

Workshop „The Future of Renewables and the Electricity Market Design in the European Union“, 27 June 2016, European Parliament

organised by GUE/NGL (Left Group in the European Parliament), Rosa-Luxemburg-Foundation Brussels, in cooperation with Transform!

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Today, on 30 November 2016 the winter package containing legislative proposals on the new energy market design, the revision of the renewable energy directive and on energy efficiency were published by the European Commission.

Background:

The renewable energy directive will contain provisions on the targets set for Member States on their share of renewable energy, on the governance in this field, national support schemes for renewable energy and hopefully provisions benefiting community energy.

The proposal on the new energy market design will touch upon the electricity market and the gas market. Concerning the electricity market, the European Commission (and the conservative rapporteur for the own-initiative report in the European parliament) is planning to deepen the single market for electricity, enhance the cross-border-trade, establish cross-border capacity markets and abolish regulated prices.

The aim of the workshop was to share knowledge on the upcoming legislative proposals, discuss a paper containing demands of members of GUE/NGL for a social, ecological and sustainable energy union and discuss further steps to be taken in order to influence the political discussion.

In her opening speech, **Cornelia Ernst** pointed out that the question of energy production is a European question since CO₂ emissions and nuclear radiation do not respect national borders. In order to reach at least the two-degree target, the European energy union has to focus on facilitating a considerable growth in renewable energy production and support, in particular, the decentralised renewable energy production by community energy projects. She criticised the own-initiative report by Werner Langen on the new energy market design which favours the phase-out of subsidies for renewable energy, such as fixed feed-in tariffs. In her opening speech, **Gabriele Kickut**, Deputy Director of the Centre for International Dialogue, Rosa-Luxemburg-Foundation Berlin, highlighted that the social-ecological transformation has implications for the distribution of power within society and needs to address the questions: how do we want to live? For which issues are the interventions of civil society necessary? The social-ecological transformation is one of four core topics of the work of the Rosa-Luxemburg-Foundation worldwide. The office in Brussels has been organising a multitude of initiatives and events on this topic, such as the panel discussion on fossil fuels during the COP21 conference in Paris in December 2015.

Manuela Kropp, policy advisor to MEP Cornelia Ernst, presented the draft paper containing the proposals of four members of GUE/NGL on a social, ecological, democratic and sustainable energy union. She highlighted the most important points such as the rejection of capacity markets, energy efficiency as the first fuel, the support of flexibility options in terms of generation, consumption and storage. She explained that the focus has to be on regional and de-centralised energy production and consumption, with particular support for community energy projects. National support schemes such as fixed feed-in tariffs or fixed prices are still necessary, although the guidelines on state aid for energy and environment present a big hurdle. This position paper will be translated and disseminated among the members of the GUE/NGL.

Eva Bulling-Schröter, Member of German Bundestag, Parliamentary Group DIE LINKE, criticized the fact that German community energy projects will be stalled by the revised law on renewable energy (EEG). In Bavaria, this development has already started. With regard to capacity markets, she points out that the German fossil fuel sector will receive 1.6 billion EUR in seven years (230 million EUR per year) due to the German model of the capacity mechanism - the strategic reserve. In view of the 1.5-degree target, Germany should reduce its greenhouse gas emissions to zero by 2035. But in 2015, the share of lignite coal in the German gross electricity production still represents 23.8%. The left proposal for a law on the phase-out of lignite envisages the start of scheduled shutdowns of lignite power plants in 2017, the last lignite power plant should be closed by 2035.

Brook Riley, Friends of the Earth, is expecting Brexit to delay the submission of the draft legislation on the new energy market design and the Renewable Energy Directive. He emphasised that, in the discussion, the possible energy efficiency measures must not be forgotten. Ultimately, they hold great potential - in the fight against climate change, in job creation and through the renovation and insulation of buildings.

