BREXIT Guide on energy talks

Brexit talks are now finally underway. This month the EU and U.K. teams met with an exchange of gifts and an agreement on how the talks would proceed. The U.K. made a significant concession by agreeing to talk about what the EU wants to talk about (the terms of the divorce) before moving on to what it wants to talk about (trade and the future relationship between the two sides).

One key issue that must be tackled early on is settling the U.K.’s financial obligations to the rest of the bloc — the so-called Brexit bill. That impacts on everything else because unless the EU27 deems “sufficient progress” has been made in the money negotiations, they say they aren’t willing to move on to other things. Here’s a guide to what is at stake in the area of energy once the financial discussions are out of the way:

What’s at stake? New tariffs or other trade barriers could push up the price of gas and power supplies, putting the U.K., Ireland and others at risk of shortages. In another blow to Britain, they could get in the way of new investment, equipment and expertise for energy infrastructure (particularly nuclear plants).

What’s not? The continued flow of electricity and gas between the two sides. Costs and volumes may change, planned new links might run into complications, but existing interconnectors will not disappear after Brexit.

Biggest potential losers: The Irish-Northern Irish single electricity market; U.K. energy companies in the EU; EU energy companies in Britain; the British nuclear safeguarding regime; new nuclear energy developers in the U.K.; British energy bill payers.

Biggest potential winners: Not many. Maybe a few small local energy companies, like those developing shale gas, that would benefit from less international competition.

Key decision: Whether the U.K. leaves the EU’s internal energy market, and whether it continues to follow a complex set of power and gas network rules that make it easier to trade between EU markets.

Key person on U.K. side: No one specific on the negotiating team.

Key person on Brussels side: Tadhg O’ Briain and Nicola Pesaresi.

Source: Politico Pro

ENERGY EFFICIENCY

Ministers agree 30% energy efficiency target

EU energy ministers agreed this month to support a 30% energy efficiency target for 2030 while weakening an annual savings obligation key to delivering it.

The agreement was the result of hours of talks, with the Maltese EU Council presidency producing several amended versions of the compromise text before it was acceptable both to those calling for more ambition and those requesting additional flexibility.

A mention of the target’s binding nature was removed from the text, leaving it open to interpretation whether countries would be legally bound to meet it.

Countries also agreed to reduce the current 1.5% annual energy savings obligation to 1% for the period 2026-2030 unless the European Commission’s mid-term review, foreseen for 2024, concludes that the EU is not on track to meet its targets.

The measure’s potential to generate end-use energy savings by consumers and companies, its original purpose, was also diluted by a provision allowing member states to make use of new exemptions. Under the current law, their use was limited to 25% of the expected energy savings, which would rise to 35% under the Council position.

New options falling under this cap in the period 2021-2030 allow member states to count savings from individual actions taken in the years preceding 2020, as well as a limited amount of renewable energy generated on-site.

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The debate ahead of the final compromise showed that countries were sticking to their positions. The UK and a number of mainly central and eastern European countries wanted to go with the 27% indicative efficiency target agreed by EU leaders in 2014, while calling for more flexibility to meet the annual savings obligation.

By contrast, France, Germany, Luxembourg, Sweden and Denmark insisted on maintaining the ambition level of the European Commission’s proposal, which called for a binding 2030 target. A Franco-German proposal, which included removing the word binding from the text, helped to broker the compromise.

The agreed text will serve as the Council’s negotiating position in talks to agree the final legislation with the European Parliament. NGOs and businesses working on energy efficient solutions called on MEPs to ensure an ambitious outcome.

Source: Ends Europe

ELECTRICITY MARKET

Lead MEP would end priority dispatch for green power

The European Parliament’s lead negotiator on reforms to the EU electricity market rules has backed the idea of abolishing the first call on grid access currently enjoyed by renewable power generators.

