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The role of renewables in the new member countries

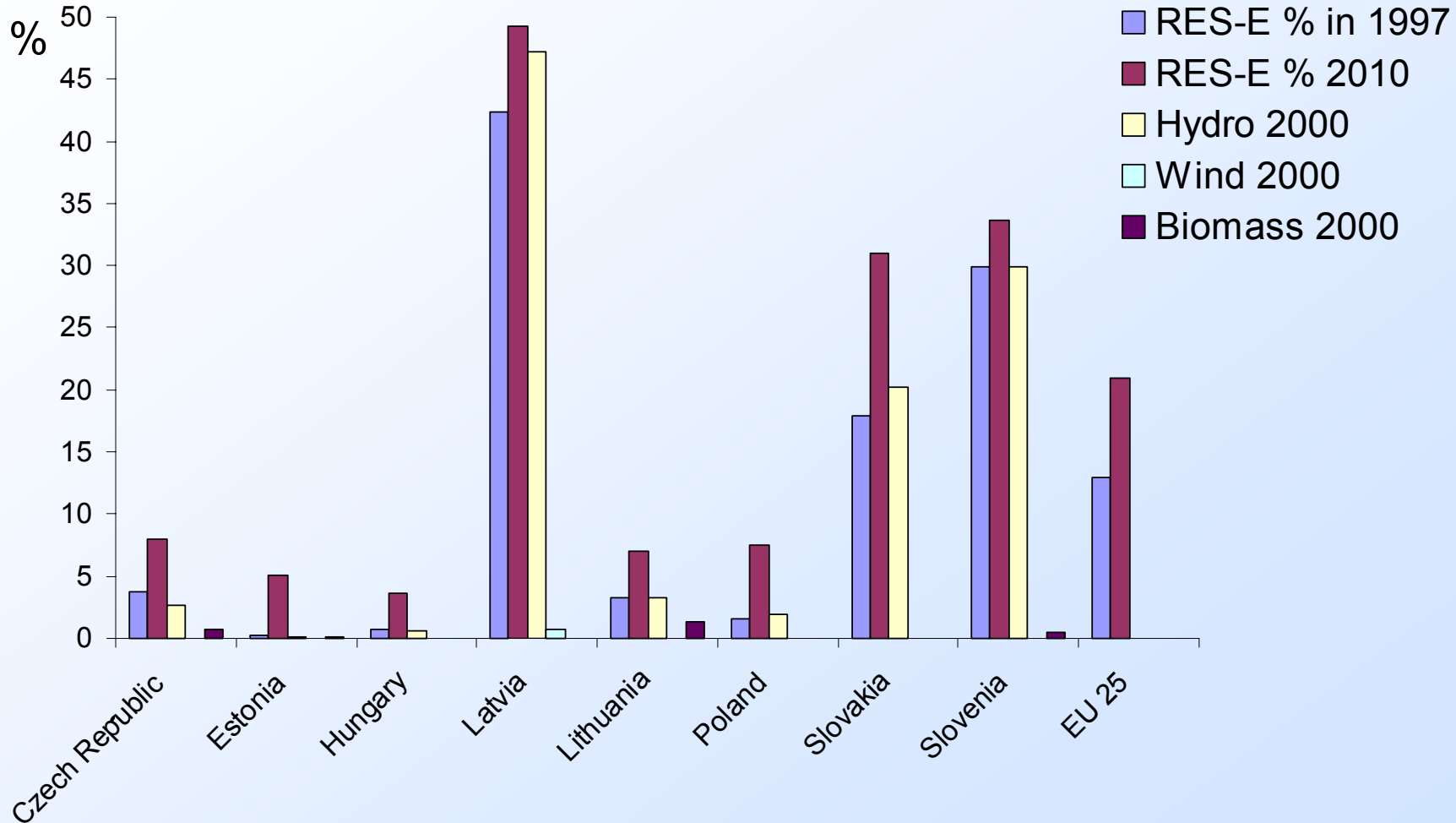
SESSA

December 2004

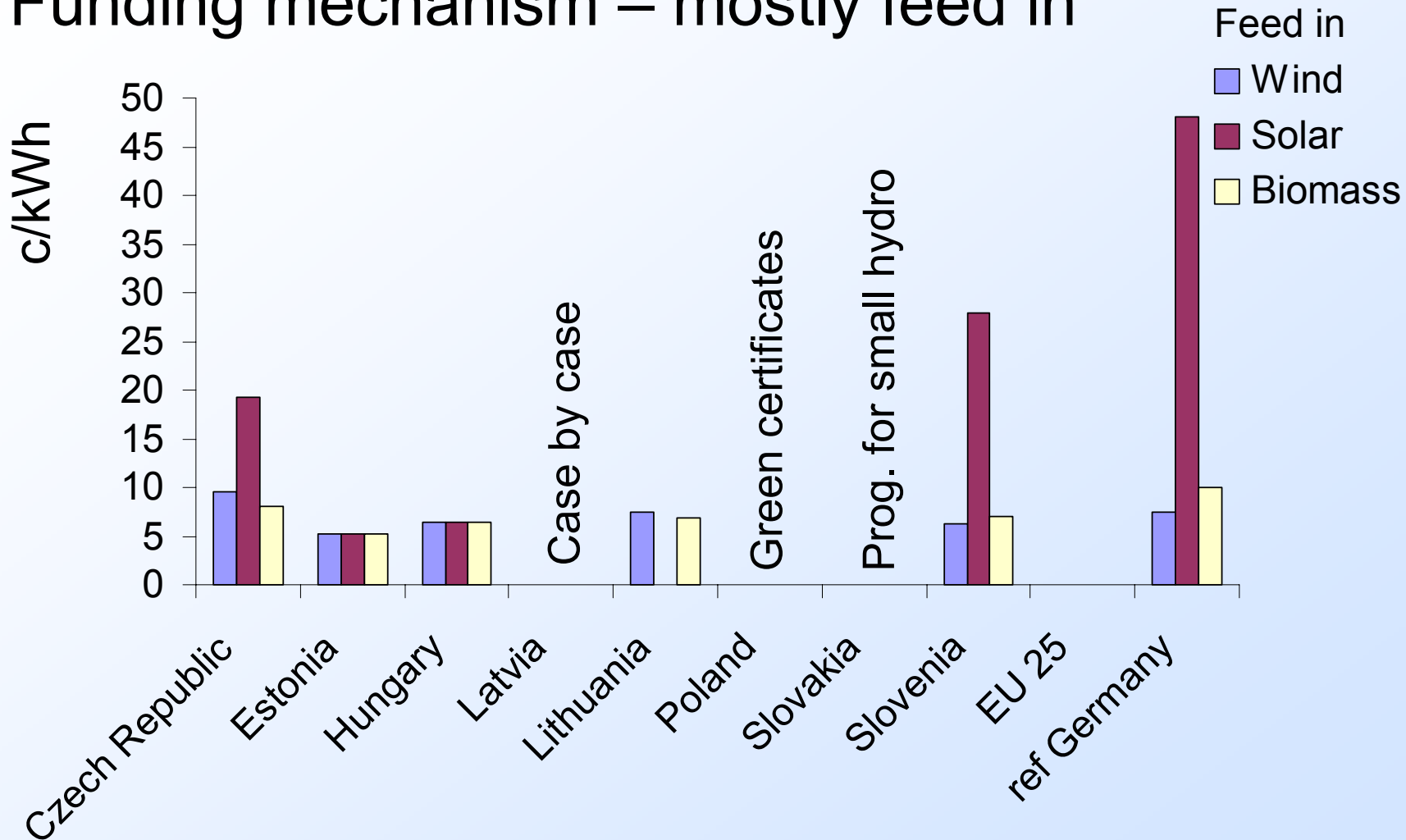
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Current renewable market shares and target



Funding mechanism – mostly feed in



Program length, price setting, certificate enforcement?

