

E U R O P E A N E C O N O M I C A R E A

**S T A N D I N G C O M M I T T E E
O F T H E E F T A S T A T E S**

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Brussels

WORKING GROUP ON ENERGY MATTERS

**Comments from the EEA EFTA States on the draft directive of 10 May 2000 on
the promotion of electricity from renewable energy sources in the internal
electricity market (COM/00/279)**

EXECUTIVE SUMMARY

In order to achieve ambitious climate goals set by e.g. the Kyoto Protocol, the EEA EFTA States will underline that it is important that the Directive does not hinder the accomplishment of new hydro power projects, nor refurbishment and upgrading of existing ones. Different treatment of different sources of renewable energy should be limited to differences in economic support based on the profitability of the projects, without affecting the definitions of renewables in trade with e.g. green certificates and in the use of market instruments. Even if the 10 MW distinction in the future should be established as the basis for support schemes, refurbishment and upgrading of existing hydropower installations should, independent of size, be subject to the same rules as new renewable energy. It is, however, the opinion of the EEA EFTA States that the proposal points in the right direction.

I INTRODUCTION

1. The EEA EFTA States refer to the proposed Directive of 10 May 2000 on the promotion of electricity from renewable energy sources in the internal electricity market (COM/00/279) and the conclusions from the Energy Council meeting of 30 May 2000. We would also like to draw attention to earlier comments made by the EEA EFTA countries on 30 March and 23 December 1999.

2. The EEA EFTA States have noted with satisfaction that all renewable sources, including hydropower from installations with capacity above 10 MW, are defined as a renewable source of energy in important provisions of the proposal, namely in the articles about guarantee of origin and national targets. It is the opinion of the EEA EFTA States that the proposal points in the right direction. However, there are still a lack of clarity on the scope of the directive and the scope of application of provisions of support schemes.

3. The EEA EFTA States will in the following give some initial comments to the proposal. We will consider the need for further comments when negotiations in the Council have progressed and the draft directive has been subject to more comprehensive scrutiny in the EEA EFTA countries.

II DEFINITION OF RENEWABLE ENERGY (ART. 1 AND 2)

4. In order to achieve ambitious climate goals set by e.g. the Kyoto Protocol, the EEA EFTA States will underline that it is important that the Directive does not hinder the accomplishment of new hydro-power projects, nor refurbishment and upgrading of existing ones. Definitions of renewable energy and renewable electricity should acknowledge that all renewable energy sources are contributors to the overall objective of achieving the Kyoto targets and play a role in the application of Kyoto-mechanisms. The EEA EFTA States will therefore support broader definitions of renewable energy sources and renewable electricity.

2.1. Support schemes (art. 4)

5. The EEA EFTA States are of the opinion that a limit (10 MW) on installed capacity for hydropower is arbitrary, and thus unsuitable, since it does not reflect the fact that size is no guarantee for profitability. To illustrate this, there are a number of large hydropower projects that are not profitable, and small ones that are profitable. For this reason, profitability should be decisive for the question of direct price support schemes. This should be taken into account in the future interpretation and application of the provisions for support schemes.

6. From an environmental point of view, it is also worth adding that the cumulative environmental cost caused by a number of small projects will often be higher than the similar impact caused by one large project.

2.2. Guarantee of origin of electricity from renewable energy sources (art. 5)

7. The EEA EFTA States support that hydropower (independent of size) is included in the system for certification of electricity from renewable energy sources. We still, however, find it difficult to justify the need for the certificates to specify whether the capacity is under or above 10 MW (art. 5.1). Different treatment of different sources of renewable energy should be limited to differences in economic support based on the profitability of the projects, without affecting the definitions of renewable in trade with e.g. green certificates, and in the use of market instruments.

III REFURBISHMENT AND UPGRADING

8. Even if the 10 MW distinction should be established as the basis for support schemes in the future, refurbishment and upgrading of existing hydroelectric installations should be excepted from the general rules. In many cases, there is potential for a substantial increase in capacity with none or small environmental costs. Due to

low electricity prices, the need for support could however be present. It is the opinion of the EEA EFTA States that refurbishment and upgrading of existing hydropower installations should be subject to the same rules as new renewable energy, independent of size, and should also be included in the directive.

IV GRID SYSTEM ISSUES (ART. 7)

9. The EEA EFTA States will emphasise that the main objective when establishing a framework for transmission networks should be to ensure "efficient electricity flow". The physical flow must, regardless of origin, have access to the transmission network on equal terms and no priority should be given to specific energy sources. The rules to promote renewable electricity have to be compatible with a neutral role for the system operator.

V INDICATIVE TARGETS (ART. 3 AND ANNEX)

10. It is important that each country has sufficient flexibility to define policy packages to promote the renewable energy best suited to the energy situation of that country and to the national Kyoto obligations. It is our understanding that the targets outlined in the Directive and in the annex to the Directive are indicative for the EU Member States. The EEA EFTA States need to consider how the question of targets should be dealt with within the scope of the EEA Agreement, since the intention behind the targets of the Directive are to meet the EU Kyoto commitments and the indicative targets for renewable energy and electricity consumption in the EU. The EEA EFTA States would also have to look into the issue of targets from a situation where the major part of the electricity production and consumption come from one renewable energy source, such as hydropower.

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