

IWEA response to the DoECLG consultation on EU Emissions Trading System

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The Irish Wind Energy Association (IWEA) welcomes the opportunity to submit views on European Commission Proposal for reform of the EU Emissions Trading System (ETS). IWEA is strongly of the view that a well-functioning Emissions Trading System is of critical importance to ensure that the correct signals are provided to investors and the market and that the cost of carbon is captured. This approach stands in line with Irish Government objectives to reduce our emissions within the ETS sector.

If Europe wants to succeed in limiting its emissions and wants to attract investments in renewable technologies, it needs to make sure that decarbonisation takes place throughout the whole economy. This requires a structurally sound ETS which is able to create a robust carbon price that can drive investments in clean production processes and renewable energy. This implies that carbon leakage as a policy instrument needs to be adjusted to ensure that it will not result in over-allocating free allowances and a weakened carbon price signal.

The current carbon price is not sufficient to provide the right investment signals in low carbon technologies. This is primarily due to the surplus of allowances which are currently in circulation. In order to have a carbon price which is more reflective of its cost, it is essential that the surplus of allowances is properly dealt with. While the Market Stability Reserve goes some way towards addressing this, IWEA believes that more is required in this area.

There is a drive at a European level to reduce the levels of support available to renewable technologies and to ensure that these technologies are full market participants. In order for renewable technologies to be able to compete on a level playing field, a higher price for carbon is required, which more closely reflects the true cost to our society. It would also be essential to similarly review supports for other types of generation including conventional and nuclear generation.

Since 2007, renewables have represented over 50% of power capacity additions in the EU and reached 79% of all new capacity additions in 2014. Wind energy will be a key technology delivering renewable electricity and is expected to grow from 128GW today to 191 GW in 2020. Given the success of the NER300 program and the EU's ambition to remain the world's number one in renewable technologies, the Innovation Fund should continue to fund large-scale commercial demonstration projects that are able to develop innovative renewable energy technologies into mature products that can be deployed in Europe and exported to emerging markets.

The ETS is currently neither giving long-term price signals that impact investment decisions, nor operating price signals. Without a real carbon price, fossil technologies have a comparative advantage over generation technologies with no emissions such as wind energy, as they do not pay for the wider costs they impose on society. Structural measures, such as an early implementation of the Market Stability Reserve and additional measures to tackle the surplus, are required to fix the ETS in the short and medium term.

For the long term, the EU ETS needs robust domestic targets to create a carbon price that can drive investments in the transition of the energy sector, including in wind energy. Due to the failure of the ETS to drive investments in renewable energy capacity, the binding national renewable energy targets are the policy measures largely responsible for Europe's investments in renewable power. The ETS, if functioning effectively, can help support the achievement of our EU clean energy commitments and help drive investments in new wind power and renewable energy capacity, when it puts a significant price on the carbon externalities of fossil fuels, which can in turn assist renewables in moving towards a lower support environment.

We thank you again for the opportunity to comment on this important policy area.