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European Commission

Directorate-General Climate Action

Unit B.1 – Implementation of ETS

Avenue de Beaulieu, 24

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Belgium

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Response to the consultation on structural options to strengthen the EU Emissions Trading System

RP Global is a privately owned IPP (Independent Power Producer), developer and investor in renewable energies. Following twenty years of specialization in hydropower activities, RP Global has diversified into wind energy projects in mid 2000.

During the last 28 years, more than 30 power plants were developed and constructed in Austria, Spain, Portugal, Turkey, France, Poland, Croatia and Chile.

To our understanding, the European Carbon Market is meant to support a (climate-) policy-goal: The limitation of adverse effects connected to global warming via a reduction of CO_2-emissions. This goal is aimed at by "setting the right price" for carbon emissions and thereby incentivising carbon savings. Introduction of a scarcity for carbon-emission-allowances and the establishment of a marketplace for this scarcity have been chosen as the preferred instrument for pursuing this goal.

It has turned out that even if the market is working, at least in technical terms, the actual policy goal is not supported by the chosen instrument. Instead, carbon emissions are exported or at least their business-as-usual development did not increase according to projections underlying the instrument-design. As a result, the price for emission allowances is collapsing (again) and emissions are rising in several sectors in certain countries in the short term and – more significant – capital intensive investments into technologies are incentivised, which display the largest carbon footprint in comparison.

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How does this affect us?

As a developer of and investor in renewable energy projects (primarily located in EU Member States), we are affected by electricity market price developments, which we regard as a result of non-effective European climate policy and which bring about distrust in future European climate policy efforts in the view of the whole sector. More specifically (and in contrast to a market consensus), the level of electricity wholesale prices is following a decreasing trend. This, in turn, increases the share of subsidies in the overall revenue requirement of producers of electricity from renewable energy sources, thereby acts against the competitiveness of electricity produced from renewables and impedes public acceptance of such.

All of the above generates distrust in a stringent European climate policy and thus significantly increases investment uncertainty and – as a result – cost of financing. This development is clearly observable to us and adds to before mentioned detrimental impacts on the competitiveness and public acceptance of renewable energies.

Recommendation:

RP Global recommends taking any measures, which can be regarded suitable for re-establishing price signals on the carbon market, which are effectively incentivising carbon-saving and investment into low-carbon-technologies including increasing of targets, retiring of allowances, revision of foreseen decreases, extension to other sectors and other market interventions in the short run.

In the long run, RP Global recommends substituting the currently implemented instrument of a market for a policy-good, which is creating high uncertainties to industries, by a carbon price, which is predictably evolving over time. In order that such instrument is robust against carbon-leakage, it needs to be ensured that the carbon value implicit to goods and services may be deducted and added in international trade similar to or as a replacement of VAT.

Best regards,

Lukas Weissensteiner
Business Development and Markets
RP Global Austria