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Renewable Energy Report

Analysts debate virtues of green tags, feed-in tariffs at Swiss power conference

The ongoing dispute between advocates of a European Union-wide green certificates system on the one hand and national feed-in tariffs on the other found a new forum at the 5th European Green Power Marketing conference, conducted September 13-14 in Lausanne, Switzerland.

Gwyn Dolben, head of European Affairs for the UK Association of Electricity Producers and chairman of the Eurelectric working group on energy policy, said both renewables promotion systems had their benefits and drawbacks.

Market-based systems like green certificates foster competition among renewables technologies, provide incentives to cut technology costs over time and would fit into a European Union-wide liberalized electricity market. But they are more complex to administer than feed-in tariffs, he said, need more time to take hold and require many EU members to work effectively.

Feed-in tariffs, Dolben said, have a proven track record in increasing renewable energy production, are simple to administer and offer low risks for investors. But they also carry possibilities for cost escalation and are incompatible with an EU-wide electricity market. "There is a serious question of how to integrate a whole set of different national mechanisms into an EU electricity market," he said.

Dolben called on EU policy makers to make tough decisions on supporting renewable energy within an EU internal market.

He recommended the EU support renewables technologies close to market maturity; develop a cross-border system for green certificate trading as a "key stepping stone"; establish a level playing field for connection and network access; give more attention in the EU renewables roadmap to grid integration; and ensure that renewables support does not harm wholesale markets and the EU Emissions Trading System.

"It's more likely to make investors nervous about other [energy] forms, such as natural gas and clean coal," he said, if renewable energy support undercuts the EU ETS.

Other speakers also called for an integrated cross-border system of green certificates trading based on guarantees of origin. Hans Petter Kidal of Norwegian energy company Fortum Markets AS, for instance, said such a system could be established.

"For using GoOs for cross-border trade as proposed the process and handling of GoOs must be managed in a secure way. All parties will benefit: market actors, consumers and last but not least the climate," Kidal told conference participants.

In addition, Peter Niermeijer, secretary general of green certificates advocacy group RECS International, outlined his organization's proposal to create an EU trading system that would allow member states to import limited amounts of green tags to meet their EU renewables obligations while leaving their individual national systems, such as feed-in tariffs, intact (*RER 136/1*).

By contrast, Mario Ragwitz of the German research institute Fraunhofer ISI challenged many of the claims of green tags advocates. He said the five EU countries with quota systems for renewable energy (Italy, Poland, Sweden, Belgium and the UK) do not in fact have market-based systems – they instead have quota obligations set by government with tradable green certificates as instruments.

Ragwitz also took issue with the frequent claim that quota systems produce renewable energy at less cost than feed-in tariffs. He cited Fraunhofer research that found over the lifetime of EU renewable support systems, the long-run marginal costs for feed-in tariffs differ little from quota systems. "Effective instruments for renewable energy support are frequently economically efficient as well," Ragwitz said, pointing to Ireland's wind-energy feed-in tariffs that he said combine "a very efficient system with a low level of support."

He encouraged the EU to move toward harmonization of support schemes by setting long-term EU targets, knocking down key barriers to renewables in member states and, potentially, providing regional coordination for renewables markets, such as promoting feed-in tariff cooperation among some countries and setting up a Nordic market for green certificates.

In wrapping up the talks, Stefan Nowak of Swiss company Nowak Energy & Technology noted that the debate echoed disputes at previous European Green Power Marketing conferences over the virtues of an EU-wide green certificate system versus national feed-in tariffs, but said that at least the latest discussions "were less fierce than in previous years."