



EWEA
THE EUROPEAN WIND ENERGY ASSOCIATION

Jean-Louis Borloo
Ministre d'Etat, Minister for Ecology, Energy,
Sustainable Development and Town and
Country Planning (Regional Development)
Hôtel de Roquelaure
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Dear Ministre,

Wind Power: Delivering energy security, EU competitiveness, an internal electricity market & fighting climate change

Wind power significantly contributes to all three key objectives of the EU's Energy Policy, namely reducing GHG emissions, ensuring security of supply and improving the competitiveness of Europe.

Energy Security

Europe is going to be importing a growing share of its energy at unpredictable but most likely higher prices, from unstable regions, in ever-fiercer competition with the rest of the world and at staggering environmental cost.

Every day, European companies and consumers are paying the price of external control of their energy supply. Europe's annual gas import bill alone is already €50 billion higher today than when the oil price was \$20 per barrel a few years ago.

The economic future of Europe can be planned on the basis of known and predictable energy costs, derived from an indigenous wind energy source free from all the security related, political, economic and environmental disadvantages associated with the current energy supply structure.

EU competitiveness

There is increasing evidence that the introduction of wind power into the power supply system reduces the overall electricity price. There are two basic reasons why the operation of wind power in a supply system reduces electricity prices. One relates to its effect on other generating sources, the second results from the fact that it produces no carbon dioxide.

Firstly, because wind turbines do not consume fuel and their operation and maintenance costs are low, the marginal cost of wind power is very low. This means that once the wind farm has been built it makes economic sense to extract as much

electricity from it as possible. In addition, wind power squeezes out the most expensive generating technology at any point in time, thus decreasing the overall electricity price. This is known as the 'merit order effect'.

Secondly, using wind energy reduces CO₂ emissions from the electricity sector. As a result, the price of the carbon permits being traded through the European Union's European Trading System goes down. Cheaper certificates mean lower electricity prices as markets pass on most, or all, of the CO₂ price to the consumer.

In Denmark, research by Paul Morthorst of the RISØ national research institute has shown that the price paid for electricity by consumers in the western part of the country (excluding transmission and distribution tariffs and VAT) would have been approximately 7 to 13% higher in 2005 if wind power had not made a contribution. This translates into a saving of 0.3 to 0.5 €cents per kWh consumed.

The Spanish Wind Energy Association has also found that introducing wind power into the Iberian market offsets the most expensive technologies and reduces the average electricity price. In 2005, every time an additional 1,000 MWh of wind power output was generated, the price reduced by 0.19 €cents/ kWh. At times of peak demand, the effect was even greater – a reduction of about 0.5 €cents/kWh.

In Germany, a 2007 study by the Ministry of the Environment (BMU) concluded that the sum of both reduced electricity and CO₂ prices came to roughly the same as the extra cost of supporting wind energy through the feed-in tariff. This means that wind's net cost in financial terms is negligible. In 2006, the merit order effect resulted in a drop in the German electricity price valued at €5 billion.

Furthermore, boosting investment in renewable energy creates jobs, promotes innovation and a knowledge-based economy in the EU. The European Union is already the global leader in renewable energy technologies. In 2007, €25 billion was invested globally in wind turbines, and in Europe, 125,000 people are employed in wind energy-related positions. The European wind energy sector, in particular, is leading the global wind market. At global level, most top-10 manufacturers are European.

Renewables Directive

EWEA welcomes the progress made by the French Presidency on the Climate & Energy Package. The package commits Member States and the sectors covered by the ETS to reduce their emissions by 753 Mt CO₂ equivalents between 2005 and 2020. The Commission expects by 2020 that the installed wind power capacity will produce 12% of EU electricity, which will avoid the emissions of 328 Mt of CO₂, equal to 44% of the combined 20% GHG reduction target.

Given the vital role wind power will play in meeting the EU's GHG targets (whilst at the same time improving EU energy security and improving EU competitiveness by reducing electricity prices), EWEA would like to make the following points on a number of key issues arising from the discussions on the proposed Renewables Directive:

2014: Review (rendez-vous) clause

EWEA strongly opposes a review clause evaluating the implementation of the Directive, in particular with regard to whether the flexibility mechanisms are ensuring that Member States reach their national targets. Member States will fulfill the majority of their national targets on the basis of domestic effort, not flexibility mechanisms. Such a review clause:

- would introduce a disincentive for Member States to ensure adequate domestic investments in renewables, relying instead on a favourable outcome of any review;
- would undermine investor certainty and jeopardise investments sufficient to achieve the national targets;
- would fail to provide a stable EU legislative framework capable of providing a basis for attracting investment in wind energy;
- would introduce critical uncertainty in the compliance phase of the Directive, rather than underpin stable long term national support mechanisms (be they certificate, premium or feed-in models).

Access to the Electricity Network

EWEA considers that it is vitally important that the legislative framework enables renewables to be integrated into the EU grid system in a timely manner, and in the quantities necessary to meet the 2020 target. EWEA therefore supported the Commission proposal which would have ensured that Member States take all the necessary steps to develop grid infrastructure. EWEA therefore considers it essential that four key elements are included:

1. Member States are required to take all the appropriate steps to develop network infrastructure to accommodate the further development of electricity production from renewable energy sources, so that the interim trajectory and 2020 target can be met;
2. Renewables are granted priority access given the:
 - discrimination faced by renewables in the non-functioning internal electricity market, in particular in the form of inadequate ownership unbundling ;
 - large quantities of wind power reduces electricity prices for consumers; and
 - reducing CO2 emissions with an optimal use of all available clean and renewable electricity sources.
3. Renewables are given effective priority during dispatch as otherwise existing EU legislation will be weakened, as Member States are currently obliged to give priority to renewables during dispatch. Wind power is a highly effective way to reduce CO2 emissions, and installed wind capacity should be used to its full potential, rather than left idle when the wind is blowing;

4. Renewables are given priority connection to counter the discrimination faced by renewables which results in a significant delay between a renewable producer making an application and being connected to the grid.

Internal Electricity Market

EWEA welcomes that Council is to reach Political Agreement on the 3rd Liberalisation Package on the internal market for electricity.

The Political Agreement is an important but insufficient step towards improved competition. EWEA continues to believe that full ownership unbundling is the most effective tool to promote grid investments and secure fair third party access to Europe's power network. Independent operation of transmission networks is certainly a step in the right direction, but competition in the European electricity markets will continue to be distorted until independent operation has been complemented by independent ownership of the grids. Fair grid access is an absolute minimum requirement if the EU is to meet its objective of 20% renewable energy by 2020.

EWEA supports the proposals to increase the powers of national regulators while strengthening EU-coordination of regulators. In the absence of full ownership unbundling, these measures become even more important.

Furthermore, the National Regulatory Authorities should have, as one of their required tasks, to take "all reasonable measures", including the removal of any barriers, to ensure the integration of "large and small-scale renewables" into the grids. EWEA considers this of crucial importance to ensure the 20% target is reached, and would take this opportunity to urge Council to take this concept forward during Second Reading of the Third Liberalisation Package.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'C. Kjaer', is positioned above the printed name.

Christian Kjaer

Chief Executive Officer
EWEA - European Wind Energy Association