



Ministero dell'Economia e delle Finanze
Dipartimento del Tesoro

Renewables: issues for Europe and for Italy

**Presentation for the Working group on the economic dimension
of energy and climate change**

Brussels, 10 October 2007

Outline

- Why the position paper
- Opportunities of the energy package
- The implementation of the Council decisions – main issues for renewables
- Incentives and market design
- The role of trade
- Conclusions

Why the position paper

- Energy and climate change policies at EU level need to be followed by concrete commitments at national level
- Set target for the forthcoming “burden sharing” discussions
- Strong relation between emission reduction, and incentives to renewables and clean energy
➡ which direction for these incentives?
- We look forward to an high degree of integration of all proposals via a strong cooperation of institutions and Member States

Opportunities to be exploited

- There has been uneven growth in renewables in the EU
- Many countries are still well below their potential, also on mature technologies such as hydro.
- The forthcoming proposals will have the opportunity of creating a coherent and harmonised policy framework.
- Stimulating the adoption of renewables will positively affect GHG emission reduction targets, security of supply, and competitiveness

Implementation

- Need to act fast and well - Investments
- Need to preserve the integrated approach
- Links between efficiency, scenarios and targets
- Need to have well-functioning energy markets

General issues on renewables

■ Governance

- Support for binding targets; now need for clear and precise instruments:
- National Plans/Progress reports/Milestones
- Credible enforcement mechanisms
- Target revisions

■ Burden/Technological opportunity sharing

- Starting point: fairness principle
- Commitment must be proportional to potentials and based on credible scenarios, including efficiency
- Simplistic approaches determine non credible & non reachable targets.

Linking renewables and economic instruments/incentives

Incentives and market design

- Italy supports market-oriented incentives and their harmonisation for
 - Transparency
 - Cost-based competition among sources
 - Cross-border trade
- Scope for locally designed incentives exists. In case full harmonisation is not the most efficient response:
 - Harmonisation of principles has to be found

Linking renewables and economic instruments/incentives

Harmonisation of principles

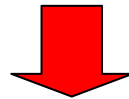
- Stability of the framework of incentives
- Administrative barriers: streamlining, simplifying, one-stop shops
- Scope for technology-specific incentives
 - But the different formulas should work in the same way
- Limited duration of incentives

Advantages of harmonisation

- Adequate framework conditions are an important prerequisite for a successful penetration of renewables
- Investment climate should be sustained
- Harmonisation of principles helps at improving the credibility and continuity of renewables promotion targets

Cost effectiveness and the role of trade

- The ambitious target for renewables in 2020 must be achieved as cost effectively as possible.



Council conclusions on trade:

- “We know our partners are interested in exporting renewable energy to the EU. And that matches with our own interest in finding ways of meeting our targets on renewable energies.”
(Commissioner Ferrero-Waldner, 3 September 2007).

The role of trade...

- Trade helps to:
 - Reach an higher share of renewables
 - Deploy technologies where it is more efficient
 - Reduce the need for incentives
- Trade is a cooperative technological opportunity
- Trade will ensure a wider-than-EU adoption of technologies
- Virtual trading based on certificates helps exploiting potential in remote regions
- Trade is a necessary feature of the system, and has to be included in the calculation of national targets.

...and its implications

- Instruments for avoiding double-accounting at the European level need to be defined, with exports automatically subtracted from the national target.
- A clear certification mechanisms is needed. A sound framework for an harmonised, robust and reliable certification of renewable energies should be created (based for example on an evolution of the certificates of origin included in the existing directive).
- Virtual trading will be facilitated.
- A revision of common trade policy will therefore be needed to ensure an higher level of coherence between trade and energy policies

Implications for the WG

Set of instruments and how to design better targeted policies

Achieving the goals of environmental policy through economic instruments depends on the varied and dynamic domestic economic and environmental circumstances. However the following issues will be crucial:

- Defining national and european roadmaps;
- and developing a coherent framework for incentives.

Improving the targeting of policy measures

- Continued exchange of information between countries is important for successful policy development. It is clear that there is much value in the exchange of information both within and between community institutions and EU member states.
- Further exchange of experience and improved coordination of incentives will be equally valuable in the years ahead.

Implications for the WG

Competitiveness concerns.

- The competitiveness concern may partly be overcome if a correct framework for market based incentives and state aid for green sources is set.
- **The State Aid issue.** The ongoing revision of the Community guidelines for state aid for environmental protection needs to be an integral part of the renewables policy design, effectively contributing to support the adoption of these technologies, and overcoming the difficulties and the burdens inherent to the current guidelines.
- [State aid regime needs not to be separated from policy design. Examples in the current draft for state aid: why reducing to 60% the admissible cost for renewables?
- **Effective policy design.** In the case of renewables competitiveness will be positively affected if an effective policy design helps the creation of an European technological advantage.



FROM “BURDEN” TO “TECHNOLOGICAL OPPORTUNITY” SHARING

Conclusions

- The Energy package is a great opportunity to tackle the climate change issue but...
effective implementation is needed
- At EU level, this means:
 - effective governance;
 - harmonisation for incentives
- At the national level, a change of attitude is needed: policy shift.