

The logo features a red location pin icon at the top. Below it, the text "20-20" is written in a large, bold, blue font. Underneath "20-20", the words "KEEPONTRACK!" are written in a smaller, bold, black font, with the "O" in "ON" highlighted in green.

20-20
KEEPONTRACK!

6th Policy Briefing

Keep on Track!

April 2015

National Policy Update



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AUSTRIA



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Renewable energy in Austria – recent developments

Historically, Austria places high importance on the use of renewable energy (thereafter “RE”)) and elaborates ideas for its continuous development. Overall, the share of renewables in the different sectors is growing, but nevertheless last year’s developments gave rise to concerns. The introduction of the Austrian Energieeffizienzgesetz (law on energy efficiency) has a mandatory target for the reduction of energy demand, which is a good step, but chose a very complicated regulative approach instead of a much easier eco tax reform. Low market prices, generally for electricity and especially for fossil energy products, currently pose a severe threat to all sectors of the renewable energy industry.

Policy update in Austria

What is happening in the electricity sector?

Uncertainty as result of new state aid guidelines: the decision of the EU commission to change the state aid guidelines means that sooner or later Austria will have to revise its eco-electricity law. It is becoming clear now that conditions will be less favourable, which already leads to uncertainty among investors.

Unambitious 2030 targets: the targets agreed by the EU council are very low, which means that investments in renewable energy may drop to approximately half of current investment level.

Low electricity prices: The current extremely low electricity prices are a serious threat to generating plants without feed-in tariff, which discourages investors and increase the costs of the feed-in-tariff system.





What is happening in the heating and cooling sector?

Low oil prices: even if renewable heat is still cheaper than fossil heat, the current low oil prices slow down the replacement ratio of old oil heating systems by modern renewable heating systems.

Competition from heat pumps: due to low investment costs, heat pumps become increasingly popular. This leads to a higher electricity demand just during winter, with low renewable power generation.

Weak renovation incentives: since many years, investments in saving heating energy are much too low, leading to a less than 1% thermal renovation ratio. Due to low oil and CO₂ prices, current subsidies are as incentive too weak to increase the ratio to the needed 3%.

What is happening in the transport sector?

Too slow transition from road to rail transport: Public rail transport is becoming increasingly popular, but investments in commuter railroads and trains are lagging behind. This slows down the transition towards a renewable energy transport system (trains use 95% renewable power).

Incentives for E-mobility not strong enough: There is a lot of discussion about E-mobility but not many electric cars. This is due to the cars still being too expensive. However, other countries show that tax incentives are an effective way to make E-cars (or plug-in hybrids) more attractive.

Low biofuel targets: Austria reduced its biofuel target from 10% to 6.75%, after a change in the EU policy. However, overall fuel demand is falling, leading to lower absolute amounts of biofuel, whereas production could be increased when environmental aspects are considered.





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BELGIUM



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Lack of clarity regarding the middle term renewable vision in Belgium

In Belgium, there is a dramatic lack of coordination between the regional and the federal governments. The federal authority is in charge of the energy security and is currently faced to unexpected and sudden loss of nuclear power capacity (cracks, technical incident or sabotage...). However, the renewable development is mainly within the competence of the regional authority only interested in the short-term lowest cost energy production. There is therefore currently no nuclear replacement scenario and no middle term renewable vision in Belgium.

Policy update in Belgium

More than 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 visibility in the support system, lack of middle term energy vision and increasing number of constraints for the development of some renewable technologies. The renewable consumption percentage is shared between the three energy sectors as followed: more than 12% of RES-E, more than 8% of RES-H&C and more than 4% of RES-T.

What is happening in the electricity sector?

The support system has been adapted with sometimes a significant support decrease for some technologies (e.g. PV support for household in Flanders). The support system aims to reach a determined internal rate of return for producers in function of the current cost of development and the electricity market price. In Wallonia, the precise link with the electricity price is however not known yet, leading to major lack of investment security. In Flanders, there are some initiatives to progressively replace the current green certificate support by an investment support for some technologies. A combined approach between investment and production support is considered.



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There is a lack of longer term vision regarding the renewable development in Belgium. The federal government will start in 2015 a so-called Energy Pact that aims to elaborate a back casting scenario based on the nuclear phase-out due to 2025. This replacement scenario must be developed together with the regions and is expected to bring more visibility on the future renewable development in Belgium. Wallonia has adopted in April 2015 (first reading of the legislation) new targets for each renewable power technology. The level of ambition has been significantly decreased since the last government.

