



Assessment of the 2011 Progress Reports

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BELGIUM

BULGARIA

GERMANY

GREECE

ITALY

PORTUGAL

SPAIN

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Recommendations to boost the quality of the Austrian RE-progress report

The report provides a good overview but fails to mention the measures to be implemented and barriers to overcome, especially in the heat and transport sectors. The report gives too much room for interpretation to really assess whether Austria is “on track” with the EU-20 targets.

The Austrian Progress Report provides a good summary of actions being currently taken in context of the Austrian energy policies. Splitting energy targets in the “demand-sectors” heat, electricity, transport is a useful way to get an overview and to distinguish between different situations and starting points of energy targets.

Even though it is a good and neutral report, it only mentions measures and barriers in the electricity sector and does not list the barriers hindering further developments in the **heat, electricity and transport** sectors. A lack of evaluation makes it hard to estimate the Austrian renewable energy situation.

The report leaves too much room for interpretation and does not present enough how the energy policy will promote renewable energy and energy efficiency in the upcoming years. It could have been useful to ask to what extent the 2020 national renewable energy targets will be reached or not. It would have provided accurate information to decision makers to know if Austria is “on track”.

The report is also heavily focused on electricity. Less than 20% of Austrian gross energy consumption comes from renewable energy sources. An explicit focus on the heat and transport sectors should be implemented in the next progress reports. The questions of biomass, and potentially biofuels, should be expanded to other renewable energy technologies.

Additionally, in order to get a better and quicker comparison between technologies, sectors and different kind of demands, it would be very helpful to switch from “Tons of oil” to Megawatt and Megawatt hours in further reports.

⇒ **Recent political development**

Austria is facing a new 5-year legislation period by the end of next year. Therefore measures have to be recommended in the heat, transport and electricity sectors for the next legislation to boost renewable energy and to increase the percentage of renewables in Austria.



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Belgium currently on track, but without any clear view on future developments

While Belgium is above its indicative trajectory and has taken some necessary measures, the report does not reflect the delay in some legislative or regulatory agreements experienced over the last 2 years. This could have a significant negative impact in the renewable development of the coming years.

Belgium is on track: In its progress report, Belgium presents 2010 renewable energy consumption percentages that are higher than the indicative trajectory presented in the Belgian NREAP. This is due to a combination of lower energy consumption than forecasted - due to the economic crisis - and to higher absolute renewable energy consumption than planned for each sector except transport. Such result was expected as, according to the trajectory, most efforts will have to be performed later in the decade. The progress report does not plan to implement any cooperation mechanism at this stage.

Figures more or less accurate: The overall figure presented in the progress report seems coherent with the reality although some technological contributions (e.g. Table 1.b) are not in line with official regional data. For instance, the 2010 onshore wind installation is, according to EDORA, more than 20% higher than what was presented in the progress report (886MW instead of 723MW). The 2010 Belgian PV installation figure presented in the progress report is 35% lower than the Flemish 2010 installation published by the regulator. Biomass availability figures also seem quite surprising with an increase between 2009 and 2010 that does not seem in line with the biomass energy production trend. It is therefore very likely that the progress report contains other mistakes or incoherence in other technologies for which regular statistics are not performed.

Measures announced but not proposed or implemented: The overall presentation of the measures in the progress report seems detailed enough but sometimes lacks clarity on the status of the measures. For instance, in the administrative procedures, Wallonia presents in details the new wind energy policy based on a new regulation, a spatial planning and a decree. However, none of these regulations have been adopted or even officially presented until now to the government or the Parliament for discussion between decision makers. It is therefore very likely that the progress presented for the Walloon wind energy in question 2 and question 2A will not be fully implemented. Additionally, the difference between existing measures and new ones (taken during the last two years) are also not always very clear and makes the analysis of the progress report more difficult for external people.



Under-estimation of implementation delay: The progress report lacks a critical analysis of the delay in the implementation of necessary measures. A delay linked to administrative procedure (e.g. for onshore wind regulations) but also linked to the support system could dramatically impact the future renewable development. The investment climate is currently not stable enough due to uncertainty of the future support mechanisms. The new system could even induce some detrimental retroactive effects that the renewable energy industry would absolutely like to prevent.

