



REMIX partner meeting, November 8th, 2017

## **DEVELOPMENT OF SCENARIOS FOR EU RENEWABLES POLICIES**

*Berit Tennbakk, THEMA Consulting Group*

# PURPOSE OF MEETING

- To continue the process to form four scenarios for the framework conditions for renewable energy in EU member states

# THE PURPOSE OF THE SCENARIOS IS NOT TO MAKE PREDICTIONS

- Development of EU policies are crucial for MS room for manoeuvring
  - RES framework: Obligations and design of support schemes
  - Market design framework: Integration of energy markets and regulation of capacity mechanisms
- Scenarios map the likely *future* outcome space for the EU framework on
  - Energy transition (RES focus): Coordinated and coherent design, or MS diversified transition paths
  - Market design (CRM focus): Common integrated market, or loosely integrated national or regional markets
- Both dimensions affect price formation and the future renewable energy mix in the European electricity market
  - Although the outcome is affected by other market, policy and technology factors as well
  - E.g., RED, State Aid GL, EU ETS regulations

# PROPOSED CHANGES TO FRAMEWORK CONDITIONS

## ■ Commission proposals in the Clean Energy Package

- Binding RES target at 27 percent at Community level
- Obligation on MSs to make binding plans (pledges)

Increased RES ambitions

- Tightening of the ETS cap
- Better targeted carbon leakage rules

Strengthened carbon pricing

- Stronger harmonization and integration of the internal electricity market (IEM)

More efficient EU-wide resource utilization, ...

- Restrictions on the use of FiT support, priority dispatch and RES support levels

.. Including market exposure for RES, ...

- Stricter requirements for capacity mechanisms; necessity, adequate energy only design, X-border participation, emissions

... and stricter state aid regulation for coal/gas

# CRUCIAL UNCERTAIN DEVELOPMENTS

## RENEWABLE SUPPORT SCHEMES

Ambitions and obligations:

- Will MS pledges fulfil the community target?
- How will a gap, if any, be filled?
- What sanctions will apply if non-compliance?

Design of measures for RES support:

- Will RES support be harmonized?
- What market-based measures will be approved?
- Cross-border participation or use of flexible mechanisms?

## MARKET DESIGN

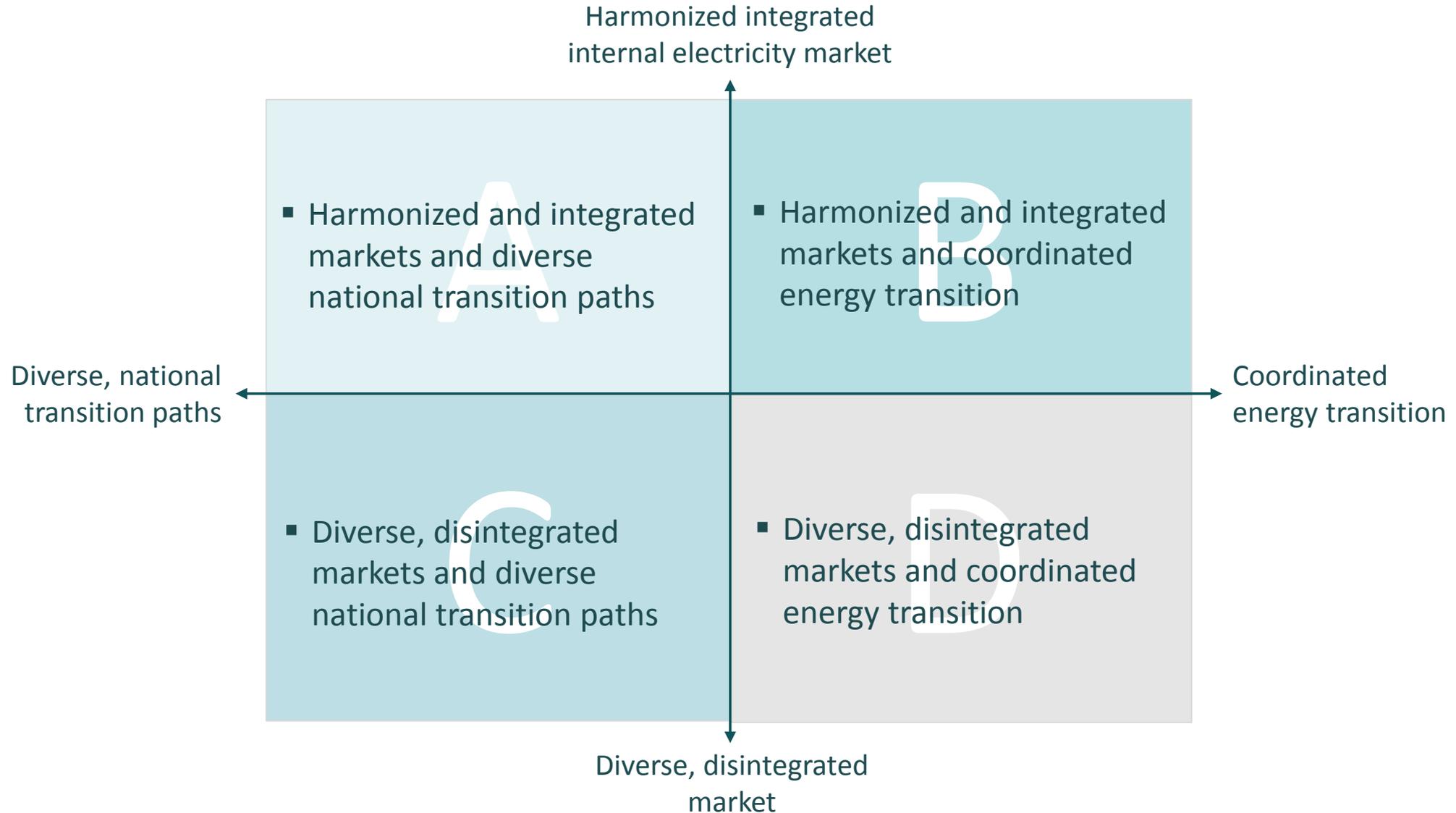
Strength of market integration:

- Will interconnector capacity increase?
- Will intraday and balancing markets be coupled?
- Will long-term planning be strongly coordinated (regionally)?

Capacity mechanisms:

- What models will be accepted?
- What restrictions will apply for CRM?
- Will the EUC approve CRM without proper cross-border participation?

# MAIN SCENARIO DRIVERS



## TWO LEVELS OF POLICY DYNAMICS IN THE SCENARIOS

- EU level: Policy framework as result of the Commission's proposal, and the concerns of Member States and their influence on the strength of policy adopted at the EU level
- MS level: How MS adapt policies to the adopted EU framework
  
- The two levels are related as positions towards EU policies are likely to reflect the ambitions and measures favoured at the MS level

## NEXT STEP: DEVELOP THE SCENARIO STORIES

- According to the REMIX framework
  - Which political conditions may enable or hinder the emergence of each scenario?
  - Which organizational field changes may enable or hinder emergence of each scenario?
- Asking questions like
  - What policy, market and technology drivers are likely to shape renewables policies?
  - How are renewables policies affected by other policy concerns (capacity adequacy, climate issues, competitiveness)?
  - What drivers promote harmonization, and what drivers promote diversity?
  - What would be the signs that this scenario will or will not play out?
  - How likely is the scenario, and how far out on the axes will we move?



**THEMA**  
CONSULTING GROUP