In order to facilitate the administrative procedure, Flanders is currently considering a one-stop shop in permit delivering for some technologies. In Wallonia, the adoption of new permit delivering system for wind energy in Wallonia based on a tender mechanism has been aborted and will not be analysed by the new government. The current system based on the “first-come, first-served” principle is therefore still valid.

In Wallonia, the spatial planning for wind energy has been abandoned. In Flanders, there are planning initiatives in different provinces in Flanders and also from the Flemish spatial planning administration but there is little or no coordination between the different initiatives. The potential for wind energy is mapped to create some large scale projects.

The environmental constraints are currently excessive, not objective and sometimes without scientific basis. Consequently, the renewable sector is currently in negotiation with the relevant administration in order to elaborate a compromise protocol (especially for wind energy) to be proposed to the authority.

The regional governments, in good collaboration with the renewable sector, are going to start negotiations with the federal government in order to reduce the importance of military and ATC constraints and to objectivise some criteria in order to allow wind farm installations in some military training zones currently forbidden and in the vicinity of airports and radars.

What is happening in the heating and cooling sector?

The H&C renewable sector is still lacking a specific and coherent support mechanism (e.g. via green certificate). 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 a lack of clarity regarding the biofuels criteria.





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 that the measure is discriminatory and in clear violation of the Bulgarian Constitution and several obligations under the legislation of the European Union.



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

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.



GERMANY



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Bleak outlook for Germany's Energiewende

Germany is starting a structured debate about the future design of the electricity market. Worries about falling short of reaching the target to reduce CO₂ emissions by 2020 have led the BMWi (Federal Ministry for Economic Affairs and Energy) to propose the introduction of a so-called "coal levy". The first of its kind pilot auction for ground-mounted PV installations concluded in April 2015.

Status of the RES production in Germany

In 2014, renewable energy (RE) accounted for 12.9 % of gross final energy consumption. In the power sector, RE accounted for 27.8 % of gross electricity consumption (2013: 25.4 %). In the heating and cooling sector, the proportion of RE remained constant at 9.9 % of total consumption, while in the transport sector the share of renewables continued to decrease, RE accounting for only 5.4 % of fuel consumption (2013: 5.5 %).

Together, wind power and photovoltaic energy are the predominant energy sources in the power sector. Wind power accounted for 34.8 % of gross electricity consumption (34.0 % wind onshore and 0.8 % wind offshore) and solar power for 21.7 %. Biomass accounted for 30.6 %, of which 18.1 % biogas. In the heating and cooling sector, biomass accounted for 86.6 % of total consumption, geothermal energy for 8.1 % and solar thermal energy for 5.3 %. In the transport sector, biodiesel remains the main energy source.

As regards renewable energy investment, it picked up in 2014, with an investment volume of about €18.8 billion (2013: €15.7 billion).

The development of renewable energy is also an important climate change mitigation measure. In 2014, RE helped avoid 148 million ton CO₂ emissions.

The renewable energy sector in Germany employs some 371,400 people.





Policy update in Germany

What is happening in the electricity sector?

The BMWi published a Green Paper on the future power market design entitled “An Electricity Market for Germany’s Energy Transition”. The paper was open for consultation until March 2015 and will be followed by a White Paper containing concrete measures in June 2015. As regards the content of the Green Paper, it addressed issues such as future challenges, flexibility, the need for energy security, collaboration with neighbouring countries, etc.

Following the amendment of the EEG (Renewable Energy Sources Act) in 2014 and the passing of an Ordinance regulating the pilot auction for ground-mounted PV installations, the BNetzA (German Energy Regulator) organized an auction that attracted 170 bids and awarded 156.97 MW in capacity at an average price of €91.70 per megawatt hour.

The BMWi also proposed the introduction of a so-called “coal levy”. This measure is intended to cut coal-sector emissions by a further 22 million tonnes by 2020.

What is happening in the heating and cooling sector?

The deployment of renewable heating is progressing slowly. The current low oil and gas prices, as well as the planned but once again failed introduction of tax incentives for retrofitting the existing building stock have negatively impacted the market. Starting April 2015, the main financing instrument for renewable heating, the MAP (Marktanreizprogramm) will increase the public grants offered for some technologies.

What is happening in the transport sector?

Biofuels: The biofuels industry fears even lower sales than in previous years. Germany is the only country which has transposed the FQD (Fuel Quality Directive) through a change from the existing biofuel quota to a GHG reduction target. Since the beginning of 2015, the industry is trying to adapt to the new system.

