5th policy briefing

Keep on Track!

September 2014

National Policy Update

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AUSTRIA

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Renewable energy in Austria – recent developments

Status of the RES production in Austria

Austria is still on track to fulfill its targets for renewable energy, and has the potential to become self-sufficient with renewable electricity as early as 2020, and to have 100% renewable energy in 2050. However, changes in EU state aid policy and their translation into Austrian energy policy cause an increasing uncertainty, which may lead to a drop in investments and a slowing down in the increase of the share of renewables.

Policy update in Austria

What is happening in the electricity sector?

Main issues are the consequences and the implementation of the new EU state aid guidelines. Common opinion is that Austria can maintain its feed-in system because it is notified with the EU. However the notified ceiling for feed in tariffs is reached. Actually the ministry of economic affairs is asking the EU commission if slight changes in the actual eco electricity law would need new EU notification. Uncertainty about the consequences of the new guidelines lead to nervousness in the renewables branches. A campaign against taxes for own consumption of PV electricity was won (up to 25 kW is now free from taxation).

What is happening in the heating and cooling sector?

Heating and Cooling: since July Austria has an energy efficiency law. Renewable Energy Austria campaigned against this law, because compared to a tax reform it is an inefficient method leading to unnecessary bureaucracy. However the law passed parliament. Positive effect is that there will be a penalty system for missing saving targets, generating money for renewable and efficiency investments.

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Need for urgent stability to ensure and promote renewable investments

Belgium is convinced that higher renewable share should be integrated and is trying to adapt the renewable support mechanisms and to development frameworks in order to promote some renewable technology developments. The different political levels (regional and federal) together with the frequent political majority changes and the lobbying from big power consumers in favour of a cheap energy create instability and lack of coherent vision for renewable investors. The renewable sector hopes that the new governments will take advantage of the positive developments under the previous one and will provide long term stability together with increased clarity in the renewable development criteria.

Policy update in Belgium

Between 7% and 8% of the Belgium energy consumption is provided by renewable energy sources. Although Belgium is currently on track, it is likely that Belgium will have difficulties to reach its mandatory renewable target for 2020. This is mainly due to lack of stability in the support system (including some retroactive effects), lack of middle term energy vision and increasing number of constraints for the development of some renewable technologies.

What is happening in the electricity sector?

During the last months, the support system has been adapted with a significant support decrease for some technologies. The aim is to avoid any windfall profit by allowing a support level to reach a determined internal rate of return for producers in function of the current cost of development and the electricity market price. In both Flanders and Wallonia, the previous governments agreed on electricity targets with sub-targets for the main renewable technologies. In Wallonia, the new support mechanism directly integrates this kind of yearly renewable sub-targets.

Wind energy production has increased by 6% in 2012 in Wallonia. However, this relative slow-down is mainly due to an important number of projects being blocked by legal appeals. In the meantime, the Government wants to reduce financial support for wind energy development without giving a clear response to the current lack of stability for investors (additional costs for wind developers, lack of legal framework, etc…).

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What is happening in the heating and cooling sector?

The current investment support, together with some required and detrimental criteria, lead to insufficient promotion of an adequate RES-H&C development. In Flanders, the new government pledged for a priority access to the grid in favour of biomass production.

What is happening in the transport sector?

The RES-T sector is still suffering from a lack of coherent and targeted support mechanism and from

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BULGARIA

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Renewable energy in Bulgaria – arrested development

The former Bulgaria government declared a virtual war on the renewable energy sources. For the past couple of years the government has been using the mainstream media to create a negative image of RES and accompanied the campaign with a wave of retroactive changes in the legislation. Recently the Ministry of Economy and Energy announced that the support scheme for renewables had to be reconsidered as a way of assuring affordable electricity prices for households.

Status of the RES production in Bulgaria

According to the Second National Renewable Energy Action Plan Progress Report, published by the Ministry of Economy and Energy, Bulgaria has already achieved its 2020 targets and has reached a share of 16.4% renewable energy use in gross final energy consumption. As a result, the incentives for newly installed renewable energy power plants shall be discontinued. Unfortunately, the alternative progress report prepared by the Association of Producers of Ecological Energy showed that the official figures have been inflated with about 1.6%.

Policy update in Bulgaria

What is happening in the electricity sector?

In December 2013, the government introduced a 20% tax on the income of renewable energy producers. The tax applies only to wind and PV installations, despite the fact the measure is discriminatory and in clear violation of the Bulgarian Constitution and several obligations under the legislation of the European Union.