The lack of burden-sharing agreement: The absence of any burden sharing in the Belgian targets is another worrying element for the future renewable development given the fact that most of the renewable strategy is under regional competence. In absence of federal government two years ago, Belgium did not succeed in any burden sharing agreement before the NREAP publication. Such burden sharing is however essential in order to give clear directions to each region for their future renewable development and the necessary measures that will have to be implemented accordingly. We would have expected that Belgium would report any progress in the burden sharing discussion and decision process. Such burden sharing should be quickly implemented and linked to an inter-regional cooperation mechanism and a penalty system in case of non compliance with the regional target.

⇒ **Recent political developments**

The recent political development mainly deals with discussion on new technological regulations (e.g. for onshore wind) or strategy (e.g. for biomass) and on future spatial planning (e.g. a new offshore zone devoted to wind development, a new cartography for onshore wind development in Wallonia...). Moreover, discussions on significant changes in the support mechanism are still in progress in Wallonia, Flanders and for offshore wind.

Without any clear decision or even proposal, it is very difficult to currently assess the future impact on the renewable energy industry. However, absence of clarity currently leads to a very bad investment climate for the renewable energy industry.



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No renewables for Bulgaria

The Bulgarian government put the domestic RES sector on hold. For the next three years no renewable projects could be connected to the electrical grid.

A report that does not describe the reality: According to the progress report, Bulgaria is purportedly one of the front-runners in the RES sector in Europe, reaching and slightly over fulfilling its first indicative targets set by the National Renewable Energy Action Plan. The reality, however, seems quite different if we look at the calculations made by the national renewable energy associations. Conversely to the officially reported figures, the share of renewable energy in gross final energy consumption remains unreached in 2010. The difference between the two calculations, done independently by the government and by Confederation of Association for Ecological Energy and conducted by APEE is rather considerable, estimating at more than 2%. According to the government, Bulgaria reached 12,6% of renewable energy sources in final consumption. According to the industry, RES represent 10,2% of the final consumption¹. This substantial difference is surprising as both parties followed the same methodology provided by the European Commission. Under these circumstances, Bulgaria may be viewed as slightly under or well over the target depending on the sources of information. The important point here is that on the grounds of overachieved targets the Bulgarian government freezes the connection of RES power plants until 2016 thus forcing many foreign investors to flee the country and/or even declare bankruptcy.

⇒ Recent political developments

Many changes have been implemented since the publication of the Progress Report. Unfortunately most, if not all, of them are unfavourable for the renewable energy sector. The Renewable Energy Act was amended to postpone the point of setting of the feed-in-tariffs to late during the construction process. Additionally, changes were introduced in the Energy Act to allow the Energy Regulator to change the preferential purchasing prices of energy more than once a year if it finds that there are significant changes in the investment costs. Significant is understood as any increase or decrease of the costs of about 10%.

¹ Copies of the two reports may be found in Bulgarian¹ here:

- [Official Progress Report](#)
- [Industrial Progress Report](#)



Later in 2012, the State Energy and Regulatory commission decided to cut the feed-in-tariffs by as much as 40%, creating a threat for not only the renewable industry but also for the bank sector. In a recent statement, the EBRD said that despite that they would provide 3 billion Euro for investments, yet they “do not contemplate any investments in renewables in Bulgaria, not this year, not next year, not until the framework is clearer.”



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Germany well on track towards its 2020 targets by the end of 2010

The report shows that Germany is well on track towards its 2020 targets. The legal framework however, could benefit from a policy overhaul with respect to the heating and cooling and the transport sector.”

Shortly after the 2011 Fukushima nuclear disaster, the German government decided to phase out nuclear energy and to start a process of change, which has come to be known as the German “Energiewende”. In the context of this transformation process, renewable energy will play a central role in the future energy supply.

The “Energiewende” is a dynamic process, which has brought about a number of changes as compared to the legal and regulatory situation at the time of the submission of the progress report (2011). Nevertheless, the share of renewables in gross final energy consumption, as estimated by the report for the year 2010, has been backed up by data, and confirms that Germany has attained its RES goals and is slightly above the indicative trajectory. The following table provides a summary of the estimated shares compared to the trajectory outlined in the German NREAP, as well as the current data for 2011:

	NREAP trajectory (for 2010)	Progress report (for 2010)	Actual data for 2010 ²	Actual data for 2011 ³
Renewable energy sources – heating + cooling (%)	9,0	11,0	10,7	11,0 ⁴
Renewable energy sources – electricity (%)	17,4	18,4	17,1	20,3
Renewable energy sources – transport (%)	7,3	6,2	5,8	5,5
Renewable energy sources – total (%)	10,1	11,3	11,2	12,5

² According to the BMU, Erneuerbare Energien in Zahlen, August 2012

³ According to the BMU, Erneuerbare Energien in Zahlen, August 2012

⁴ The values marked red for the heating and cooling and transport sector are in our opinion pointing to a critical development.