Electric mobility: The calls for increased public support for electric mobility are getting louder. An initiative of the German Federal Council (Bundesrat) asks for the introduction of a temporary special depreciation until 2019 for the acquisition of electric vehicles and charging stations for commercial use.



GREECE

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The implementation of new renewable energy projects constitutes a major challenge for the new Greek government

The development of new renewable energy or renewable energy (hereafter “RES”) related projects in Greece has practically come to a standstill following the results of the national elections held in January 2015. Although the new Government has not publicized relevant analytical plans, officials have indicated that they intend to increase the degree of state participation in and control of the RES market as a basis for the further development of RES in the country. The implementation of such a policy would constitute a major challenge to the effective further implementation of RES projects at the national level.

Status of the RES production in Greece

The following table summarizes the installed RES capacity and the RES energy generated in Greece at the end of 2014 by RES technology and compares it with the other fuels used for power generation. It also shows the NREAP 2020 targets by RES technology capacity. Please note that the figures for PV installed capacity and production do not include small rooftop PV systems which are not counted towards the achievement of the 2020 targets and which amounted to around 350 MW at the end of 2014



GREECE: INSTALLED CAPACITY AND ELECTRICAL ENERGY GENERATED IN 2014

Type of Fuel	CAPACITY		PRODUCTION		Target 2020
	MW	GWh	% on energy	MW	
Lignite	4456	22709	41,17		
Natural Gas	4901	6339	11,49		
Oil					
Interc. Grid	698	-			
Non Interc. Grid	1893	4638	8,41		
Hydro					
Small (0-15 MW)	220	625	1,13	350	
Large (>15 MW)	3169	3906	7,08	4300	
W/P			0,00	7500	
Interc. Grid	1624	2732	4,95		
Non Interc. Grid	309	628	1,14		
PV	2215	3416	6,19	2200	
Cogeneration	229	1156	2,10		
Biomass - Biogas	47	189	0,34	350	
Interconnections balance		8819	15,99		
TOTAL	19761	55157			
TOTAL RES (incl Lhydro)	7584	11496			



Green Ambition in RES
European Parliament

Policy update in Greece

Since the election of the new Greek Government and despite the deepening financial crisis, it has been able to continue paying the RES-E producers with a four-month-delay.

However, all new RES project development has come to a standstill in anticipation of the formulation and finalization of the new government's plans in the energy sector and in particular for RES. The outcome of the negotiations between Greece with its creditors and EU partners concerning the fate of Financial Aid Program for the country and the national debt is expected to be definitive in this context.

Government officials have indicated that they intend to increase the degree of state participation in and control of the RES market as a basis for the further development of RES in the country. As more than 95% of the existing and planned RES projects in Greece are owned, operated and developed by independent power producers (IPPs) and other stakeholders from the private sector, the implementation of such a policy would constitute a major challenge to the effective further implementation of RES projects at the national level.



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What is happening in the electricity sector?

Many mature wind projects are up in the air, despite the fact that they have ensured financing, as they await the decision of DG Competition on whether the recently notified national support scheme for RES known as the “New Deal” complies with the new EU State Aid guidelines and, of course, the relevant policy decisions of the new Greek government.

Moreover, the implementation of new wind farms, especially the “big” ones, is now facing increased opposition from environmental groups which are politically close to the new government.

RES and other energy market stakeholders continue to stress the importance of implementing long-standing plans to electrically connect the Greek islands to the mainland. The Government has indicated that it would seriously consider moving in this direction. However, it wishes to re-evaluate these plans and, thus, final decisions are not to be expected in the immediate future.

Following the issuance of a relevant ministerial decision in December 2014 the Greek DSO has started to accept applications for PV net-metering installations. This is expected to eventually strengthen PV based distributed generation nationwide.

What is happening in the heating and cooling sector?

No new measures promoting the implementation of RES-H&C projects have been adopted by the new government yet.

What is happening in the transport sector?

No new measures have been taken recently to increase the share of biofuels in the national automotive fuel mix.

Potential investors and other interested stakeholders continue pushing for the introduction of electric vehicles in the Greek automobile market. However, the lack of a basic framework for promoting green e-mobility is a serious barrier to the implementation of RES-T projects even at the pilot scale level.



