

Procedure file

Basic information		
INI - Own-initiative procedure	2012/2259(INI)	Procedure completed
Current challenges and opportunities for renewable energy on the European internal energy market		
Subject		
3.10 Agricultural policy and economies		
3.10.11 Forestry policy		
3.40.14 Industrial competitiveness		
3.60.05 Alternative and renewable energies		
3.60.10 Security of energy supply		
3.70.02 Atmospheric pollution, motor vehicle pollution		
3.70.03 Climate policy, climate change, ozone layer		
4.60.02 Consumer information, advertising, labelling		
4.70.05 Regional cooperation, cross-border cooperation		
5.05 Economic growth		
6.20 Common commercial policy in general		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ITRE Industry, Research and Energy		04/07/2012
		PPE REUL Herbert	
		Shadow rapporteur	
		S&D LANGE Bernd	
		ALDE HALL Fiona	
		Verts/ALE TURMES Claude	
		ECR VAN DALEN Peter	
		EFD HELMER Roger	
	Committee for opinion	Rapporteur for opinion	Appointed
	AGRI Agriculture and Rural Development		05/11/2012
		S&D DANELIIS Spyros	
	ENVI Environment, Public Health and Food Safety		13/11/2012
	PPE MAZEJ KUKOVIĆ Zofija		
REGI Regional Development		18/09/2012	
	ALDE PAKARINEN Riikka		
INTA International Trade		26/11/2012	
	Verts/ALE JADOT Yannick		
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.		
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.		
European Commission	Commission DG Energy	Commissioner OETTINGER Günther	

Key events			

06/06/2012	Non-legislative basic document published	COM(2012)0271	Summary
25/10/2012	Committee referral announced in Parliament		
19/03/2013	Vote in committee		
03/04/2013	Committee report tabled for plenary	A7-0135/2013	Summary
20/05/2013	Debate in Parliament		
21/05/2013	Results of vote in Parliament		
21/05/2013	Decision by Parliament	T7-0201/2013	Summary
21/05/2013	End of procedure in Parliament		

Technical information

Procedure reference	2012/2259(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/7/09840

Documentation gateway

Non-legislative basic document		COM(2012)0271	06/06/2012	EC	Summary
Committee draft report		PE497.809	09/11/2012	EP	
Amendments tabled in committee		PE500.604	20/12/2012	EP	
Committee opinion	REGI	PE502.098	22/02/2013	EP	
Committee opinion	ENVI	PE502.089	25/02/2013	EP	
Committee opinion	INTA	PE502.196	11/03/2013	EP	
Committee opinion	AGRI	PE502.097	12/03/2013	EP	
Committee report tabled for plenary, single reading		A7-0135/2013	03/04/2013	EP	Summary
Text adopted by Parliament, single reading		T7-0201/2013	21/05/2013	EP	Summary

Current challenges and opportunities for renewable energy on the European internal energy market

PURPOSE: Commission Communication on the integration of renewable energy into the Single Market.

CONTEXT: in 2007 the EU set the ambitious goal of achieving a 20% share of renewable energy and a 10% share of renewable energy in transport by 2020 and has flanked these objectives by a series of supporting policies. The renewable energy goal is a headline target of the Europe 2020 strategy for smart, sustainable and inclusive growth. At the start of 2012, these policies are beginning to work and the EU is currently on track to achieve its goals.

However, the economic crisis has made investors cautious about the energy sector. In Europe's liberalised energy markets, the growth of renewable energy depends on private sector investment, which in turn relies on the stability of renewable energy policy. Investment in infrastructure, manufacturing and logistics also requires related investment - in testing facilities, cable production, factories and ships to build

offshore wind installations. In parallel to a rigorous implementation of the [Renewable Energy Directive](#), clarity on longer-term policy is needed to ensure that the necessary investment is made.

The [Energy Roadmap 2050](#) builds on the single energy market, the implementation of the energy infrastructure package and climate objectives as outlined in the [2050 Low Carbon Economy Roadmap](#). Regardless of scenario choice, the biggest share of energy supply in 2050 will come from renewable energy.