In the electricity sector, the share of 20,3% in 2011 increased to 25%⁵ by the end of July 2012. Considering the rapid pace of RES-E expansion, we assume that the estimated target of 38,6% will be reached before 2020. This expansion has initiated a debate about the importance of setting minimum goals and will surely be included in the second national progress report. In contrast, the share of renewables in the other two sectors is lagging behind expectations, or even worse, are showing signs of regression.

In the heating sector, the current policy framework has proven ineffective and should be reformed. The evaluation report of the Renewable Energy Heat Act (EEWärmeG) was due by the end of 2011, but has not been published to date. BEE has been advocating a Heat Premium and is urging the Government to publish the report as soon as possible.

In the transport sector, the introduction of the E10 fuel in 2011 was a great failure. Due to insufficient information or consumers' misinformation, the uptake of the new fuel ranked well behind envisioned shares. Furthermore, policies for pure biofuels are still not in place.

The report offers a comprehensive description of the measures taken. The overall picture is mostly positive, though some of the policy developments – especially in the electricity sector – are to be analyzed critically. On one hand, the introduction of an optional market premium in the electricity sector, meant to stimulate market integration, mainly led to higher costs for the consumers. On the other hand, the decrease of the energy consumption threshold for the energy intensive industry under the special compensation scheme had as consequence the shift of the increasing costs from the energy-intensive industry to the households.

A positive development is the commencement of the Grid Expansion Acceleration Act (NABEG). This act lays the foundation for a swifter development of transmission grids by speeding up the planning and approval procedures.

The report reflects the development of renewable energy in Germany, but cannot offer any indication for a future trend. The German "Energiewende" is moving at a rapid pace and massive changes to the policy framework have been implemented after the report publication. Germany will not need cooperation mechanisms for its own target compliance.

⇒ **Recent policy developments**

Since the publication of the German progress report in 2011, the Renewable Energy Act (EEG) has been amended, mostly due to a record rise in PV installations in 2010 and 2011 (7,4 GW⁶; 7,5 GW⁷).

⁵ According to the BDEW, Halbjahreszahlen für Erneuerbare Energien, July 2012

⁶ According to the BNetzA, Neue PV-Zahlen und EEG-Statistikbericht 2009, March 2011

⁷ According to the BNetzA, Zubau an Photovoltaik-Anlagen 2011 noch höher als im Rekordjahr 2010, January 2012



The amendment further reduced PV tariffs, set a new digression schedule and a cap for installed PV capacity at 52 GW⁸.

Another noteworthy development is the impact of the 2011 EEG amendment. The uptake of the market premium, as well as the extension of the special compensation scheme for industrial consumers have increased the cost of the surcharge on electricity prices (EEG-Umlage) for 2013 from 3,59 ct./kWh to 5,28 ct./kWh⁹. However, the cost increase due to the actual support of renewable energy amounts to only 11% of the total increase. This increase has prompted a heated debate about the costs of the support policy and their distribution, including proposals to introduce a quota system. BEE – with a large majority of Members of Parliament across all political parties – has strongly criticized these suggestions. A quota system would not only drastically increase costs, but would also lead to a strong concentration in the energy sector, with most small players being removed from the market.

Seeing that the development of renewable energy in the electricity sector is showing a steady growth, it is important to set ambitious goals and maintain a stable investment framework. The very limited progress in both the heating and cooling and the transport sector highlight the negative impact that half-hearted or counter-productive policies have on the deployment of renewable energy technologies.

⁸ Detailed information is available in German at: http://www.erneuerbare-energien.de/erneuerbare_energien/pv-novelle_2012/doc/48542.php.

⁹ According to the BNetzA, EEG-Umlage beträgt im kommenden Jahr 5,277 ct/kWh, October 2012



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New RES investments are in a stand still. Urgent actions are needed to stimulate sustainable RES growth and keep the country on track for 2020.

The progress report gives a reasonably accurate description of the RES development for the 2009-2010 period but underestimates the threats to the RES sector growth for the 2011-2012 period.

In 2009 and 2010, Greece took most of the required measures towards fulfilling its responsibilities as described in the RES Directive. The legislative work done during this period set the basis for the record breaking growth in the PV and the wind sector, which was observed in 2011 and continued through the first semester of 2012.