In August 2014 the Constitutional Court revoked the tax but its decisions have no retroactive force and the collected sums will not be recovered.

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In January 2014, the Ministry of Economy and Energy published the Second Progress Report which stated that the Bulgarians 2020 target has been achieved. As a result, the incentives for newly installed renewable energy power plants shall be discontinued.

Further, in February 2014, the State Energy and Water Regulatory Commission (SEWRC) approved a permanent grid access fee only for wind and PV producers. The price for it amounts to 2.45 BGN/MWh and it will be paid to the Transmission System Operator. The fee will be applied retroactively as of September 18th 2012.

Meanwhile, the Supreme Administrative Court has revoked the provisional grid access fee from September 18th 2012 so the SEWRC has determined a mechanism to compensate the producers with a deadline to April 15th 2014.

From March to June 2014 the distribution system companies (EVN, CEZ and Energo Pro) have been limiting the maximum power generation of all wind and PV power plant by 60%. The move has been ordered by the Transmission System Operator due to imbalance between the production and consumption of electricity.

What is happening in the heating and cooling sector?

The Ministry of Investment Planning announced that they were preparing tax reliefs and financial incentives for households who use renewable energy appliances in their buildings. The amendments should be implemented to the national legislation by the end of the year.

What is happening in the transport sector?

The Ministry of Economy and Energy has formed a working group for developing a draft of a new National Electric Mobility Action Plan. The main priority of the action plan should be development of policies and incentives for accelerating the e-mobility deployment.

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GERMANY

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Bleak outlook for Germany's Energiewende

The amendment of the Renewable Energy Sources Act (EEG) will slow down the develop-ment of renewable energy in Germany and put the success of the energy transition in question. Of the Energiewende's three pillars, renewable electricity is the only one registering an increase. The figures for the heating and cooling sectors and the transport sector show a decrease when compared to 2012. The German government has launched a number of initiatives attempting to counteract this negative development, but their success hinges on the precise outcomes.

Status of the RES production in Germany

In 2013, renewable energy accounted for 12.3% of final energy consumption. Renewable energy production rose in 2013, but increased consumption counteracted an increase of the RES share. A positive development could be observed in the electricity sector, where the proportion of RES in gross electricity consumption rose from 23.6% in 2012 to 25.4%. In the heating and cooling sector, the proportion of RES sunk from 9.3% in 2012 to 9.0% of total supply, while in the transport sector renewables accounted for 5.3% of fuel consumption, also less than in 2012 (5.9%).
Wind and photovoltaic made up the majority of renewable energy production. Wind power production amounted to 35.0% of RES electricity consumption (34.4% wind onshore and 0.6% wind offshore) and solar power production to 19.7%. Biomass accounted for 31.4%, of which 18.3% was biogas.
The renewable energy sector in Germany employs some 371,400 people, less than in previous years. This decline can be attributed to job losses in the photovoltaic sector.

Policy update in Germany

What is happening in the electricity sector?
Recently, the German government passed a comprehensive amendment to the Renewable Energy Sources Act (EEG). This amendment will, in some cases, lead to increased costs due to higher

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financing risks and additional red tape. For the first time in the existence of the act, RES expansion has been capped (also stalling biogas production). Further negative changes include: Levying the EEG surcharge on solar self-consumption (above a certain threshold), abolishing so-called green electricity marketing, making direct marketing mandatory (above a certain threshold), and changing the calculation of remuneration levels from regulatory determined levels to tendering. This change is particularly detrimental, especially in terms of cost and plurality of stakeholders.

What is happening in the heating and cooling sector?

There are currently two initiatives underway that intend to bring about positive changes in the renewable heating and cooling sector. The first one is the "Climate Protection Action Program 2020", coordinated by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB). The program strives to identify new measures to enable Germany to reach its goal of 40% emissions reduction from 1990 levels by 2020. To date, Germany is set to meet only 33% (considering October 2012's legislative framework). A significant part of these measures refers to the heating and cooling sector. The second initiative was established by the Federal Ministry for Economic Affairs and Energy (BMWi) and is comprised of multiple energy transition dialogue platforms, including one for buildings and one for energy efficiency. The results of these dialogue platforms are due to be releases in November 2014 and will include a building stock renovation roadmap by 2050 (including long-awaited tax incentives) and the National Energy Efficiency Action Plan (NAPE). Addressing the renewable heating and cooling sec-tor is certainly welcome, but the success of these initiatives lies in the proposed measures and their precision.

