

Stockholm, 3 February 2017

## **Energy Norway, Swedenergy and Finnish Energy common position paper on the RES-directive,**

The associations of Finland, Norway and Sweden representing electricity producers, distributors, retailers as well as heating and cooling companies welcome the market approach in the winter package. It is of great importance that the package becomes a step in increasing renewable energy and reducing greenhouse gas emissions in a cost-effective way.

### **RES-target**

As agreed by the European Council, the EU objective for the share of renewable energy is 27% by 2030. No national targets have been agreed after 2020. The associations support this approach. This gives room for a flexible and cost-effective approach in the EU.

According to the proposed governance regulation (art 4 and 25) Member States shall set out their contribution to the EU-target with a linear trajectory for that contribution from 2021 and onwards. A linear trajectory does however not take into account national circumstances and the envisaged flexibility and cost-effectiveness from an EU-perspective. The associations therefore believe it is better to allow Member States to contribute to the EU target through a more flexible governance process based on a relevant trajectory, taking national circumstances into account.

As proposed in the governance regulation (art 27), insufficient progress towards the overall EU-target could be met by additional measures in the heating and cooling sector, in the transport sector, or by making a financial contribution to an EU “financing platform”. The associations believe that additional measures should be taken first of all in the non-ETS sectors since the ETS-sectors are already covered by the EU ETS. For measures in the ETS sectors, an assessment of interactions between policies and measures of different Energy Union dimensions as proposed in the governance regulation (art 8 and 9) should also include a quantification and adjustment of supply in the EU ETS due to the reduced demand for allowances from other measures. Support to innovative, non-mature renewable energy projects through the established funds under the ETS (like the NER 300 today) and research and development programs should continue to be a priority.

### **Financial support (art 4 and 5)**

The associations appreciate the intention in the Commission proposal concerning a framework for financial support, in order to design support schemes in a way to avoid unnecessary market distortions. It is also urgent to proceed quickly with the new state aid guidelines, in order to finalise them at the same time as the recast of the RES-directive. The state aid guidelines secure the implementation of the framework and principles as outlined in the RES Directive,

and will provide certainty and visibility for the future to investors. In the state aid guidelines it will be possible to formulate specific requirements concerning financial support with regard to technology neutrality, cost-effectiveness, market-based mechanisms and criteria for phasing out support to mature technologies.

The associations appreciate the intention to open up support schemes to generators located in other Member States, if and when support schemes are necessary, and when sufficient interconnection capacity exists. Allowing support to installations in other countries could in that case lead to a better functioning of the internal market, a harmonisation of support levels and finally a phase out of support schemes. However, support schemes carry the risk to distort market functioning and to lag behind market development. This is even more of a problem, when support can be given to installations in other Member States. There is a risk for oversupply in certain regions, especially where bottlenecks in transmission occur.

The associations propose that the requirement on opening up of schemes should also be further elaborated in the state aid guidelines and that prerequisites for opening up should include the existence of interconnection capacity. It is also essential to ensure that the implementation of such openings does not lead to increased costs, and if costs do increase, the implementation of openings needs to be able to be revised and restructured. The preconditions for intergovernmental agreements should also be clarified. Furthermore, the degree of opening should be clearly related to capacity or energy produced. Finally, opening should not be a requirement for each year, but rather for a longer period, to avoid inefficient and costly small-scale renewable energy development, when the relevant opening percentages lead to limited and small volumes. The amount of newly supported capacity or energy should be able to be aggregated over any number of years within the 2021-2030 period for the purpose of this opening.

### **Permits (art 16)**

The associations support the proposal to introduce a single administrative contact point which will coordinate the permit granting in each MS for renewable energy and associated transmission and distribution.

Further, the associations support the proposal that the permit granting process should not exceed a period of three years. In the case of repowering of existing plants the process should not exceed one year, which is very positive. It would be beneficial for the term 'repowering' to be defined more clearly.

### **Guarantees of origin (art 19)**

The associations believe that the system with guarantees of origin (GO) is a good and reliable system for disclosure of information about electricity, allowing consumers to play a central role in the energy transition together with the ETS. This disclosure system should not be mixed up with support schemes, as the Commission does by proposing restrictions on GOs from production that receives financial support. Ownership of GOs should not be related to whether a producer receives financial support or not. We also support the proposal of providing possibility to issue GOs for all (also non-renewable) energy production.

### **Prosumers and Renewable Energy Communities (art 21 and 22)**

The associations support the approach in article 21 to arrange for market integration of prosumers. The directive needs though to clarify that the remuneration for self-generation of renewable electricity fed into the grid should reflect the wholesale market value of the electricity, in other words, the value of electricity for society, on equal terms with electricity generated at a power plant.

We are concerned that prosumers shall not be regarded as “energy suppliers” up to 500 MWh for legal persons according to national legislation. This may not give a level playing field depending on how it is implemented in Member States. The threshold 500 MWh is too high, since it does not only cover small-scale installations, but also large installations.

### **District Heating and Cooling (art 23 and 24)**

The associations support that also heating, cooling, and transportation is in focus in the recast of the Directive.

However, the increase of renewable energy in district heating and cooling at a national level by one percentage point every year could be very challenging when the share of renewables becomes very high. In the Nordic countries several district heating networks already today have a renewables share above 90 percent. The associations therefore believe that there should be an upper level, above which this rule does not apply. The national target should also be more flexible, such as 10 percentage points over a 10-year period instead of one percentage point each year.

The directive should ensure that there is an incentive to connect renewable heat to DHC networks and customers are free to connect or disconnect and choose their heating form, if they are not due to existing regulation. Regulation should ensure that market is competitive. We favour third-party access for producers but third party access to customers connected to a district heating system should be taken out of the directive.

### **Sustainability criteria and greenhouse gas emissions savings criteria for biomass fuels**

The associations believe that the proposed criteria and chosen approach are considered as sensible. The requirements endorse a risk-based approach for forest biomass and allows for the possibility to recognize voluntary schemes which is in line with our position. However, the interpretation of the criteria needs to be clarified.

Finally, we appreciate that mutual recognition has a strong role in the proposal.

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