Would these growth rates be sustainable, Greece would be on track to reach and even exceed its overall target. According to the Greek NREAP, the wind sector will be the locomotive for reaching the 2020 targets with a planned installation of a total of 7500 MW of wind farms. The PV sector is to contribute to 2200 MW of installed capacity.

However, due to a lack of effective monitoring and control mechanisms, the national PV sector overheated. In combination with serious liquidity problems of the electricity market, these developments placed an unforeseen, excessive financial burden on the Electricity Market Operator and the consumers. As a consequence, since early 2012, the RES producers are confronted to payment delays which now exceed 4 months.

This is combined with increasing unwillingness of national and international investors and creditors to finance energy and RES projects in Greece, leading to major obstacles for the further RES market growth and is threatening the achievement of the 2020 NREAP targets.

On administrative barriers, the report gives an analytical presentation of relevant legal provisions but does not analyse their expected market impact. On the grid development, more analysis is required, especially in reference to the Transmission System Operator (TSO) and the Distribution System Operator (DSO) practices and plans for RES integration. On the support measures, more analysis is also required in reference to the role and the measures proposed and/or adopted by the national Regulatory Authority for Energy (RAE), especially vis-a-vis the liquidity problems of the Electricity Market Operator.



So far no cooperation mechanisms has been implemented or planned. The HELIOS project is a very ambitious initiative for the dedicated production and export of PV electricity from Greece to Germany and other north European countries and was announced in 2011 by the previous Greek Government. The project is not supposed to interfere with the scope and the targets of the NREAP. It is said to be at the planning stage but, for the time being, it has produced more questions than answers and its implementation prospects are, at best, dubious.

⇒ **Recent political developments**

Today, with the exception of already licensed and financed RES projects, all RES project developments are either very slow or frozen.

The Greek Government decided on August 10, 2012 to freeze, until further notice, the development of almost all new PV projects by declaring that it will not accept applications for licenses for such projects past this date. Small (up to 10 kW) rooftop PV systems were excluded from the freeze but were subject to major tariff reductions. Two large scale PV projects which had received “fast track” licensing status by August 10 were also excluded from the freeze.

In addition, significant reductions in the PV tariffs (around 40%) were imposed to projects in development stage without signed Power Purchase Agreements. Furthermore, licensing procedures for ongoing PV projects that did not yet received binding grid connection terms by the Electricity System Operator were cancelled.

These decisions were based on the fact that the 2020 NREAP PV targets have already been reached in August 2012, (2.200 MW of installed PV capacity). Their constitutionality is being challenged at the Council of the State by the Greek Association of Photovoltaic Enterprises.

Additionally, these decisions might be followed by a second package of measures, to be submitted to the Greek Parliament for approval in 2012, which will drastically shorten the allowed duration of construction for PV projects and will impose a levy on the gross income of operating RES projects.

All the above measures are supposed to address the real need to tackle serious electricity and RES market liquidity problems, both in the short and the medium run. They have triggered a heated debate and the strong reactions of PV and RES developers, producers and other market actors.

Most problematic of all is the planned imposition of a levy on the gross income of operating projects, which would be a brutal retroactive intervention undermining the credibility of the State and the RES FIT system. In addition, it threatens the viability of many small and medium sized enterprises involved in the development of RES projects. The Ministry is defending the measures by pointing to the need of sacrifices by everyone and to the “temporary nature” of the levy planned to be imposed “for a fixed - yet unannounced - period of time.



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Italy reaches its indicative trajectory but still has many issues to solve

Although the Italian progress report shows a substantial growth of RES, it underestimates the challenges faced by the industry.

According to the progress report, Italy is above the indicative trajectory (+3% RES-E, +43% RES-H&C and +44% RES-T). For the period 2009-2010, Italy appears to be reaching its goals.

	2009 NREAP % (expected)	2010 NREAP % (expected)	2009 Italian Progress Report %	2010 Italian Progress Report %
RES Heating & cooling	6,79	7,30	8,20	9,46
RES electricity	17,93	18,66	18,81	20,09
RES transport	3,48	4,07	3,83	4,81
Overall RES share	7,98	8,52	8,86	10,11

However, this positive result should be cautiously analysed. It seems that this success should be linked to an energy gross final consumption reduction attributable to better energy efficiency but also to the economic and financial crisis. Additionally, it is the first time that a data collection system is implemented for the RES-H sector.