What is happening in the transport sector?

The Federal Ministry of Transport and Digital Infrastructure (BMVI) is working on an Electric Mobility Act, expected to come into force in February 2015. Public consultation on the first part of the act came to a close at the end of August 2014. This deals with the labelling of electric cars, including adding the letter "E" to car number plates, as well as multiple incentives for these types of vehicles, such as preferential parking, lower parking fees, etc. The second part of the act is expected to address issues such as tax incentives and battery charging infrastructures and will be published this autumn. Addressing electric mobility is long overdue, but a narrowed focus on electric cars fails to take the issue's multiple dimensions into account.

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The survival of RES producers in Greece now depends strongly on a new levy hike for all electricity consumers and further own revenue cuts

During the first half of 2013, Greece experienced a further remarkable increase in the growth of installed expensive PV capacity and an equally impressive reduction of the rate of installation of wind farms and other RE technology projects. This has resulted in a dramatic increase of the RES-related deficit of the Market Operator and in a 6-month delay in the payments of RES producers. In its on-going effort to contain the aforementioned deficit and avoid its explosion, the Greek State has been continuously imposing additional, new restrictive administrative and financial measures impacting all RES producers, electricity suppliers and consumers.

Status of the RES production in Greece

At the end of May 2013 the installed RES-e capacity in Greece had grown as follows:

- Wind Farms: 1.784 MW (1.753 MW in December 2012)
- PV Installations: 2.451 MW (1.536 MW in December 2012)
- Small Hydropower Stations: 218 MW (213 MW in December 2012)
- Biomass Installations: 46 MW (45 MW in December 2012)

Policy update in Greece

Despite the additional restrictive administrative and financial measures taken through the end of April 2013, the RES-related deficit of the Market Operator (332 million € at the end of 2012) kept

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rising to reach 482 million € in June 2013. It is projected to reach 617 million € by the end of 2013 and 1,157 million € by the end of 2014.

Thus, the Greek State decided in July 2013 to increase the Special Levy for the Reduction of GHG Emissions imposed on all electricity consumers by about 60% to a level of 15€/MWh and to start negotiations with RES producers for a "new deal", i.e. for the voluntary reduction of their "guaranteed" annual revenues in exchange for an extension of the duration of their PPA contracts or some other form of affordable compensation.

The shape and size of the Greek RES sector in the next couple of years will largely be determined by the effectiveness of this effort.

The 2020 NREAP target for PV installations was 2,200MW and has already been surpassed 7 years earlier. In addition to the economic problems caused by the rapid and uncontrolled growth of expensive PV installations, it has accentuated the overcapacity problems facing the national electricity market because of the recession-induced decrease in the demand for electricity.

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GOOD PERFORMANCE SO FAR, BUT GREAT UNCERTAITY FOR FUTURE

The PV sector no longer enjoys the incentives: the "Conto Energia" (incentive scheme for PV systems) ended in July 2013. For RES other than PV the 3rd and final call, according to Ministerial Decree 6 July 2012, was published. Currently, even more uncertainty about the future affects the RES sector: there will be a revision of the Decree or no further incentives are foreseen? In addition, the expenditure ceiling provided for all incentives to RES (no PV) is about to be reached and it is not known whether it will be made available additional funds. Finally, the Decree 145/2013 – so called "Spalmaincentivi"- introduces a retrospective reduction of the existing incentive both for RES PV and RES other than PV thus demonstrating a strategy of short-sighted energy policy that affects significantly on investments initiated until now.

Status of the RES production in Italy

According to data from Terna (TSO) so far in 2014, the demand for electricity in Italy fell by 3.3% compared to 2013. Today renewables have produced 7% more than in 2013, and cover energy needs for the 40.1%. A year ago this figure was 35.9%. In August renewables generated 48.9% of domestic electricity and covered 45.4% of the electricity demand.

Policy update in Italy

What is happening in the electricity sector?

- **Support scheme for RES (except PV)**

In August 2014 the ranking of the 3rd call for auctions and registries launched in March was published: as also for the two previous cases, few operators participated in auctions, except for wind sector, for which the quota has been sold out. This third call was the last one issued according to the Ministerial Decree of 06/07/2012 (support for RES-E other than PV) and no other are foreseen:

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currently we are waiting for a revision of quotas facing a period of uncertainty in which the support scheme only affects small plants with direct access.

