



# European Union commitment towards RES market penetration: From the first legislative acts to the publication of the recent guidelines on State aid 2014/2020



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## ABSTRACT

During the last three decades, the European Union (EU) commitment towards the Renewable Energy Sources (RES) market penetration has been very complex, involving several aspects pertaining to the economic and political action of Member States. This paper seeks to overview the historical development of the legislative EU framework, including a description of the main financial programmes established and managed by the EU Directorates General. Moreover, the work will proceed with the picture of some Investment Funds, ad hoc created for RES undertakings, and managed by the European Investment Bank (EIB) in collaboration with the EU or other foreign Bank Institutes. The delicate matter of State aid is discussed, paying particular attention to the transition from 1999 to the recent EU Guidelines (2014/2020), as these wider scopes could lead to an effective and well functioning European Energy Single Market. Focusing the attention on three case-studies, we have produced final remarks on the correct functioning of the EU political framework, giving attention to important improvements needed at infrastructural level. The EU awareness of the power grid limits, that are currently recorded in Europe has lead to further reforms of the legislation, as shown by the new EU Guidelines that will probably support Member States in dealing with the infrastructure challenge.

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## 1. Introduction

The EU has been aware of the necessity to draw up a strategy aimed at changing its energetic behaviour, both in terms of demand reduction and cleaner source employment, since the end of the 80's. At the same time, it was immediately clear that the weight of such a challenge was relatively high, and that large steps were necessary in the political, economic and infrastructure spheres. As a consequence, policy measures and legal mechanisms have been developed and strengthened to effectively promote RES from the Research and Development (R&D) stage to the demonstration and large scale market deployment.

This article aims to review the main historical steps experimented by the EU in the last thirty years, describing the several tiles of a mosaic that have gradually been put into their correct place. Political and economic architecture that includes interventions at legislative levels, through the issue of two RES Directives (2001/77/EC and 2009/28/EC), but also at financial level, as shown by the institution of specific financial programmes and Investment Funds exclusively addressed to RES scopes. Furthermore, the recent reform of the State aid Control Policy is discussed as an important signal of EU awareness for those unsolved limits to be overcome as to correctly allow for a structural RES penetration. Indeed, if from a legislative, political and financial point of view, the RES question has been suitably addressed by the EU, it is likely the admission of the RES sector among State aid, followed by the inclusion of aid for RES infrastructure undertakings could change the future of the sector, permitting a boost of the diffusion.

The article is structured as follows: [Section 2](#) shows a summary of the main legislative acts concerning EU RES promotion and market penetration. [Section 3](#) is addressed to the financial instruments instituted by the EU during the period of 1999/2013, in the form of financial programmes and Private Investment Funds. [Section 4](#) is dedicated to the State Aid Policy, whose historical reforms have led to complete consideration of RES as a sector to be supported by the Government as a consequence of market distortion against its penetration. [Section 5](#) presents three case studies describing the attitudes of Member States in the Photovoltaic sector, underlying how the EU legislative framework have also fit inside Member States, leaving the infrastructure side of the question still unsolved.

## 2. Legislative framework: historical evolution

### 2.1. From 1985 to 2000: the first legislative acts to support RES

The EU has been committed to the promotion of electricity from RES since 1985 and is fully aware of the necessary political and economic efforts to be put in place. The Council Resolution of 16 September 1986 [1], followed up the *Commission Communication on "Member States energy policies: main issues for the future"* and the work carried out by the working group of "Energy 2000", represent the first legislative acts that put the attention on the need of coordination and harmonization of national energy policies, underlying the necessity to control the internal demand, and for this purpose asking Member States for regular information about their energy data from 1985 to 1995, in order to start a first check.

At the end of this first period (1985–1995), even if the target of doubling the share of RES in the production of electricity had not been achieved, the increase in energy production from RES was significant

in relative terms (+30%), but still fairly insignificant in absolute terms (from 65 to 85 million toe – including hydroelectric power). RES diffusion was too limited, and only four countries invested substantially in the sector: Portugal (15.7%), Finland (21.8%), Austria (23.3%) and Sweden (28.5%) drawing on their forestry and water potential.

In November 1997, the European Commission (EC) adopted a White Paper on "Energy for the Future: Renewable Sources of Energy" [2]. Its scope was to contribute, by promoting RES, to the achievement of the overall energy policy objectives: security of supply, environment and competitiveness, and protection of environment. To reach this aim, the White Paper proposed to double the contribution of RES to the EU's gross inland energy consumption, establishing an *indicative* Community objective of 12% by 2010. Shortly after, June 1998, the Council adopted a Resolution on RES [3], embracing the White Paper aims as a basis for actions at Community and national levels, considering the indicative objective of 12% by 2010 as a useful guide. The same welcome was expressed by the European Parliament that, inter alia, asked for: a Task Force on RES and the incorporation of an energy chapter in the Treaty for any future review. An equal approval came from the Committee of Regions, that asked for the creation of a "European Agency for Renewable Energy", and from the Economic and Social Committee that, in turn, give attention to the economic effects on the manufacturing, building and agricultural industry [4–6].

The White Paper received, inter alia, important support from the Green Paper "Towards a European strategy for the security of energy supply" [7], published three years after, in which the EC referred to the need of reducing the internal demand from external energy exportation, studying possible alternatives from a political, economic and infrastructural point of view. The document concluded with an emphasis on giving adequate attention to the perceived obstacles in reaching the RES target as, for example, the limits of hydroelectricity, whose possibilities of expansion were practically nil, mainly due to strong local resistance for new usable sites. Finally, the last remark was addressed to the necessary financial support, as it was clear that RES needed significant initial investment, as was the case in the past with coal, oil and nuclear energy.

The European Energy Policy took the first steps in a case of high levels of energy dependence exacerbated by a massive use of carbon fossil fuels, with a very little share of RES in final energy consumption. All these features, together with the lack of coordinated information on national energy policies, made the challenge more arduous. Without a reverse of the current energy consumption trends, the EU would have to depend on a massive importation of energy. The recognition of the need to reduce the overall energy demand together with the necessity to support RES from a technological and financial point of view have become the main pillars driving the efforts towards the new EU Energy Policy.

### 2.2. From 2000 to 2004: the Directive 2001/77/EC and the indicative target of 21% by 2010

The White Paper on RES (1997), was followed by the Directive 2001/77/EC [8], which set a target of 12% of gross inland energy consumption from renewable for the EU-15 by 2010, of which electricity would have to represent 22%. This period was particularly delicate as just three years later the EU passed from 15 to 25 members. For this reason, until 2004 the indicative target for RES was set at 12% of gross inland energy consumption, while since 2004 the overall target for the EU 25 was moved to 21%. The

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