

Europe Region of the International Cooperative Alliance

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Response by Cooperatives Europe to Consultation of DG Competition on:

Draft Guidelines on Environmental and Energy Aid for 2014-2020

General remarks

The draft guidelines on state aid for environment and energy contain elements that could be harmful to the interests of emerging decentralized renewable energy producers and suppliers. Those guidelines together with the Commission's recent proposal for a 2030 climate and energy package overwhelmingly represent the interests of the big energy utilities, nuclear industry and non-renewable energy processing countries in Europe. This threatens existing EU and national laws and guidelines on renewable energy put in place over the last 10 years, which have demonstrated their effectiveness.

In our view, these draft guidelines risk interfering with current EU legislation, such as the renewable energy directive (2009/28/EC). In particular the current guidelines fail to take into consideration the interests of local and regional renewable energy producers, such as cooperatives.

We are confident that the European Commission will ensure a more balanced policy framework and a level playing field for all types of existing as well as emerging energy enterprises.

The merits of the decentralized energy system

The liberalisation of the EU energy market has led to new realities in Europe with new market players on the supply as well as on the demand side. This has led to increased decentralisation of energy production, which complements the existing centralised big utility energy model. The energy transition has been led by the EU citizens through thousands of local and regional initiatives of renewable energy buying groups, community power initiatives and cooperatives, often in partnership with local and regional authorities and energy utilities. At the same time, it's the citizens who are mainly paying for the transition: as consumers (through higher tariffs while many businesses get exemptions), as taxpayers (to provide for the state aids for investors) and as bank depositors (so banks can lend to investors).

The socio-economic benefits of the growing decentralized energy systems can be felt across Europe. More than 2.000 renewable energy cooperatives exist in the EU. More than 90% of Germany's current 12.5% renewable energy share of the total energy mix comes from local and regional initiatives and not from its 4 big energy utilities. In Germany alone, more than 750 renewable energy cooperatives have been created over the last 5 years, which are owned by more than a 150.000 German citizens.

Cooperatives together with mutuals, community companies and social businesses provide 10% of the EU's GDP and more than 14 million jobs according to EU statistics.

Thousands of them have diversified into renewable energy as producers or sellers, while many others have invested into significant energy efficiency measures. The economic potential of cooperatives in the energy transition is considerable as it spans across many economic sectors from agricultural coops producing biomass and biofuels or using PV and wind power on their land (e.g. Lantmännen Agroetanol in Sweden with more than 10.000 employees), to retail coops, who regroup their customers to purchase jointly green energy (e.g. Cooperative Energy in the UK with already more than 150.000 customers) to housing cooperatives (GDW, the German housing cooperative federation owns around 1/3 of German rental market) to the new cooperatives in renewable energy production and distribution and energy efficiency (in Belgium, 47.500 households member of Ecopower reduced their electricity consumption by 46% in seven years). Those cooperatives are often financed with the support of local and regional cooperative banks with more than 70.000 outlets around Europe.

Next to the economic benefits of cooperatives in the energy transition, they are also playing a major role in the social acceptance of renewable energies (successfully combatting the “nimbyism” effect). Once there is a benefit for the citizen through becoming a member and thereby owner of the cooperative, the setting up of a windmill in their backyard, installing district heating systems or a communal grid under the property becomes much more acceptable. Cooperatives often cooperate with local authorities, acting as a private intermediary with the public sector.

Too prescriptive guidelines penalising the leaders of the energy transition

The suggested guidelines are far too interventionist and restrictive, preventing member states to fulfil their renewable energy share targets by 2020. Each EU country has its particular challenges and opportunities, for which the guidelines need to cater for. They need to provide a diversity of tools and the freedom to adjust - not prescriptive measures via tools, of which some have not even been tested in many EU countries, such as the suggested tender process. Instead of providing security for investors, they risk to increase uncertainty and hinder investments, which we will demonstrate for the below major problems in the guidelines:

1. *A meaningless classification of technologies into deployed and less deployed*

This approach, as currently presented, classifies technologies in an irrelevant and simplistic way. Efficiency and effectiveness criteria should be used to determine the most pertinent type of renewable energy technology to apply in each geographical area. The current classification will restrict the choices for Member States rather than providing the required optimal choice and freedom for them to take appropriate action. This classification undermines the potential of renewables, which is based on a mix of technologies, hindering their full market integration. Therefore we suggest disregarding such type of classifications.

2. *Inefficient and ineffective bidding process*

Access to support schemes via bidding processes discriminate smaller local and regional players. Bidding processes have many disadvantages with regard to the currently applied diversity of tools, in order to choose the most efficient and effective offers. Bidding processes require considerable upfront investment costs for bidders, which increase the overall cost for the winner and create sunk costs for the losers of the bid. They also generate considerable administrative costs and crowd out small bidders as only large companies & consortia have

the financial capacity to absorb sunk costs. Finally many countries including the EU itself have a rather poor track record of organising successful large infrastructure bidding processes. Therefore we suggest disregarding the use of the bidding procedure as the only tool to provide state aid, but leave it to the member states to decide about the best process.

3. Feed-in tariffs to be reincluded in the guidelines

Feed-in-tariffs have proven to be the most stable remuneration schemes to take specific technologies to maturity and market integration. The current text does not even mention feed-in-tariffs in the definitions anymore and focuses on less tested tools. Instead of replacing the champion of the energy transition, there is rather a need for a more flexible mechanism to regularly adapt the feed-in tariff system for new projects, in order to stay closely aligned with market realities. Countries have already adjusted feed-in-tariffs like in Germany, which will lead to a general decline in price premiums over the coming 10 years before petering out completely (contrary to long-term price premiums currently being agreed for new nuclear plants). Therefore, we suggest reintroducing feed-in-tariffs in the guidelines to replace the feed-in premiums.

4. Renewable energy sources and accessibility to the electricity grid

The principle of priority access for renewables, recognized in the renewable energy directive (article 16.2.C Directive 2009/28/EC) is violated through the article 120b of the draft proposed text. Therefore we suggest dismissing this article.

Our proposals on the way forward

It has to be noted that renewable energy producers have gained considerable economic weight in a very short timeframe while not having benefited from decade-long subsidies granted to their fossil and nuclear counterparts. In 2011 EU-wide direct and indirect state aid support to coal amounted to 52bn Euros, 35bn Euros to nuclear and 30bn Euros to renewables according to DG Energy documents. In our view the state aid guidelines need to be rewritten, in order to focus on clear principles and overall measures rather than restrictive & prescriptive instructions, such as:

1. We need a general guideline framework based on clear & transparent rules & principles in line with the already in place EU treaties and directives.
2. The guidelines should support the most efficient and effective measures to promote the development and market integration of renewable energy technologies, taking into account the need for a mix of renewable technologies and its adaptation to local circumstances.
3. More market-oriented feed-in tariffs or green certificates among other support schemes should be promoted and not limited. The EU could play a crucial role here in fostering best practices and in supporting the current laggard countries.
4. An evolutionary approach needs to be applied in making existing and new renewable energy players in the future more competitive instead of introducing reactionary steps to erode the decentralised business case.

We are ready to work with the EU Commission, in order to achieve the set 2020 goals.

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