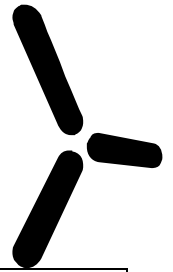


The pros and cons

Four support systems compared in a nutshell

Support model	Advantages	Disadvantages
Fixed tariffs	<p>instant market stimulation</p> <p>lower wind sites profitable as costs decline</p>	<p>spiralling volume of IPP stranded costs as prices fall</p> <p>economically inefficient (unnecessarily costly for society)</p> <p>uncertain (political) market (no fixed price purchase contracts)</p> <p>incompatible with free market policy and adopted laws</p> <p>creates "renewables ghetto" difficult to dissolve</p>
Renewables Portfolio Standard with credit trading	<p>certain long term market volume</p> <p>inbuilt mechanism for fixed price contracts</p> <p>drives production prices down through competition</p> <p>guaranteed price contracts</p>	<p>complex (requires futurers or options market)</p> <p>risk of "renewables ghetto" difficult to dissolve</p> <p>inefficient for small (illiquid) markets (EU-wide requirement)</p>
Auctions of renewables contracts (NFFO)	<p>guaranteed market</p> <p>drives production prices down through competition</p> <p>guaranteed price contracts</p>	<p>risk of stop-go market (no attraction for multi-nationals)</p> <p>costly if no contract won/built</p> <p>costly administration</p> <p>risk of a "renewable ghetto" difficult to dissolve</p> <p>price reduction stimulus can be too harsh for new industry</p>
Price premium/ energy tax	<p>renewables instantly competitive</p> <p>external costs of generation</p>	<p>politically impossible to introduce (so far)</p> <p>difficult (impossible) to set</p>



	acknowledged	accurate level of premium/tax politically uncertain - no long term stability
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NB: This table is intended as a summary of the preceding articles. To fully understand the table, it is necessary to read the article "Green certificates".