

GUIDELINES ON ENVIRONMENTAL AND ENERGY AID FOR 2014-2020

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1. INTRODUCTION

The European Commission is expected to present today new Environmental and Energy Aid Guidelines (EEAG) for the period 2014-2020. This revised State Aid regime will have a major impact on the Member States' ability to design support measures to renewables, and to photovoltaics (PV) in particular.

All **new aid schemes will have to comply with several rules** (evolving over time) with a view to integrating renewable electricity in the market. Prolonged or modified existing schemes will also have to comply with such rules, as well as schemes for which the validity of the Commission's compatibility decision has expired.

→ **As of 01 January 2015:**

- **Market premiums** or green certificates will be the main forms of aid allowed
- **Standard balancing responsibilities** will apply to beneficiaries¹ of the aid, *"unless no liquid intra-day markets exist"*
- Generators will no longer receive support in periods of negative prices

→ **During 2015 and 2016:**

- For at least 5% of the planned new renewable electricity capacity, **aid shall be granted through technology-neutral competitive bidding processes**

→ **As of 01 January 2017:**

- Competitive bidding processes will apply to **all new renewable electricity capacities**, with a number of **derogations** foreseen if:
 - Only one or a very limited number of projects/sites would be eligible to the aid; or
 - The bidding process would lead to higher support levels; or
 - The bidding process would result in low project realisation rates
- **Technology-specific tendering schemes** will remain possible *"where a process open to all generators would lead to a suboptimal result"*. In such cases, Member States will have to justify their choice based on the long-term potential of a given technology, the need to achieve a diversified technology mix, grid stability concerns or system integration costs

The Guidelines foresee the following **exemptions**:

- Aid can still be granted to installations below **1 MW** capacity without a competitive bidding process
- For installations below **500 kW**, Member States remain free to decide on the type of support (no obligation to go for a market premium or a green certificate) while respecting a number of conditions regarding the level of aid per unit of energy

¹ Or third parties acting on behalf of the beneficiaries, such as aggregators.

2. ANALYSIS OF THE MAIN PROVISIONS

→ Discriminating small-scale generation

The new rules proposed by the European Commission depict a vision of the electricity system where renewables are mainly developed by large players, as reflected by three central provisions of the new rules:

- **The imposition of a technology-neutral competitive bidding process as the main mechanism to allocate support:** Small market players are unable to bear the risk and cover the costs of a tendering scheme. The 1 MW threshold under which a different support regime is possible will not be sufficient, as it will still force cooperatives and community projects to place their bids in a scheme much more suited to the largest energy players
- **The imposition of market premiums or green certificates as the main types of support scheme:** Direct marketing of electricity is not possible for small and medium-sized players, who do not have a direct access to the wholesale electricity market and therefore need to go through a third party or an intermediary. This requires proper communication infrastructures between small-scale generators and intermediaries, which do not exist at the moment
- **The imposition of standard balancing responsibilities to all generators:** Balancing markets and products are everything but technology-neutral. They have been designed so as to accommodate the dispatchable nature of large power plants. As long as regulatory and practical barriers will prevent small variable generators from reducing their imbalances on an equal footing with other technologies, imposing them standard balancing responsibilities is discriminatory. Moreover, established players with large and diversified portfolio of generation are better placed to reduce their imbalances and thus favoured by such measures, compared to new and innovative market entrants

→ **Harmful to reach the 2020 binding renewable energy targets**

While these Guidelines will be applicable until 2020, several provisions unduly constraint Member States' capabilities to reach their 2020 binding renewable targets:

- The Guidelines allow for the **exclusion of several renewable technologies based on network constraints and grid stability matters**. The Renewable Energy Directive (Directive 2009/28/EC) however already describes when and how Member States should provide priority dispatch and access to renewable electricity
- While the Guidelines positively consider schemes that are open to other EEA and Energy Community countries, Member States need to fully control the means to reach their 2020 binding renewable energy targets. Therefore, **the opening of national support mechanisms should remain voluntary**
- The notion of "*grid competitiveness*", introduced by the Guidelines but not defined, is meant to be a reference point to phase out support to renewables after 2020. While some technologies will become competitive on the basis of power generation costs, their market integration and viability mainly depends on an electricity market design which today remains biased in favour of centralised dispatchable power plants. **While the 2030 climate and energy framework is still under discussion at European level, the Guidelines send the wrong signal to investors**

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