

EFET response to the CEER consultation on “Green Electricity”

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The European Federation of Energy Traders (EFET)¹ welcomes the CEER consultation on “Green Electricity”. EFET represents market participants active on the wholesale electricity and gas market, and as such has no articulated policy when it comes to the transparency of information between end-customers and their retailers. For this reason, we do not wish to comment on questions 1 to 6 of this consultation.

Q7- Do you agree that further harmonization of the existing disclosure systems at European level necessary?

Yes, a voluntary market of tradable Guarantees of Origin (GOs) for disclosure purposes could be implemented in parallel to the energy market, which is already the case in some countries today. It is necessary for a reliable cross-border trade to be sustainable and liquid enough to use an acceptable standard for the GOs, and to avoid fragmentation by the attribution of specific national or regional characteristics. A harmonised disclosure system across Europe would also allow the protection of customers against double counting, which is requested in the EU-RES directive.

Q8- Do you agree that GOs should be used as a common and reliable basis for all disclosure systems?

Yes but on a voluntary basis only.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org.

Q9- Do you agree that the issuing of RES-GOs should be mandatory for all electricity produced with renewable sources?

No, the important thing is that any “green” product delivered to customers can be verified by a GO according to an acceptable standard and registered in an accounting system linked to the disclosure system. If a producer would like to issue a GO with specific attributes, this should be based on a purely marketing basis and not as a required market feature that could not be matched from other RES generators or across borders.

Q10- Do you agree that issuing of GOs should be extended to all sources of electricity to make the basis for the disclosure system more consistent and reliable, but also to provide opportunities for market offers for electricity based upon specific non-renewable sources?

No, we believe GOs should only be used for RES of common characteristics in order to pool liquidity. If the issuance of GOs is extended to all sources of electricity, this should be performed on a voluntary basis, not mandatorily.

Q11- Do you agree that the integration of electricity markets at European level should ideally be accompanied by actively developing a European RES-GO market?

Five years after the adoption of EU Directive 2009/28/EC, a number of lessons can be learnt from the experience of the implementation of RES consumption and CO2 emissions reductions targets to date. In the absence of any significant low-carbon investment signals since 2010 through the EU Emissions Trading System (ETS), implementation has in reality largely relied on uncoordinated national schemes to support renewable generation. The operation of those schemes has had a number of negative effects on other policy objectives, especially the completion of the single electricity market in a cost-efficient way.

One of the negative outcomes of the current EU policy framework, assuming nationally channelled support for renewable energy production, is the extremely limited development of the cooperation mechanisms or joint schemes provided for in the Directive. There has been an excessive reliance on individual Member State initiatives and a lack of proper integration of RES generation in the overall market design. This has had a really serious deleterious effect on the functioning of the single electricity market at wholesale level and has distorted investment signals for conventional power plants. A side effect has arguably been the deficient development of a proper standard for GOs and their mutual recognition for trading purposes, hindering the implementation of a proper pan-European voluntary market for renewable energy generation attributes.

One way of realising improved coordination of RES-E support schemes across EU Member States would be the adoption of compatible financing mechanisms based on quotas and mutually recognised tradable instruments, comprising standardised green certificates linked to GOs. The development of such instruments is a clear objective of the RES Directive and progress to date has been disappointing. Currently there is only a limited volume of trade in such certificates even on a voluntary basis. The optimum reform would be of the RES Directive at EU level so as to create a single EU certificate relying on flexible quotas in various EU

Member States. Failing that, Member States should introduce national quota and certificate support schemes (where they do not already exist), which are harmonised across borders by means of the pan-European tradability of those certificates in parallel to the energy market.

Q12 - Do you agree that when informing customers, RES-support schemes and disclosure should be seen as separate issues with their own instruments?

GOs and green certificates are two different things, but thanks to the GO system, support schemes will hopefully migrate towards easily tradable certificates.

Q13- Do you feel that it is necessary to recognise all GOs for disclosure purposes, irrespective of whether GOs are from supported or not-supported electricity?

GOs are a method to account for the production of electricity from renewable sources. There is no rationale for restricting the recognition of GOs only to non-supported installations. There are however implications in terms of political choices between the free market and support schemes.

Q14- Do you agree that green power quality labels should mandatorily use GOs as their unique tracking mechanism?

This would need to be discussed in more detail, but as a general principle, the emergence of liquid markets require at minimum the definition of common standards. Also, market restrictions should not be applied on the basis of specific quality labels when these would provide no additional benefit to the environment or when this would only serve market fragmentation.

Q15- Do you feel that it would benefit customers if a labelling model would be implemented alongside the GO, so that label(s) can provide additionality for those customers that demand it?

GOs can be used for verifying the transfer of attributes from production to consumption when “green” products are delivered to customers. Suppliers may on top develop their own marketing but at the retail level only.