

## (3) Support schemes

Onshore wind is today the cheapest power generation technology in Europe in terms of LCOE,<sup>1</sup> and offshore wind has the potential to bring down costs to €80/MWh by 2025 depending on deployment volumes<sup>2</sup>. While the industry has been increasingly exposed to market conditions, European market rules have not adjusted to the characteristics of variable generation. Cost of capital also remains elevated due to regulatory uncertainty in major European markets.

In the post-2020 period, national support schemes will have a role to play in addressing market failures such as regulated prices and the lack of market signals able to trigger investment in capital-intensive renewables projects. Support schemes should be designed to deliver more convergence and encourage greater market responsiveness resulting in decreasing support levels.

### RECOMMENDATIONS

- Reaffirm the role of support mechanisms in a revised Article 3 of the current Directive 2009/28/EC.
- Include a set of principles on support schemes design such as:
  - Providing long-term visibility and certainty;
  - Maintaining investor confidence through transparency and avoiding regulatory risk (stop-go policies, and retroactive changes);
  - Being effective in deploying renewable electricity generation;
  - Encouraging greater market responsiveness with increasing wind energy penetration levels; and
  - Delivering coherence/convergence across the EU, in tandem with the development of a single electricity market.
- Ensure a consultation process when support schemes are modified.

### RATIONALE

#### 1) Compensate for the lack of long-term price signals for renewables investment

Today, the energy-only market provides insufficient long-term investment signals due to depressed and volatile wholesale power prices and chronic overcapacity of the conventional power generation fleet. The EU ETS will not deliver the needed long-term price signals. Under the Commission's proposal for a structural reform of the ETS, the average carbon price for the period 2020-2030 is projected to be €14/tCO<sub>2</sub> (Thomson Reuters) which is insufficient to drive investments in renewables and phase out carbon intensive assets. Support schemes are one of the instruments to provide revenue stabilisation mechanisms that provide reliable revenue streams and bring down the cost of capital. They will be needed beyond 2020 to ensure cost-efficient target delivery.

#### 2) Ensure policy certainty on support schemes design beyond 2020

The post-2020 Renewable Energy Directive should outline general principles on the development of support schemes to give investors the necessary predictability on their future design and possible alignment. Support scheme design will need to be transparent and inclusive to reduce risk and attract finance.

The resulting policy clarity will largely remove investors' uncertainty on the compatibility of support mechanisms with internal market rules. As a supporting instrument to the implementation of the Directive, the State aid guidelines for the post-2020 period should be fully aligned with the revised sectorial legislation.

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<sup>1</sup> BNEF, Levelised Cost of Electricity Update – H2 2015. In Germany, onshore costs \$80/MWh compared to gas at \$118/MWh and coal at \$106/MWh. In the UK, onshore costs \$85/MWh compared to \$115 for CCGT and \$115 for coal-fired installations.

<sup>2</sup> [Offshore wind industry statement on cost reductions](#), June 2016

## Annex 1: Amendments to Directive 2009/28/EC

### LEGEND:

NEW	new Article proposed by WindEurope
Blue text	new legal text proposed by WindEurope
Black text	existing legal text under Directive 2009/28/EC
[...]	comments by WindEurope

### **NEW** *Amending Article 3 of the aforementioned Directive (...): Measures for the use of energy from renewable sources*

1. Member States shall introduce measures effectively designed to ensure that the share of energy from renewable sources equals that shown in the indicative trajectory set out in part B of Annex I to ensure the fulfilment of national commitments set out in their integrated national climate and energy plans.

2. In order to reach, or exceed, the targets national commitments set in paragraphs 1 and 2 of this Article, Member States may, inter alia, apply the following measures:

(a) support schemes;

(b) measures of voluntary cooperation between different Member States and with third countries for achieving their national commitments overall targets in accordance with Articles [5 to 11].

Without prejudice to Articles 87 and 88 of the Treaty, Member States shall have the right to decide, in accordance with Articles 5 to 11 of this Directive, to which extent they support energy from renewable sources which is produced in a different Member State.

3. For the purposes of paragraph 2, and without prejudice to Article 194 of the Treaty, the following provisions shall apply:

(a) Member States shall not alter support schemes in a way that impacts the legitimately expected revenue streams associated with consented renewable energy projects, except when a modification of the support scheme is compatible with paragraph (X) of Article (X) "Design of support schemes";

(b) Member States shall guarantee that any modification of support schemes is publicly announced at least six months in advance and is subject to a transparent and inclusive public consultation process; and

(c) Member States shall guarantee that any substantial change to an existing support scheme includes a sufficient transition period prior the new support instrument taking effect.

### **NEW** *Article (...): Design and implementation of support allocation tools*

1. The Commission shall assess the performance of competitive bidding processes in the European Union in the period 2017-2020 taking into consideration the ability of the competitive bidding process to:

(a) sustain gradual cost reduction;

(b) achieve high realisation rates;

(c) provide non-discriminatory participation of small actors;

(d) enable the realisation of the Union's 2020 renewable energy objective;

(e) incentivise the deployment of a broad portfolio of renewable energies in line with the Union's 2050 decarbonisation objectives; and

- (f) allow for research and innovation.

This assessment shall inform the development of the post-2020 State aid guidelines.

2. Member States may recur to a competitive bidding process for the allocation of a support instrument.
3. With a view of designing clear, transparent and non-discriminatory bidding process, the following provisions shall apply:
  - (a) a plan on the tendered volumes, products and budget over a period of at least five years shall be developed and communicated by Member States to any interested undertaking in the territory of a Member State;
  - (b) the draft tender specifications shall contain a detailed description of the contract specifications and of the procedure to be followed by all tenderers and an exhaustive list of criteria governing the selection of tenderers and the award of the contract, including incentives, such as support schemes, which are covered by the tender;
  - (c) the draft tender specifications shall be subject to a public consultation so that any interested undertaking in the territory of a Member State has the opportunity to comment and receive information necessary for the submission of a competitive bid;
  - (d) Member States may, where appropriate, organise pilot tendering procedures; and
  - (e) Member shall ensure that the tendering procedure allows for technology diversity.
4. Member States shall report in their 2030 integrated national energy and climate plans:
  - (a) the average time taken from initiating a tender to project commissioning;
  - (b) financing allocated to different renewable energy technologies under the tender procedure;
  - (c) the average time taken to finalise renewable energy projects and, where applicable, legal challenges obstructing project completion; and
  - (d) project realisation rates.
5. Member States shall allocate public support outside a competitive bidding process when:
  - (a) only one or a very limited number of projects or sites could be eligible; or
  - (b) a competitive bidding process would lead to higher support levels; or
  - (c) a competitive bidding process would result in low project realisation rates.
6. Member States may grant support outside a competitive bidding process to installations with an installed capacity of 1 MW, or demonstration projects. Member States shall grant support outside a competitive bidding process to wind projects with up to 6 generating units.

## Annex 2: WindEurope position papers

- [Post-2020 Renewable Energy Directive](#), April 2016
- [Design options for wind energy tenders](#), December 2015