“The rapporteur believes that for the market to deliver, everyone has to be financially responsible for the imbalances they cause in the system,” Krišjānis Kariš, a member of the EPP group, wrote in his position on the European Commission’s proposal published as part of its ‘winter package’ of climate and energy policy.

It is generally conventional gas and coal power stations that shut down when electricity supply exceeds demand, while wind and solar power installations continue running. The idea of the reform is that by abolishing ‘priority dispatch’ for green power, such decisions will be made on a purely market basis.

However, with coal-fired and nuclear plants difficult to ramp up and down, firms in the renewable power sector fear they would be forced to shut down at times of overproduction, a situation for which they currently receive financial compensation.

Kariš argued that removing the support measure would give all producers an incentive to balance supply with demand and keep the electricity grid stable. It would also minimise the need to pay operators to keep conventional fossil-fuel power plants on standby to ensure security of supply, he said.

The Latvian lawmaker agrees with the EU executive’s view that ‘capacity mechanisms’ – which critics view as state subsidies to coal, the dirtiest fuel for power generation in terms of CO2 emissions – should be permitted “only as a last resort”.

The pressure group Greenpeace welcomed Kariš’s position on capacity payments, but said it was “beyond nonsensical” to end priority dispatch when climate commitments require a switch to 100% green power by mid-century. “Only if the EU prioritises renewable energy can it achieve this,” said policy adviser Sebastian Mang.

The update to rules governing Europe’s complex network of linked electricity markets comes as Europe draws an increasing proportion of its electricity from renewable sources, which accounted for 29% of generation in 2015.

The industry and energy committee is due to discuss the draft report at a meeting on 10-11 July. The European Parliament as a whole is expected to adopt early next year its final position, which Kariš will represent in negotiations with national governments.

Source: Ends Europe

Europe’s power lobby goes green

Europe’s biggest electrical lobby group, Eurelectric, is giving itself a makeover, pulling heavyweights from the industry’s cleanest companies into its top positions.

This month Eurelectric appointed a new president, Enel CEO Francesco Starace, who shifted his Italian utility strongly toward renewables and is a long-time critic of continued investment in traditional power projects like fossil fuels and nuclear. He’ll be joined by a new vice president, Magnus Hall, chief executive of Sweden’s Vattenfall, which is selling its coal assets and focusing heavily on wind, and the sitting vice president Alistair Phillips-Davies, CEO of the U.K.’s SSE.

Earlier this year, Kristian Ruby became Eurelectric’s new secretary-general. He was previously the chief policy officer at Wind Europe and also worked for former Climate Commissioner Connie Hedegaard.

But edging away from its reputation of supporting traditional energy, including coal, is going to be very difficult for Eurelectric, a pan-European association representing 3,500 companies with assets in coal, nuclear, and gas, as well as wind, solar, and bioenergy.

Eurelectric’s new management gets its first test with the EU’s ongoing debate on overhauling its electricity laws to adapt to smaller and more intermittent renewables instead of big traditional power plants, and to link up national and regional markets. The lobby said that its aim will be to make sure the bloc’s policies spur decarbonization, electrification, and innovation at a time when the European electricity sector is expected to invest €1.8 trillion in modernization between 2010 and 2050.

However it is going to be difficult for Eurelectric to square the needs of all its members.

The complications were starkly shown in May, when the group announced that EU electricity utilities won’t build any new coal-fired power plants after 2020. The only problem? Power companies in Poland and Greece, both still dependent on coal, refused to go along.

The reason it’s been so difficult for Eurelectric to be active in promoting green energy is because “energy policy was seen as a zero-sum game between the different members,” said Georg Zachmann, senior fellow at the think tank Bruegel. As a result, policies that favor one fuel over another will inevitably benefit certain utilities over their competitors.

“Resolving this dilemma proved impossible in the past decade,” he said.