- **"Spalma-Incentivi": retroactive changes in PV support scheme**

With the aim of reducing the energy bill for final consumers, the Law 116/2014 entered into force on 11 August 2014. This Law transposes the requirements of the Decree 145/2013 – so called "Spalmaincentivi"- i.e. reduction of the existing support scheme for RES PV. With this measure the Government establishes that starting from the 01/01/2015, all PV plants >200kW (except those whose incentive period expiring on 31st December 2014) are subject to a reduction in the rate following one of 3 alternative options indicated by the Law 116/2014.

The so called "Spalmaincentivi" introduces a retroactive measure: assoRinnovabili is therefore coordinating a legal action toward the Court to obtain the declaration of unconstitutionality of the measure for Italian operators and the declaration of violation of Energy Treaty to defend foreign investors. assoRinnovabili asked also the European Commission to start an infringement procedure against the Italian State for violating the 2009/28 CE Directive.

- **"Spalma-Incentivi": reduction of support scheme for RES (bioenergy, hydro, wind)**

The same measure intended for PV will be published, by different methods, even for RES other than PV. The measure applies to all RES other than PV not regulated with the Decree 6 July 2012.

The Decree containing prescriptions for RES plants other than PV has still to be published. Drafts currently circulating foresee two alternatives. The first alternative consists in reducing the amount of the support depending on the type of RES and on the residual period for which the support is accorded (with possible lengthening until 7 year more). The second alternative is to maintain the existing support scheme till its end without providing any other incentive for O&M intervention and remaking for the following 10 years. We are now waiting for the publication of the law.

<u>What is happening in the heating and cooling sector?</u>

- **Transposition of the European Directive 2012/27/UE with the Decree 102/2014**

On 4th July 2014 the Directive 2012/27/UE has been formally introduced in the national legislation system with the Decree 102/2014. In particular the art. 15 establishes a reserve fund for energy efficiency to be allocated to district heating networks in the agricultural sector and / or related to distributed generation from biomass.

- **National Energy Efficiency Plan published**

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After the Decree 102/2014 publication, on 17th July 2014 has finally been published the National Plan for Energy Efficiency. The document describes the targets on energy efficiency established for Italy at 2020: 15.5 Mtoe of final energy consumption (equal to 20 Mtoe of gross energy consumption) and 55 ml/tons CO2 avoided. Main tools to ensure the achievement of these goals are the "Conto Termico" for heating, the Energy Efficiency Certificates and many fiscal facilities for interventions upgrading the energy efficiency of the housing stock.

Another Law Decree recently approved provides a deadlines extension for the implementation of requalification projects and an increase of the percentage of the related costs (from 55% to 65%) which generates a tax credit.

What is happening in the transport sector?

- **National Energy Efficiency Plan published**

The Ministerial Decree 5 December 2013 established the incentive system for using biomethane in the gas grid, in cogeneration plants and for transport. Nevertheless, numerous measures are currently necessary to launch projects. The publication of these measures is very slow.

- **Position of your Government on the 2030 climate and energy framework**

Italian Government seems to be in favour on establishing a target of 30% in energy efficiency, of 40% in reducing GHG emissions and a target of 27% in renewable energy in final consumption to be reached in 2030 for the overall European Union. No formal comments from the Government about the Guidelines on State Aid for Environmental Protection and Energy: we are waiting for official pronouncements on the next European Council on 23rd and 24th October.

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POLAND

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No significant increase in RES share in the Polish energy mix after 2020

The government presented in July the draft RES Act to the Parliament. The most criticized issues are favorisation of co firing biomass with coal treated as RES and introduction of an unclear and complicated auctioning system. In general the new system will give a preference to large mostly state owned utilities.
The Ministry of Economy presented to the public a first draft of the Polish Energy Policy till 2050, the selected scenario assumes the following energy mix: 60% - coal, 15% nuclear energy, 15% - RES. In none of the three analysed scenarios the RES share exceeds 20%. There is also a clear statement that RES will not be financed after 2030.

Status of the RES production in Poland

Total installed capacity in RES technologies in mid-2014 was 5900MW, including in wind - 3700MW and in biogas and biomass 1000MW, increase with 7% in relation to end of 2013. There is a visible slowdown in development in all sectors of RES, due to not clear future financing conditions, and apparent unwillingness of the government to further support substantially RES development. Co-firing of biomass with coal is still the most supported method, as it is significantly less expensive than any RES in short-term.

