

**ECS Expert meeting
Trade Friendly Promotion of Renewable Energy**

**Challenges for policy makers and regulators
in integrating ECT/WTO principles into
environmental and energy policy**

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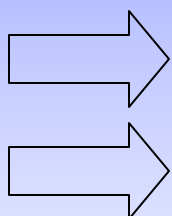
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Autorità per l'energia elettrica e il gas

Questions:

- How WTO provisions are taken into account when national energy policies having trade effects are designed and implemented?
- What are the institutional mechanisms in place for achieving policy coherence between energy and trade policy instruments
- What are the constraints to fully take into account the WTO provisions when designing energy policies?
- Do they stem from WTO requirements that is impossible or difficult to achieve?
- What WTO requirements are considered to pose problems for energy/environment policy?



Energy policy priorities so far....

- Adherence to EU directive 96/92/CE and 2003/54/CE
- Regulation of internal electricity markets
- Before WTO we probably meet transmission constraints
- EU electricity market vs regional electricity markets



Renewables framework

Directive 2001/77/EC

- ...contributes to environmental protection
- ...and to security of supply

Community guidelines on State aid for environmental protection (2001)

- Feed-in (aid proportional to costs)
- Green certificate (the price is not fixed in advance and depends on supply and demand)
- External costs avoided



Intentions

The EU Directive anticipates the intention to uniform the incentive schemes in order to harmonise the renewable development with the creation of a internal electricity market

The first steps were:

- Community framework proposal by the Commission, after a monitoring period
- The guarantee of origin for all RES production



In practice..

Member State have adopted (or modified) completely different incentive schemes

Those are generally not harmonised among Member States

Nor is the definition of renewables (large hydro, wastes, biomass)

Moreover:

Feed-in or green certificate (...) are not the only incentives
Renewables sources of energy benefit from:

