Priority actions for wind energy deployment in South East Europe

Recommendations from the Eurelectric and WindEurope joint event June 2018

On 28 June 2018 Eurelectric and WindEurope held a joint workshop in Sofia on how to improve the investment climate and unlock South East Europe's renewable energy potential. With 720 GW of technically available renewable energy, of which 230 GW cost-competitive onshore wind potential in low capital costs scenario (IRENA, 2017[1]), South East Europe is a new frontier for clean energy deployment.

Representatives from the European Commission, national governments, investors, financial institutions and civil society participated in an extensive debate on how to remove investment barriers and revive wind deployment in the region. Building on this discussion, WindEurope and Eurelectric have developed the following set of conclusions and actions to bring to the attention of the Ministers participating in the CESEC's High-Level Group meeting in Sofia on 29 June 2018.

Restore investment certainty and tackle high capital costs

High capital costs stemming from regulatory uncertainty is a key issue for investors. Wind energy projects are capital intensive. A series of abrupt and/or retroactive changes to national support schemes in the region since 2013 have resulted in additional risk premiums allocated to projects – up to 12% in Croatia compared to 3.5%-4.5% in North West Europe. And while onshore wind is a cost-competitive option for new power generation investments across Europe today, regulatory uncertainty in South East Europe makes consumers pay a higher cost for the same installations. We call on CESEC governments to:

- ➔ Engage in constructive dialogue with industry to develop predictable regulation for investments;
- ➔ Avoid stop-and-go policies that undermine the financing of existing installations; and
- ➔ Provide a sufficient transition period when introducing new support mechanisms allowing the industry to adapt and avoid market standstill.

Ensure full implementation of the Clean Energy Package

Investments, economies of scale and cost reductions materialise where the industry is assured of functioning markets, stable policy and regulation going forward. The Clean Energy Package, which defines the 2030 EU regulatory framework, is an opportunity to accelerate investments in renewable power generation. Its full implementation in national legislation is an indispensable prerequisite for driving the decarbonisation of the power sector and the electrification of the EU economy as a whole. And will allow the industry to deliver the economic benefits of wind energy to consumers. Wind power creates growth and jobs (more than 260,000 across Europe) and reduces fossil fuel imports and CO2 emissions. We call on CESEC governments to:

- ➔ Submit their 2030 National Energy and Climate Plans before the end of 2018 with an appropriate level of detail. National Plans must provide visibility on renewable energy deployment volumes and

[1] The study looked at renewables potential in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Republic of Moldova, Ukraine, Serbia, FYROM, Bulgaria, Croatia, Romania and Slovenia.

a coherent approach to power system planning. Particular focus should be put on regional markets' development and integration, joint renewable energy projects, commitment to mid- and long-term decarbonisation as well as electrification;

- ➔ Foster real price discovery and kick-start local markets through pilot technology-specific auctions;
- ➔ Step up regional cooperation through a coordinated auction schedule for the next five years;
- ➔ Capitalise on the achievement of 2020 renewables targets by engaging in statistical transfers and financing new wind installations through the payments thereby secured (e.g. Luxembourg-Lithuania); and
- ➔ Accelerate the development of well-designed and well-functioning electricity markets and improve the investment climate for clean power generation by fully implementing the Third Energy Package and the new Market Design legislation.

Open up possibilities for new business models

European industry and consumers already benefit greatly from corporate renewable power purchase agreements (PPA). Such mechanisms enable large energy consumers e.g. in ICT, chemicals and heavy industry to secure a supply of renewable electricity at a competitive price. In 2017 1.4 GW PPAs were contracted with corporate buyers capitalising on more competitive renewable energy technologies. Corporate renewable sourcing contributes to achieving national renewable energy ambitions, unlocking billions of euros of investment, and driving innovation. We call on CESEC governments to:

- ➔ Remove regulatory and administrative barriers to corporate PPAs.

Foster regional integration and interconnect markets

In 2019 CESEC countries must undertake concrete steps to implement the Memorandum of Understanding complementing the CESEC initiative with a joint approach on electricity markets, energy efficiency and renewable development (September 2017). The vast renewable energy potential of the region, when developed, will have to be used not only at regional level but should also be connected to large consumption centres in Europe. For consumers to take full advantage of wind energy, electricity markets and grids need to be transformed and made fit for higher volumes of wind and other renewables. To that end, CESEC countries should make full use of European instruments for the physical interconnections of markets and the newly proposed budget line for Projects of Renewable Energy Interest under the 2021-2030 Connecting Europe Facility. We call on CESEC governments to:

- ➔ Ensure that existing grids and interconnection capacity are efficiently used to foster market integration including through increased cooperation of TSOs at regional level;
- ➔ Develop a list of priority renewable energy projects to compete for funding under the new EU financing line for Renewable Energy Projects of Common Interest and available financial tools under the EU Multiannual Financial Framework;
- ➔ Ensure that CESEC's own list of priority projects and actions explicitly references efforts to identify and support cost-competitive cross-border renewable energy projects;
- ➔ Guarantee that CESEC's power related infrastructure projects addresses the needs of future renewables deployment and develop a region-wide power infrastructure strategy; and
- ➔ Map the potential for offshore wind deployment in the Black Sea alongside an action plan for developing large interconnectivity projects.