Policy update in Poland

What is happening in the electricity sector?

The draft RES act will be most probably adopted by the Parliament, till the end of the year, although there is a joint protest by all chambers and associations. The major issues, which will undermine rather than strengthen the market of RES in Poland, are:

- Auctioning system with one platform open to all technologies, which favours the less expensive technologies (ie co-firing biomass with coal) not motivating development of new technologies neither dispersed generation on the local level

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- Auctioning done based on 15 years' producers' forecast on energy delivery (not installed power), with heavy penalties for errors
- Support only for production of energy which is delivered to the network, the internal use of energy is excluded from the scheme
- No guarantee for connection to the network beyond 15 years of support scheme (by principle the support scheme should end for all installations in 2030)

Additionally, the government has decided that notification of the new auctioning system to the EC in order to check it against internal market rules and state aid requirements is not really necessary, which could cause significant delay, if later on the changes in the system appear to be necessary. In our opinion the modification will be needed.

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PORTUGAL

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Overpowering and self-consumption regimes, together with the Green Tax Reform are the latest news from the Portuguese RES sector

Long lasting issues of the RES-E sector have finally started to be addressed. By clarifying the conditions of existing projects, Portugal is paving the way for the application of a market based regime for new RES-E projects. However, this new regime still needs to be clearly defined before promoters will start considering new investments. RES-H&C lacks a stronger support and the Green Tax Reform should have been more ambitious in this sector, although it will help stirring RES-T through electric mobility.

Status of the RES production in Portugal

By July 2014 RES represent 70% of the electricity consumption in Portugal mainland.
In cumulative terms, Large Hydropower is the main source of electricity generation, supplying 36% of consumption. Wind power production represents one quarter of electricity consumption, followed by biomass with a share of 5.3% and small hydropower with 3.5%. Photovoltaic solar power keeps on increasing its production and has overcome 1% of electricity consumption.

