legal framework for harmonisation (in 2001/77) not applied
  - Commission's paper on support schemes notes that harmonisation is not yet appropriate.
- *But as the market liberalises and RES grows, restrictions are less defensible – under the existing or new framework*

## Flexibility

- Achievement of the targets requires flexibility
- Without flexibility, targets will need to change, 20% might not be possible.







# Prior authorisation – possible cases and arguments

## Possible illustrative limits on imports or exports


- certain technologies or efficiencies
- by quantity
- according to support schemes

## Because of

- Balancing grid/intermittency limits (1)
- Grid investment planning (1)
- Need domestic production; but absorption of RES is limited (3,4)
- Excessive costs risk achieving targets (3,4)
- Bringing down costs of new technologies faster is necessary (3,4,2)
- FiTs require electricity (2)

- (1) a secure and balanced energy supply
- (2) environmental objectives underlying national support schemes
- (3) achievement of national target in 2020
- (4) achievement of interim targets





**Thank you for your attention**

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