

Current challenges and opportunities for renewable energy on the European internal energy market

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The Committee on Industry, Research and Energy adopted the initiative report by Herbert REUL (EPP, DE) on the current challenges and opportunities for renewable energy in the European internal energy market in response to the Commission communication entitled 'Renewable Energy: a major player in the European energy market'.

Getting the benefit of renewables : Members agree with the Commission that RES, together with energy efficiency measures and flexible and smart infrastructure, are the 'no regrets' options identified by the Commission and that RES in the future will account for a growing share of energy provision in Europe. Members recall that all scenarios presented by the Commission in its [Energy Roadmap 2050](#) assume a share of at least 30% RES in the EU's energy mix in 2030. They suggest, therefore, that the EU should endeavour to achieve an even higher share.

Emphasising that **safe, secure, affordable and sustainable energy provision** is indispensable for the competitiveness of European industry and the economy, Members highlight that the share of RES in electricity, heating and cooling and transport needs to be increased in a manner that is cost-efficient, taking into account the benefits and full costs of RES, including system costs, while safeguarding supply security. The report calls on the EU to guarantee that the promotion of renewable resources in the production and use of energy will not jeopardise food security, high-quality sustainable food production or agricultural competitiveness.

The report notes that the Member States, within the framework provided by the EU Renewable Energy Directive 2009/28/EC, are currently acting independently in promoting RES within **national administrative frameworks that differ widely**, and that this is exacerbating their uneven development. A functioning internal market could contribute to compensating RES variability and the uneven distribution of natural assets.

Convinced that most areas can make contributions to the deployment of RES, Members stress the need to incentivise investment in RES where they have the greatest potential, in order to ensure efficient use of public funding. They call on the Commission to explore with the European Investment Bank and national institutions possibilities for **innovative financial instruments** to finance renewable energy projects, while carbon markets should do their part in incentivising investments in RES projects;

Renewable energy on the European internal energy market : Members note that the **internal market in gas and electricity is to be completed by 2014** and will be crucial for RES integration to serve as a cost-effective means to balance variable electricity production. The Commission is called upon to : (i) use all the instruments available, including the referral of Member States to the Court of Justice, to bring the internal energy market closer to completion as quickly as possible; (ii) tackle inappropriate market concentration where it hinders competition. Member States are called upon to continue with the full implementation of the internal energy market legislation and the development of interconnections, as well as the elimination of energy islands and bottlenecks.

Infrastructure requirements : the report insists on the **modernisation of the energy grid**. It also stresses that **infrastructure development is urgent and critical** for the success of the single market.

Members note that implementation of the energy infrastructure package is crucial in this respect, in particular for speeding up the construction of new infrastructure with cross-border impact.

Noting that there is an **increasing need for a stable policy framework** to provide economic guarantees concerning the availability of these reserves as well as for system and balancing services, Member reject the concept of competition for subsidies between energy sources and call for an energy market design tailored to the **Union's long-term energy and climate policy objectives**, which makes it possible to integrate RES technologies into the internal energy market.

The Commission is called upon to assess whether there is a **capacity issue in the EU** and to determine the amount of firm capacity that can be provided by variable RES in an integrated EU power system, as well as its potential impact on generation adequacy.

Noting the advantages of **decentralised renewable energy supply** close to consumption centres, Members point out that the Commission should facilitate the development of adequate modelling tools to define the optimal mix of distant, large scale generation plants and distribution level installations.

The report also notes that **insufficient network capacity and storage facilities and a lack of cooperation between transmission system operators can add to uncoordinated cross-border energy flows** (loop flows) and could cause serious emergencies in other Member States. In this regards, Members call on the Member States to press ahead as quickly as possible with the development of transmission and distribution systems and to encourage greater cooperation between transmission system operators.

The Commission is asked to elaborate a **short-term loop-flow compensation mechanism** providing affected Member States with a fair cost-sharing methodology until necessary grid developments and the flow-based market coupling are completed.

The report underlines the **potential of smart grids, demand side management tools and energy storage solutions**, both to facilitate the best possible integration of RES-E and to even out grid fluctuations.

Empowering consumers : stressing the need for further action to increase the social acceptance of renewable energy sources, Members state that an effective action to this end would be to establish a **holistic approach to the producer/consumer** – or ‘prosumer’ – who would be able to manage the process of energy generation. The report notes that a prerequisite for efficient local consumption and production of energy, from a prosumer and distribution-grid perspective, is the roll-out of **smart meters and more generally of smart grids**.

Members stress that energy should be **affordable for all** and that industry's ability to compete must not be affected. They ask the Member States to take the necessary measures to ensure that **low income customers are effectively protected**, while raising public awareness of the potential of energy saving and energy efficiency measures.

Recognising that the deployment of **small-scale RES** represents an opportunity for single households, industries and communities to become energy producers, the report notes the importance of stimulating local cooperatives for renewable energy in increasing citizens' participation, increasing accessibility of renewable energy and generating financial investments

International cooperation and trade : Members underline the role domestic renewable energy sources play in terms of **security of supply** and re-establishing a positive trade balance with oil and gas exporter countries. They stress that these should play a larger role in achieving the EU's energy security.

Emphasising that the unlawful distortion of competition on the market is unacceptable and that the best conditions for the growth of RES are offered by free and open global markets, the report calls on the Commission to :

- bring ongoing proceedings on unfair practices to a conclusion as quickly as possible;
- not to create any new obstacles to trade in finished products or components used in renewable energy technologies;
- take action to remedy obstacles to trade, to safeguard fair competition, to help EU companies to access non-EU-markets and to tackle alleged trade distortions, including with regard to illegal state aid;
- actively monitor the use of unjustified non-tariff barriers (NTBs), subsidies and dumping measures by the EU's trade partners in this area;
- investigate the possibilities for the initiation of an Environmental Technology Free Trade Agreement, which would establish tariff-free trade in environmental technology products.

The report underlines the need for closer cooperation on energy policy, including in the field of renewable energy, with the EU's neighbouring countries, and the need to exploit the trading potential of renewables more effectively.

Innovation, R&D and industrial policy : Members stress that only innovation, based on R&D, can secure Europe's leading position in renewable energy technology markets. They stress private investors' need for certainty and call on the Commission to foster an **industrial strategy for energy technologies**, including, in particular, renewable energy technologies.

A European framework for the promotion of renewable energy : Members welcome the Commission's declared intention to draw up **guidelines on good practice** and the reform of national support arrangements. The Commission is called upon to produce the guidelines as soon as possible to ensure that the different national schemes do not distort competition or create barriers to trade and investment within the EU, in order to encourage predictability and cost-effectiveness and avoid excessive subsidies.

Lastly, Members regard it as essential, in view of the multiplicity of support arrangements in place in the Member States, to move the debate about greater convergence and a suitable **European system of support for post-2020 forward**.