However, despite the strong framework to 2020, the Roadmap suggests that growth of renewable energy will drop after 2020 without further intervention due to their higher costs and barriers compared to fossil fuels. Early policy clarity on the post 2020 regime will generate real benefits for investors in industry and infrastructure as well as for renewable energy investors directly.

Whilst the Renewable Energy Directive (2009/28/EC) provides for setting a post2020 roadmap in 2018, stakeholders have already been asking for clarity regarding policy developments after 2020.

This is why the Commission believes it is important to start preparing now for the period beyond 2020.

CONTENT: this Communication i) explains how renewable energy is being integrated into the single market; ii) gives some guidance on the current framework until 2020, and iii) outlines possible policy options for beyond 2020, to ensure continuity and stability, enabling Europe's renewable energy production to continue to grow to 2030 and beyond.

The Communication indicates the following areas where efforts should be stepped up until 2020 to achieve renewable energy goals whilst being cost-efficient:

Internal market for energy: strong growth in renewable energy markets suggests that significant "maturing" of technologies is occurring. Achieving competitiveness, however, requires political commitment to regulatory frameworks that support industrial policy, technology development and removal of market distortions. It is important to drive down costs, to ensure renewable energy technologies become competitive and ultimately market driven.

- 1) Policies that hinder investment in renewables should be revised and in particular, fossil fuel subsidies should be phased out.
- 2) In view of the complementarity of climate and renewable energy policies, a well-functioning carbon market is necessary together with properly designed energy taxes to give investors strong incentives to invest in low carbon technologies and their development.
- 3) At the same time renewable energy should be gradually integrated into the market with reduced or no support, and should over time contribute to the stability and security of the grid on a level footing with conventional electricity generators and competitive electricity prices.

Improving support schemes: today, most renewable energy technologies benefit from national support schemes, but only a small share of the energy market is affected: less than a third of the 19% of electricity from renewable energy is sheltered from market prices. Mature technologies operating in competitive markets, with a well-functioning carbon market should ultimately no longer need support. However, some form of R&D and other financial or administrative support may continue to be needed for newer, less mature technologies.

Recent changes to support schemes have in some cases been triggered by unexpectedly high growth rapidly increasing expenditure on renewable energy, which is not sustainable in the short term. In some Member States, changes to support schemes have lacked transparency, have been introduced suddenly and at times have even been imposed retroactively or have introduced moratoriums. For new technologies and investment still dependant on support, such practices undermine investor confidence in the sector. Moreover diverging national support schemes, based on differing incentives may create barriers to entry and prevent market operators from deploying cross-border business models, possibly hindering business development. Such a risk of impairing the single market must be avoided and more action is also needed to ensure consistency of approach and remove distortions. To encourage this, the Commission plans to prepare guidance on best practice and experience gained in these matters and, if needed, on support scheme reform, to avoid fragmentation of the internal market. Principles for support schemes need to be established that minimise market distortions, avoid over compensation and ensure consistency across Member States.

Boosting cooperation and trade: the Renewable Energy Directive created cooperation mechanisms to enable renewable energy produced in one Member State to count towards the target of another. These have not yet been widely exploited despite the potential economic benefits for both parties. Only two Member States have indicated that they would use cooperation mechanisms to achieve their 2020 targets.

To encourage the development of renewable energy production in and with neighbouring countries, the Commission will facilitate international cooperation on renewable energy development by both enabling full use of the cooperation mechanisms which could develop renewables in the Southern Mediterranean.

Transforming infrastructures: the challenge of meeting future infrastructure needs will very much depend on our capacity to develop renewables, grid infrastructure and better operational solutions together in a single market. Infrastructure development is therefore both urgent and critical for the success of the single market and for the integration of renewable energy. Early adoption of the legislative proposals of the energy infrastructure package is crucial in that respect, in particular for speeding up the construction of new infrastructure with a cross-border impact. The Commission will continue to work with distribution and transmission system operators, regulators, Member States and industry to ensure the development of energy infrastructure is accelerated to complete the process of integrating Europe's networks and markets.