The progress report contains a very useful description of the national RES system, for each sector, with the features of the respective support systems and all measures (existing or planned) to facilitate their development. Nevertheless the report does not presents the difficulties and barriers that make the reality far different from the theory described in the progress report as several measures have not been implemented or do not give the expected results. The measures listed in the progress report include:



- ⇒ measures already existing before the report or the NREAP
- ⇒ measures planned for 2011 or 2012 but not yet introduced
- ⇒ measures introduced but not yet completely implemented
- ⇒ measures that did not bring the expected results.

Administrative barriers remain. The new authorization mechanism introduced simplified procedures, especially for small plants. Nevertheless the process generally lasts more than the 90 days stated by the law and documents and time are different from one region to another.

The measures on grid connection do not describe most of the existing problems. For instance the virtual saturation of the grid or the remuneration for production reduction from wind turbines is absolutely insufficient to cover the lack of proceeds.

Concerning support measures, the progress report gives a good description of the existing schemes but it does not describe some problems such as the surplus of tradable green certificates (the main support system for RES-E) that caused the collapse of prices.

The biofuels sustainability criteria measures have been introduced in 2012 but without giving the necessary time to the operators to adapt to the new system.

The cooperation mechanisms, although foreseen by the NREAP, have not yet been implemented, mainly due to a surplus of RES energy production. However, the government does not exclude to use these mechanisms in the future.

⇒ **Recent political development**

Since the publication of the progress report, most of the new renewable policies are aiming at reducing the costs for the RES energy production. Cuts have been introduced in the incentive scheme, the regulation network, dispatching etc... This new policy framework is strongly penalizing the renewable energy industry.

RES incentive schemes are financed by energy consumers. The Government intervened to reduce the support costs and to harmonize them with the rest of Europe. In July 2012, the ministries signed two decrees for new incentive schemes for RES-E: the "V Conto Energia" for PV and "Decreto FER elettriche", for other renewable sources. They introduced new incentive procedures based on the power of the plants, greatly reducing the value of the tariffs.

In September 2012, the government published a draft on the National Energy Strategy aiming at reducing energy costs and improving the energy sector. The document is currently subject to public consultation. The implementation of this strategy could be positive for the system and bring employment and economic growth benefits for the country. The identified priorities are energy efficiency, sustainable development of RES, infrastructure development and the modernization of the governance in the electricity sector.

The government should also propose an incentive scheme for the H&C sector. Currently this sector is based on recognition of energy efficiency qualifications. The measure transposing the RES Directive (the Decree n. 28/2011) is currently in delay of publication.



PORTUGAL



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Although Portugal is on track, a close follow up of the country's recent energy policy changes is needed, to ensure that the final targets for 2020 are reached

The content of the Portuguese progress report is very poor and does not provide an accurate idea of the national status in the development of RES. Although it shows that Portugal is on track, a close follow up of the country's recent energy policy changes is needed, to ensure that the final targets for 2020 are reached

The Portuguese progress report was released in May 2012, despite the fact that Article 22 of Directive 2009/28/EC required Member States to submit it by 31 December 2011. However, even more striking than this delay is the fact that in April the same year, i.e., before the publication of the progress report, the Directorate General for Energy and Geology (DGEG) posted on its website, a public consultation on the "Guidelines for the review of National Action Plans for Renewable Energy and Energy Efficiency", changing substantially the initial National Renewable Energy Action Plan (NREAP). None of the revised NREAP content is included in the progress report, and some information is surprisingly contradictory. The only reference to the revision is at the end of the document, but it states that this revision is only starting.

Portugal is on track to meet its RES trajectory, and even shows a small increase in the overall RES share. Even though in general this looks like a positive aspect, a more insightful analysis shows that we should not be too optimistic. As already highlighted when analyzing the NREAP, there is a lack of ambition in the H&C sector. Although there is an increase in RES H&C share, it constitutes a decrease in comparison to 2009. According to the NREAP, this trend will go on until 2020.

In regards to RES-E, there is only a small increase in RES contributions, however in terms of shares, a small decrease is shown. This can be explained by the fact that there was less installed capacity than expected in 2010, which was compensated by the fact that 2010 was a quite wet year, 31% above a normal hydro year.

The good surprise comes in terms of RES-T contributions, moreover because this sector had been falling behind in previous years.

APREN wants to draw the attention to possible over-optimistic conclusions that a simple overview of trajectories might lead to. The European Commission has explicitly stated that all the NREAPs predicted an increased effort for fulfilment of the targets in the last years of the period, therefore



the achievement of the trajectory in this first year does not guarantee the fulfilment of the final target.

