Geode position on the EU Commission's Green Package

General

Geode supports the EU ambition to create a common and coherent energy and climate policy. We support addressing both Climate Change, Renewable Energy and Energy Efficiency in one package, and we support that climate related goals are binding.

However we see the risk that the three targets may be conflicting in certain situations Hence there is a need for a hierarchy among them. We support the statement, often brought forward by the Commission, that given the urgency of the climate change issue this target has to be considered as the superior target. The implementation of all three targets should accordingly focus on creating measures and systems that reduce the emissions of greenhouse gases. In doing so it is also important to consider the actual situation of the overall energy system in order to minimise the total greenhouse gas emissions.

A well functioning market is an important prerequisite

Geode supports the EU ambition most recently described in the proposed 3rd Energy Package, to create a single liberalised well functioning energy market. The well functioning common energy market is an important basis when taking on the ambitious EU targets on Climate change, renewables and energy efficiency. We believe that political interference regarding support schemes, grid access issues etc. should be made in ways that give as little disturbance as possible to the market.

Climate Change and EU ETS

Geode generally supports EU ETS system and the principle to make the reductions of carbon emissions where it is most cost efficient for the EU as a whole.

Geode supports the division of the climate change target in two ways, with a common EU target for the ETS trading sector and national targets for the non trading sector. We also support auctioning of emission rights as the basis for allocation.

Geode regards the use of CDM and JI as very important for the possibility to reach the EU target as well as opening up for a more global price on carbon emissions. In addition, the use of CDMs, is a good way of accomplishing transfer of important technologies to developing countries. Geode would therefore like to see the limit for using the mechanisms increased to stimulate cost efficiency and technology transference.

Geode considers carbon capture and storage, CCS, as very important technology when fighting climate change. In order to permit a rapid introduction of this important technology, CCS should be treated in the same manner regardless of the industry sector.

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Renewables – flexibility to promote efficiency

Geode regards the renewables target for the EU as very ambitious, particularly considering the short time at its disposal. To reach this target there is a need for extensive new investments in a number of areas such as renewable electricity generation, biogas etc.

The small and medium sized energy companies that form the basis of Geode are well suited to play important roles in the development of renewable energy due to the fact that this development requires solutions of moderate size that take advantage of local conditions.

We especially want to stress:

- The important potential role of biogas should be considered in the Package
- Priority access for renewable energy must not counteract the good functioning of the market
- The potential of an efficient trading of renewables, thereby using the renewable resources more efficiently, must not be jeopardised.
- Rapid actions to remove administrative obstacles and accelerate permission processes are urgently called for

The potential gains of recovering waste heat from industrial, thermal power generation and other processes should be considered

These points are elaborated on in the following paragraphs.

Give biogas equal opportunities as other renewable energies

Although biomethane (methane produced from renewable sources, which is upgraded to natural gas quality) is included in the definition of biofuels, it is constantly overlooked in the text. The most evident example is the phrase “biofuels and other bio liquids” that is used more than 50 times in the document. This phrase is illogical, and not acceptable.

We therefore propose to exchange the inappropriate term “biofuels and other bio liquids”, which excludes gaseous fuels, with “biofuels or bio liquids” or “gaseous or liquid biofuels or bio liquids” throughout the document.

We note that “Guarantees of Origin” are proposed to be issued for renewable energy in the forms of electricity or heating/cooling. Biofuels should also be included if a properly functioning market is to be established. This is especially important for biomethane, which can be transported through the natural gas grid and be sold to end consumer anywhere along the grid.

Similarly, there is a whole article dedicated to safeguarding renewable electricity production access to the grid. Similarly, access to the natural gas grid is equally important for producers of biomethane.

Market deregulation is still the way forward

We note that the language in the proposal is very strong, when defining the role of the distributor. Providing access to the electricity grid for a rapidly expanding

capacity of renewable can involve large investments that cannot be accomplished overnight.

Moreover, the proposed role of TSO's or DSOs to have power to dispatch, or give priority for certain plants, only makes sense within a support system based on feed-in tariffs. As long as such support systems are not compulsory for Member States, these regulations would clearly interfere with the market, and should be removed.

Also, as a consequence of what has been said earlier, it is vital that biomethane is guaranteed access to the natural gas infrastructure just as renewable electricity is granted access to the electricity networks.

Flexibility of support schemes and good possibilities to trade are essential factors to ensure an efficient increase of renewable energy

If Europe is to succeed in reaching the ambitious renewables target, support schemes are necessary. To ensure cost efficiency, it is vital that there is flexibility, between member states and between technical solutions.

In Europe today, there are many different national support schemes in place, that differ in scope, level of ambition, time frame etc. We respect the fact that harmonising these schemes will take time, and must be done with great care, in order not to disrupt local market conditions for investors. The aim of the proposed directive, linking the schemes, while still leaving it to Member States to define them, seems like a reasonable way forward. But for this strategy to be legitimate, the directive must not be written in such a way that some existing schemes are disqualified. The proposed directive is in some cases biased towards feed-in systems, to the disadvantage of systems based on trading of green certificates. This must be rectified.

However, a full harmonization of the market for renewable energy must be the long term objective. It is urgent that a road map for that process is being developed. We believe that the concept of tradable guarantees of origin is a good start, and it important that the Commission is restrictive in allowing restrictions for cross-border trade, that article 9.2-4 could open up for.

Geode also thinks that the proposed scope regarding cross border trading of renewables is too limited. In fact, one of the strengths of the EU is the possibility to cooperate by using potential synergies to be more efficient. Such solutions reduce the costs for the EU and strengthen thereby the European competitiveness. A European market for renewables would be the most cost efficient solution for the European society as a whole. Such a system would promote investors to focus on the most profitable and cheapest investments first in the best locations – and in return gives as many kWh per invested Euro as possible. We understand that a new common EU market for renewables is not possible to create in the short time frame we are discussing now. The instrument for renewables trading guarantee of origin – must be harmonised and defined to work together with the many national support schemes for renewables.

In order to gain efficiency, Geode also proposes a mechanism whereby voluntary cooperation between countries to reach the targets.

Remove obstacles for renewable energy

Geode supports the Commissions proposals to remove obstacles for developing renewable energy. In many member states processes for environmental permits regarding new renewable electricity capacity, as well as new grid and distribution lines are far too slow. This also applies to production of renewable gas, which is not even considered in the directive proposal. If considerable improvements are not made, this will jeopardise the fulfillment of the renewables target in many member states.

Geode furthermore stresses the principle that local network customers and/or network companies shall not suffer increased costs if renewable plants are built in the area. This principle should apply for both electricity and gas distribution companies

The potentially important role of recovering waste heat should be observed

The proposed directive does not give any credit to the use of waste heat, typically from power production, industrial processes or waste incineration. In all these cases, a large amount of heat is produced as a by-product. Utilizing these heat flows, either for industrial purposes, or for district heating or cooling, constitutes a major potential saving of primary energy. This is often true also if the process that is leaking heat is based on fossil fuels. The potential for using waste heat in Europe is enormous.

By not recognizing this in the directive, the use of waste heat is disadvantaged in relation to using prime renewable energy sources, that might have an alternative use somewhere else, or for other applications that could not be covered by waste heat. This would in practice work against the related objectives in the EU strategy. Increasing the share of renewables should not be done by compromising greenhouse gas reductions, which would be the case if renewables were to substitute recycled heat instead of fossil fuels. Due to the absent draft directive on energy efficiency, this problem is now more evident, since that directive would have been able to accommodate the issue.

In many cases, the use of waste heat from industrial and other processes could be just as beneficial to the climate as the use of renewable energy.

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