Driving technology innovation: research and development (R&D) funding continues to be crucial to support technology innovation and development. The Strategic Energy Technology (SET) plan and the forthcoming Horizon 2020 research programme are the EU's main contribution to driving developments in key energy technologies. The Commission's 2013 Communication on energy technology policy will identify future R&D needs and challenges in line with the priorities identified in Horizon 2020. It will develop plans to ensure Europe will compete globally to drive innovation forward on a broad range of renewable energy technologies, including new ones, as well as explore further scope for action in promoting existing SET Plan technologies.

Post 2020: the Commission states that if current policy initiatives are not adequate to achieve our long-term energy and climate policy objectives, as the 2050 Roadmap suggests, renewable energy annual growth would slump from 6% to 1%. To maintain robust growth of renewable energy beyond 2020, which is a "no regrets" conclusion of the 2050 analysis, a supportive policy framework will be needed to address remaining market or infrastructure inadequacies. It is crucial to consider the options for concrete 2030 milestones. The impact assessment accompanying the report discusses three policy options. These are:

- a decarbonisation without renewable energy targets option, relying on the carbon market and a revised ETS (Directive 2009/29/EC);
- the continuation of the current regime, with binding renewable energy, emissions reductions and energy efficiency targets; and
- an enhanced, more harmonised management of our whole energy sector with an EU renewable energy target.

It is clear that specific 2030 renewables milestones can only be designed after reflection on the state of post-2020 climate policy, the degree of competition in Europe's electricity, heating and cooling and transport fuel markets, and the degree of energy diversity and technology innovation expected by 2020.

Current challenges and opportunities for renewable energy on the European internal energy market

The Committee on Industry, Research and Energy adopted the initiative report by Herbert REUL (EPP, DE) on the current challenges and opportunities for renewable energy in the European internal energy market in response to the Commission communication entitled Renewable Energy: a major player in the European energy market.

Getting the benefit of renewables : Members agree with the Commission that RES, together with energy efficiency measures and flexible and smart infrastructure, are the no regrets options identified by the Commission and that RES in the future will account for a growing share of energy provision in Europe. Members recall that all scenarios presented by the Commission in its [Energy Roadmap 2050](#) assume a share of at least 30% RES in the EU's energy mix in 2030. They suggest, therefore, that the EU should endeavour to achieve an even higher share.

Emphasising that safe, secure, affordable and sustainable energy provision is indispensable for the competitiveness of European industry and the economy, Members highlight that the share of RES in electricity, heating and cooling and transport needs to be increased in a manner that is cost-efficient, taking into account the benefits and full costs of RES, including system costs, while safeguarding supply security. The report calls on the EU to guarantee that the promotion of renewable resources in the production and use of energy will not jeopardise food security, high-quality sustainable food production or agricultural competitiveness.

The report notes that the Member States, within the framework provided by the EU Renewable Energy Directive 2009/28/EC, are currently acting independently in promoting RES within national administrative frameworks that differ widely, and that this is exacerbating their uneven development. A functioning internal market could contribute to compensating RES variability and the uneven distribution of natural assets.

Convinced that most areas can make contributions to the deployment of RES, Members stress the need to incentivise investment in RES where they have the greatest potential, in order to ensure efficient use of public funding. They call on the Commission to explore with the European Investment Bank and national institutions possibilities for innovative financial instruments to finance renewable energy projects, while carbon markets should do their part in incentivising investments in RES projects;

Renewable energy on the European internal energy market : Members note that the internal market in gas and electricity is to be completed by 2014 and will be crucial for RES integration to serve as a cost-effective means to balance variable electricity production. The Commission is called upon to : (i) use all the instruments available, including the referral of Member States to the Court of Justice, to bring the internal energy market closer to completion as quickly as possible; (ii) tackle inappropriate market concentration where it hinders competition. Member States are called upon to continue with the full implementation of the internal energy market legislation and the development of interconnections, as well as the elimination of energy islands and bottlenecks.

