



MACRO-REGIONAL GOVERNANCE

OPPORTUNITIES AND CHALLENGES

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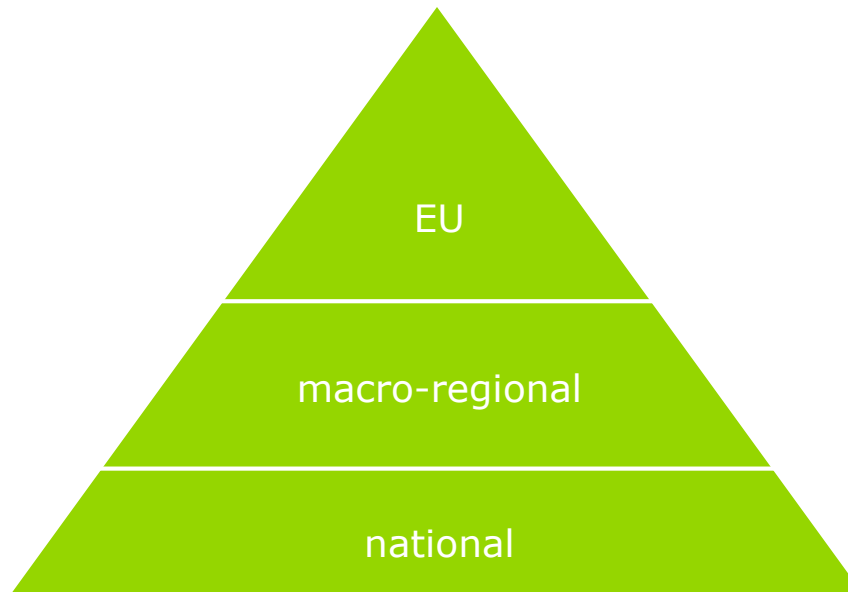
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MOTIVATIONS FOR MACRO-REGIONAL GOVERNANCE

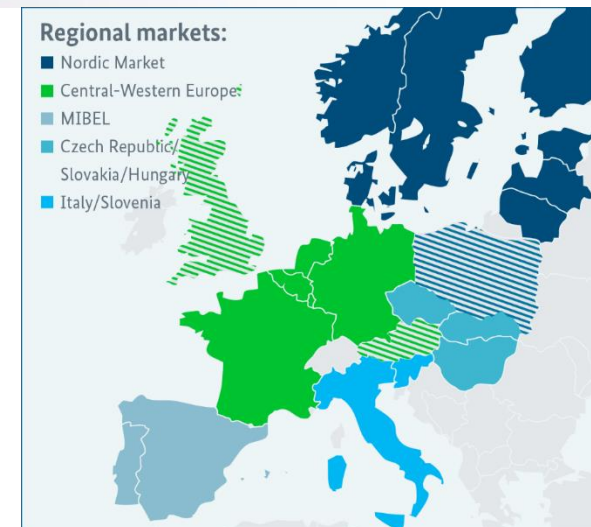
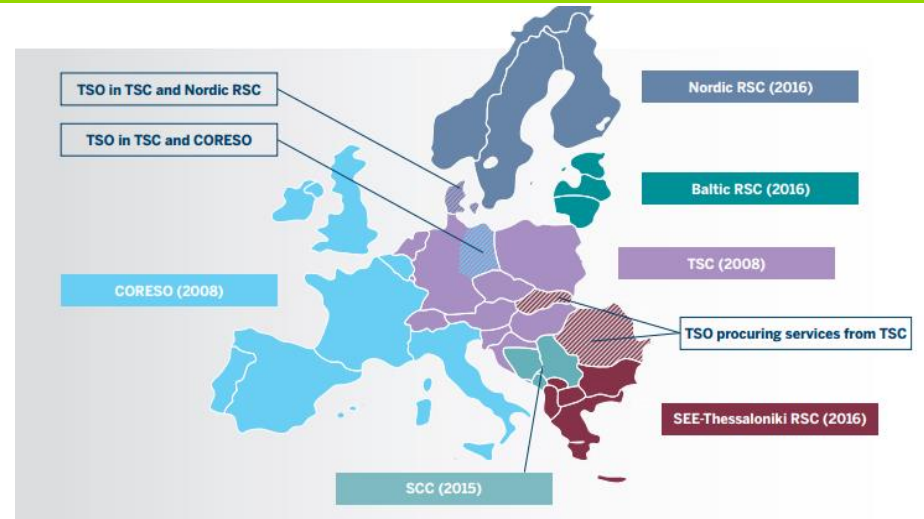
- Bridge between national decision-making power, EU competences and the long-term view on developing a fully integrated EU energy market
- Reflecting regional power markets & cross-border effects of national energy policy choices (e.g. RES expansion, capacity markets)
- Bottom-up process to foster policy 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)



