MOTIVATIONS FOR MACRO-REGIONAL GOVERNANCE

• Bridge between national decision-making power, EU competences and the long-term view on developing a fully integrated EU energy market
• Reflecting regional power markets & cross-border effects of national energy policy choices (e.g. RES expansion, capacity markets)
• Bottom-up process to foster policy convergence, innovation and acceptance
STATUS QUO: INTENSIFIED REGIONAL COOPERATION ON ELECTRICITY MARKET OPERATION AND SYSTEM PLANNING

Technical cooperation in different fora and formats

- Coordination through ACER and ENTSO-E
- ENTSO-E’s “Regional Groups”
  - “operational committee” (coordination of grid operation)
  - “development committee” (coordination of grid development, i.e. TYNDP)
- Electricity Regional Initiatives by energy exchanges focusing on regional market development (e.g. multi-regional coupling of price zones)
- Voluntary Member State initiatives like Penta Forum (adequacy assessment, flexibility) and BEMIP (interconnection)
Cooperation on RES policy & strategy

- RES cooperation mechanisms not used in practice (exceptions: SE-NO, pilot PV auction DE-DK, ongoing discussions on statistical transfers)
- Voluntary initiatives like NSCOGI, but few tangible results
- Best practice exchange and mutual learning like CA-RES (e.g. premium design)
- Support scheme harmonisation through EEAG (premium systems, competitive bidding)

Cost savings through 2020 RES cooperation (not realised)

Source: Ecofys et al. 2014, Cooperation between EU Member States under the RES Directive
WHY HAVE THE RENEWABLES COOPERATION MECHANISMS NOT BEEN USED?

Reasons for non-cooperation

- No joint vision on RES expansion
- Low political priority
- Often low political acceptance and national thinking (why paying subsidies to renewables in other countries?)
- Relatively high transaction costs for setting up cooperation mechanisms
- Uncertainty on price for statistical transfers
- Uncertainty on post-2020 framework

Barriers to cooperation mechanisms (based on MS interviews)

Source: Ecofys et al. 2014, Cooperation between EU Member States under the RES Directive.
Governance Regulation (EC proposal)
- NECPs must include „measures to ensure regional cooperation“
- Article 11: MS “shall cooperate at regional level to effectively meet the targets, objectives and contributions set out in their integrated national energy and climate plan”.
→ Soft measures; practical consequences?

Governance Regulation (Draft report by EP rapporteur C. Turmes)
- Macro-regional partnerships as “the ideal level of governance for Member States to jointly implement some policies and measures contributing to achieve common targets and objectives in a cost-optimal manner.”
→ Establishment of regional governance level; definition of competences?

Electricity Regulation (EC proposal):
- Establishment of Regional Operational Centres (ROCs): coordinated capacity calculation, coordinated security analysis; creation of common system models, etc.
→ Strong measure; shifting role of ROCs from service provider to operational decision makers
OPPORTUNITIES AND CHALLENGES OF REGIONAL GOVERNANCE ON POLICY MAKER LEVEL

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Challenges</th>
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</thead>
<tbody>
<tr>
<td>• Joint planning and solutions</td>
<td>• Risk of limited influence and relevance</td>
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<tr>
<td>• Regular exchange leading to alignment of views and policy innovation</td>
<td>• Risk of “block thinking“</td>
</tr>
<tr>
<td>• Bridging the gap between national thinking and EU convergence and MS</td>
<td>• Risk of limited cooperation within regional forum, slowing down MS initiatives</td>
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**Anticipated success factors**

- Joint political vision
- Clearly defined format, rights & responsibilities
- Flexibility to take into account cooperation preferences of MS
PROPOSALS FOR STRENGTHENING REGIONAL COOPERATION: “STICKS AND CARROTS” FOR RES COOPERATION

- Partial opening of national support schemes to installations in other MS
- 2021-2025: at least 10% ; 2026-2030: at least 15% of the newly-supported capacity

RED II (Draft report by EP rapporteur J. Blanco López)
- 2021-2025: at least 15% ; 2026-2030: at least 20% of the newly-supported capacity

→ Strong measure, Member States forced to cooperate on RES-E support; questions on conditions for opening and local acceptance
## OPPORTUNITIES AND CHALLENGES OF OPENING RENEWABLES SUPPORT SCHEMES

### Opportunities

- Cost savings through improved use of RES potentials
- MS are forced to exchange their views and find joint solutions
- Push towards alignment of RES support schemes and regulations

### Challenges

- Political acceptance and agreement on cost benefit sharing
- Regulatory differences leading to market distortions
- Not possible to align all regulatory framework conditions; need for pragmatic approach

### Anticipated success factors

- Joint political vision
- Physical and economic integration of electricity markets
- Similar regulatory conditions
PROPOSALS FOR STRENGTHENING REGIONAL COOPERATION: “STICKS AND CARROTS” FOR RES COOPERATION

RED II, Art 3 (EC proposal)
- Enabling framework and enhanced use of Union funds to support the high ambition of Member States

Governance Regulation (Draft report by EP rapporteur C. Turmes)
- RES projects of Energy Union interest (RPEI) that are cross-border and contribute to the achievement of the 2030 renewable energy target
- RPEI should be given easy access to permitting procedures and preferential access to EU, national and local funding

→ Incentives for regional RES cooperation, details to be defined
# Opportunities and Challenges of Incentives for Regional Renewables Cooperation

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Challenges</th>
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</thead>
<tbody>
<tr>
<td>• Incentives may increase MS willingness to cooperate</td>
<td>• Designing targeted incentives (limitation of free riders)</td>
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<tr>
<td>• Promoting regional projects that would not be realised on national level (e.g. regional offshore wind development)</td>
<td>• Defining criteria for regional common interest</td>
</tr>
<tr>
<td>• Potential reduction of cost of capital for countries with higher WACC</td>
<td>• Reserving sufficient funds</td>
</tr>
</tbody>
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### Anticipated Success Factors

- Identifying regional interest
- Local involvement and bottom-up process
- Focus on aligning RES financing conditions
CONCLUSIONS

• Technical cooperation on electricity market and power system operation much more advanced than policy cooperation on target setting and support schemes

• Strengthening regional cooperation on policy level requires development of joint political vision and clearly defined cooperation formats, rights & responsibilities

• Forced opening of support schemes and financial support for RES cooperation can create new cooperation dynamics but political vision and acceptance remain crucial
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