Cooperation Mechanisms To Achieve EU Renewable Targets

There are considerable benefits from cooperating among member states on meeting the 2020 renewable energy sources (RES) targets. Today countries are supporting investments in renewable energy by many different types of support schemes and with different levels of support. The EU has opened for cooperation mechanisms such as joint support schemes for promoting renewable energy to meet the 2020 targets. The potential coordination benefits, with more efficient localisation and composition of renewable investment, can be achieved by creating new areas/sub-segments of renewable technologies where support costs are shared and credits are transferred between countries.

Countries that are not coordinating support for renewable energy might induce inefficient investment in new capacity that would have been more beneficial elsewhere and still have provided the same contribution to meeting the 2020 RES targets. Furthermore, countries might find themselves competing for investment in a market with limited capital available. In both cases, the cost-efficiency of the renewable support policies is reduced compared to a coordinated solution.

Barriers for joint support such as network regulation regarding connection of new capacity to the electricity grid and cost sharing rules for electricity transmission expansion are examined and examples given. The influence of additional renewable capacity on domestic/regional power market prices can be a barrier. The market will be influenced by for example an expansion of the wind capacity resulting in lower prices, which will affect existing conventional producers. This development will be opposed by conventional producers, whereas consumers will support such a strategy.

A major barrier is the timing of RES targets and the uncertainty regarding future targets. We illustrate the importance of different assumptions on future targets and the implied value of RES credits. The effect on the credit price for 2020 is presented in an exemplary case study of 200MW wind capacity.

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