Infrastructure requirements : the report insists on the modernisation of the energy grid. It also stresses that infrastructure development is urgent and critical for the success of the single market. Members note that implementation of the energy infrastructure package is crucial in this respect, in particular for speeding up the construction of new infrastructure with cross-border impact.

Noting that there is an increasing need for a stable policy framework to provide economic guarantees concerning the availability of these reserves as well as for system and balancing services, Members reject the concept of competition for subsidies between energy sources and call for an energy market design tailored to the Union's long-term energy and climate policy objectives, which makes it possible to integrate RES technologies into the internal energy market.

The Commission is called upon to assess whether there is a capacity issue in the EU and to determine the amount of firm capacity that can be provided by variable RES in an integrated EU power system, as well as its potential impact on generation adequacy.

Noting the advantages of decentralised renewable energy supply close to consumption centres, Members point out that the Commission should facilitate the development of adequate modelling tools to define the optimal mix of distant, large scale generation plants and distribution level installations.

The report also notes that insufficient network capacity and storage facilities and a lack of cooperation between transmission system operators can add to uncoordinated cross-border energy flows (loop flows) and could cause serious emergencies in other Member States. In this regard, Members call on the Member States to press ahead as quickly as possible with the development of transmission and distribution systems and to encourage greater cooperation between transmission system operators.

The Commission is asked to elaborate a short-term loop-flow compensation mechanism providing affected Member States with a fair cost-sharing methodology until necessary grid developments and the flow-based market coupling are completed.

The report underlines the potential of smart grids, demand side management tools and energy storage solutions, both to facilitate the best possible integration of RES-E and to even out grid fluctuations.

Empowering consumers : stressing the need for further action to increase the social acceptance of renewable energy sources, Members state that an effective action to this end would be to establish a holistic approach to the producer/consumer or prosumer who would be able to manage the process of energy generation. The report notes that a prerequisite for efficient local consumption and production of energy, from a prosumer and distribution-grid perspective, is the roll-out of smart meters and more generally of smart grids.

Members stress that energy should be affordable for all and that industry's ability to compete must not be affected. They ask the Member States to take the necessary measures to ensure that low income customers are effectively protected, while raising public awareness of the potential of energy saving and energy efficiency measures.

Recognising that the deployment of small-scale RES represents an opportunity for single households, industries and communities to become energy producers, the report notes the importance of stimulating local cooperatives for renewable energy in increasing citizens participation, increasing accessibility of renewable energy and generating financial investments

International cooperation and trade : Members underline the role domestic renewable energy sources play in terms of security of supply and re-establishing a positive trade balance with oil and gas exporter countries. They stress that these should play a larger role in achieving the EUs energy security.

Emphasising that the unlawful distortion of competition on the market is unacceptable and that the best conditions for the growth of RES are offered by free and open global markets, the report calls on the Commission to :

- bring ongoing proceedings on unfair practices to a conclusion as quickly as possible;
- not to create any new obstacles to trade in finished products or components used in renewable energy technologies;
- take action to remedy obstacles to trade, to safeguard fair competition, to help EU companies to access non-EU-markets and to tackle alleged trade distortions, including with regard to illegal state aid;
- actively monitor the use of unjustified non-tariff barriers (NTBs), subsidies and dumping measures by the EUs trade partners in this area;
- investigate the possibilities for the initiation of an Environmental Technology Free Trade Agreement, which would establish tariff-free trade in environmental technology products.

The report underlines the need for closer cooperation on energy policy, including in the field of renewable energy, with the EUs neighbouring countries, and the need to exploit the trading potential of renewables more effectively.

Innovation, R&D and industrial policy : Members stress that only innovation, based on R&D, can secure Europes leading position in renewable energy technology markets. They stress private investors need for certainty and call on the Commission to foster an industrial strategy for energy technologies, including, in particular, renewable energy technologies.

