

FINLAND'S NEW COST EFFECTIVE PREMIUM SCHEME FOR RENEWABLE ENERGY

VAASA WIND EXCHANGE & SOLAR

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Programme of Prime Minister Sipilä's Government



- The use of emission-free, **renewable energy** will be increased in a sustainable way so that its **share will rise to more than 50 per cent during the 2020s** and the self-sufficiency in renewable energy to more than 55 per cent, also including peat. This will be based, in particular, on **the growth in the supply of bioenergy** and other emission-free renewable energy. The greatest opportunities will be achieved in **increasing the production and technology of liquid biofuels and biogas**.
 - **Aid for lowering the costs of the increase in renewable energy** that is compatible with the EU guidelines **will be based on technology neutrality and ranking of economic priorities**.
 - Etc.

National Climate and Energy Strategy for 2030



- The utilisation of the renewable energy potential in Finland for **industrial scale** electricity production is one of the key questions in terms of **longterm energy and climate objectives**. the aim will be at implementing **future projects on commercial terms**. To provide a **transition period solution** and to maintain Finnish project expertise, **technology-neutral competitive tendering processes** will be necessary In 2018–2020, production capacity totalling 2 TWh will be put out to tender. Consequently, those among a large number of potential projects that are the **most inexpensive and that can be implemented optimally from the perspective of the public economy** can be selected. The model for operating aid and the associated tendering process will be specified in greater detail as the government proposal on this issue is drafted.
- The possibility of including **small-scale CHP production projects** relying on forest energy in the operating aid scheme will be investigated separately, taking into consideration **the wood and fuel markets and the possibility of utilising sawdust and bark** and ensuring that emissions in the effort sharing sector are not increased.

Parliament's response to the National Climate and Energy Strategy for 2030



- Support schemes to promote renewable energy production shall be reformed in such a way that aid is directed towards **the most cost efficient production methods** and the impact of aid and taxation on competition is being taking into account
- The new operating aid scheme (max 2 TWh) for renewable energy sources shall be based on **competitive bidding and technology neutrality** in such a way that, in addition to projects based on **wind, solar and CHP**, projects using **other possible new renewable energy sources** can participate in the competitive bidding – **provided that the new scheme will be realized**

The new premium scheme

Government proposal submitted to the Parliament in November 2018

- Renewal electricity projects that are totally new and have not received any other state aid
- Technology neutral, except hydro power excluded
- Competitive bidding process
- Pay as bid
- No aid if electricity market prices negative
- Production must be integrated to the electricity market
- Aid period 12 years
- Max aid according to the amount of electricity in the bid
- Fixed premium, if the 3 months' average electricity market price is not above EUR/MWh 30 (i.e. reference price)
- Sliding premium until the 3 months' electricity price is higher than the premium + reference price
- Production obligation 75 % / 80 %
- The provisions concerning payment of the aid, surveillance, responsibilities of the electricity producer etc. will be as in the current feed-in-premium scheme



State budget proposal

- Organizing a competitive bidding process requires authorization in the State budget

Compliance with EU State Aid rules

→ Objective: Competitive bidding processes (total 2 TWh) to be organized in 2018–2020



Avoidance of undue negative effects on competition

Cost efficiency:
Short term ↔ Long term

Proportionality of the aid
(aid kept to the minimum)

Incentive effect

How to ensure that subsidies are reduced to a minimum

How to avoid suboptimal results

Competition between undertakings on equal footing

Appropriateness of the measure

Technology neutral scheme

Competitive bidding process

Objective of the measure

Need for State intervention

Definition

Clear pre-qualification criteria

≠ Discretionary subsidy scheme

Restricted budget

Non-discriminatory

Sufficient participation

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Thank you