



30 November 2001

Letter to the editor of Windpower Monthly

A very different perspective on Danish green certificates

Dear Sirs:

The plans for a Danish green certificate market system for renewables suffered a probably fatal political blow after a Parliamentary hearing in Copenhagen on 23 September 2001. Criticism of the proposed green certificate system at the hearing was so massive that no politician defended the project after the hearing.

The November issue of Windpower Monthly appears to be describing a very different reality than the one experienced by those of us who were the parties being heard. The political collapse of the green certificate project is described by Windpower Monthly as a delay caused by minor technical glitches: An alleged concern over the workings of an electronic trading system and a concern that transitional arrangements imply that only a limited number of certificates would come on the market from the start. This last criticism did indeed come from the power companies, who virtually were the only ones defending the green certificate project at the hearing. But both Danish turbine owners and turbine manufacturers recommended squarely that the green certificate plans be scrapped.

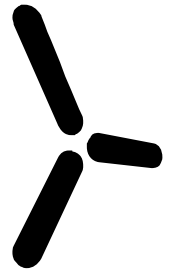
The essential criticism, widely reported in the Danish press, was the concern by both turbine manufacturers and large industrial electricity consumers that the system would lead to much more expensive and inefficient subsidies than either an environmental kWh bonus or a tendering system for offshore wind. The uncertainties inherent in a small national green certificate market (primarily political risks) can easily be so large that the risk premium reaches a level where certificate prices would crash into the ceiling price, and no renewables investment would be made. This problem was indeed one of the essential topics of a two-day scientific workshop in Copenhagen on tradable certificates and tradable emission rights in September, where several speakers pointed out that currently planned green certificate schemes because of their inherent risk to investors would most likely increase the price of renewable electricity. Neither politicians nor taxpayers or electricity customers have an interest in that.

Finally, both Danish politicians and the press came to realise at the hearing that the trend in all major wind energy countries in Europe (apart from the UK) is towards fixed tariff systems, and that support schemes for renewables such as the Dutch or Italian system are fixed tariff systems with prices set by governments, but cleverly marketed as green certificate market based systems.

Windpower Monthly consistently refers to subsidies when it mentions fixed tariff systems, and market based prices when it mentions green certificates. But both

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systems use the market mechanism to set quantity or price. However, both are only pseudo markets, because governments set the other parameter: price or quantity. For the electricity consumer or taxpayer who has to foot the excess cost of renewables there is no fundamental difference, nor is there any theoretical difference to economists.

Yours Truly,

Søren Krohn
Managing Director, Danish Wind Industry Association Vice President, European
Wind Energy Association