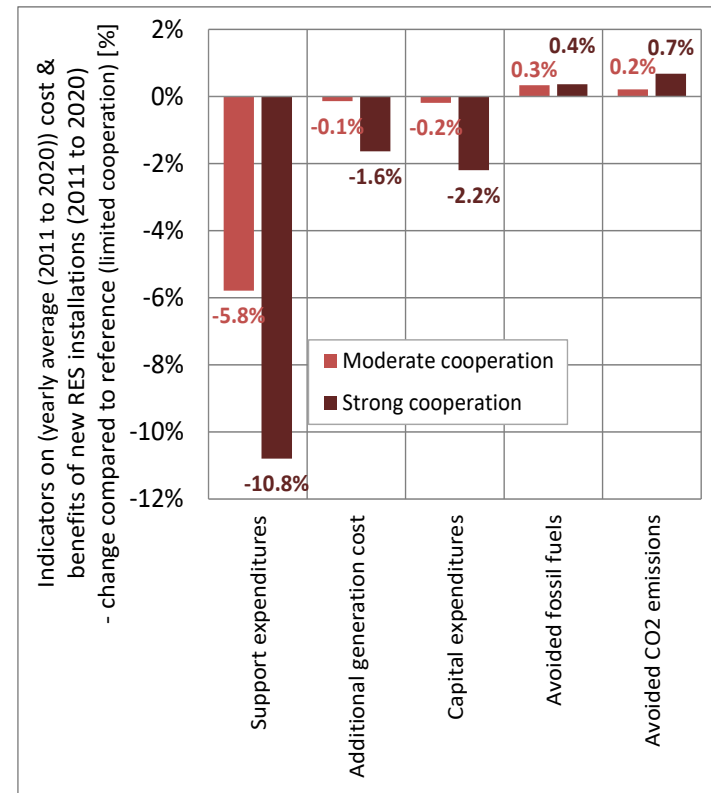
STATUS QUO: LITTLE COOPERATION ON RENEWABLES SUPPORT & PLANNING

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)

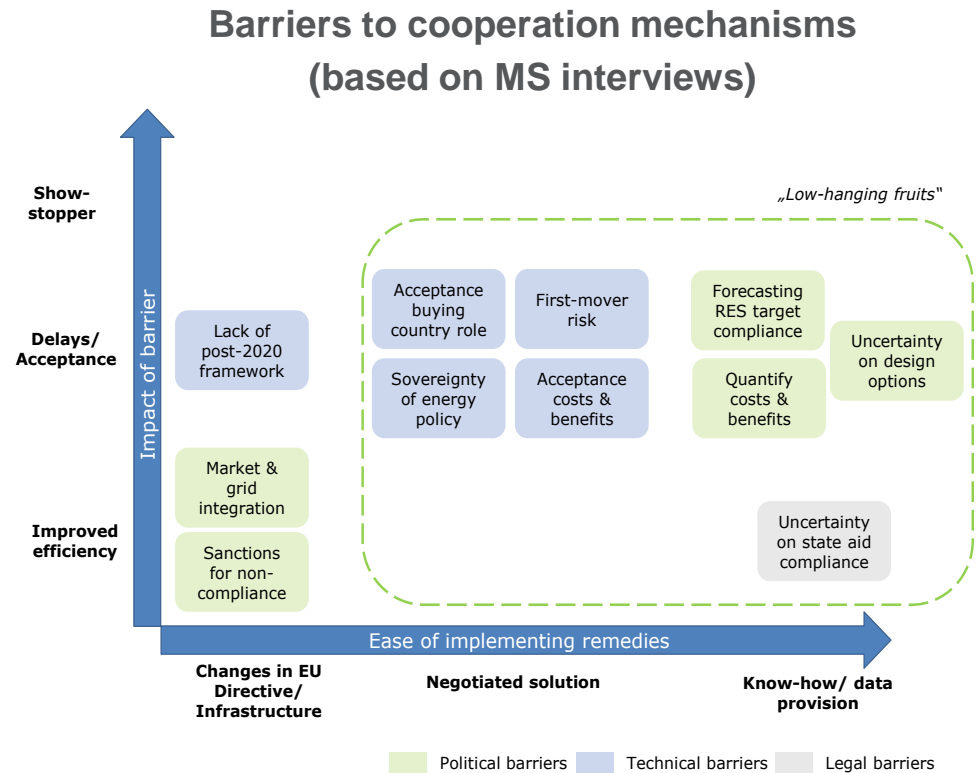


Source: Ecofys et al. 2014, Cooperation between EU Member States under the RES Directive

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



Source: Ecofys et al. 2014, Cooperation between EU Member States under the RES Directive.

PROPOSALS FOR STRENGTHENING REGIONAL COOPERATION: SOFT ON GOVERNANCE, STRONG ON POWER SYSTEM OPERATION

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

Opportunities

- Joint planning and solutions
- Regular exchange leading to alignment of views and policy innovation
- Bridging the gap between national thinking and EU convergence and MS

Challenges

- Risk of limited influence and relevance
- Risk of „block thinking“
- Risk of limited cooperation within regional forum, slowing down MS initiatives

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

Renewable Energy Directive II, Art 5 (EC proposal):

- 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

Opportunities

- Incentives may increase MS willingness to cooperate
- Promoting regional projects that would not be realised on national level (e.g. regional offshore wind development)
- Potential reduction of cost of capital for countries with higher WACC

Challenges

- Designing targeted incentives (limitation of free riders)
- Defining criteria for regional common interest
- Reserving sufficient funds

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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