Press Release

Need for adjustment in the EEG: arrhenius Institute proposes tender model with binding caps on the annual build-up of technologies for generating electricity from renewable energy sources.

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The current design of the German electricity market does not meet the requirements of the next few years. The arrhenius Institute for Energy and Climate Policy has already pointed out this situation repeatedly. The intense debate on the change of the energy mix threatens to neglect this fact and may, thus, result in unnecessary costs to electricity consumers.

On the one hand, the liberalized electricity market currently offers only insufficient incentives to invest in the necessary capacity. This applies both to renewable energy plants as long as they are integrated into the existing market as well as for conventional plants. The latter are required as backup facilities in scenarios with the desired high share of renewable energy sources, "in case the wind is not blowing or the sun does not shine."

On the other hand, to date, a number of technologies are supported by the EEG without a discussion about their contribution to the final power supply and about the question, which costs are associated with each particular technology. From a macroeconomic point of view, important are not the production costs of individual technologies or equipment, but the overall costs per kilowatt hour for consumers. These costs include the production costs, transport costs, storage and mentioned back-up power plants. The question of a cost-efficient system has not been discussed sufficiently yet.

Against this background, the arrhenius Institute presents a proposal for the future remuneration of electricity from renewable energy sources. The proposal should enrich the discussion about sensible development of the EEG, which is currently picking up speed due to the regular review of the law in 2011.

Core characteristics of the proposal are

- two fundamentally different remuneration approaches for fluctuating energy (e.g. wind and PV) and non-fluctuating energy (e.g. bio-energy);
- the introduction of market elements with a tender model;
- the identification of specific capacities for specific technologies in these tenders (e.g. 500 MW wind energy in 2011);
- the possible identification of regions in these tenders for possible grid optimized allocation of new plants (e.g. 50 MW wind energy in Bavaria in 2011);
- the introduction of a remuneration period for fluctuating technologies which can, according to actual feed-in compared to planned feed-in, extended or shortened.

These new elements can

- lower the costs for the consumer for a specific amount of electricity generated from renewable energy sources;
- control the build-up of renewable energies according to specific technologies and regional allocation and thereby
- ensure that a long-term high proportion of energy from renewable sources is integrated in an efficient energy mix.

The proposed tender model can principally be implemented in other Member States of the EU as well and thus contributes to the quest for unification of the remuneration of renewable energy in Europe. The tendered amounts could - based on national preferences - be established in the Member States. The tenders themselves may be open to all suppliers from the EU.

Source

A detailed description of the proposal is available in:

Arrhenius discussion paper no. 4, accessible at

http://www.arrhenius.de/uploads/media/arrhenius_DP_4_-_Mengen-Markt-Modell_final_042011.pdf

Further information and publications are accessible at www.arrhenius.de

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