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European Renewable Energy Council
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European renewable energy industry opposes 2014 review clause

Reaching the renewable energy goals in the most cost efficient way requires investor confidence to avoid hefty risk premiums

The European Renewable Energy Council, which represents an industry of more than 400,000 employees and an annual turn-over of more than 40 billion Euro, calls on the Presidency of the European Union, the European Commission and the Members of the European Parliament to make sure that the renewable goals will be met in the most cost efficient way by concretely establishing investor security through the Directive for the promotion of energy from renewable sources. Private investment in renewable energies, particularly in the light of the financial crisis, will be triggered cost efficiently only if there is a stable framework over the full period until 2020.

The very goal of the Renewable Energy Directive should be to guarantee investor confidence in renewable energy, which subsequently will reduce risks and achieve in the most cost-efficient way the binding 20% renewable energy target by 2020.

Ensuring investor security reduces risks. It is therefore the most cost-efficient way to achieve the renewable energy target. If the target is to be achieved in the most cost-efficient way, then investor confidence must be secured. We know that many private investors around the globe are waiting for this directive to be adopted in order to start investing the hundreds of billions of Euro that are needed to make Europe more energy independent, competitive and sustainable.

However, it needs to be ensured for investors that the framework will be stable and predictable over the next 12 years. Investments in energy infrastructure, manufacturing plants and development plans are always long-term investments and by nature need stable conditions.

Plans for introducing a "review clause" for the main support frameworks already in 2014 would jeopardize exactly this investor confidence and add an additional risk premium to all investments as

no investor could be certain of the conditions beyond 2014. A stable period of just 12 years would lower the risks. Opening a new debate on the Directive in 5 years time would not be helpful and would halt huge parts of the required investment until then.

A review clause for the flexibility mechanism is not needed, as the use of these flexibility mechanisms is not compulsory and they are very well designed. These mechanisms are one of numerous options Member States can resort to in order to achieve their overall renewable energy targets. At the end the national governments will be held responsible for meeting their national targets and therefore the governments need certainty as well.

A review of these mechanisms would again lead to discussions about national support mechanisms, whereas the broadest majority agreed that Member States need full control over their mechanisms in order to meet the targets in the most cost efficient way. Triggering another debate in five years about this principle would lead to additional insecurity and put investments on hold and cause additional cost. A detailed outline about the additional cost can be found in the Annex.

Review clause on Biofuels

Given the financial crisis, a stable and reliable political and technical framework is more than ever needed to attract and convince investors to finance projects in the biofuels sector. Investments will only happen, if there is sufficient confidence. The investment in bioethanol facilities is very capital intensive. For industrial scale operations usually more than 150 mio € are needed. The possible revision of the targets in the year 2014 as proposed by the ITRE committee in the European Parliament does not help to create the necessary confidence that the invested capital can be earned back in a reasonable timeframe. Furthermore, a revision clause will also discourage investments in so-called 2nd generation plants, which are seen as a necessary pathway for the future to produce biofuels also from “non-food raw materials”. As a consequence, the share of imports and therefore danger of land-use changes will increase.

While clear perspectives should be created for the overall renewables and biofuels targets, a review mechanism should be provided in the Directive when it comes to the lifecycle assessment of biofuels. Indeed, the data currently used in the draft Renewable Energy Directive Annex VII (typical and default values) are derived from a quite partial study excluding experts from the agriculture, fertilizers and biofuels sectors. Such data can certainly serve as an initial and provisional reference but will need accurate review soon after the adoption of the Directive, a process that should include all interested stakeholders. Securing a review of Annex VII will actually send a positive signal to all renewable energy sectors, by reaffirming that their respective performances will always be assessed in a transparent way.

A tendency to weaken the directive in the Council can already be seen. However, the EU must not risk its international credibility and reliability on its commitments to renewable energy. Now more than ever in view of both the financial crisis and the international negotiations on climate change, it is crucial that the EU demonstrates its willingness to continue the successful developments in the renewable energy market and industry.

The industry is committed to deliver new jobs, improved technology and economic growth in the most cost-efficient way for Europe. We are ready to invest in a new energy future for Europe, provided that policy stability until 2020 is provided.

Therefore, the European Renewable Energy Council believes that the introduction of this review clause should be opposed as a matter of urgency.

Sincerely Yours,



Arthouros Zervos,

European Renewable Energy Council President

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 40 billion € and more than 400.000 employees.