Opportunity costs for investing in renewables are higher in new member countries

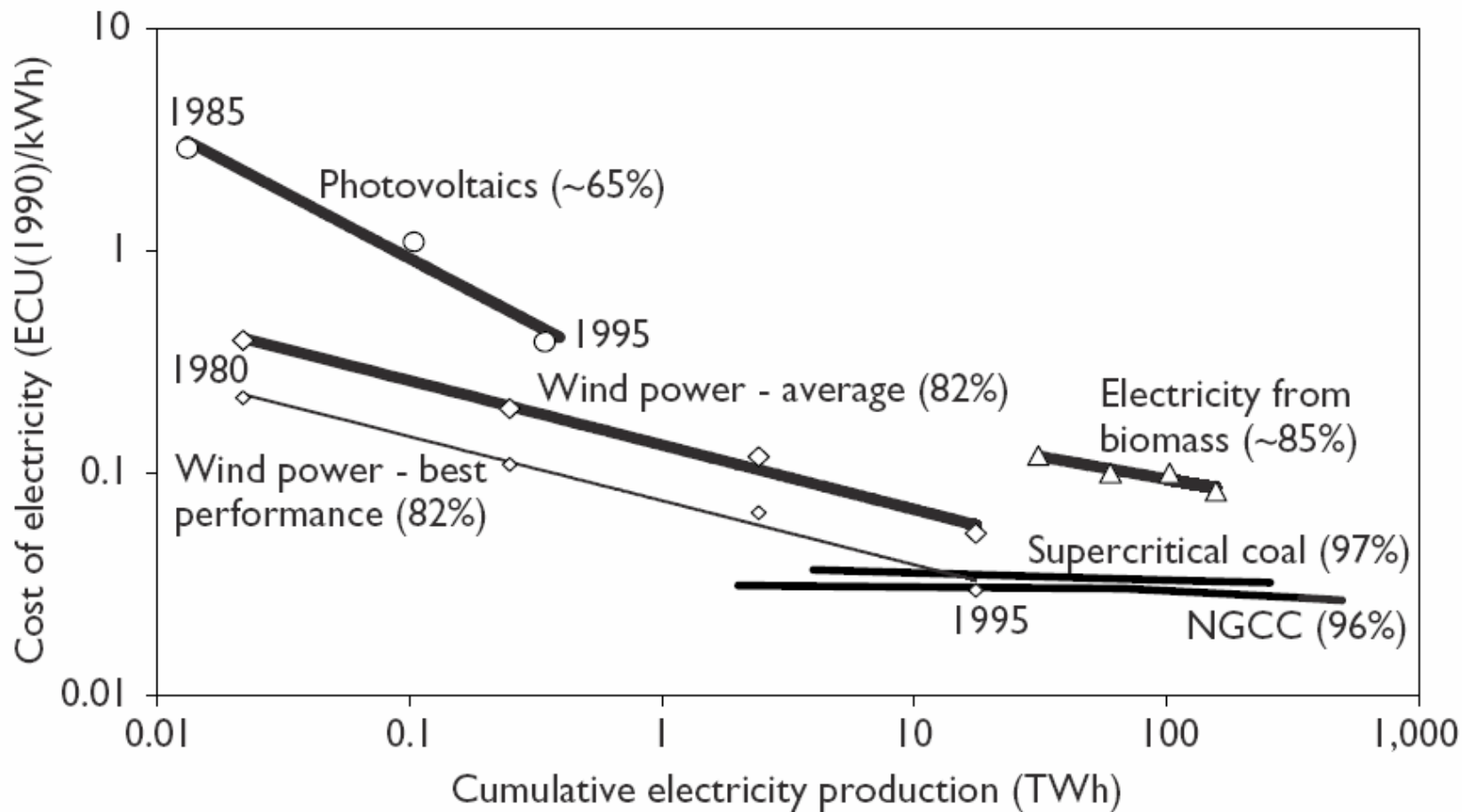
- Energy efficiency options are cheaper
- Other environmental problems - large impact
- Sufficient CO₂ allocation - less incentive to reduce CO₂