- Dispatching priority
- Balancing costs
- Connection charges

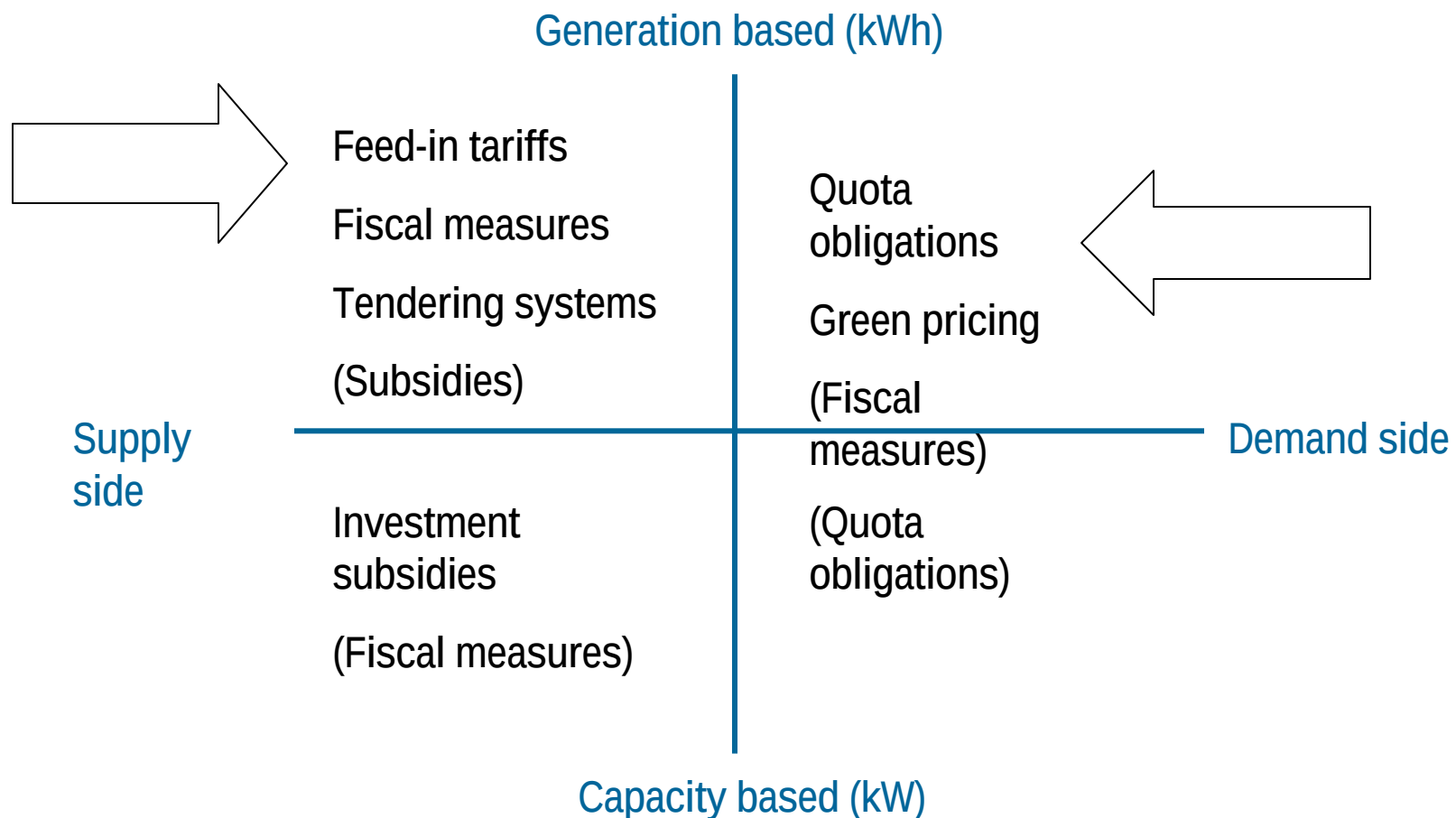


Policy choices in EU member states

	Prevalent incentive mechanism	weight %	Feed-in	GC
Austria	Feed-in	2,3%	60,15%	39,85%
Belgium	GC differentiated for region	3,3%		
Denmark	Feed-in	1,4%		
Finland	Feed-in + capital incentive + fiscal aid	3,1%		
France	Feed-in	17,9%		
Germany	Feed-in	21,5%		
Greece	Feed-in + capital incentive + fiscal aid	2,1%		
Irland	Feed with tender	0,9%		
Italy	Feed-in; since 2002 GC	12,2%		
Lussemburg	Feed-in + capital incentive	0,3%		
Netherl	Feed-in since 2003; voluntary GC earlier	4,1%		
Portugal	Feed-in + capital incentive	1,7%		
Spain	Feed-in	8,9%		
Sweden	GC since 2003	5,6%		
Great Britan	Feed-in; since 2003 GC	14,7%		



Classifying RES-E Policy Support Mechanisms



The renewable market paradox

Feed-in tariff implies a national market

- This is perfectly accepted by EU directive

Green certificate systems:

- The more they are efficient the less they are open
- UK and Italy cases



Green certificate two different market approaches:

UK:

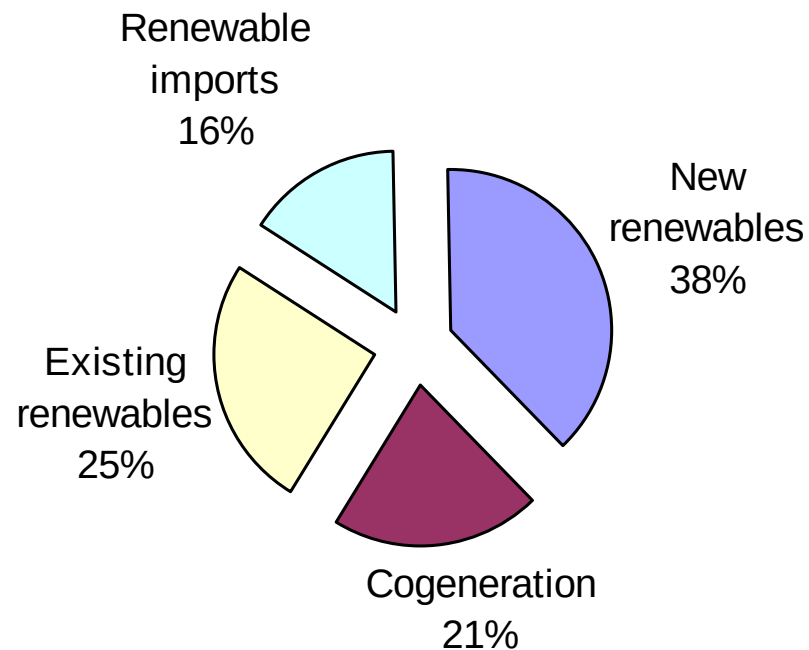
- Obligation on suppliers
- Very much market oriented, perfectly matches with 2001/77 provisions: Green certificate price as a result of demand and supply, buy out price, a sound definition of targets and renewable sources
- But simply does not accept renewable energy from other countries

Italy:

- Obligation on producers and importers
- Cogeneration and existing renewables (almost 40% of the market) are exempted by the renewable obligation
- Imported energy certified as renewable is exempted as well
- Imported green certificates accepted providing the reciprocity principle
- Price does not depend on demand and supply



Final costs 300M€, who benefits from the Italian green certificate scheme



WTO and renewable incentive scheme?

Not compatible

Some intermediate internal renewables markets may be developed if the EU commission:

- Adopt mandatory targets (renewable energy has a value in every MS)
- Uniforms RES definitions
- Harmonises side incentives of renewables

In general RES incentive schemes represent distortions to markets

A greater attention should be given to less evident distortions

