

"ETS will lift power prices by 21%"

(Montel Powernews) - EU estimates suggest that the emissions trading scheme will cause a 21% rise in wholesale electricity prices. However, additional policies are needed if EU is to reach its ambitious targets for renewable energy production, Roberto Vigotti of Italy's Enel said Thursday.

"CO2 prices have to be in the range of EUR 30/tonne to EUR 120/tonne for renewables to become competitive. Other policies must thus promote renewable energy." Vigotti, who chairs Eurelectric's renewables and distributed generation working group, told a green power conference in Lausanne.

According to EU estimates, emission prices in the first Kyoto period, 2008-2012, are likely to be around EUR 20/tonnes, lifting wholesale power prices by 21%. That is higher than many estimates, but yet too low to make renewables competitive without subsidies or to facilitate a large scale transfer from coal power to gas power, Vigotti said. His estimates showed that emission quotas have to be traded at around EUR 23/tonnes before it makes economic sense for a company to replace its existing coal fired power units with a modern gas fired plant. Any estimates though are still clouded in political uncertainty as most national allocation plans are not yet completed and Russia has still to ratify the Kyoto protocol.

Ambitious plans

The 25 EU countries aim to generate 21% of its electricity from renewable energy sources by 2010, up from 14% in 2000. William Gillett, deputy head of the European Commission's directorate for energy and transport, said the targets could be reached, but that administrative barriers had to be reduced in some countries. "It's like a game of football, every player on the team has to deliver," he said urging those countries that are lagging behind to speed up the process. If necessary the Commission may have to use infringement procedures, he warned. National renewable targets vary from 3.6% in Hungary to 78.1% in hydro rich Austria. The European Commission is to present an updated overview on the progress made in each country in May.