



Price support schemes in the service of the EU's low-carbon energy transition

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KNOWLEDGE IN ACTION

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OVERVIEW

1. A RESSS TAXONOMY
2. PRICE AND QUANTITY RESSS IN THE EU
3. PRICE RESSS IN THE RED II
4. CONCLUSION



1. A RESSS TAXONOMY (I)

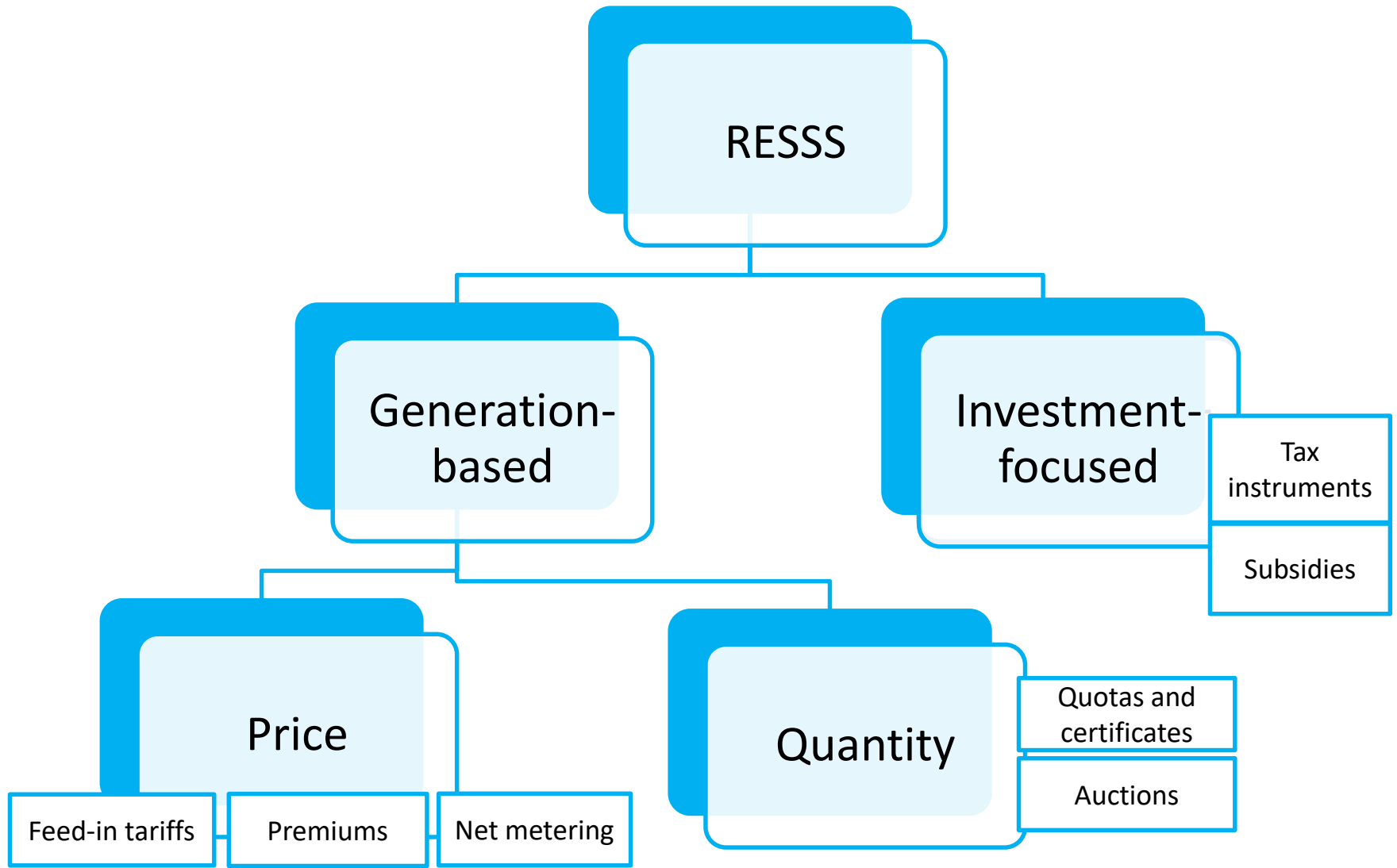


Renewable Energy Directive 2018/2001

- Union target for 32 % share of renewables by 2030.
- Member States take measures to promote renewable energy sources, namely support schemes



1. A RESSS TAXONOMY (II)



2. PRICE AND QUANTITY RESSS IN THE EU

Members States have tended to resort to price RESSS

- Profits guaranteed → attractive for investors
 - Profits allow investments in R&D → Dynamic efficiency
 - Simplicity, less monitoring burden to be borne by authorities
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- Less appealing to those bearing the cost (consumers, taxpayers)
 - Not reactive to market signals → overproduction, overcompensation

The Commission has been in favour of quantity RESSS, mostly quotas + certificates

- Compensation granted reflects market conditions
 - Tradeable certificates \cong free movement of goods
 - Producers have the incentive to operate more efficiently
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- Remuneration is not fixed, investors face risk
 - Complexities, transactions costs
 - Admin costs, need for monitoring



3. PRICE RESSS IN THE RED II (I)

- **Article 4(2) RED II - General principles:**

Market-based and market-responsive support schemes

- **Article 4(3) RED II - elaboration:**

Market-based \cong integration of renewable energy to the greatest possible extent

Market-responsive \cong incentivises producers to respond to market price signals

Do price RESSS comply with the above?



3. PRICE RESSS IN THE RED II (II)

- **Article 4(3) RED II:**

- Only premiums are compatible
- Other price RESSS might be exceptionally compatible (for small-scale installations, demonstrations projects)

- **Article 4(4) RED II:**

- Price RESSS are coupled with procedural elements that originate in quantity instruments, mostly tendering procedures

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- No reference to quantity RESSS → de facto compatible

In total, strong nudges for quantity instruments



3. PRICE RESSS IN THE RED II (III)

- **Articles 21 and 22 RED II:**
- Price RESSS as remuneration for self-consumers and renewable energy communities
- Net metering fits self-consumption
- Compliance with the market-based and market-responsive requirements?
- Net billing (energy outputs are priced lower than energy inputs)



4. CONCLUSION (I)

- Disagreement between Member States and the Commission about the RESSS type that should be the spearhead of the energy transition
- Member States retain the power to decide the RESSS type, but the RED II nudges them to opt for quantity ones



4. CONCLUSION (II)

- Challenge for national authorities to conceive and design market-based and market-responsive price RESSS or even hybrid RESSS
- In the end, compatibility depends on indeterminate legal concepts.
- But even in case of non-compliance, one cannot be sure about the consequences. Recommendations? Infringement procedure?



Thank you very much!

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