



Not entirely alone

by Christian Kjaer, Danish Wind Industry Association

Denmark is not the only country experimenting with trade in renewable energy credits. In California and the Netherlands similar markets are running, but they are not as ambitious and do not enjoy the same level of political backing. What comes closest to Denmark's proposed system is that suggested in Belgium.

On California's automated power exchange, the APX, there is no obligation on consumers to buy clean power. Renewables are sold to customers on a voluntary basis. This can work in a geographically limited area, but will not work on an international or interstate level, mainly because of differences in support mechanisms.

Californian wind turbine owners receive three types of payment: the commodity price of electricity, a certificate and a subsidy. A wind turbine owner in California should not, in theory, be unhappy if the subsidy is taken from him. The market value of green electricity remains the same, so it must be assumed that removing the subsidy will lead to an increase in the price of green certificates equal to the size of the subsidy. Contrary to Denmark though, the Californian subsidy does make a difference because there is no obligation on the consumer. If the subsidy is taken away, the price of the green ticket will increase, and consumer demand for green certificates is likely to fall.

The APX system is not a quota model. Introducing such a scheme in Denmark would not secure the meeting of the country's environmental goals. Meeting renewable energy targets would be left to market demand.

Another hybrid is the Dutch Green Label system, which is based on a voluntary commitment by the utilities to buy a certain amount of renewable energy. As such it resembles a quota model, but without the legal obligation of the Danish RPS. Wind turbine owners in Holland are fighting for an obligation on end consumers to meet the government's quota for the proportion of renewables on the national supply system.

The proposal to impose quotas on Flemish utilities in Belgium appears to resemble the Danish model the most. The main difference between the two systems is that the obligation will be on the electricity distributors rather than the consumer. That difference alone should not necessarily have any effect on the efficiency of the market.

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