ITALY



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Retroactive measures threatening RES sector: future is uncertain despite good potential

Currently – April 2015- there are no significant changes compared to the last update in the 5th policy briefing. Support scheme has ceased for PV sector and has reduced for other RES (no PV). The future of RES sector is foggy and uncertain; waiting for a forthcoming Decree - although without knowing when there will be issued-. In addition, the expenditure ceiling (5.8 million €) 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 retrospective reduction of the existing incentive introduced by “Spalmaincentivi” measure shows a short-sighted energy policy which impacts significantly on investments already started.

Status of the RES production in Italy

The trend shown in the 5th policy briefing continues. According to data from Terna (TSO) renewables have produced 7% more than in 2013, and cover energy needs for the 40.1%. A year ago this figure was 35.9%. The official publication by TSO and GSE of the comprehensive figures for 2014 and first four months of 2015 is expected.

Policy update in Italy

What is happening in the electricity sector?

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

In 2014, after the publication of the rankings of the 3rd and last call for auction and registries, support for RES-E other than PV has stopped. From now on Italian producers will not enjoy a support scheme for their new plants, and for the existing ones the support scheme has been reduced, according to “Spalma-incentivi” measure. Currently, only small plants with direct access can benefit from the incentive until the amount of the expenditure ceiling, - 5.8 €million - is reached.



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- **“Spalma-Incentivi”: retroactive changes in PV support scheme**

The Law 116/2014 entered into force on the 11th of August 2014, transposing the requirements of the Decree 145/2013 (“Spalmaincentivi”). With this measure the Government establishes that, from the beginning of 2015, all PV plants >200kW (except those whose incentive period expiring on the 31st of December 2014) are subject to a reduction in the rate previously accorded. The legal action toward the retroactive measure of “Spalmaincentivi”, coordinated by assoRinnovabili, is on-going.

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

This measure applies to all RES other than PV not regulated with the Decree 6 July 2012. The Decree, published on the 6th of November 2014, imposes a choice between two alternatives. The first 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 seven years more). The second alternative (which applies automatically, if no communication asking for the first option is sent to GSE) is to maintain the existing support scheme until its end without providing any other incentive for O&M intervention and remaking for the following 10 years.

Up to now only few operators, mainly for hydro source, expressed a choice between the two alternatives.

What is happening in the heating and cooling sector?

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

On the 4th July 2014, the Directive 2012/27/UE has been formally introduced in the national legislation system with the Decree 102/2014. In particular, 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**

The National Plan for Energy Efficiency, published in July 2014, describes the targets on energy efficiency established for Italy at 2020: 15.5 Mtoe of final 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.





What is happening in the transport sector?

On the 12th of February 2015, the Authority – AEEGSI- published the official operational arrangements on the connection procedure and on the definition of the amount eligible to receive the support established with The Ministerial Decree 05.12.2013. But effective projects require many measures, starting from a stable and clear legal system, coherent with the sector's needs to foster long term investments. The publication of these measures is slow and not well co-ordinated, although the potential could be really high: Italy is the fourth country in the world for number of NG vehicles (400.000 units, data from Federmetano).



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POLAND



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RES Act finally adopted, still no RES development strategy for beyond 2020

The Parliament adopted new RES Act on 20 February 2015. The new support system which is based on technology neutral auctioning system and feed in tariffs for installations <10kW, will be active from 2016. Financing of biomass co-firing is still included in the new system, although it is limited. It is perceived that the new support scheme will not give sufficient incentives for investors to enter into RES. The Act sets the frames for support system, but there is no long-term development strategy for RES beyond 2020.

Status of the RES production in Poland

The development of RES in Poland is continuing, despite the unfavourable market situation, investors try to finalize RES installations (wind power in particular) to be included in the green certificate scheme, as the new system is perceived as even less favourable. Total RES share in energy consumption in 2014 planned for 11, 45% was expected to be achieved.

Total installed capacity in RES technologies in the first quarter of 2015 was 6 155MW (plan 6 074MW for 2015). Installed capacity in wind is 3951MW and it is 411MW bigger than planned for 2015. There are 257 biogas plants installed with a total capacity 190 MW (from which only 67MW is from agricultural biogas plants). Installed capacity in photovoltaic is 27MW with an insignificant growth by 5MW.

A continuous increase in installed capacity is expected for 2015, mainly in wind power and solar power (small presumes' installations). In 2016-2017 the investments in RES would most likely to slow down, as investors who will win auction, have 24 months (48 for off-shore wind) to start energy production. However, due to the possibility of co-financing from structural funds, developments of smaller installation could keep increasing.