Starace and fellow greener executives will also have to balance the industry’s various interests when it comes to the EU’s electricity market
reforms and Eurelectric’s position on capacity payments — which keep power plants on standby in case renewables like wind and solar power flag. The European Commission proposed limiting capacity payments to power plants that emit less than 550 grams of carbon dioxide per kilowatt-hour — in effect excluding coal, but including gas.

Eurelectric opposes the proposal, arguing coal still plays an important role. “We need to make this transition at a pace where we can keep the lights on,” Ruby said in February. This position angers some of its members who favor cleaner energy, sources said.

Starace said such emissions performance standards are a “potential solution,” but that the key is to make sure capacity payment schemes come with a strong Emissions Trading System (ETS) that favors the most efficient power capacity — a stance that aims to finesse the differences among Eurelectric members.

Even Starace’s image as a green pioneer is nuanced. He’s made a commitment to only invest new money in renewables and clean tech like digital grids and electric vehicles. But Enel still gets flak for continuing to operate big coal-fired power plants in Italy (although Starace promises to shut them down within 12-13 years).

Enel is also a member of the Magritte Group of European energy companies, which has drawn criticism for sticking with policies such as capacity payments.

If Starace doesn’t call for boosting the share of renewables and improving energy efficiency by 2030, then Eurelectric’s changes will only be a “façade,” said Claude Turmes, a Green MEP from Luxembourg and vocal Magritte Group critic.

Source: Politico

ELECTRIFICATION OF TRANSPORT

Opinion: The electric car revolution – coming to your street

In the Boardrooms of the major carmakers a revolution is being planned. Companies are gearing up to replace our driven, analogue, mechanical cars with driverless, digital, electric ones. VW plans to sell 25% electric cars by 2025 and 50% by 2030. Volvo has targeted 20% and Mercedes 20-25% by 2025. As GM’s Mary Barra recently said, there will be more change in the car industry in the next 5 to 10 years than the last 50.

But not all carmakers are investing: the boss of cash-strapped Fiat recently pleaded with customers not to buy their electric 500x model; Ford has been slow to join the race, as is Toyota that after betting on hydrogen has recently begun investing heavily in battery electric solutions. Automotive supply companies and the oil industry are also lobbying furiously to turn back the clock.

The change in attitudes is being driven by new technology and in the case of electrification astonishing cost reductions in batteries that over 15 years from 2010 will fall in price and improve in energy density by about a factor of 10. This will enable attractively priced 400km range models to complete with increasingly expensive engine cars. China, soon the overtake Europe as the world’s largest electric car market, is investing heavily creating a strong home market it intends will be a springboard for its companies to sell their models globally.

In Europe, the transition to electric cars is being given additional impetus by the Dieselgate scandal that shows no signs of abating. Just this week France has threatened to sue VW for €20 billion for manipulating its diesel car market. Daimler’s offices have been raided in Germany; and Fiat Chrysler being prosecuted in the US. Pressure is on to clean up Europe’s toxic air and cities including Paris, London Madrid, Athens and Stockholm plan to ban or charge dirty diesels. Government’s are pushing up diesel fuel taxes to discourage diesel cars sales.

EU regulators are replacing obsolete tests and car approval processes that will require diesels to fit more effective, but more expensive, exhaust treatment systems. The diesel market share is slumping as a result down from a peak of 53% to around 47% whilst sales or electric and hybrid models increased by 37% in the last 12 months. By the early 2020’s, over four years, an electric car is forecast to be cheaper to buy and run than a petrol model.

However, a rapid take-up post 2020 assumes that forecast battery price reductions are not derailed by increases in the price of lithium and cobalt. For sales of electric cars to take off from their current niche (about 1% market share) buyers will also need to see recharging points along highways and in cities - even if most will only need to charge once or twice a week and this will be done predominately at home overnight or at work.

There is also currently a chronic lack of choice in the market (about 20 electric models) and many of these are not available in all countries. Car taxation, especially for company cars, need to be reformed. Buyers will also need to be sold the vision and this requires significant investment in marketing electric cars that currently represents less than 1% of advertising budgets.

