Key support elements of RES in Europe: moving towards market integration

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1 What are support schemes for renewable energy sources (RES)?

The purpose of support schemes is to encourage the take up and deployment of renewable energy generation (e.g. wind, hydro, solar power, as well as biomass, biogas and geothermal energy), which would otherwise not develop as it is yet not cost-competitive with more conventional generation technologies (e.g. large hydro, fossil-fuelled or nuclear). Support in form of investment or operational aid per kWh produced are hence used to favour the 'maturing' of these technologies until a level playing field is reached. The development of RES is important for a number of reasons, including meeting Member States' and pan-European carbon reduction and RES targets, encouraging growth in low carbon innovation, goods and services, and contributing to energy security of supply across Europe.

2 What does the report propose for the support of RES?

This CEER report proposes to favour bidding procedures for determining the level of support paid out to RES producers, provided that a competitive environment exists, and to introduce feed-in premium schemes as the most suited mechanism to enhance market integration of RES. Hence, the purpose of this CEER report is to provide valuable insight to end-users and policy-makers regarding the diversity and complexity of RES support schemes.

3 How does it work?

RES producers are entitled to a financial support when producing electricity. There are different types of support schemes in place across the European Union, reflecting different levels of risks and responsibilities for RES producers. Feed-in tariffs are the most common type of support scheme, however, gradually being replaced by feed-in premium schemes. Some Member States have introduced certificate schemes as a way to support RES generation.

4 Why is this important for energy customers? What is the impact on energy customers?

Support for renewables can affect consumers in a number of ways. To the extent that support is either passed on through electricity prices or directly added to electricity bills, the costs of achieving the agreed objectives will ultimately be borne by end-users. Cost efficient RES support schemes are thus in the interest of energy customers. There may be other implications as well, for example, an increase in domestic RES production may also bring security of supply benefits and less volatile energy costs. Understanding the different approaches to RES incentives can help to inform and improve future support scheme designs.