

PRESS RELEASE

NEW EU STATE AID RULES: DOES BRUSSELS AIM TO FREEZE ENERGY INNOVATION?

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The European Commission has adopted today new rules on public support for projects in the field of environmental protection and energy which may abruptly hamper the market uptake of emerging geothermal power technologies.

The new rules aim to integrate renewables into the market. As of 2016 operating aid for renewables should be granted by way of a premium or certificates to operators which sell the electricity directly on the market. From 2017 this aid is allocated via a competitive bidding process open to all technologies regardless of the maturity.

Geothermal, however, has received very limited support compared to that received by other renewable technologies; Effective feed-in tariffs were only put in place in the last few years and in limited countries. New and breakthrough geothermal technologies like Enhanced Geothermal Systems should benefit from the same instruments in order to achieve the same cost reduction. But the new guidelines impose their phase-out, including for emerging technologies, which risks blocking investment and innovation in Europe.

“Member States, however, have the possibility of derogating from the mandatory bidding process (and feed-in premium) for technologies in an early stage of development in order to take into consideration their different levels of maturity, specific barriers as well as risk profiles” said Philippe Dumas, EGEC Secretary General. “Full market exposure is clearly not appropriate for geothermal energy at its current stage of development, and with many failures still present in the internal market”. Indeed, in many countries, electricity prices are still regulated, so they do not reflect the full costs of the electricity generation technology; fossil fuel and nuclear sectors still receive many subsidies and electricity markets are very concentrated in the hands of the incumbents.

With only five new power plants (12 MWe) installed in the European Union in 2013 the development of geothermal power is not distorting the market. In fact, geothermal is a predictable, reliable and flexible source of energy, with the highest load factor of all technologies, and can balance the electrical grid.

Geothermal can now be developed anywhere and in 2030 has the potential to provide some 34 TWh of power annually in the EU thanks to economies of scale, innovative drilling concepts and substantial cost reduction¹.

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¹ Source: GEOELEC Project (<http://www.geoelec.eu/wp-content/uploads/2014/01/GEOELEC-report-web.pdf>)