



GREENPEACE



President José Manuel Barroso

Brussels, 11 October 2007

ALERT: Virtual trading risks undermining EU competitiveness on renewable energy

Dear Mr President,

The forthcoming European Commission proposal for a new Directive for renewable energy will be critical in determining whether the European Union will realise its target of a 20%-share of renewable energy from total energy use by 2020.

In this context, we understand that the Commission is considering the possibility of a system for the virtual trading of renewable energy in the electricity sector, based on guarantees of origin. We are concerned that a mandatory virtual trading system for renewable electricity would

- risk failure of achieving the 20% target,
- forfeit EU competitiveness on renewable energy technologies, and
- lead to unjustified costs for renewable energy support.

Specifically, we are writing to you as President of The Commission to raise the following concerns:

1. The introduction of a trading mechanism for guarantees of origin would send the wrong signal to member states, risking failure of achieving the 20% target

The introduction of a trading mechanism might suggest to member states that they do not need to further support renewable energy technologies at a national level, since they will be eventually able to compensate for an absence of domestic investments through the purchase of guarantees of origin. This could lead to insufficient development of renewable energy in the EU overall, meaning that the EU would not achieve the 20% target.

2. The trading of guarantees of origin would not adequately support the strategic development of all renewable energy technologies and infrastructure

A European-wide trading system for guarantees of origin would be counterproductive, as it would not differentiate between various renewable energy technologies. It risks favouring those technologies that are already competitive today, and neglect the development of innovative, new technologies, such as wave and tidal, geothermal and solar energy. Furthermore, a strategic planning of investments and grid infrastructure will be undermined if a trading mechanism turns targets on the physical share of green electricity in the national energy system into simple aspirations for the virtual share of renewable energy.

3. A virtual trade of renewable electricity would increase the cost for renewable energy

Experience from those member states that have introduced a system for trading of certificates for renewable energy shows that a uniform price defined for renewable electricity in a system of virtual trade increases the average cost for renewable energy. (Commission Study 2005)

In conclusion, to secure the uptake of renewable energy technologies and to enable the European Union to meet its target of 20% by 2020, we urge you to ensure that the

forthcoming Directive will stimulate all member states to boost the development and use of renewable energy at national level.

It is our belief that the EU is today a world leader in renewable energy technology precisely because of national support instruments that have led to a strong uptake of renewable energy technologies in EU member states, such as the feed-in tariffs in Germany and Spain. This winning formula should be strengthened and expanded.

We trust that you will consider the negative impacts of a mandatory virtual trade of renewable energy. At this critical moment in the development of the EU energy policy, a trading system fraught with difficulties like those outlined here would be a mistake.

Thank you for your consideration of this matter.

Sincerely yours,



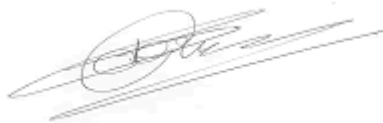
Jorgo Riss

Director

Greenpeace European Unit,

E-mail: Jorgo.Riss@greenpeace.org,

Tel: +32 2 274 1907.



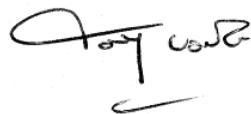
Paul de Clerck

Acting Director

Friends of the Earth Europe,

E-mail: paul.de.clerck@foeeurope.org

Tel: +32 2 542 6107.



Tony Long

Director

WWF European Policy Office,

E-mail: Tony.Long@wwfepo.org

Tel: +32 2 743 8800.

cc: Catherine Day, Secretary General
Commissioner Andris Piebalgs
Commissioner Stavros Dimas
Commissioner Neelie Kroes

Peter Vis, Member of Cabinet
Claudia Canevari, Member of Cabinet
Carlos Tenreiro, Member of Cabinet