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Policy update in Poland

What is happening in the electricity sector?

After four years, the new RES Act was adopted in 2015 setting principles of RES support based on technology neutral auctioning system which will not be active until 2016. Apart from the auction scheme a feed-in tariff for micro-installations (<10 kW) is introduced.

Prices of green certificates are still very low. Nevertheless, developers try to finalise their installations in 2015, not trusting that the new support system will be more advantageous.

The RES Act sets a very complicated administrative system and raises many interpretation questions; the Ministry of Economy already proposes an amendment. The Res Act does not propose any predictability for developers, as auction quotas as well as reference prices are set solely by the government every year. It illustrates a lack of political will to develop RES beyond EU requirements.

What is happening in the heating and cooling sector?

The new RES Act adopted by the Parliament includes support only for CHP. There is neither a complex strategy nor a support scheme for heating and cooling sector. The scheme of red and yellow certificates will expire in 2018; and there is no strategy for the RES development in heating and cooling sector afterwards.

What is happening in the transport sector?

EU laws are finally implemented by amending existing acts in January 2015, introducing among others more effective promotion of RES use in fuels and a transition to E10 till 2020.





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PORTUGAL



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Closing 2014 with a new share record for renewable energy contribution in electricity consumption

In the end of 2014, RES-E achieved a new record share of electricity consumption in mainland, leaving a good perspective and prospects for the RES market, but leaving some reservations about the achievement of 2020 targets. Moreover, the looked-for self-consumption regulation has been published and also the Green Tax Reform is been implemented, though is still unknown the impact it will have RES-T, mainly through electric mobility. The RES-H&C continues with a lack of stronger support.

Status of the RES production in Portugal

At the end of 2014, RES represented 62.7% of electricity consumption in Portugal mainland. This value is the highest since 1979 when the load was comparing to current conditions was much lower and the generation electrical system was mainly hydropower basis. Though, considering the normalisation rule for accounting the electricity generated from hydropower and wind power, this value drops to around 53%, which is still quite below the target share of Portugal, which is 60% in 2020.

The next picture shows electricity production share from RES at 2014. Large Hydro was the main source of electricity generation with 29.4%, followed by wind power generation with 23.7%. There was a switch between the share of wind and hydro, since this year the hydroelectric production was slightly above last year. The remaining technologies have globally a share inferior to 10%, biomass represents 5.4%, small hydro 3.0% and solar photovoltaic (PV) 1.2%.

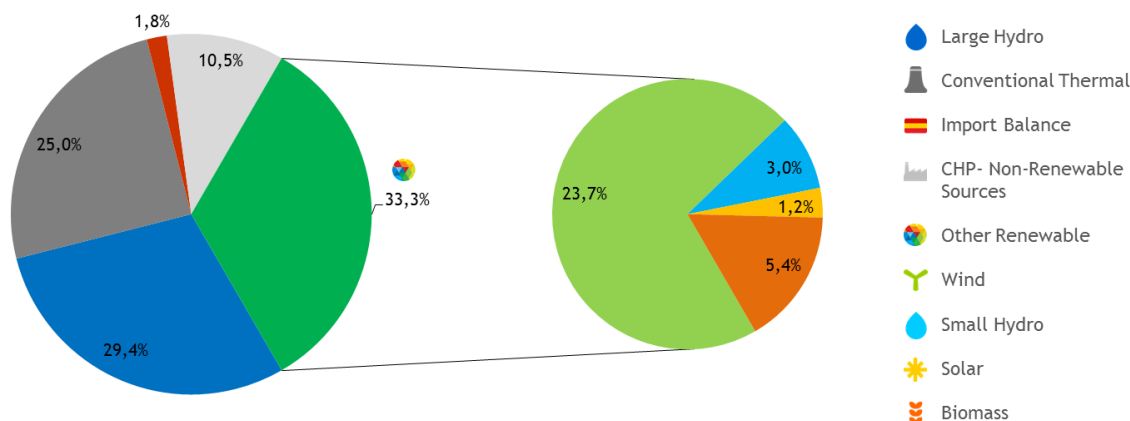
It is worth noting that for the first time solar PV annual cumulative production was above 1%, due to not only weather conditions, but mainly to the significant increase of installed power throughout 2014. In November 2014, solar PV annual cumulative production reached 393 MW, almost 25% (100 MW) more than January of 2014.