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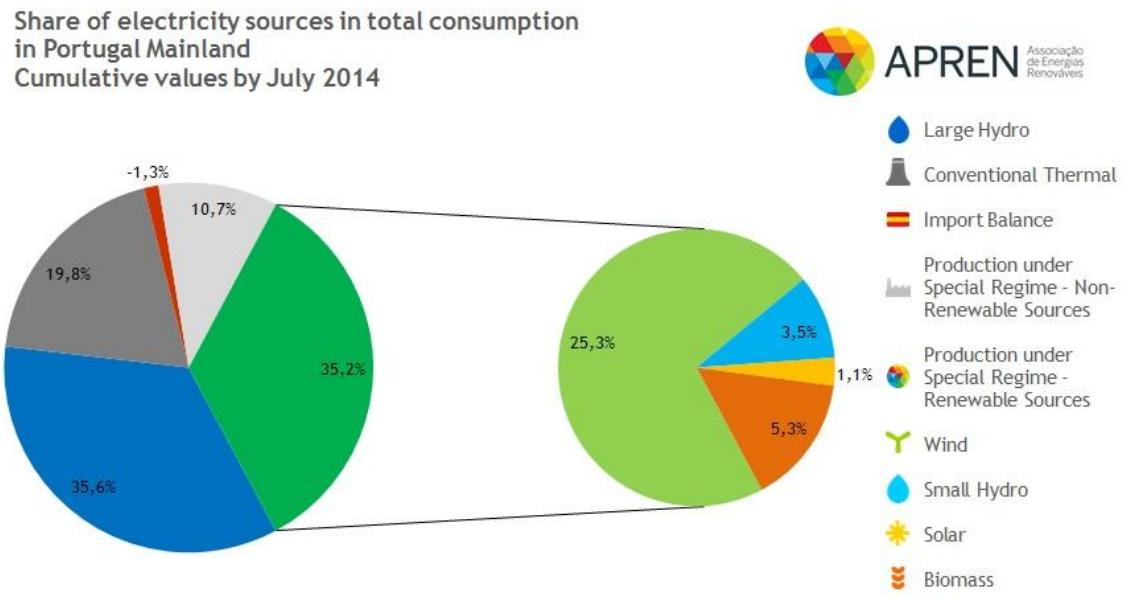
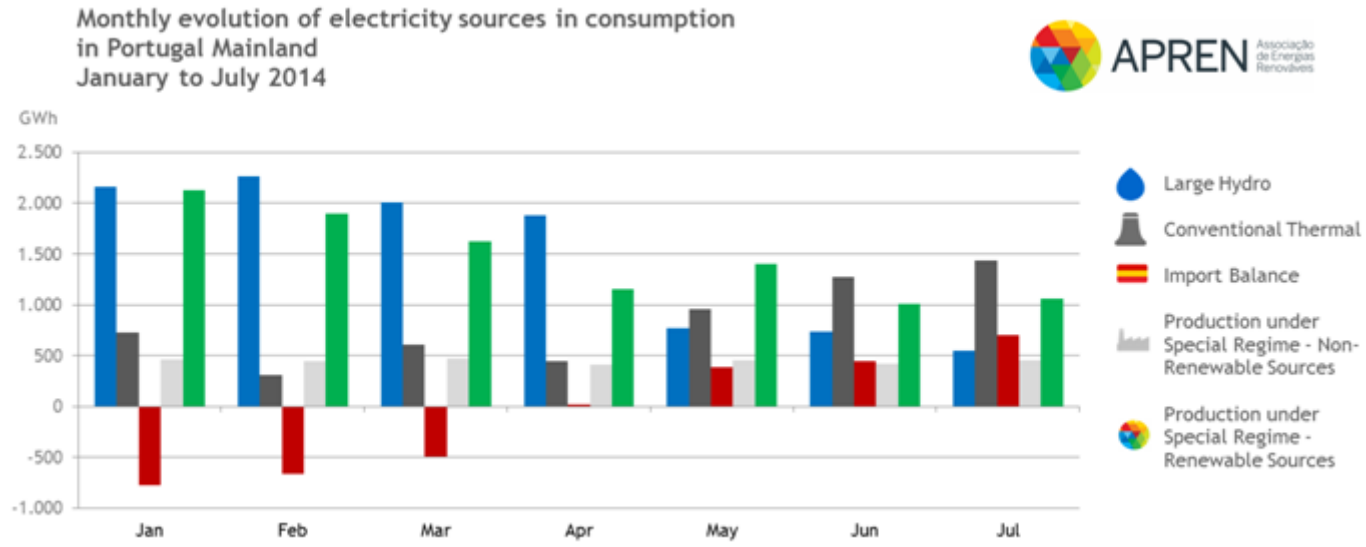


Looking into monthly production evolution, we can see that the import balance was negative the first three months of the year, due to very high hydro and wind production. These have decreased according to the normal trend for the summer period and have been compensated by an increase in conventional thermal power production and imports. Still, special regime RES production is the second source in electricity consumption.



Policy update in Portugal

In the electricity sector: A new legal framework for overpowering was established in June 2014. Besides enabling the legal ownership separation of the overpowering project from the original wind farm, which is important for project finance reasons, the diploma defines the concept of additional

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capacity, enabling the removal of existing limitations on the injection of electricity. Also, a new tariff was established for the energy resultant of the overpowering and additional capacity - a fixed tariff of 60 €/MWh, lower than the previous one. However, an ordinance with relevant technical details of this new regime that should already been published is still being negotiated, in order to eliminate several provisions that can jeopardize these projects.

In the heating and cooling sector: There is currently no direct support mechanism for RES-H&C; the Energy Efficiency Fund has not renewed the budget to support RES-H&C equipment installation in the household sector and the fiscal benefits removed after 2010 were not re-established, even if this was one of the proposals assessed by the Green Tax Reform Commission.

In the transport sector: Dedicated small producers of biofuels are exempted of the petrol product tax known as ISP. The proposal to extend this exemption to all biofuels producers was rejected by the Green Tax Reform Commission. A quota scheme for all biofuels of 5.5% in energy content is in place for 2014, reaching 10% in 2019-2020. There is also the obligation to blend a minimum of 6.75% (v/v) of biodiesel in diesel for road transports until the end of 2014, together with the specific obligation to incorporate 2.5% in energy content of gasoline substitute biofuels, starting from year 2015. A maximum selling price for biodiesel is also in place, although it might not be sustainable on the long term.

Electric mobility is expected to rise with the review of the MOBI.E program, the establishment of a cooperation protocol between the Environment, Land Management and Energy Ministry and the electric vehicle Association, and the approval of several proposals of fiscal benefits for electric vehicles by the Green Tax Reform Commission.

