



European Commission
Commissioner Connie Hedegaard
Rue de la Loi 200
Berlaymont
B-1049 Bruxelles

Brussels, 12th May 2010

NER300 – Choice of reference plants

Dear Commissioner Hedegaard,

The European Renewable Energy Council (EREC) would like to express its views on the choice of reference plants in NER300.

By the end of June, a call for proposals in NER300 is expected to be launched, providing a valuable opportunity for MW-scale demonstration of innovative renewable energy technology. The final preparations for the call are being made now, with the Commission services tying up loose ends in the NER300 Decision voted on 2nd February 2010.

Community Guidelines on State Aid for Environmental Protection apply to NER300 funding and these require that investment aid for renewable energy technology be determined with respect to a conventional reference plant.

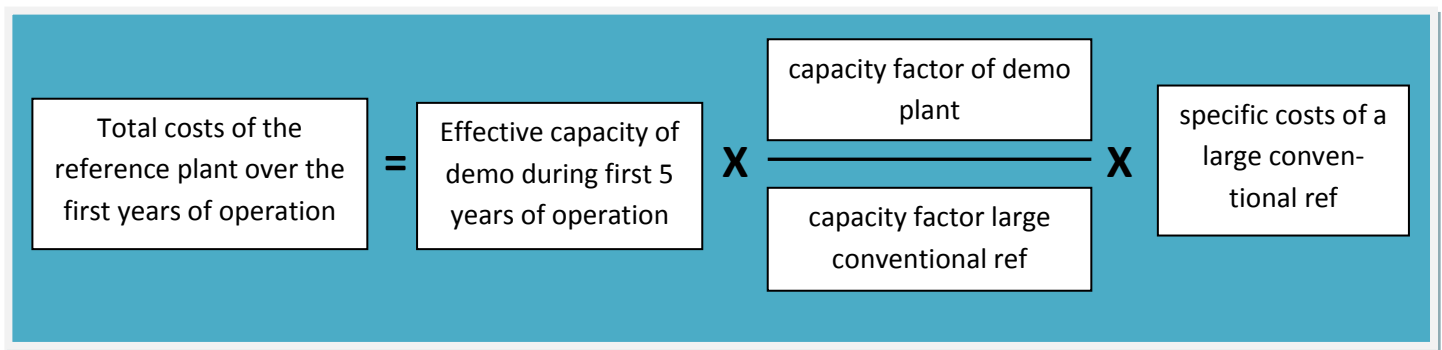
Art 3 (3) of the NER300 Decision states that the conventional production plant should have the same capacity as the demonstration “in terms of effective production of energy”. Thus, for example, a 40 MW demo plant with a capacity factor of 20% is compared to a 10MW natural gas plant with a capacity factor of 80%.

This implies that the “relevant costs” of the demo, would therefore be calculated with respect to a plant that does not, however, represent a realistic alternative investment. The choice developers face is not between 40 MW wind, for instance, and 10 MW gas, but between 40

MW wind and a marginal increase in the capacity of a coal or gas plant scheduled for construction that is already planned to be in the hundreds of MW.

Projects like the 5 MW ocean energy projects (capacity factor < 40 % and possibly a slow ramp-up phase that reduces their effective capacity factor over the first five years of operation even further) seem to have to compare themselves to micro-scale gas (or coal) projects that are themselves very expensive. This would result in low “relevant costs” and little scope to benefit from NER300.

EREC therefore would like to propose that the total costs of the reference plant over the first years of operation (investment costs + 5 years of operating costs) be calculated as follows:



Where:

- 1) the “Effective capacity of the demo during the first 5 years of operation” is possibly lower than the minimum thresholds given in Annex I A II to take account of lower output during a project’s ramp-up phase
- 2) the “specific costs of a large conventional ref” are its costs per MW capacity

We believe altering the calculation to that stated above will allow NER300 to provide the much needed boost to developing innovative renewable energy technologies, which will be required to achieve the long term carbon reductions that the European Commission aspire to.

EREC is, of course, at your disposal to discuss our ideas in more detail.

Yours faithfully,



Prof. Arthouros Zervos

President of the European Renewable Energy Council (EREC)

On behalf of the European industry and research associations, members of EREC:

- AEBIOM (European Biomass Association)
- EGEC (European Geothermal Energy Council)
- EPIA (European Photovoltaic Industry Association)
- EREF (European Renewable Energies Federation)
- ESHA (European Small Hydropower Association)
- ESTELA (European Solar Thermal Electricity Association)
- ESTIF (European Solar Thermal Industry Federation)
- EUBIA (European Biomass Industry Association)
- EU-OEA (European Ocean Energy Association)
- EUREC Agency (European Renewable Energy Research Centres Agency)
- EWEA (European Wind Energy Association)

CC: Commissioner Oettinger; Commissioner Almunia

EREC, the European Renewable Energy Council, is the umbrella organisation of the major European renewable energy industry, trade and research associations active in the field of photovoltaics, small hydropower, solar thermal, bioenergy, ocean & marine, geothermal, wind energy, solar thermal electricity and biofuels. It represents an industry with an annual turnover of more than €70 billion and more than 550.000 employees.