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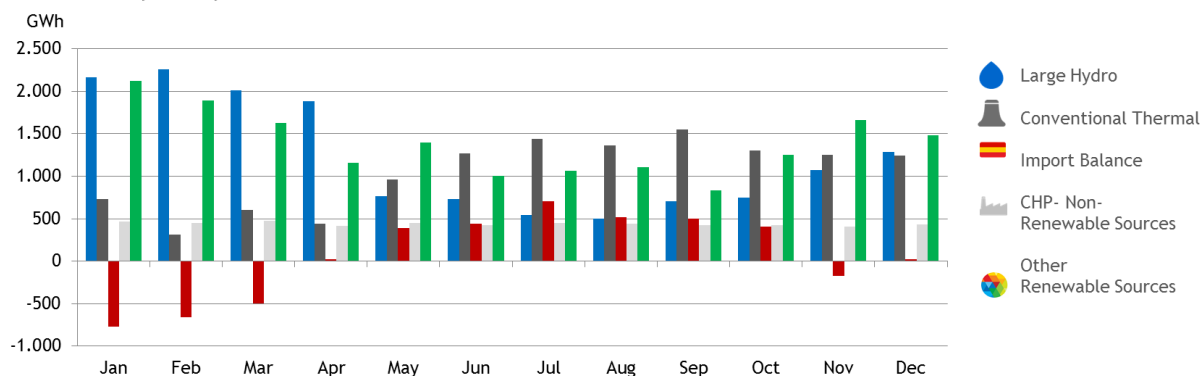


Share of electricity sources in total consumption in Portugal Mainland in 2014



Regarding the monthly production evolution as shown the chart underneath, RES are the main source of electricity consumption in Portugal, although in the summer months conventional thermal generation reaches higher shares.

Monthly evolution of electricity sources in consumption in Portugal Mainland January to July 2014



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Policy update in Portugal

What is happening in the electricity sector?

Even though it was published the framework for wind farms' overpowering in June 2014 that sets a FiT of 60€/MW for the over-equipment installed and defines the concept of additional capacity, enabling the removal of existing limitations on the injection of electricity, it was not yet published important ordinances with relevant technical details. This delay is jeopardizing the investment in the sector.

The new self-consumption and FiT regime regulation for small units has been published in October of 2014 (decree law 153/2014), which repeals the old FiT scheme. It defines rules for self-consumption systems with grid-connection, which had no regulation before, and new rules for FiT scheme (systems under 250 kW). However, the FiT is blocked since there are still dispatches related to decree law to be published and mechanisms to support regulation that are still not available such as the platform to register the new units and require permits. It remains uncertain when the scheme will be fully operational.

The main objective is to enhance self-consumption systems, penalizing the injection in the grid of the production that surplus consumption. There are still doubts regarding the impact that will have in the RES-E market. It is worth noticing that are some negatives aspects that need to be put in consideration: the deep reduction of annual quota for small production units (designated as micro and mini generation units in the old regulation) and the definition of a low tariff for excess production of self-consumption systems, which will be remunerated at a much inferior price (25%) than the tariff charge to the final consumer.

The Green Tax Reform has been under implementation since January 1st of 2015. It was established that a new value for the maximum tax depreciation of wind and solar technologies has set at 8%, which represents twelve and half years (minimum is twice this value). The proposal of reducing 50% of the Municipal Real Estate tax (IMI) for RES power producing buildings was accepted and will be carried out within five years, though the conversations between representatives of the sector and the government regarding the most accurate method to calculate the IMI for wind and PV power plants is still going on.

Regarding the compensation regime applicable to RES-E promoters published in February 2013, SHP promoters keep on trying to reach an agreement with the Government. Likewise, promoters also expect a revision of the new licensing regime published in August 2013, which has set deadlines hard to comply with that can jeopardize RES-E projects.





What is happening 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.

According to the Portuguese Energy Performance of Buildings Decree law 118/2013, the new buildings have to install solar thermal systems not only for domestic hot water, but also for space heating, though only if the orientation of the building is suitable. Besides, this regulation enhances slightly the energy class of the building when there are solar systems installed or biomass boilers, which benefits the monetary value of the building in the market.

With the new self-consumption and FiT regime regulation RES-H&C sector is going to be indirectly supported via an increase of the FiT for producers who combined the systems with solar thermal solutions or/and biomass boilers, though it worth noticing that it was an obligation to install solar thermal in the old micro generation system.