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SPAIN

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Two new laws have been finally approved

The New Royal Decree 413/2014, 6th June, establishes a new economic retribution system for renewable energy, cogeneration and waste; and the Ministerial Order IET 1045/2014, which provides the type of facility and the corresponding remuneration parameters. With these laws the Government almost culminates the Spanish electricity reform, which represents a hard blow to the renewable sector. Pending regulations regarding interruptibility and capacity payments can still impact significantly the existing and future installations.

Status of the RES production in Spain

- The renewable energy sector in Spain experienced an unexpected and inexplicable regression in all sectors, suffering backdate refund and reforms in their remuneration.
- Recent regulatory changes cast serious doubt on the fulfilment of the targets of renewable energies in Spain in the future. Disappearance and delocalization of the RES sector in Spain (industrial, promotion and development) are currently being a reality, with the subsequent loss of business fabric, thousands of jobs and brain drain.
- Spain will not take advantage of the efforts made in the last 20 years, losing the opportunity to maintain its international leadership in this sector.
- The regulatory changes in the electricity sector are backdate refund because they affect facilities built before approving the reform. Most investments are in serious default risk.
- More than 100 appeals have been formally presented to the Supreme Court against these cuts to Renewable Energies (APPA included).
- The Spanish energy system needs major changes beyond an electricity reform, actually focused only on budget issues.

Policy update in Spain

<u>What is happening in the electricity sector?</u>

The worst possible scenario (presented already in the last KOT updating as a draft of royal decree) has been confirmed thought the Royal Decree 413/2014 of 6 June, regulating the activity of

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electricity production from renewable energy source, cogeneration and waste and regulating the basis of the new compensation scheme for this facilities; and the Ministerial Order ITC/1045/2014 that provides the type of facility and the corresponding compensation parameters.

This regulation entered into force the 11 June 2014 but it will apply retrospectively since 14 July 2013. It undertakes a deep review of the economic scheme and also modifies their rights and obligations as well as the administrative procedures related to them.

It can be summarised in the following points:

- Renewable facilities will receive Capacity Payments (compensation for expenditures) depending on the installed power, and only those that have a higher cost of operation to the market price, will receive a payment for the energy generated. In both cases, the retribution shall be complementary to the price obtained in the wholesale electricity market. Specific remuneration will be: term per unit of installed capacity (R inv) + term per operation (Ro).
- The new remuneration system is based on Type Facilities that will get a pre-tax return of 7.39% over its lifetime. This number is considered as a “reasonable profitability”. Therefore, past earnings are taken into account in calculating future retribution. As an example, the wind farms built before 2005 will not receive any additional retribution to the market price.
- This “Reasonable Profitability” is only assured for a regulatory period of 6 years but with option to be changed through a draft law. In addition, the parameters are open to be changed every half regulatory period (3 years) with the exception of the lifetime and profitability.
- One of the most troubling aspects of the law is that renewable generation no longer has Priority Dispatch. The renewable energy will have priority dispatch only if there is equality in the wholesale electricity market deals. Any fossil generation that bid below the cost of renewable energies will enter in the market and displace renewable generation.
- This new payment scheme based in power capacity and strong retroactive pay cuts will cause the loss of renewable resource and that many facilities have to close because they cannot get a reasonable return on their investments.
- Concerning eligible installations, the remuneration per operation-Ro-, a maximum number of hours of operation exists.
- Develops the concept of "Joint Facilities", by which is considered a unique facility of two projects for the sake of sharing evacuation infrastructure or those that are located at distances of 500 to 2,000 meters.
- The electricity reform has eliminated the efficiency and reactive power bonus for existing plants, just as they have tightened the technical criteria to be met by the facility (reactive, control centres, power etc.).

In relation to SELF -CONSUMPTION, the adoption of RD governing its operation is still pending. However, the drafts do not include the net balance and introduced a backup toll to be paid by

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owners of facilities for self-consumption to utilities. This will make unfeasible the development of self-consumption in Spain.

What is happening in the heating and cooling sector?

No major changes from last document presented (April 2014) and no regulatory revisions are considered.

What is happening in the transport sector?

In 2014 the biofuels consumption mandates have been maintained at the levels established for 2013 and successive years by Law 11/2013: an overall biofuels target of 4, 1% in energy terms and specific biodiesel and bioethanol targets of 4, 1% and 3, 9%, respectively.

