

Unlocking the potential for RES in South Eastern Europe at lowest cost

Proposal for a Renewable Energy Cost Reduction Facility (“RES-CRF”)

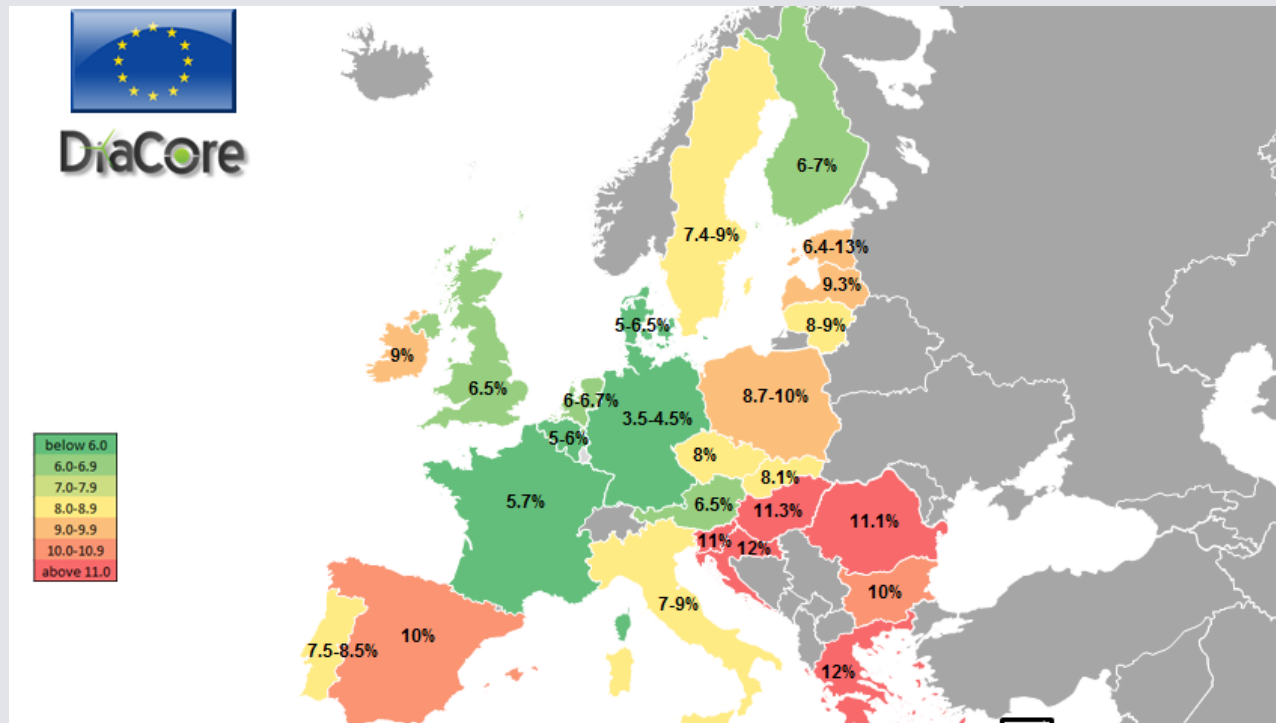
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Cost of capital is a major determinant of cost and is highest in South Eastern Europe – potentially inhibiting RES development

South Eastern Europe suffers some of the highest costs of capital for RES in EU

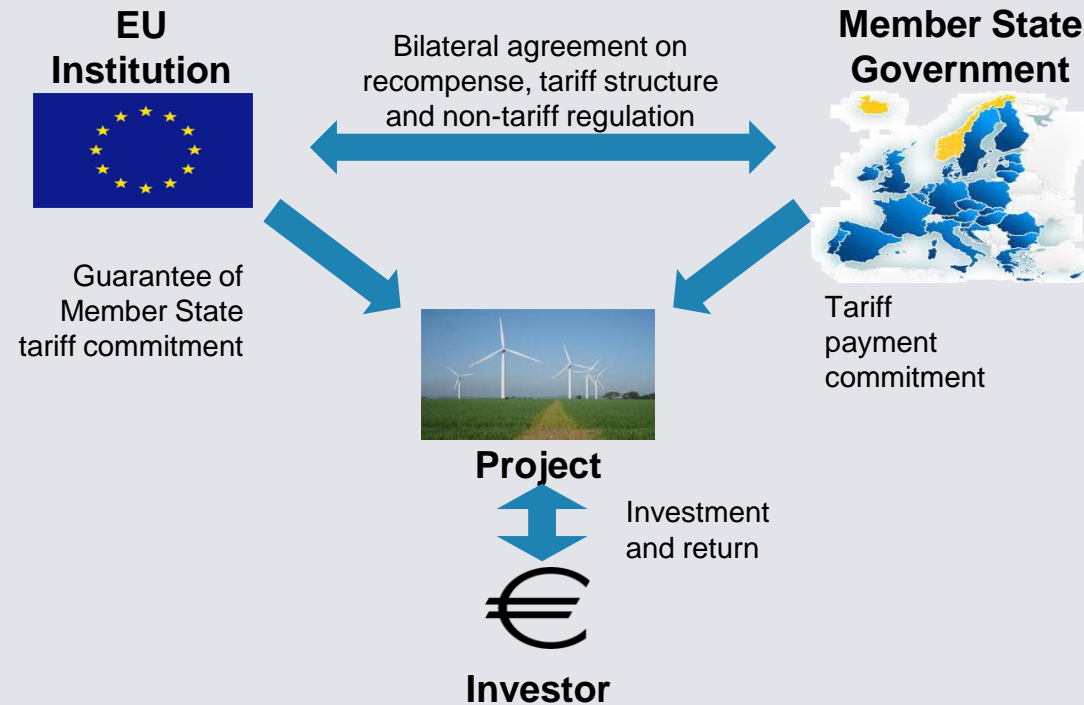


DiaCore project findings for onshore wind cost of capital in EU countries in 2014