Benefits from of renewables deployment

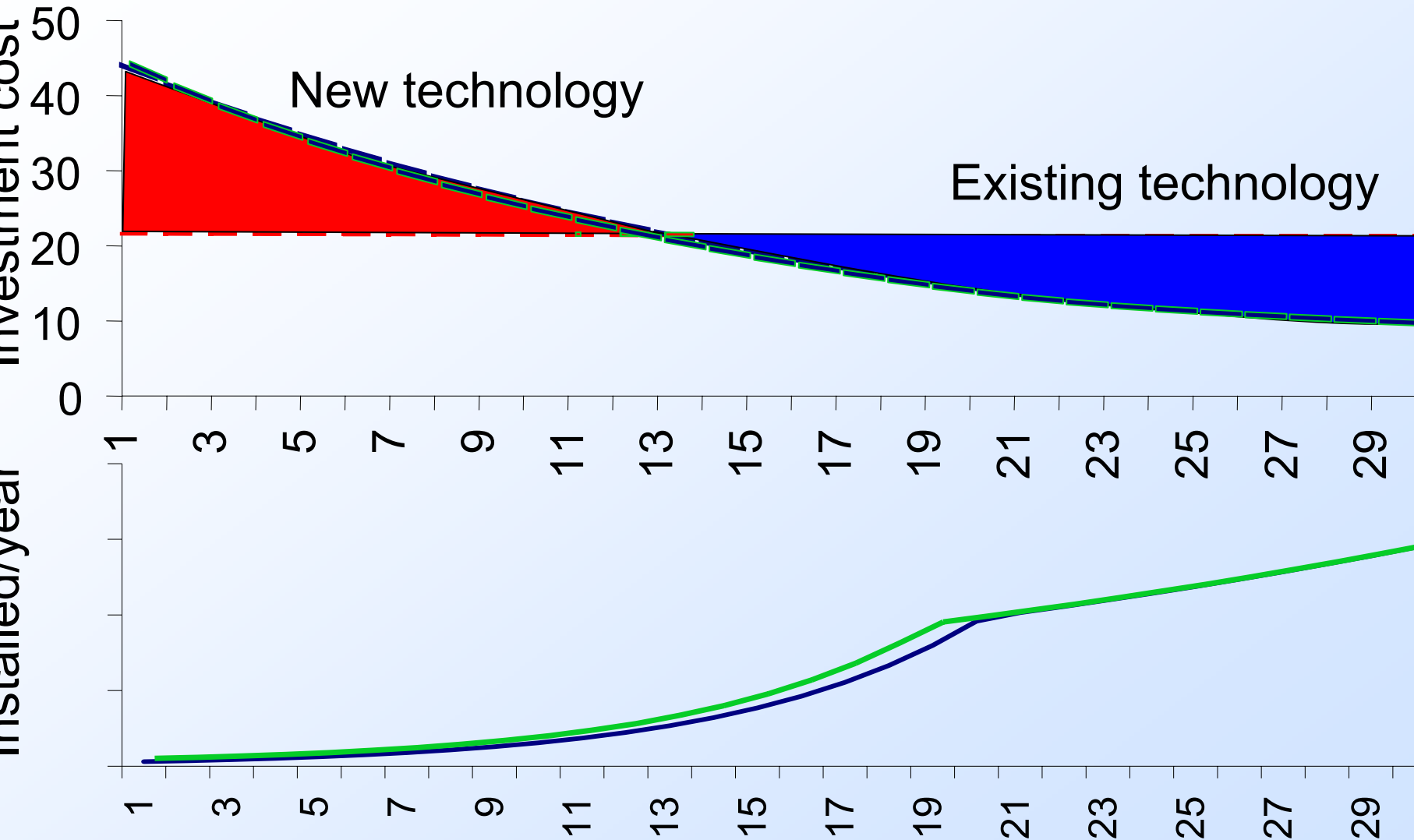
- Low current share – no intermittency discount
- Develop administrative capabilities/processes
- Develop local engineering/projecting capabilities
- Develop market design
- Gradually adjust to new technologies

Motivation for European targets?

Learning by doing



Learning value justifies global investment



European perspective – avoid free riding

- New member states are also subject to Directive 2001/77/EC (first progress report in 2006)
- Objectives: Tech learning, emission reductions, security of supply
- Renewables financed through electricity tariff:
 - Avoid internal distortions if all participate
 - Border tax adjustment to address ext. distortions
 - Use other mechanisms for regional support