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ECOHZ's response to the European Commission's public consultation on a 2030 framework for climate and energy policies

First of all, on behalf of ECOHZ I would like to thank the European Commission for this opportunity to express our views on a new European 2030 framework for climate and energy policies. We look forward to answering any questions that the European Commission might have.

The energy transition that was put in motion by the 20-20-20 targets has proven to be a success. Europe is on the path to become a low-carbon society at the same time as future energy security will be ensured and growth, competitiveness and job creation will be supported. However, the political commitment to reduce GHG-emissions by 80-95 % by 2050 as set out in the Energy Roadmap 2050 requires a strong and clear 2030 framework with a binding target for renewable energy when the current framework ends in 2020. Guarantees of Origin can contribute to the EUs low-carbon goal being reached in a cost-effective manner and should be a part of a strengthened post-2020 framework.

For the full potential of Guarantees of Origin to be realised in a 2030 framework, however, a full unabridged and unified implementation of existing legislation for Guarantees of Origin should first be ensured.

1. Lessons Learned from 2020-framework

In the Green Paper on a 2030 framework for climate and energy policies the European Commission asks which lessons from the 2020 framework and the present state of the

EU energy system are most important when designing policies for 2030.

The 20-20-20 targets have been vital in driving the development of the renewable energy sector. However, ECOHZ believes that there are shortfalls to the current framework. The present system with Guarantees of Origin, embedded in the Renewable Directive, suffers from weak implementation that is making it difficult for the potential of a Europe-wide system for Guarantees of Origin to be realized.

The 2020 framework was not clear enough on the role of consumers, and we therefore welcome recent developments from the European Commission that acknowledges the role of consumers in the energy market. ECOHZ believes in the potential of the consumer as a change-maker in the economy and we believe that the consumer should be given a greater role in the new 2030 framework for climate and energy policies.

Guarantees of Origin is a consumer-oriented financing mechanism that give consumers confidence about the source of the electricity they purchase. It offers a set of choices for energy and energy services and builds upon the consumer-oriented energy market that the Commission has called for in the effort to decarbonise the energy system by 2050. However, for the great potential that lies in more consumer-driven financing of renewables to be realised it is important that the market for Guarantees of Origin is prolonged and that a full, unabridged and unified implementation of existing legislation is ensured to stimulate the further development of the market. This is an important lesson from the 2020 framework: implementation of earlier commitments must be a top priority.

2. Targets for 2030

To stimulate the investments needed to realize the 2030 ambitions a clear and predictable framework is needed, and in light of that ECOHZ supports the idea of a binding target for renewable energy.

However, ECOHZ would like to stress that the market for Guarantees of Origin is not dependent on a binding target for renewable energy in order for its potential to be realized. Guarantees of Origin is a financing mechanism based on voluntary demand from consumers who want to purchase renewable electricity and will stimulate investments in new renewable energy generation even if the new framework does not introduce a new binding target. Guarantees of Origin should therefore be an integral part of a 2030 framework.

3. Instruments for renewables growth

Guarantees of Origin is a consumer-oriented financing mechanism that in a fully implemented market and with the support of appropriate policy instruments can secure private sector funding for renewables.

3.1 Realizing a genuine European approach with better and more coherent implementation

That the energy market of the future will need to become more consumer-oriented is clear, and such a shift will require increased tracking and documentation. Guarantees of Origin can help create the confidence such a system would rely upon. However, the market for renewables that the system with Guarantees of Origin represents, demands a well-functioning internal

energy market. The integration of the European energy market must mean that obstacles to trade in energy and energy services are removed to the largest extent possible. In a liberalized European market where the growth of the renewables sector will largely depend on private investments, this is critical.

The fact that the renewable attribute/-value in some national support schemes for renewable electricity (i.a. feed-in tariff systems) “follows” the physical delivery of electricity to the customers is in many ways problematic: as the renewable production does not become documented with Guarantees of Origin it becomes unavailable in the general market. This limits the liquidity of the market for Guarantees of Origin and can hamper market growth. All renewable energy production units should be entitled to issue Guarantees of Origin – independent of whether or not they have been supported by other mechanisms.

Unfortunately, not all Member States have implemented an official system for trade in Guarantees of Origin, despite the encouragement in the 2009 Renewables Directive, and many of the national systems that are in place still work with incompatible models. This creates a handicap to cross-border trade. In pursuit of the deep integration of the European energy market a European-wide standard on Guarantees of Origin should be promoted. The European Standard (CEN) on Guarantees of Origin that was published on the 22nd February 2013 reflects the achievements of the European Energy Certificate System and provides further guidance for implementing Guarantees of Origin. The implementation of a European-wide standard on Guarantees of Origin will add renewable energy production to the European grid that might otherwise have gone unexploited and it should therefore be at the heart of a fully implemented market with Guarantees of Origin.

In order to facilitate a European exchange of certificates ECOHZ would like for a 2030 framework for climate and energy policies to (i) strengthen the criteria for tracking of revenue from sales of Guarantees of Origin and for documentation of reinvestments in new renewable energy generation, and (ii) promote a full implementation of the integrated European framework for international trade of Guarantees of Origin, the European Energy Certificate System, throughout all EU Member States and EEA countries.