Jan Willem Goudriaan, General Secretary European Public Service Union (EPSU) points to the "Trade Unions for Energy Democracy" initiative, which is a global, multi-sector initiative to advance democratic direction and control of energy in a way that promotes solutions to the climate crisis, energy poverty and responds to the attacks on workers' rights and protections. The social consequences of liberalising the energy market and a possible energy revolution must necessarily be taken into consideration and should be reflected in the corresponding positioning of the left-wing GUE/NGL group in the European Parliament. The European Commission has not yet considered the social consequences in the impact assessment on the legislation package around the new energy market design. In future, the trade unions must also play a role in oversight of future implementation of the Renewable Energy Directive.

Josh Roberts, ClientEarth, explains that a dedicated legal framework for prosumers is needed because they are different from traditional actors in the energy market. Specific definitions and provisions are also needed to protect different types of prosumers (acting individually and collectively) and activities. Prosumers need to have a right of fair access to relevant markets - for this, Member States and national regulatory authorities should be required to guarantee access and priority connection for renewable energy production installations to distribution grid infrastructure. Member States need to set in place a standardised and transparent system of establishing network tariffs/rate design at national level that ensures

non-discriminatory distribution of costs and benefits and does not result in disproportionate or dissuasive costs for participation in self-generation. Furthermore, a stable regulatory framework is needed which supports investor confidence of prosumers and ensures respect for their reasonable investment expectations.

Tara Connolly, Greenpeace, explains that the EU is already overproducing electrical energy and as a result, the planned introduction of capacity markets is unnecessary. These payments would only benefit coal-fired, nuclear and gas power stations, which would receive the subsidies in auction-based capacity markets. The influential Magritte group, made up of lobbyists for conventional energy generation, spoke out at an early stage against ambitious expansion targets for renewable energies and in favour of setting up capacity markets. Instead, the overproduction of electrical energy must end and the provision of flexibility in the market should be remunerated.

Benjamin Denis, ETUC (European Trade Union Confederation) points out that even though climate policies can have a positive effect on employment if investment is there and if binding policies are put in place, a lot of people perceive EU climate policies as a threat to their jobs. This is mainly because sectors and regions at risk of losing jobs, because of climate policies - have already experienced painful restructurings in the recent past due to other trends (privatization, globalisation, technological innovation etc). This is also because years of austerity measures have put a lot of pressure on wages, have weakened social protection systems and have increased social inequalities. The social dimension has to be integrated in the governance system of the climate and energy policy framework. Impact on employment, on energy affordability and on redistribution of wealth must be better assessed and monitored. If predictability matters for investors, it must matter for workers and their communities as well. In order to end the period of uncertainty for employees the concept of “just transition” has to be implemented, based on five key principles: we need a policy framework which ensures the creation and maintenance of quality employment, the workers’ participation, respect workers’ rights, have to strengthen skills, training and life-long-learning strategies, and include strategies for social protection. As a first step to put “just transition” into practice, the ETUC proposes to set up a “just transition fund”, notably funded by the European emission trading system, and which would support workers from regions where the benefits a low-carbon economy will be more difficult to secure.

Neoklis Sylikiotis, Member of the European Parliament, GUE/NGL, emphasizes that energy poverty is a veritable scourge in the EU. Every form of energy generation has to happen environmental friendly. During his time as minister for commerce and industry he introduced the “net metering” which allows for deducting the self-generated electricity off the energy bill.

Fabian Hübner, Corporate Europe Observatory, pointed out that energy cooperatives and municipal facilities in Germany are increasingly being excluded from the “Energiewende” (energy turnaround). The design of the domestic energy market favours the growing power of the major energy corporations in the energy market over an ambitious and decentralised expansion of renewable energy. “Ende Gelände” (“Here and no further”), as a grassroots movement against the lignite mines in Germany, advocates to leave fossil fuels in the ground. People need to take action themselves to stop climate change, this entails an energy

revolution "from the bottom up". One success was the demonstration against the brown coal opencast mines in Lusatia in May 2016 with 4,000 participants from twelve different member states.