- Capital intensive RES investments
- High cost of capital create competitive disadvantage
- Increases cost of RES for some of EU's poorest countries
- Reduces RES opportunity for some of EU's poorest countries
- Transitional support is needed

RES-CRF is a contractual arrangement between the Member State, an EU Institution and Investors in RES projects

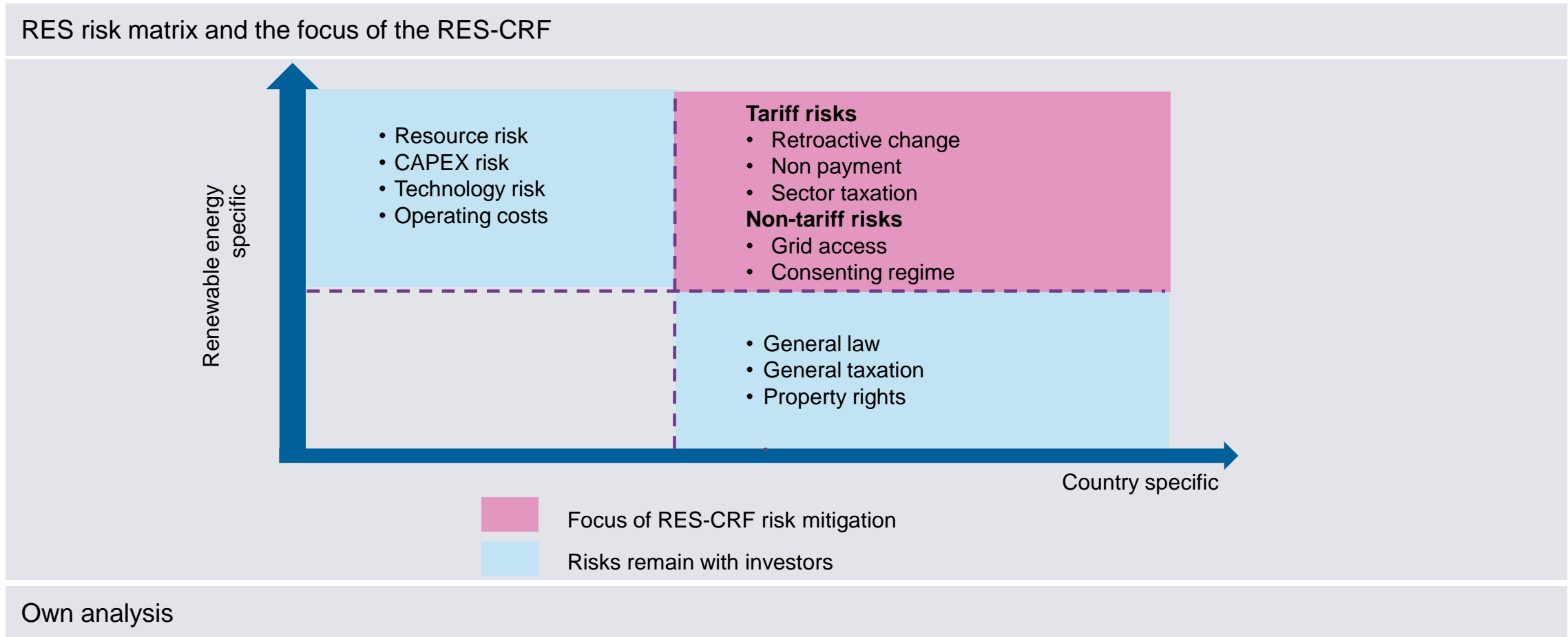
Contractual framework of the RES-CRF



- MS provides RES tariff to projects
- If MS maintains policy RES-CRF is never required
- Investors have a simple guarantee of payment
- EU and MS negotiate terms of tariff underwrite
- Member State undertakes to repay any guarantee payments
- Responsibility for recourse to MS moved from project to EU Institution

Agora analysis

The RES-CRF provides a hard guarantee of Tariff risk and encourages best practice in Non-Tariff risks



RES-CRF: Saving over €34bn in the delivery of the EU 2030 RES target of which c.€10bn is in South Eastern countries

- RES-CRF has potential to save €10bn in South Eastern Europe while achieving the 2030 targets
- Prevents future costs being influenced by investor perception of the past
- Delivering benefits of policy stability to consumers / tax-payers rather than investors
- Participation in the facility would be entirely voluntary and scheme is expected to be transitional
 - There is also the potential to test the concept selectively before moving to scale
- Potential scope for early implementation on existing regimes and even existing assets
- Potential application in non-RES areas of climate policy such as energy efficiency