

EUROPEAN ECONOMIC AREA  
STANDING COMMITTEE  
OF THE EFTA STATES

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27 August 1999  
Brussels

**WORKING GROUP ON ENERGY MATTERS**

**Comments by the EFTA Working Group on Energy Matters on provisions regarding power from renewable energy in the internal market for electricity**

**SUMMARY**

**The EEA EFTA countries are concerned that a level playing field in the internal market for electricity is established and maintained. The exclusion of large hydropower plants (> 10 MW) as renewable energy is inappropriate. It is the EEA EFTA countries' opinion that different treatment of renewable energy sources should be limited to differences in economic support without affecting the definitions of renewables in trade and in the use of market instruments.**

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1. We have observed from the outcome of the Council meeting of 13 November 1998 that a directive was announced on access of renewables in the internal market for electricity. The EEA EFTA States are following the issue since preparatory work on provisions regulating the field of access of renewables in the internal market for electricity is relevant for consideration within the framework of the EEA Agreement.
2. After discussions with our electricity industry, which also has been consulted by the Commission through Eurelectric, we have reasons to believe that the earlier EFTA comments on the green and white papers on renewables and on the harmonisation report are still valid. The EEA EFTA States support the need for more transparency in support mechanisms underlined in the harmonisation report. However, the EEA EFTA States did in the comments on these papers underline the need for thorough analysis of the necessity for a separate directive on the rules for access of renewables to the internal market for electricity.
3. The EEA EFTA States have at this stage in the process some major questions and concerns related to the treatment of hydropower as a renewable energy source in the internal market for electricity. It is very difficult to see how one could avoid defining hydropower over 10 MW as a renewable energy source in the internal market provisions. Hydropower is renewable regardless of the size of the plants. A specified limit on installed capacity for hydropower projects could in an unfortunate way

discriminate both refurbishment and upgrading of existing installations, as well as new and cost-effective hydropower-projects.

4. The EEA EFTA States have questions and concerns as to how a limited green market for electricity could influence the level playing field between different renewable energy sources, trade between electricity systems and how it would affect existing markets which are re-regulated (as the Nordic market). The neutral role of the system-operator has to be compatible with the rules to promote renewable electricity. It is important not to discriminate in the provisions for market access rules between renewable energy sources.

5. The EEA EFTA States have some concerns for the long-term implications for climate policies and the future use of instruments and schemes (for example green certificates) within the framework of the climate conventions that would follow from an initial definition of renewable energy that exclude large hydropower. The definition and also the practical implementation should not be used discriminatory against hydropower in a climate change policy context. New provisions should not pre-empt more global solutions under the Climate Change Convention.

6. The EEA EFTA States do support the continued promotion of renewables through an appropriate policy mix by R & D, market introduction measures and the use of cost-effective economic instruments as taxation at the points of greenhouse gas emissions in the electricity chain. We also refer to earlier comments which are supportive to the promotion of renewables. A larger share of renewables produced for the electricity market could be achieved by a variety of measures. Co-operation within the ALTENER-programme is important.

7. There are arguments in favour of harmonised rules for promoting renewables. Harmonised and transparent rules within the EEA are a condition to obtain a more cost-effective system for support of renewables. In the discussions of different schemes to promote renewables, it is important to separate the question of direct support and grants, from the discussion on system access rules and the use of other market instruments like green certificates. Different treatment of renewable energy sources should be limited to differences in economic support without affecting the definitions of renewables in trade and in the use of market instruments. One should also consider the implications of entering into negotiations on a new directive concerning this issue before the electricity directive is fully implemented and the energy taxation issues are solved.

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