Moreover, the Green Tax Reform sets a 15% reduction on IMI for buildings with high energetic class for 5 years, but this must be deliberate in municipality session.

What is happening in the transport sector?

The provisional numbers of 2014 show that the quota scheme for all biofuels of 5.5% in energy content was achieved, going in the right path to achieve 10% in 2020. There was also the obligation to blend a minimum of 6.75% (v/v) of biodiesel in diesel for road transports until the end of 2014 that was also reached. Starting from this year there is a specific obligation to incorporate 2.5% in energy content of gasoline substitute biofuels, though there are doubts regarding this matter, due to the reluctance of Portuguese refineries sector. So it is expect that specific biofuel will be imported to reach this target.

Furthermore, the Green Tax Reform Commission set some important measures that intend to promote alternative technologies, namely established a reduction of 60% motor vehicle tax for hybrid-vehicles (electrics vehicle were already free of tax), fixed an increase of the environmental component of the same tax, and it was also set a new carbon tax over fossil fuels. Still it was re-established the incentive concerning the close out of old vehicles (more than 10 years) throughout a fee to investment in electric vehicles or hybrid vehicles.





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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 this law the Government almost culminates the Spanish electricity reform that 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

- A new fiscal measure has been applied to all types of energy sources used for electricity production in the form of a 7% flat rate tax on the gross revenues of electricity sales. This tax is applied retrospectively to already existing plants and is discriminatory against RES benefiting from the FiT who cannot pass it on to the consumers (the wind sector could – as long as they participated in the market until beginning of February 2013). On top of this measure, the part of the electricity generated out of gas (max. 15% in the current regulation) for CSP plants was not subject to the FiT any longer. Legal actions have been pursued.
- Additionally, the Spanish Government adopted a moratorium already in January 2012. This sudden stop to FiT programs unlimited in time led to loss of investors' confidence in the sector and the bankruptcy of many companies and massive employment destruction (according to a Deloitte study, some 36,400 jobs have been destroyed between 2008 and 2011 and around 21,800 were created in the CSP sector, leading to a net loss of 15,000 jobs).
- 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.



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Policy update in Spain

What is happening in the electricity sector?

The worst possible scenario (presented already in the last KOT updating as a draft of royal decree) has been confirmed through the Royal Decree 413/2014 of 6 June, regulating the activity of electricity production from renewable energy source, cogeneration and waste and regulating the basis of the new compensation scheme for these facilities; and the Ministerial Order ITC/1045/2014 that provides the type of facility and the corresponding compensation parameters.

This regulation entered into force on the 11th of June 2014 but it will apply retrospectively since the 14th of 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 (R_o).
- 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.
- For eligible installations, the remuneration per operation-R_o-, there is a maximum number of hours of operation.





- 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.).

What is happening in the heating and cooling sector?

No major changes from last document presented (September 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.



SWEDEN

Sweden's potential for RES poorly exploited, but now there are great opportunities as well as threats

Sweden is a country with very good conditions for the production of renewable energy, primarily from hydro, biomass and wind. The National Energy Commission that recently started to work and the EU Energy Union represent significant opportunities to improve the energy policy and significantly increase the production of RES. However, there are threats in form of limitations of the use of biofuels in the EU and increased taxation of renewable electricity.

Status of the RES production in Sweden

In 2014, wind mills produced 11.5 TWh of electricity and hydropower plants 63 TWh. For wind power, this means an increase of 16% from 2013. For hydropower, variations among years are caused by the weather. Total energy supply from biofuels in 2012 was 140 TWh.

Low prices for certificates and electricity, as well as expansion restrictions from the Swedish Armed Forces, hold back the expansion of wind power. Complicated administration poses a major obstacle to the development of the small-scale hydropower.

The share of renewable energy in the transport sector was 15.1% in 2013. What will happen in the future is very uncertain due to lack of political decisions and low profitability rate. The target for 2020 is 10%.

Policy update in Sweden

Sweden is a country with very good conditions for the productions of renewable energy, primarily for hydro, biomass and wind. The National Energy Commission presents significant opportunities to improve the energy policy and increase the production of RES.

What is happening in the electricity sector?

There were no major changes since 2014. However, the inefficient certificate system is left behind. Prices for electricity and electricity certificates are low mainly because there is a surplus production of electricity and that the transmission capacity to other countries is not good enough to allow the export of large scale. The military still retains its resistance to wind power on large areas of land. Increased taxation of small-scale renewable electricity is proposed.





What is happening in the heating and cooling sector?