A European framework for the promotion of renewable energy : Members welcome the Commissions declared intention to draw up guidelines on good practice and the reform of national support arrangements. The Commission is called upon to produce the guidelines as soon as possible to ensure that the different national schemes do not distort competition or create barriers to trade and investment within the EU, in order to encourage predictability and cost-effectiveness and avoid excessive subsidies.

Lastly, Members regard it as essential, in view of the multiplicity of support arrangements in place in the Member States, to move the debate about greater convergence and a suitable European system of support for post-2020 forward.

Current challenges and opportunities for renewable energy on the European internal energy market

The European Parliament adopted by 465 votes to 177, with 46 abstentions, a resolution on the current challenges and opportunities for renewable energy in the European internal energy market in response to the Commission communication entitled Renewable Energy: a major player in the European energy market.

Getting the benefit of renewables: Parliament adds that targets and milestones should be set for the period to 2050 in order to ensure that RES have a credible future in the EU. It recalls that all scenarios presented by the Commission in its [Energy Roadmap 2050](#) assume a share of at least 30% RES in the EUs energy mix in 2030 and suggests that the EU should endeavour to achieve an even higher share. The Commission is called upon to propose a mandatory EU-wide RES target for 2030.

Emphasising that safe, secure, affordable and sustainable energy provision is indispensable for the competitiveness of European industry and the economy, Members highlight that the share of RES in electricity, heating and cooling and transport needs to be increased in a manner that is cost-efficient, taking into account the benefits and full costs of RES, including system costs, while safeguarding supply security.

The resolution notes that the Member States, within the framework provided by the EU Renewable Energy Directive 2009/28/EC, are currently acting independently in promoting RES within national administrative frameworks that differ widely, and that this is exacerbating their uneven development. A functioning internal market could contribute to compensating RES variability and the uneven distribution of natural assets.

Convinced that most areas can make contributions to the deployment of RES, Parliament stresses the need to incentivise investment in RES where they have the greatest potential, in order to ensure efficient use of public funding. It calls on the Commission to explore with the European Investment Bank and national institutions possibilities for innovative financial instruments to finance renewable energy projects, while carbon markets should do their part in incentivising investments in RES projects.

Renewable energy on the European internal energy market: Members note that the internal market in gas and electricity is to be completed by 2014 and will be crucial for RES integration to serve as a cost-effective means to balance variable electricity production. The Commission is called upon to tackle inappropriate market concentration where it hinders competition (including the referral of Member States to the Court of Justice). Member States are called upon to continue with the full implementation of the internal energy market legislation and the development of interconnections, as well as the elimination of energy islands and bottlenecks. Members support the Commission's view that competition needs to extend to renewables, when they become mature and economically viable.

Infrastructure requirements: the resolution insists on:

- the modernisation of the energy grid and the urgency to develop infrastructure development for the success of the single market: the implementation of the energy infrastructure package is crucial in this respect, in particular for speeding up the construction of new infrastructure with cross-border impact;
- the increasing need for a stable policy framework to provide economic guarantees concerning the availability of these reserves as well as for system and balancing services, Member reject the concept of competition for subsidies between energy sources and call for an energy market design tailored to the Unions long-term energy and climate policy objectives, which makes it possible to integrate RES technologies into the internal energy market;
- the advantages of decentralised renewable energy supply close to consumption centres, Members point out that the Commission

should facilitate the development of adequate modelling tools to define the optimal mix of distant, large scale generation plants and distribution level installations;

- the insufficient network capacity and storage facilities: this situation can add to uncoordinated cross-border energy flows (loop flows) and could cause serious emergencies in other Member States. In this regard, Members call on the Member States to press ahead as quickly as possible with the development of transmission and distribution systems and to encourage greater cooperation between transmission system operators;
- the potential of smart grids, demand side management tools and energy storage solutions, both to facilitate the best possible integration of RES-E and to even out grid fluctuations.

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Lastly, Parliament regards it as essential, in view of the multiplicity of support arrangements in place in the Member States, to move the debate about greater convergence and a suitable European system of support for post-2020 forward.