The shift to electric cars will not come overnight — but it will happen quickly as it must if transport CO2 emissions are not to cause the Earth to dangerously warm and Europe miss its climate commitments made just a year ago in Paris.

Source: Ends Europe

STORAGE

Policymakers urged not to overlook electricity storage

The contribution that electricity storage could play in delivering the ambitions of the EU’s ‘clean energy package’ should not be underestimated, a new report argued this month.

“The roles and opportunities for electricity storage and its competitors grow as the electricity systems grow, in particular as the penetrations of variable renewable generation increase,” the European Academies Science Advisory Council noted.

With costs falling, storage could “competitively add value to electricity grids by contributing to balancing, reserves, network capacity and generation adequacy”, the experts said.

However, storage is not currently able to compete on an equal footing with other options for managing electricity systems – such as demand response, grid reinforcements, greater interconnections and curtailment.

Minimum bid sizes, a lack of provision for aggregator involvement and double payments for use of grid infrastructure limit the participation of
storage in some markets, said EASAC.

“To deliver secure supplies of affordable electricity at the lowest costs to European consumers, it must therefore be made possible for storage systems to compete with these other options, which implies changes to the current design of electricity markets,” the report’s authors argued.

Industry could well be resistant to such change, but market design should be “technology neutral”, they noted.

The European Commission’s clean energy package of proposals, which is currently being negotiated by MEPs and member states, presents an opportunity to include clearer provisions for the values and limitations of storage – an area “largely ignored” by the EU’s energy union policies.

EASAC president Professor Thierry Courvoisier said dedicated electricity storage has historically had a “relatively minor role” in the management of Europe’s electricity networks.

EASAC’s experts found that large-scale electricity storage is “making a comeback” as operators look to manage increasing penetration of “variable renewable electricity generation” on the grid.

Equally, small-scale storage has ramped up – 40,000 photovoltaic plus battery systems have been installed in Europe since 2013, “and interest is growing in the potential for coupling the batteries in electric vehicles to household systems for self-consumption”.

Source: Ends + EASAC

SMART BUILDINGS

**Council deal jeopardises e-car roll-out**

Europe would see only 115,000 new electric car charging points under a position on reforms to the EU’s buildings law sealed by governments at the end of the month, the EU energy commissioner warned.

Energy ministers agreed that non-residential buildings with parking spaces for ten or more cars – whether new or undergoing major refurbishment – must have just one charging point for electric vehicles, with cabling ducts leading to every third place.

For residential buildings, there would be no immediate requirement for charging points, but where there are at least ten parking spaces, all would have to be served by cabling ducts to allow for their future installation.

The EU Council position on the revision of the 2010 Energy Performance of Buildings Directive (EPBD) would entail a far less ambitious infrastructure roll-out than proposed by the European Commission, commissioner Miguel Arias Cañete said.

The EU executive’s proposal, tabled in November 2016, called for a charging point for every tenth parking space in all commercial and residential buildings. It estimated that this would lead to the roll-out of 3.1 million of the 8 million charging points needed for the envisaged decarbonisation of the transport sector.

Cañete said he hoped to see an increase in ambition during subsequent negotiations with the European Parliament, whose industry and energy committee is expected to agree a position in October.

The Council agreement also called on national governments to come up with a “long-term strategy for mobilising investment in the renovation of the national stock of residential and non-residential buildings”.

This would begin with an overview of the existing building stock in 2020 and estimates of expected energy savings, along with policy measures to enable and stimulate investment in the “deep” renovation of inefficient buildings.

Governments would have to produce a roadmap for bringing their building stock in line with the EU’s undertaking to reduce greenhouse gas emissions by at least 80% by mid-century, setting out “indicative” – that is, non-binding – milestones for 2030 and 2050.

Source: Ends Europe