

## Framework Conditions for Wind Energy in Germany

### Renewable Energy Sources Act

- After an extensive and unsettling debate on the cost of renewables and a fast amendment in July 2014, the German government has passed a revised Renewable Sources Act (Erneuerbare-Energien-Gesetz/EEG). It came into force in August 2014 and contains substantial changes but sets the political framework for continued installations of onshore as well as offshore wind turbines until end of 2016.

### Changes in the Regulatory Framework

- The EEG 2014 names a renewables share in the total power supply of 40 to 45 percent and 55 to 60 percent as targets for 2025 and 2035, respectively.
- The annual installation target for onshore wind power is set at 2,500 MW (netto), the overall target for offshore wind power until 2020 is 6,500 MW.
- Terms and conditions of the EEG 2012 apply to all plants permitted before 23<sup>rd</sup> of January 2014 and starting operation before 1<sup>st</sup> of January 2015 in a transitional period.

### Onshore Wind Energy

- For onshore wind energy, an initial tariff of 8.9 ct/ kWh is paid for at least five years and a basic remuneration of 4.95 ct/ kWh thereafter apply since the first of August 2014.
- The duration of the initial tariff depends on site conditions. It varies between five years at sites with a wind energy yield of 130 per cent of the reference site and up to 20 years at sites with or below a yield of 80 per cent.
- Starting in 2016, the basic remuneration for wind onshore energy decreases quarterly by 0.4 per cent (degression). If the newly installed capacity exceeds or falls below the annual target corridor of 2.500 MW, the degression increases or decreases accordingly. The tariff for the respective quarter is announced five months in advance, whereby the reference period for the tariff calculation is 12 months preceding the publication date.
- The bonuses for grid services and for repowering have been cancelled from the first of August 2014. Adding to the amendments in the reference system, tariffs for onshore wind energy are reduced by roughly 20 per cent compared to 2013.

### Offshore Wind Energy

- For offshore wind energy producers it is possible to make use of the acceleration model until the 31<sup>st</sup> of December 2019.
- The initial tariff for offshore wind energy is 15.4 ct/kWh for at least 12 years or 19.4 ct/kWh for at least eight years under the acceleration model depending on water depth and distance to shore. The basic remuneration for offshore wind energy is 3.9 ct/kWh.

### **Direct Marketing**

- From the first of August 2014, energy from renewable sources generally has to be sold directly at the market and will be remunerated through a market premium.
- A feed-in tariff (FiT) will be paid only in emergency cases e.g. absence of a direct marketer. In this case, producers can claim 80 per cent of the FiT from the grid operator.
- If market prices are negative for six consecutive hours, installations bigger than 3 MW - which have been grid-connected after the first of January 2016 - can be switched off without compensation.

### **Tendering**

- Beginning in 2017, the market premium shall be deduced throughout a tendering process. The concrete design for a tendering procedure has not been set up yet. However, a tendering design for ground-mounted PV installations is supposed to come into force in January 2015 and shall act as a pilot.
- At least five per cent of the annual capacity auctioned shall be open for foreign renewable producers, if an international agreement implementing the options for cooperation anchored in the Renewables Directive exists, the support takes place on the basis of reciprocity and the physical import of the renewable electricity can be proven.

### **Installation Register**

- The Federal Network Agency sets up an installation register. If energy generators do not or incompletely register their plant, the remuneration will be reduced to zero.
- If generators do not comply with obligation regarding e.g. technical requirements or changes between sales options, the remuneration will be reduced to the market price of the respective month.

### **State Aid**

- The German government has notified the EEG 2014 according to the Environment and Energy Aid Guidelines (EEAG), even though it is officially still claiming that the EEG 2012 is not considered a state aid.
- The European Commission has finally approved the EEG 2014 under the new EEAG's after the German government included provisions for an opening of the tendering system for foreign renewable energy producers and adjusted the surcharge exemption regulations for own consumption.
- The State Aid Case regarding the EEG 2012 is still not closed. The key issue concerns the surcharge exemption for energy intensive companies. The exemptions permitted by the German government for the years 2013 and 2014 are very likely to be paid back to a certain amount. Currently, a figure of 30 million Euros is being discussed.

Johannes Schiel, Berlin, September 2014