Paloma Lopez Bermejo, Izquierda Unida, GUE/NGL, Member of the European Parliament: As author of the progress report on renewable energy, she was confronted with resistance from the conservatives to binding expansion targets for renewable energy and national expansion plans. Nonetheless, the report, as it was adopted by the plenary, contains a European expansion target of 30 percent, even if this should be increased to at least 40 percent if it is to reduce the effects of climate change. It is also a success that the report speaks out against extra duties for "prosumers" and advocates a biennial evaluation of the expansion of renewable energies. Unfortunately, due to majorities in the parliament, the measures supporting the fight against fuel poverty did not form part of the report. She emphasises the importance, in the fight against fuel poverty, of the right to consume energy generated by oneself. In Spain, retroactive sanctions have been introduced for SME which generate and consume their own energy. This hits these companies hard and the duties to be paid retroactively can push them into insolvency.

Xabier Benito Ziluaga, Podemos, GUE/NGL, Member of the European Parliament: Xabier reports on the energy efficiency measures in Barcelona, Madrid and Cadiz which were brought in primarily to fight fuel poverty. He highlights that, since the liberalisation of the energy markets, there has been a concentration of wealth in the energy sector which has exacerbated Spain's social problems. Photovoltaic plants, which were used on many roofs in Cadiz for personal consumption, were blocked by the introduction of the "sun tax" in 2015. Funds must urgently be made available from the EU budget to support renewable energy projects for citizens.

Dirk Hendricks, EREF (European Renewable Energy Federation): He highlights that a decentralised and democratic energy system is necessary which provides affordable energy. In the revised renewable energy directive the "right for energy" as a fundamental right has to be anchored. Furthermore we need a long-term political commitment to an increasing share of renewable energy generation: to achieve this nationally binding targets, more ambitious targets and an enforceable governance framework are necessary although so far the European Commission has been silent on this. Continuous remuneration schemes for renewable energy are inevitable due to the overcapacity of electricity generated by gas power plants, coal and nuclear power plants. A phase-out plan for nuclear power, coal and gas has to be set up, subsidies for coal and nuclear power have to be stopped.

Jörg Mühlhoff, BEUC (The European Consumer Organisation): There is a huge potential for cost-savings by self-generated electricity, for this reason we need a "bike lane" for prosumers in the renewable energy directive which establishes a space for fair competition and favours the "think first small - approach". With regard to self-generation the commission might present a one-sided approach promoting self-consumption excluding the export of electricity to the grid. In order to support consumers' self-generation one should have the right to self-generate and inject electricity to the grid. 30 per cent of European citizens live as tenants, 40 per cent live in multi storey buildings - for this reason the renewable energy directive the access to self-generation for tenants has to be anchored.

Claire Roumet, Energy Cities: Adopting a “think local first” approach when designing national energy and climate plans would avoid the funding of unnecessary infrastructure turning to stranded assets. The European commission should entice Member States to impose legal obligations to renewable energy investors to open the capital and governance of their projects to citizens and local authorities’ participation. Experience has shown people are less likely to adopt a “not in my backyard” attitude when they are involved in the decision making and ownership of projects. The renewable energy directive should set targets for community energy, the development of renewable energy cooperatives and local energy companies should be supported by an enabling legal environment.

Marc-Olivier Herman, Oxfam: European Governments are increasingly relying on bioenergy as a cheap way to meet targets for renewable energy. Bioenergy represented 62 percent of the EU’s renewable energy use in 2012. Sustainable bioenergy has a role to play in Europe’s transition to an energy system based on renewable energy and energy efficiency but we have to avoid “fake solutions”. In the area of transport biomass is used in the form of biofuels which is highly problematic because the policy on biofuels is increasing the emissions (imported palm-oil goes into biodiesel and causes higher CO2-emissions). The 10%-binding target for renewable energy in transport should not remain in the revised renewable energy directive. End of 2016 the European Commission will present its proposal on bioenergy which has to contain sustainability criteria for biofuels.