Even though the template asked for a list of measures implemented in the last 2 years, the progress report provides measures from far behind, giving an impression of more developments than what has occurred in reality. Most of the completed measures only concerned the years of 2009 and 2010 and will not have repercussions in the following years, as RES policy support has dropped meanwhile. Besides this, the progress report does not give an overview on the implementation status of the listed measures. This results in a wrong overview of the development of the sector, as ongoing measures are not sure to take place, and some were even suspended or eliminated in the “Guidelines for the review of National Action Plans for Renewable Energy and Energy Efficiency”. There is also the case when actions might have been put in place, but the necessary operationalization is still missing for the measure to have results, like the case of over-equipment and the one-stop shop.

The progress report reflects a reality of good intentions in 2010. However, the political and economic context associated with renewable energy has been changing dramatically meanwhile. The necessary follow up of predicted measures was not done, which means that the progress report gives a much more optimistic overview than the reality of the current RES in Portugal, and most of initiatives started in 2010 have not become a reality until now.

⇒ **Recent political development**

The framework of RES developments in Portugal has changed significantly since 2010, due to new political and economical cycles, as well as publication of new legislation.

The RES-E sector is currently blocked, facing a moratorium applicable to all projects, a decrease in the quotas for solar projects, a rejection of all new and standing by small hydropower projects, a postponement of biomass projects, and a new financial contribution requested to wind promoters. The new Government, which took office in June 2011, was well as the spirit of the Memorandum of Understanding, signed with the troika in May 2011, for the bailout of the Portuguese economy, has put an emphasis on the costs of RES policy, rather than on its benefits.

This framework resulted in a regulatory instability which is only now starting to be recovered, in the course of the negotiations undertaken between the Government and RES-E promoters. Nonetheless, in order to survive, the sector needs to have a long term perspective and confidence, which is not yet the case.

The “Guidelines for the review of National Action Plans for Renewable Energy and Energy Efficiency” have decreased dramatically the RES projections up to 2020, constituting a severe threat to the development of the sector in Portugal. The review predicts a suspension of all new licenses until further review of the PRE goals in 2014/15. This can be seen as a positive aspect, in the perspective that it gives a deadline to the moratorium currently in place, and is advisable at a time of economic depression. However APREN stresses that investment should slow down but not stop, or else we face the risk that the sector might not be ready to restart when requested, compromising the compliance of European targets and the respective positive effects to the Portuguese economy.



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A report that only describes past RES developments from a strongly cost-focused perspective

Being quantitatively on track is no guarantee for the fulfilment of the 2020 targets for Spain if the current policy rollback in RES promotion policy in Spain continues. Spain's 2011 progress report only describes past RES developments from a strongly cost-focused view, without showing the various macroeconomic benefits of RES.

Spain's 2011 progress report only describes past RES developments from a strongly cost-focused view, without showing the various macroeconomic benefits of RES. See the two following examples:

Strong delay in implementing a net metering scheme: The progress report mentions the establishment of a net metering/balance scheme for RES-E installations destined for self consumption. Such mechanism is of special importance for the development of small wind energy and photovoltaic installations in Spain. The progress report listed this metering scheme as "in process of adoption". Even if the Spanish Government presented a first draft of such a net metering scheme in November 2011, in the meantime a change in Government took place which since nearly one year has not done anything to go forward with an improved draft of a net metering scheme, thereby letting untapped the huge potential of own consumption of clean electricity in Spain.

Introduction of a RES-E moratorium – putting in danger the achievement of the 2020 RES-target: Spain's progress report briefly mentions the adoption of a RES-E moratorium. As its main purpose the elimination of the tariff deficit is given. This might give the impression that the remuneration of RES-E would be the main responsible for the tariff deficit, while in fact the share of RES-E costs in the overall costs of the Spanish electricity system only reached 12.6% in 2011 compared to other cost components of the overall electricity system costs, with a much higher percentage like "energy costs" with 41.3%, "other regulated costs"¹⁰ with 25.7% or taxes with 15.9%. What is not mentioned in the progress report regarding this moratorium is the fact that the suspension of RES-E support is clearly discouraging investment in the sector and will make it hard to achieve Spain's national target under the Europe 2020 energy and climate goals. It was already criticized by the European Commission in a Communication on Spain's 2012 national reform programme of end of May 2012.

