

Renewable Energy Financing Mechanism Response to the Public Consultation 03 June 2020

WindEurope, representing the entire European wind power value chain - 300,000 jobs and €25bn new investments p.a. - welcomes the consultation on the Renewable Energy Financing Mechanism.

Wind energy is the most cost-competitive source of new power generation today and already supplies 15% of Europe's power demand. The European Commission foresees that wind will be half of Europe's electricity in 2050 and will make a major contribution in delivering the European Green Deal.

By 2030, renewables must account for at least 32% of the EU final energy demand - with wind power at the core of the 2030 ambition for many Member States, as indicated in the final National Energy & Climate Plans. **The importance of the Renewable Energy Financing Mechanism in ensuring that this happens is key to driving wind and other renewable energy investments in the years to come.**

With its double role as 'gap-filler' and 'renewable energy enabler', the Mechanism represents a fundamental instrument to provide visibility to investors and set the deployment of renewable energy in Europe back on track if and when needed. **Importantly, this critical function should not replace the Member States' efforts to deploy renewables in line with their National Energy and Climate Plans.**

It is essential that the implementing Regulation clearly spells out the functioning rules of the Renewable Energy Financing Mechanism. Without doing so, the Mechanism will fail to support the energy transition and to deliver on the principles enshrined in the Governance Regulation (Art. 33). As it currently stands, the draft implementing act is lacking substantial details.

Our key considerations on the Renewable Energy Financing Mechanism are listed below.

General considerations

- The industry considers that a well-designed Mechanism could play a role in the recovery post COVID-19 and welcomes in principle its dual role as both 'gap-filler' and 'renewable energy enabler'. However, the implementing Regulation should provide further detail and distinction between the two roles envisaged, so to make the Mechanism actionable and attractive for renewable energy projects.
- In its 'enabling' function and if properly designed, the Mechanism could offer an opportunity to deploy more renewables quicker. In particular, the possibility to combine different funding sources, including Union funds, may render the Mechanism effective in accelerating renewable energy deployment across Europe. Nevertheless, there should be more **clarity as to what funds this mechanism will interact with and how this combination of funding sources will work in practice**. Importantly, there should be more clarity as to how the Mechanism will be linked to the EU Recovery Instrument.

- The ‘enabling’ function of the mechanism should **not become a justification for Member States not to pursue their own targets via a properly designed national regulatory framework. The robust implementation and enforcement of the Clean Energy Package and the fulfilment of the National Energy & Climate Plans commitments remain key to unlock renewables’ investments.**

Functioning of the mechanism

- Permitting is currently the biggest bottleneck for the deployment of renewable energy projects. **Making sure that the projects under the Mechanism have the permit to build and operate, as it should equally be for all nationally-financed renewable energy projects, would serve as great incentive to attract investors.**
The wording “significant level of pre-development required from bidders” of Art. 22 (1) does not clarify what elements would be considered mandatory by the Commission for the project developers (environmental impact assessment, construction permits, other licenses, etc).
- With a view of increasing the renewable energy capacity over the next years, the repowering of existing assets will play an increasingly relevant role. **This EU-wide Mechanism should ensure that repowering projects can access the bidding processes.** Onshore wind will represent the bulk of renewable installations by 2050, accounting for approximately 750 GW of installations in Europe. Incentivising the repowering of existing assets is therefore crucial for the development of the sector and for the achievement of the Union energy and climate targets. Repowering offers significant benefits: it allows to produce more electricity out of less turbines, with the least use of space and harnessing the best wind resources. Repowering should therefore be supported by the Mechanism as new installations are. In this sense, we suggest that Art 2 (2a) expands the scope of application from “new renewable energy projects” to “new renewable energy projects, or addition of new capacity in existing ones, or repowering”.
- **De-risking finance** in countries with no or little renewable energy installations due to high cost of capital should remain a priority of the Mechanism. This would also encourage a more even geographical distribution of investments. As it stands, the design of the Mechanism is not strong enough to encourage such countries to become “hosts” - especially taking into account the proposed default distribution factor for the statistical transfers (20% for the host country and 80% for the investor country).
- To **steer private investment in less “attractive” countries**, it should be clear from the design of the Mechanism that project promoters can count on:
 - a. financial incentives (access to de-risked finance e.g. also through EIB/favorable investment conditions);
 - b. fast-track regulatory approval for electricity production and connection to grid;
 - c. first-loss guarantee whereby the EU takes responsibility in case of retroactive changes; in case of country out of Eurozone: diminish/guarantee against currency exchange risks.

- The Mechanisms should encourage **landlocked countries to access offshore wind resources**. Offshore wind resources are abundant, the potential is much more than what coastline States can exploit alone.
We also see opportunity for this Mechanism to incentivise the **development of hybrid offshore projects** (i.e. offshore projects with generation and transmission assets cross-border) in parallel and in support of the regulatory framework that will be set by the EU Offshore Strategy.

Tender/Auction design

- **In order to have clarity on the volumes and unlock investments, the tenders/auctions under the Mechanism should be technology-specific in line with EU legislation and ideally combined with a 2-sided Contract for Difference as revenue stabilisation mechanism.** This is fully in line with Article 4 of the revised Renewable Energy Directive which now sets the EU acquis on tender design.
To support investment certainty in the short and long run, the Mechanism must provide visibility to renewable energy investors. Technology-specific auctions are the best way to do so. Technology-neutral competitive bidding processes should not be an option.
- In case of bids with the same price it should be specified what further criteria are taken into account to establish the winners.
- The Mechanism does not specify how the ceiling price and the maximum budget will be determined. Ceiling price, type of support and duration of support are expected to vary among technologies, due to different maturity levels and LCOE. This should be communicated to the participating Member States at early stages.
- Additionally, the use of the results of previous auctions as a benchmark to determine the ceiling may be misleading, due to different auctions having different specificities (such as contract duration, grid connection, future rights for grid connection, etc). The ceiling should come from limits provided by the contributing and host countries (reference to Article 6.6).

Innovation

- The implementing Regulation should clarify what would be the scope for innovative technologies to be supported by the Mechanism. There is a reference for demonstration projects in the Implementing Regulation but there is a very limited definition (“representing significant innovation”). There should be significantly more details about this.
- The Regulation should also clarify how the Mechanism can support projects that enable renewable-based electrification across the economy. This is key to accelerating the achievement of Europe’s 2030 targets and setting the EU on track to 2050 decarbonisation. Such projects could include direct electrification of easier-to-abate sectors or indirect electrification of harder-to-abate sectors through hydrogen produced via electrolysis powered by 100% zero-carbon renewable electricity.

Statistical transfers and benefits for participating countries

- The **benefits to the host Member State should be made clearer**: learning/capability building; ability to attract more investments in long term; local jobs (O&M as a start, then triggering investments in manufacturing facilities for instance); green electricity mix and less pollution; income of taxes on the wind farms.
- When the project is financed exclusively by Union funds, the host Member State should still receive some allocation of statistical benefits, as the installation of renewable energy will have an impact in the local infrastructure and market functioning (Art. 25 (2)).