Pascoe Sabido, CEO: Pascoe points out that six months on from the one-year anniversary of taking office of the European commission and CEO’s report “Cooking the climate since 2014: Big Energy’s year of privileged access to Europe’s Climate Commissioners” research by Corporate Europe Observatory shows that little has changed. Out of the 163 meetings with 170 different lobby groups (excluding public authorities), 71 per cent were with industry, 17 per cent with NGOs, eight per cent with think tanks and research institutions and only five per cent were with trade unions. Since the Paris Agreement was signed there are no signs of going against Big Energy or avoiding yet further fossil fuel lock-in.

Discussion:

During the discussion, **Jean-Claude Simon**, researcher with transform! pointed out that energy poverty is at the rise, everywhere in the EU. The Parti de Gauche demands to constitutionalise the access to water and energy. A certain amount of electricity and heat has to be free of charge, then a progressive electricity tariff should be applied.

Christiane Maringer, KPÖ, Austria, points out that the KPÖ proposes a “basic energy consumption” which should be free of charge. Energy policy is part of regional policy, and the priority for renewable energy generation in the form of community energy has to be stipulated by law.

Karl Vogt-Nielsen, Red-Green-Alliance, Denmark, explained that as of late there are no subsidies at all for private producers of renewable electricity. The Red-Green-Alliance had proposed the introduction of a tax-free basic consumption of electricity because the taxes and levies on electricity are very high in Denmark.

Connie Uschtrin, policy advisor to Eva Bulling-Schröter, explains that the German government does not take advantage of the de-minimis-rule to the full extent. Projects up to 18 MW could be spared the tendering procedure for the subsidies. The costs to participate in the bidding-procedure could add up to 100.000 EUR. Because the resistance against wind power is on the rise in the North of Germany, the government of Mecklenburg-West Pomerania introduced a law stipulating that investors in wind power have to cover 20 % of the investment costs via community power.

Hervé Bramy, PCF, chair of the environmental group of the European Left, emphasizes that millions of people in France need “energy allowances”. The production and distribution of energy has to be 100% state-owned or community owned. EDF is planning to privatize 50% of the electricity grid - this augurs badly. The decarbonisation cannot only be achieved with renewable energy - nuclear power has to play a role in it.

Maxime Benatouil from Transform pointed out that the geopolitical conflicts over “energy security” are intensifying with too many people throughout the world unable to meet basic energy needs, the question of a fair energy transition paving the way for another model of development is more crucial than ever. Among genuine progressive forces it is now crystal clear that a new fundamental contradiction has arisen, the contradiction between capital and sustainability of the planet.

Giorgos Chondros, energy expert SYRIZA, explains that the Troika and the creditors would appreciate a privatisation of the Greek energy sector. The biggest energy enterprise PPC had difficult negotiations with the creditors to ensure it can stay a public enterprise. 100.000 families have no access to energy supply anymore. The most important source of energy is lignite in Greece, although now they use only 50% of the capacity installed due to the decline of energy consumption.

György Droppa, Green left party Hungary, points out that 48% of Hungarians live under the poverty line, so we see a decline in the generation of renewable energy because people abandon gas for wood, to burn in the old-fashioned ovens. Statistical data on energy poverty are falsified, the EU should have an eye on it. Today, 53% of total electricity generation comes from nuclear power, the government plans to build additional nuclear power stations although there is overcapacity in the market. The government has stopped the support for wind power plants in Western Hungary, and introduced a new tax on solar cells.

In the **concluding discussion** the participants agreed to focus on the aspect of “energy poverty” - covering its different dimensions such as the access to energy as a basic social right, the decentralised renewable energy generation, a publicly owned energy system, the necessity of public investment in the energy sector (quantitative easing for climate), energy efficiency measures which have to be more politicized and a “just transition” ensuring decent work for employees laid off from the coal and nuclear sector. A working group on “energy poverty” will be founded and start to work in 2017.