In April 2014, it was published in the Official Journal the resolution from the Secretary of State for Energy that includes the list of raw materials (UCO and category 1 & 2 animal fats) for the production of double counting biofuels in Spain for the fulfilment of the consumption mandates. However, further regulatory developments regarding management and control are pending before the double counting mechanism is fully operative.

In May 2014 the biodiesel quota system entered into force in Spain. Therefore, from that date, only the biodiesel produced in plants with allocated production quantities qualifies for the mandate.

Although the sustainability criteria for biofuels have been formally transposed into Spanish legislation, they are not yet mandatory. The national scheme was set in the Royal Decree 1597/2011 and the Circular 1/2013 of the CNE, however, the implementation of the national scheme was delayed by Law 11/2013 which established an indefinite grace period.

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UNITED KINGDOM

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The UK renewables market is currently active but mixed political signals continue to undermine confidence

The renewable electricity and heat sectors continue to show good levels of activity despite a difficult political landscape. Support costs are likely to feature strongly in the run-up to next year's general election. There are concerns that the government lacks a long-term commitment to renewables and that momentum will slow as we approach the 2020 target date.

Status of the RES production in the UK

Renewable electricity generation reached a share of 19.4% in the first quarter of 2014, growing 43% compared with the same period in 2013. Renewable heat production increased 19% in 2013 (achieving 2.8% penetration) and growth needs to continue at this level if the government's 12% renewable heat ambition is to be achieved by 2020. Progress on renewable transport continues to stall due to policy uncertainties at both EU and national level.

Policy update in the UK

What is happening in the electricity sector?

The UK's support for larger scale renewable electricity is undergoing major transformation with the replacement of the Renewables Obligation (RO) by a 'Contract for Difference' (CfD) mechanism that meets the requirements of the new EU state aid guidelines to introduce competition. This looks to be a complicated mechanism that will favour larger scale generators. The budget is very constrained so competition between the established technologies looks to be intense.

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Following state aid approval under the new guidelines in July, the first CfD allocation round is due for launch in October 2014, with the RO phased out for new projects in 2017. Large-scale solar PV is experiencing significant growth under the RO and the government is consulting to close the scheme to new PV projects (>5MW) from April 2015, forcing developers to move early to CfDs.

Planning consent continues to be an emotive topic, especially for onshore wind and now also large-scale solar farms. The Conservative Planning Minister has started intervening personally in planning decisions and the Conservative party has stated that consents for new onshore wind farms will cease if they are returned to power in next year's election (this is despite the continuing popularity of all forms of renewable energy in public opinion polls). Over the last two years there has been a huge increase in deployment of solar farms, with some projects approaching 50 MW, causing increasing government concern. Offshore wind continues to be the government's favoured option but industry is looking for longer term government commitment in order to justify the huge investment required on their part.

The government has consulted on increasing the upper size limit for community projects under the UK's Feed in Tariff mechanism, but it is not clear that this will be acceptable under the new EU state aid guidelines. The government is planning a comprehensive review of the Feed in Tariff scheme in 2015, which could provide both opportunities and threats.

What is happening in the heating and cooling sector?

The Renewable Heat Incentive has been open in the non-domestic sector since November 2011 and its uptake has been gradually increasing – deployment recently passed 1GW, dominated by biomass heat. In May 2014 the non-domestic scheme was expanded to include new technologies and tariffs were increased for some existing technologies that deployed slowly in the initial period. Support for biomass under the RHI has been subject to emissions controls since September 2013 and sustainability requirements are due to be introduced in April 2015.

In April 2014 the RHI was expanded to include the domestic sector, covering support for biomass, air and ground source heat pumps and solar thermal. Early indications are take-up is spread across all technologies, but capacity is again dominated by biomass.

What is happening in the transport sector?

Policy on renewable transport has essentially stalled since the European Commission's proposals in autumn 2013 to place a 5% cap on crop-based biofuels. The Council reached a decision on the proposals in June 2014, but this must go to the European Parliament for a second reading and a final decision is unlikely before early 2015. In the meanwhile the UK government's support mechanism (the Renewable Transport Fuel Obligation) has a target capped from 2014 at 4.75% biofuel (defined as liquid or gaseous renewable fuels), calculated on a volume and not an energy basis, and no trajectory to 2020. The UK government has also announced a further £500 million package of

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support measures for ultra-low emission vehicles, but these are not expected to make any significant contribution to the 2020 targets.

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