3.2. Advocating “no-regrets” policies

The growing awareness in the corporate world about the benefits of using *and* producing green energy is a growing trend and an indication of what the future holds for renewable energy¹. Large corporations such as IKEA, Lego, Sumitomo and Google are all examples of companies that perceive an added value in investing in renewable energy, either directly or indirectly. Guarantees of Origin is a flexible instrument that enable also smaller companies and consumers to contribute to the energy transition at the same time as it allows non-energy companies to easily demand renewable energy and contribute to the greening of the economy. Guarantees of Origin therefore represent an efficient model for putting green CSR-commitments into action as it taps into consumers’ willingness to make environmentally responsible choices.

What really sets Guarantees of Origin apart from other financing mechanisms, however, is the fact that it delivers benefits to the renewables market even without a renewable energy target – making it a true “no-regrets” instrument. Provided that the market sees a continued 18-19 % annual increase in both volume and end-user pricing, Guarantees of Origin can generate in

¹ BNEF Global Corporate Renewable Energy Index 2012

excess of € 10 billion of new funding for renewable energy deployment by 2020. Used as a top financing tool, this amount can contribute to financing 60-150 TWh worth of new renewable energy capacity by 2020. Compared with the € 5.1 billion set aside for energy infrastructure under the Connecting Europe Facility, this example highlights how market instruments can be an important supplement to public funding and how Guarantees of Origin can make a significant contribution to financing a part of the renewable generating capacity of around 4,900 TWh needed by 2050.² For this potential to be realised, however, the regulatory framework for Guarantees of Origin needs to be upheld and preferably strengthened.

3.3. Introducing technology neutral renewable energy promotion mechanisms

Whereas we believe that renewable energy has an intrinsic value, it must be recognized that projects and technologies ought to be realized where it is most cost efficient to do so. A more comprehensive use of technology-neutral solutions for the promotion of renewable energy deployment will strengthen the successful deployment of renewable energy.

By channelling revenues only to the most cost effective projects, independent of technology, Guarantees of Origin is a technology-neutral option for the efficient promotion of renewable energy and it therefore need to be part of a new 2030 framework.

3.4. Realizing the consumer potential

It is currently mandatory for electricity suppliers to inform the final customers of the share of renewable electricity (fuel mix disclosure) through documentation using Guarantees of Origin. However, larger companies and public and private organisations should be encouraged to disclose its fuel mix and corporate carbon emissions calculations in full and to become more active in choosing their energy source. For such a system to be reliable and trustworthy it will be important to avoid double counting. This will be secured by the implementation of a pan-European system based on RE-DISS I and RE-DISS II (*“Best Practice Recommendations for implementation of Guarantees of Origin and other tracking systems for disclosure in the electricity sector in Europe”*) – projects financed under the Intelligent Europe programme.

ECOHZ would also like to refer to the European Commission’s statement in its communication *“Making the internal energy market work”* from 2012, stating that *“to make the most of the benefits the internal market brings, consumers, including individual citizens and small businesses, must be enabled and feel incentivised to play an active role in the market”*. ECOHZ agrees with the European Commission. The empowered and well-informed consumer can be a key driver for the successful transformation of our energy system. We fully support smart metering initiatives and more easily accessible information about the energy usage of individual households, and we believe that more should be done in order to encourage customers to make active choices about their energy sources.

4. Summary

Guarantees of Origin can make a cost-efficient contribution to the realization of the long-term European renewable energy policy. However, it is important that the regulation of the market is

² Number from European Climate Foundation (2010) *“Roadmap 2050: a practical guide to a prosperous low-carbon Europe”*

improved in order to enhance trade and realize the potential that lies in the instrument, and it is our firm belief that a new 2030 framework is an excellent opportunity to take this work forward.

ECOHZ hopes that the European Commission takes the principles and recommendations as put forth in this consultation response into consideration in its continued work with this important policy area.

4.1 Realizing a genuine European approach with better and more coherent implementation

A voluntary, consumer-driven market for renewables demands a well-functioning market and barriers to trade with Guarantees of Origin must be removed. A 2030 framework should therefore promote (i) a strengthening of the criteria for tracking of revenue from sales of Guarantees of Origin and for documentation of reinvestments in new renewable energy generation, (ii) a full implementation of the integrated European framework for international trade of Guarantees of Origin (EECS) throughout all EU Member States and EEA countries, and (iii) for all renewable energy production units to be entitled to issue Guarantees of Origin – independent of whether or not they have been supported by other mechanisms.

4.2 Advocate “no-regrets” policies

Guarantees of Origin deliver benefits to the renewables market even without a renewable energy target, however, for a system with Guarantees of Origin to continue to secure private sector funding, its regulatory framework needs to be upheld and preferably strengthened.

4.3 Introduce technology neutral renewable energy promotion mechanisms

Guarantees of Origin is a technology-neutral option for the efficient promotion of renewable energy and should be part of a strengthened post-2020 framework.

4.4 Realize the consumer potential in driving the development of the renewable energy market

ECOHZ believes in the empowered and well-informed consumer. For the potential that lies in a consumer-driven market to be realised large companies and public and private institutions should be encouraged to disclose their fuel mix and the calculations behind their carbon emissions and to become more active in choosing their energy source – ensuring a trustworthy and reliable reporting.

Once again, thank you for allowing us to express our views on a new 2030 framework for climate and energy policies. We have taken the liberty to attach some more information about ECOHZ and Guarantees of Origin to this consultation response for the European Commission’s convenience.

We remain at the European Commission’s disposal should there be any questions to our consultation response.

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