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International “worst” practice for FITs

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International “worst” practice for FiTs

International “worst” practice

- Tariff calculation based on avoided costs of conventional power generation (coincidental success for few technologies)
  - Stems from logic of conventional energy system
  - Does not take benefits of renewables into account
  - (Tariff related to electricity rates for final consumer)
- Limited number of eligible technologies (one technology)

International "worst" practice

- Flat rate tariff or lack of sufficient tariff differentiation (solar/wind)
- Technology differentiation is key
- Competition between renewable energy technologies will emerge at a later stage; now a large basket of technologies needs to be promoted

Hungary:

- Different tariffs are paid for electricity from "weather independent" RES-E technologies according to the demand

Technology	Tariff level [€ Cents/kWh]		
	peak	off-peak	deep off-peak
Solar, wind	9.44	9.44	9.44
Geothermal, biomass, -gas, small hydro (≤ 5 MW)	10.72	9.44	3.85
Hydro (> 5 MW)	6.90	3.45	3.45

International "worst" practise

- Low tariff = no tariff (e.g. Argentina: Premium tariff payment of 0.37 €cent/kWh for wind energy)
  - Assessment report can help to correct tariff level
- Unnecessary high tariffs
  - PV in Spain; PV in Czech Republic
  - High rates of return; attracts speculation; unsustainable market growth
- Short payment durations (annual changes)
  - Germany until 1999; Spain until 2004

Caps

- Caps can be either implemented for the accumulated capacity (e.g. the first 500 MW) or the size of single installations
- Total capacity caps create market distortions
  - Stop-and-go investment cycles, etc.
  - Rather opt for alternative design options (e.g. tariff degression) to limit growth
- Caps for single installations prevent economies of scale
  - Based on the belief that renewable energy projects are by definition small-scale
  - Still existent in Spain (50 MW) and France (20 MW)
  - However: Caps might be necessary for developing countries

Thank you for your attention!

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