

Press release on 4<sup>th</sup> European Conference on Green Power Marketing, 6 & 7 October, Berlin

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**Renewable energy sector bridging the gap between voluntary and mandatory markets**  
**Transparent pan-European trading system end goal for sector as a whole**

Few conferences on the subject of green energy can pride themselves on having all stakeholders present, and even fewer can bring them to consensus. The European Green Power Marketing Conference on 6 and 7 October in Berlin did just that. All the stakeholders were present, from producers, traders, grid owners and suppliers to representatives of national government, the European Commission and NGOs. During the course of their discussions it once again became obvious that the driving force behind the further development of green power is not the mandatory market, where the various national schemes are still not sufficiently harmonised. Nobody present seriously questioned the minimal targets set by the EU commission fixed in its *2001/77/EC directive on the promotion of electricity produced from renewable energy sources*. The most remarkable conclusion of the conference was that – despite the long-term dimension of the issue – nearly all parties agree that a fully harmonised and transparent European trading system for green certificates or GoOs is the goal to pursue.

The closing of the traditional gap between producers, traders and NGOs began with statements by VDEW and Eurelectric that they accept that RES-E is here to stay and concede that support mechanisms are needed to meet the targets of the EU directive. However, many speakers called for more sensitivity on the part of national governments when applying support mechanisms, and for a careful assessment of what stage a technology is at and what market development is desired in order to determine what mechanism will best serve the goal. Where technologies are still immature, feed-in tariffs have proven to be the best instrument to quickly promote the technology. However, in the case of technologies where production costs are decreasing but still too high for the technology to survive in free competition with conventionally produced electricity, quota systems or obligations could be the most suitable support mechanism.

With this statement, the electricity industry questioned the conclusions of Rainer Hinrichs-Rawles, Director-General for Central Functions of the German Ministry for Environment, who had previously explained that it was the unique success story of feed-in tariff systems that has brought Germany to the point where it will

almost certainly meet its target for 2010. Although the figures presented by the ministry were not disputed, the representatives of VDEW and Eurelectric claimed that feed-in tariffs are not as effective as an obligation might be, and that the forced intake of all renewable sources was causing market disturbance and grid instability. In cases where feed-in tariffs are used as a support mechanism, Eurelectric explicitly calls for grid balancing costs to be shifted to the producer's side.

Another broad consensus at the conference was that if the goals and mechanisms are clear, governments should make long-term commitments to this choice to create a stable climate for investors to anticipate the chosen support mechanism. In a study conducted by the Swedish Energy Agency to address the lack of investment in renewable energy, investors explained that the main reasons for freezing their investments are the unwillingness of the Swedish government to commit itself to its proposed renewable energy obligation, uncertainty about what a potential new government will do, and uncertainty on the possible bilateral certificate trade agreement with Norway. With respect of the last point, the fear is that Norwegian renewable energy producers may be capable of producing much more cheaply, or that it may be wiser to invest in new production capacity in Norway once the bilateral agreement is in place.

Another general conclusion of the conference was that experts believe that pan-European trading of renewable energy can only work effectively on the basis of certificates or guarantees of origin (GoOs), as any other approach will significantly impact the liquidity of electricity markets. The voluntary markets demonstrate how the approach can work, and how it generates more and more liquidity. However, all market participants agreed that one important requirement for achieving a mature market for certificates and GoOs are harmonised definitions of GoOs and redemption rules, and harmonised support mechanisms and guidelines for disclosure. Because all these matters are currently decided on a national level, the green energy markets are fragmented in terms of content, technology and nationalisation. For the European Commission, forced harmonisation by Brussels does not have top priority for the moment. "However," said Karina Veus, "harmonisation may well become a target for the European Commission in the future, and any attempt to get to harmonisation on a national level, be it from traders or from national governments, is welcome."

The final conclusion was that for the time being it is up to market players and national governments to harmonise and expand their markets by means of bilateral agreements, as we see happening in Sweden and Norway. If and when this bottom-up approach leads to a minimum degree of uniformity, the EU could step in and take over the process with a top-down approach to endorse full harmonisation.