



President Barroso, President of the European Commission
Commissioner Verheugen, Vice President of the European Commission
Commissioner Barrot, Vice President of the European Commission
Commissioner Wallström, Vice President of the European Commission
Commissioner Piebalgs
Commissioner Dimas
Commissioner Potočnik
Commissioner Fischer Boel
Commissioner Almunia
Commissioner Kroes
Commissioner Mandelson
Commissioner McCreevy

9 January 2008

Dear President, Dear Vice Presidents, Dear Commissioners,

Draft proposal for a Directive on the promotion of the use of renewable energy sources

I write to express our serious concerns regarding the text being prepared by the Commission on the promotion of the use of renewable energy sources, designed to ensure that 20% of the EU's energy comes from renewable sources by 2020.

The European wind energy sector would like to be in a position to support the Commission proposal on 23 January, and therefore considers it necessary to raise a number of problematic issues, relating to the draft which appeared in ENDS Europe Daily yesterday.

The proposed RES legislation, as currently drafted, will have a significant negative impact on market stability and create investor uncertainty over the coming years, both essential elements if the 20% RES target is to be achieved by 2020. The proposal fails to ensure a stable EU legislative framework capable of providing a basis for attracting investment in wind energy.

In effect the Commission is proposing to spend the first few (critically important) years reviewing the EU framework while requiring numerous and frequent reviews, and possibly changes, in national support mechanisms for renewable energies, rather than allowing Member States the flexibility to develop successful national support tools best suited to differing national circumstances.

It is crucial that the Commission recognises the subsidiarity principle, rather than effectively taking renewable energy policy making away from Member States, whilst at the same time requiring that they achieve legally binding targets. The current draft of the Commission proposal will have a negative impact on national support mechanisms, despite public statements by the Commission to the contrary.

Furthermore, the enforcement mechanisms proposed by the Commission are highly dubious and unlikely to achieve the aim of ensuring compliance by Member States with their interim and final targets.



Trading and Member State 'terms and limits'

EWEA, whilst not opposed to the concept, has concerns relating to companies being able to trade in what effectively is a legally binding target assigned to a Member State (virtual trade of guarantees of origin (GoO)). The impact of such trade on SMEs (the majority of companies in the sector), investment in grid infrastructure, and support mechanisms (including certificate, premium and feed-in models) has yet to be considered by the Commission.

EWEA welcomes that Member States will be able to place terms and limits on the trade in GoO by companies to maintain control of their own renewable energy policy, given that it is the Member State which has the legal obligation to generate sufficient GoO to reach the national target set by the Commission. The ability of Member States to place terms and limits on the trade in GoO is crucial given the subsidiarity principle and the importance of national support mechanisms in reaching the overall EU target of 20%, and providing long-term market stability. However, requiring Member States to, in effect, review their terms and conditions every 12 months (article 8(4)) will create significant investor uncertainty which will adversely impact the ability of the EU to reach its 20% target.

Furthermore, EWEA is very concerned that the Commission is considering reviewing whether Member States can even implement such terms and limits (article 8(6)) beyond 2014. This critical uncertainty in the early compliance phase of the Directive will have significant negative effects on long-term market stability and investor confidence, given the importance of stable long term national support mechanisms (be they certificate, premium or feed-in models).

Enforcement

EWEA has publicly supported a Commission approach based on allowing transfer of GoO between Member States that are on track to meet their target, so as to have trade working as an additional incentive for Member States to exceed their national target. The draft follows a reverse logic, i.e. Member States that are not on track will be forced to open their national support mechanism to foreign production.

EWEA is concerned that the only enforcement mechanisms available to the Commission for ensuring that a Member State reaches its national interim target is the forced opening up of their national support mechanism to plants situated in other EU countries, and losing the ability to impose terms and conditions on the import of GoO from other EU countries (article 8(5)). The workability of such enforcement mechanisms, especially the opening up of national support mechanisms, is highly questionable particularly given the negative impact such a move would have on the support mechanism itself.

Indeed, the likely result of such a proposed enforcement mechanism is the *de facto* harmonisation of national support schemes, through a domino-like cascade of those national support mechanisms employed by Member States that fail to meet their interim targets.

Harmonisation of Support Mechanisms

EWEA also has significant concerns relating to the proposal that, as part of its first report to be submitted in 2012, the Commission will assess the need for proposing a harmonised EU-wide support scheme for renewable energies (article 18(9)).



Containing such a proposal within the legal text will have a negative impact on market stability and create investor uncertainty. Changes in frameworks always create uncertainty and have to be based on sound knowledge and well-proven tools. The draft would introduce the uncertainty of an untested EU mechanism for renewables that has not been applied anywhere in the world to this date, while disrupting 27 national mechanisms. It would be a gamble with 50% of the global market for wind energy - a hasty move towards a harmonised EU-wide support mechanism for renewable electricity would put European leadership in wind power technology and other renewables at risk.

Changing the 27 national frameworks simultaneously shortly after agreeing a new European legal framework would undermine the work, progress and efforts that Member States have put into developing mechanisms over the past few years. A premature move towards a common approach will stop, or seriously delay, development even before it starts. The EU-wide 20% target is ambitious and reaching it could be jeopardised by a discussion on changing framework conditions and abolishing formerly successful systems.

Furthermore, harmonisation would only make sense if a single EU electricity market existed. At present, we have 27 different electricity markets with different electricity prices. Why, then, should we have only one support mechanism for renewable electricity? The creation of a single - truly competitive - internal electricity market must precede, and not follow, the establishment of a single support mechanism for RES-e.

Undermining of 20% target

The Commission proposal to adjust a Member State's 2020 target to take into account energy plants that would be under construction, but would not be operational by 2020, (article 5(2)) is in effect lowering the overall target for renewable energy of 20% by 2020, and is additional to changing the 'calculation of the share of energy' which already reduces the level of effort required to meet the 20% target from a 13% increase in 13 years to only 11.5%.

The wind industry looks forward to working with the Commission over the coming days in seeking to achieve a proposal that provides the European renewables industry with a stable EU legislative framework, minimises investor uncertainty and provides the European industry with the ability to maintain its lead global position.

Yours faithfully,

Christian Kjaer
Chief Executive Officer
European Wind Energy Association

CC: Mrs. Day, Mr. Barbaso, Mr. Jones, Mr. Delbeke, Mr. Ruete, Mr. Zourek, Mr. Behrndt, Mr. Carl, Mr. Silva Rodriguez, Mr. O' Sullivan, Mr. Regling, Mr. Holmquist, Mr. Demarty, Mr. Lowe, Mr. Sorensen