Electricity, internal market: renewable energy sources

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PURPOSE: this Working Paper aims to outline the results of the studies carried out following the adoption of the first report on the needs for the harmonisation of the internal market for electricity (COM(1998) 167 of 16/03/1998) and to put forward a certain number of likely conclusions and possibilities for action on the basis of these results. CONTENT: the promotion of renewable energy resources (RES) is one of the Community's main priorities. The main reasons why RES must be developed are linked to the environment, to the stimulation of the competitiveness of the European RES industry, to the security and the diversity of energy supplies in the Union, and to strengthening social and economic cohesion. At this stage, the Commission has not yet come to any definitive conclusions on the question of knowing whether it is necessary to propose harmonisation measures (directive) at Community level, nor their detailed content if this is the case. The Working Paper outlines the various options that the Community faces to deal with the questions of electricity production from renewable energy resources, but the final decision will be taken in the light of reactions to this Paper. In order to achieve the objective of the better operation of the single market, the Community is currently faced with 2 main options: - Option 1: the progressive realisation of the internal market by the continuous application of the Treaty of the European Union's rules. In this option, each Member State shall continue to freely choose the support scheme that it believes to be the most appropriate, taking into consideration its own situation, under the reserve of the strict application of the Treaty rules, notably on State assistance. This approach would have clear advantages but would, however, present the disadvantage of allowing legal uncertainty to remain, to the extent that national systems would risk having to undergo changes because of legal actions brought in the name of state aid rules. In addition, this approach highlights once again the disadvantage of being too long to put in place and it would leave hanging in suspense, throughout the transition phase, the difficulties associated with the cohabitation of different schemes. - Option 2: the dynamic creation of a single market by action at Community level. Under this approach, the adoption of a Community framework in the form of a directive could be envisaged. The Member States would be required to make provisions so that, after a reasonable transition period, their direct support schemes to electricity produced from RES would meet a number of basic requirements so as to ensure an adequate compatibility between the various schemes in order to allow the practice of effective trade and the introduction of real competition. In the hypothesis that a dynamic approach (Community directive) is chosen, another choice would have to be made concerning the type of scheme necessary or adapted to the creation of an efficient single market. There are three main types of mechanisms that might be foreseen in this context : schemes based on quotas, fixed-bonus schemes paid to the producers of renewable energy, and joint schemes that combine the 2 former schemes. These questions will be subject to a deeper examination in light of the observations received after the publication of this Paper. In addition, in the hypothesis that a proposal for a directive is presented, several additional elements would have to be analysed, such as: The exclusion of electricity produced by the large hydroelectric plants (that is to say with an installed capacity of more than 10MW) from the definition of RES for the purposes of a legislative proposal; - Whether to eventually include or exclude waste; - Whether to provide a transition period or a long period of transposition duringwhich Member States would be free to keep in operation the support schemes that they consider appropriate to raise the production of RES electricity to the level which would make the introduction of the single market possible; - To preserve the small isolated systems and the new segments of the market, for which technologies are not yet completely developed; - To provide for quite long transitional schemes · or schemes based on 'stranded costs' · at national level; - To establish a certification of origin system so as to bring some reality to commercial exchanges between the Member States; - To eventually impose on each Member State certain obligations so as to guarantee a minimal level of support in favour of RES electricity in each country. Following the reactions to this paper, the Commission will present, if necessary, appropriate proposals.