¹⁰ Those costs include mainly costs for the transport and distribution of electricity, extra-costs for the electricity systems of the Spanish Islands (and Northern African exclaves), costs for the "interruptibility" concept (which consists in a premium paid to large industrial consumers subscribed to this service for possibly reducing the active power demanded to a required residual power level, in response to a power reduction order issued by the Spanish Transmission System Operator (Red Eléctrica de España), costs of the electricity debt, costs of the TSO (REE), of the market operator (OMEL), the energy regulator (CNE), the nuclear moratorium, etc.



⇒ **Recent political development**

The introduction of a new flat electricity tax, including RES-E production is a further strong breach of the RES Directive (2009/28/EC) and EU law.

The new Law on Fiscal measures, as finally approved on the 20th of December 2012 and which came into force at the beginning of 2013, is not mentioned in the Spanish progress report – as it was presented after its elaboration – but it will have strong implication for the future of the RES development in Spain. Amongst others, it foresees a 7% flat tax for all electricity generation technologies, including all RES-E installations. This represents a further clear violation of several obligations under EU law.

- ⇒ *First, it further endangers the achievement of the binding renewable energy target imposed on Spain by the RES Directive.*
- ⇒ *Second, it violates legitimate expectations of the producers of renewable energy in Spain which could benefit from protection under the principle of legal certainty as recognized in EU law (as the tax applies also to existing plants thereby being a clear retroactive measure).*
- ⇒ *Third, it goes against EU renewable energy law and policies and in particular against the idea that renewables should not be discriminated when compared to conventional energy sources (due to the fact that conventional power generators could simply pass this new tax to the electricity end consumers, while the majority of RES-E producers being remunerated with fixed tariffs could not do so).*

The current RES-E moratorium, the several retroactive measures, (mainly for PV installation)s and the new (also retroactive) fiscal measures are provoking the bankruptcy of hundreds of RES-E investors, the loss of thousands of jobs, the lost of Spain's leadership in several key RES technologies like, wind, PV and CSP and the delocalization of part of the remaining domestic RES industry.



SWEDEN



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Sweden already reached its 2020 targets. RES industry is now trying to get the government to commit to higher targets.

On October 1st, consumers will be allowed to pay their electricity on an hourly basis (price being cheaper when lower demand and/or higher production) which is seen as a very positive step forward.

Sweden has a big surplus of energy and is exporting to neighbouring countries. As a result the price of green energy certificates is very low and some project developers prefer to build new projects in Finland where the price is higher.

The Government proposed a tax increase for small hydro. Small projects are likely not to be able to afford it. We should see if the Parliament will approve the proposal.



UNITED KINGDOM



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Good progress has been made but the UK still has a very long way to go

Gaynor Hartnell, Chief Executive of the REA, comments: “We have come a long way in the UK – the feed-in tariff and renewables obligation have been very effective at mobilising investment in renewable electricity – but the Government must stick to its schedule with the Energy Bill and Electricity Market Reform in order to maintain this momentum. The outlook is bright for renewable heat, as we have launched the world’s first Renewable Heat Incentive, but is looking bleak for renewable transport, as policy U-turns at the EU level have compounded what was already a very uncertain investment climate.”

Our overall assessment is that progress has been good but policy lacks the urgency required to achieve a deployment growth rate that guarantees the UK staying on track to achieve its targets. The UK progress report provides a reasonable summary of progress during the period, though the industry would have wished for a much more positive and assertive approach from central government.

The UK has performed well in delivering new renewable capacity towards the Renewable Energy Directive in 2009/10. Predictably, growth has been strongest in renewable power, where the Renewables Obligation and Feed-in Tariff have been effective at mobilising investment. This broadly compensates for the slower growth in renewable heat and transport to keep the UK on track to meet its 2011-12 interim target.

Growth has been slow in renewable heat, but we expect this to pick up as the world’s first Renewable Heat Incentive (RHI), launched last winter, matures and expands. However, the picture is bleaker for renewable transport. The sector suffered from the lack of a clear trajectory to the 2020 target in 2009/10 and a lack of political and regulatory support, which is now being compounded by recent developments at the EU level.

There has been slow but steady progress addressing some of the key administrative barriers, including reform of the planning system, progress over radar interference for wind and introduction of a new marine licensing regime.

The government’s new “Connect and Manage” regime, which allows generators to connect in advance of potential network upgrade, has been successful in speeding up connection of new renewable generating capacity by an average of six years. However grid connection remains one of the most frequently cited barriers by renewable electricity generators.



