

IMEAS

EU Should Launch Guarantee Programme to Boost RES Investments in SEE

An EU guarantee programme should be launched for Central and South East Europe to help EU member states with high financing costs develop new renewable energy projects faster and cheaper, said the German think-tank Agora Energiewende in January.

According to Agora Energiewende, in some countries in CEE and SEE “renewables still seem uncompetitive vis-à-vis new investment into coal-fired generators – just because the capital costs are too high”.

A DiaCore study has shown that in 2014 the cost of capital for investing in onshore wind power varied considerably across the EU, from only 3.5% in Germany to 12% in Greece and Croatia.

This “would also mean that in Germany a wind park would constitute a competitive investment based on the levelised cost of energy compared with investments in coal-fired power plants or combined cycle gas turbine plants, whereas in Croatia it would not”, said Agora Energiewende.

Therefore, the think-tank has proposed the introduction of a European Renewable Energy Cost Reduction Facility which would enable all member states “to reap the full benefits of low cost renewable energy technology and to achieve the EU target of a share of at least 27% of renewable energy in overall energy consumption by 2030”.

“An EU guarantee programme could significantly reduce the financing costs related to developing Europe’s renewable energy potential: EUR 1 of public funding for a guarantee scheme would leverage EUR 50 of private investment into wind and solar energy projects,” according to Agora Energiewende.

The European Renewable Energy Cost Reduction Facility would enable banks, investors and project developers investing in higher risk member states (e.g. Croatia or Greece) to assess the risks of renewable energy projects in a similar way as with projects in lower risk member states (e.g. Germany or France). This would be achieved by shifting the enforcement risk for a specific tariff commitment from the renewable energy project developer to the EU Cost Reduction Facility.

“The European Renewable Energy Cost Reduction Facility should be financed from the new multi-annual EU budget after 2020. Our proposal explains how this can be done legally and how much money would be needed. We also propose a pilot project before 2020 to test the concept and its benefits. This could be done by re-committing unused funds from the current EU budget,” said Matthias Buck, Director for European Energy Policy at Agora Energiewende.

Agora Energiewende added that the guarantee programme “will ensure that the dramatic declines in the costs of onshore and offshore wind technology, and in particular for solar PV, translate into declining costs for concrete renewable energy projects throughout the European Union”.



“The EU Cost Reduction Facility will make investment into renewable energy cost-competitive with investment into any other generation technology in Central and South-Eastern Europe. It will thereby enable decision-makers in these countries to move faster and further in developing their respective domestic renewable energy potential at a lower cost to consumers and taxpayers,” noted the think-tank.

It mentioned that article 3.4 of the EU Renewable Energy Directive, proposed by the European Commission in November 2016, obliges the European Commission to create an enabling framework to reduce the cost of capital of renewable energy projects.

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