There were no major changes since 2014. Local authorities can oblige homeowners to connect to the district heating network, even if they want to use other renewable energy for heating. Construction requirements for buildings energy consumption have not been strengthened. Incentives to save heat and electricity throughout building and industrial systems are lacking. Still a large proportion of, mainly smaller, houses are heated with electric radiators.

What is happening in the transport sector?

Great uncertainty still exists since the Government did not get through their forecast on a quota obligation for biofuels. Generally, there will be a continued tax exemption for most high-blend and pure biofuels. However, the Government has proposed a tax on FAME (Fatty Acid Methyl Ester) and ethanol (E85) that could lead to a significant reduction of the consumption of these biofuels, with the result that many small-scale producers of FAME will be knocked out. The reason is that these fuels received a tax exemption which led to their price decrease more than for the corresponding fossil fuels. This is not allowed under EU state aid rules. Another threat is also that in the EU limitations of the use of biofuels is proposed. It is unclear about what the Government will do next. Sales of high-level blended ethanol in gasoline, E85, have declined as sales of ethanol cars almost ceased out after the subsidies of them were removed in January 2011.





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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 was 17.9% of gross electricity consumption in 2014 and in the heat sector the Renewable Heat Incentive has boosted deployment of particular biomass and biomethane. Progress on renewable transport has stalled due to policy uncertainties at both EU and national level. Policy risk and uncertainty in the market remain the key barriers affecting all renewable technologies across all sectors.

Policy update in the UK

What is happening in the electricity sector?

The UK's support for larger scale renewable electricity has undergone major transformation with the replacement of the Renewables Obligation by a 'Contract for Difference' mechanism in line with the requirements under the new EU state aid guidelines. The electricity sector has therefore mostly been preparing itself for the first auction based allocation round in Q1 2015, which illustrated some problems with the mechanism (i.e. certain technologies dominated, projects commissioning at end of decade, and two unsigned contracts). The auction allocation did, however, on average provide a 20% subsidy reduction, and 2.1 GW procured from 5 different technologies over 26 contracts.

Planning consent of renewable energy is still a contested issue. The Conservative Party will end subsidy for new onshore wind farms if they enter into Government after the 7 May election. The



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Liberal Democratic Party has signalled distain for large scale biomass. The Department of Energy and Climate Change, led by the Conservatives and Lib Dems, has prematurely ended subsidy for solar farms.

In 2014, on the Renewable Energy Directive basis, renewable generation was 17.9 per cent of gross electricity consumption, an increase of 4.1 percentage points on 2013's share. Renewable electricity capacity increased 23% to 24.2 GW at the end of 2014, and the renewable electricity generation increased 20% to 64.4 TWh in 2014, with bioenergy up by 24 per cent and wind generation up by 11 per cent.

However, large digressions in the Feed-in Tariffs and a solar FiT review have created uncertainty for the small scale market.

What is happening in the heating and cooling sector?

The Renewable Heat Incentive (RHI) has supported a relatively large uptake of installations, which primarily have been biomass and now also biomethane. The domestic RHI has been successful in supporting deployment of biomass boilers in accordance with government expectations, but has been ineffective in incentivising significant uptake of heat pump and solar thermal installations. Large depressions have made RES-H&C installations less attractive, threatening the long term growth of the industry, and, with current growth, the UK won't hit its 2020 RES-H&C target. The government is to introduce sustainability criteria for biomass by October 2015, which has caused the industry grievances, due to the very tight timeframe of implementation. Furthermore, the nature of the RHI legislation prevents the government from providing a post-2016 budget, which has created uncertainty for investors.

What is happening in the transport sector?

Support for transport has made very little progress since 2014, for two key reasons – the absence of a final decision to amend the RED following the Commission's proposals of October 2012 on Indirect Land Use Change (ILUC) and the impending UK General Election in May 2015. Some small progress has been made to increase the support for gaseous fuels and to treat HVO biodiesel in the same way as FAME biodiesel (both are partially renewable fuels and will now be treated as wholly renewable). In addition a Transport Energy Task Force of a wide range of stakeholders (UK Government departments, renewable and fossil fuel and agricultural industries, NGOs, vehicle and aviation industries) has developed a report for incoming Ministers after the General Election with recommendations on how the UK should meet its RED targets to 2020 and continue to de-carbonise transport out to 2030. It is hoped that early Ministerial decisions will allow the RES-T policy to move forward in late 2015, after a prolonged period of stagnation.