In 2009 the Government introduced banding of support under the Renewables Obligation to allow different levels of support for different renewable electricity technologies. However, the review of the banding levels initiated in 2011 created uncertainty over the longer term support levels. A Feed-in-Tariff for small-scale electricity generators (<5MW) was introduced in April 2010 and led to a boom in solar PV uptake in 2011/12, subsequently controlled due to tight budgetary limits. After much discussion an innovative tariff based Renewable Heat Incentive went live for non-domestic projects in November 2011 but has had a relatively slow start. For the domestic heat sector grants have been available pending introduction of the RHI later in 2013.

Biofuels sustainability criteria: The UK implemented the RED criteria for biofuels and bioliquids in 2011. The Government also announced in 2010 its intentions to impose criteria for solid and gaseous biomass, largely following recommendations published by the European Commission in February 2010. Progress on these has been slower than anticipated. The original implementation dates have slipped to October 2013 (power) and April 2014 (heat). A number of key issues of how this will work in practice have yet to be resolved. In addition, the power policy has yet to be fixed for the longer term – so current projects could be affected by future changes. Although we expect these issues to be resolved over the next 6-12 months, there is substantial uncertainty for investors in the meantime.

The Government is considering cooperation mechanisms, notably with Iceland and Ireland, but only as “a contingency measure”. Government remains committed to meeting the 15% target domestically.

⇒ **Recent political developments**

***The Renewables Obligation (RO) Banding Review** was significantly late, delaying major investments and undermining industry confidence. Debate around the RO has become much polarised politically. It is widely believed that the Treasury was keen to cut support for onshore wind in favour of expanding the UK’s Combined Cycle Gas Turbine (CCGT) capacity. Some technologies did not get the required support levels (e.g. deep geothermal), while the promised certainty was offset in many cases by the announcement of eight additional RO consultations. However, politics aside, the RO has been very effective at mobilising investment during its periods of relative certainty.*

***Electricity Market Reform:** The RO is to be replaced by Feed-in Tariffs with Contracts for Difference (FIT-CFDs), which will be available for all low carbon power sources, including nuclear and CCS. The process is called Electricity Market Reform (EMR) and the legislation to deliver the policy is an Energy Bill currently before Parliament. FIT-CFDs will be available from 2014. The RO is set to close in 2017, allowing renewable power developers a three year overlap period where they can choose which mechanism to use.*

EMR has been widely criticised for its challenging complexity, which it is feared could alienate all but the most established power market players. But independent, small and medium scale investors can be the key drivers of growth in renewable power. It is imperative the Energy Bill supports this “squeezed middle”, e.g. by expanding the feed-in Tariff (FIT) to 10MW. The REA’s latest EMR briefing can be read [here](#).



Feed-in Tariffs: *The past year has been very difficult for the Feed-in Tariff, and especially for solar PV. The PV sector saw runaway growth as cost reductions led to excessive returns. The Government response – a 50% tariff reduction – was late, sudden, and ultimately judged illegal. It severely damaged the industry, as well as confidence across the whole renewables sector.*

However, the Government eventually responded to the problem it had failed to prevent. Cost control mechanisms are now built into the Feed-in Tariff and, although the capacity thresholds are too low in some sectors, the principle of incremental, capacity-triggered degression (tariff reduction) is sound, and far preferable to the “cliff edge” reduction experienced by solar PV. We believe the FIT is on a stable footing going forward, though its budget is insufficient to stimulate significant deployment.

Renewable Heat Incentive: *Following a long period of consultation the RHI was eventually launched for the non-domestic sector in late November 2011. It has had a relatively slow start and has been heavily dominated by applications in the biomass sector, though the tariff for the >1MW biomass band has been insufficient to stimulate much interest. There have been delays in processing applications and metering requirements have been a significant issue but the position is improving as experience is gained. Considering the ‘first of its kind’ nature of the incentive, the REA is relatively optimistic that the RHI can result in a substantial increase in use of renewable heat.*

Renewable Transport Fuels Obligation: *The Renewable Transport Fuel Obligation came into force in 2008 with the objective to help the UK meet its 10% transport target. The most recent data show that 3.6% by volume of total road transport was supplied by renewable fuels in 2011/12, against annual obligations of 4.0% for 2011/12 and 4.5% for 2012/13. This represents a decrease from 3.8% in the period prior to the implementation of RED sustainability criteria in December 2011. The Government has set an annual obligation of 5% for 2013 and 2014 but has failed to give any trajectory beyond this or clarity on how it intends to meet the 2020 targets.*