

Press Release

The Lessons of Failed Energy Policies

Potsdam, 27 August 2019. Even though electricity generated from solar and wind energy is becoming increasingly cost-competitive, the expansion of renewable energies continues to depend on policy support. When such support is lacking, setbacks to the energy transition can often result – as seen in the cases of the former pioneer countries Spain and the Czech Republic. What energy policy lessons can we learn from this? A study published in the journal Energy Policy makes recommendations for effective policy design.

The dismantling of renewable energy policies is far less researched than the rapid spread of support schemes. “But the analysis of policy dismantling processes can give us clues as to how laws and regulations should be designed to withstand politically and economically challenging times,” emphasises Rainer Quitzow, one of the article’s authors and Speaker for the Energy Systems and Societal Change research area at the IASS. The cases of Spain and the Czech Republic show that support strategies need to be sufficiently flexible to react well to technological progress and changed market conditions. At the same time, expansion targets should be binding to a degree that ensures continuity in the growth of renewable energies.

Rewarding progress in the expansion of renewables

According to the authors, the required flexibility was lacking in the two countries examined. In Spain, the legislation did not provide for an adjustment of the subsidy rates in the event of declining prices. Thus, when solar panels became cheaper, subsidy rates could not be lowered quickly enough to soften the growing budgetary impact. Instead, renewable power plants became more lucrative and expansion proceeded apace. As a result, government spending skyrocketed at a time when the country was also suffering from the consequences of the global financial crisis. In September 2008, the government pulled the emergency brake and significantly reduced support for renewables.

The situation in the Czech Republic was different. There, an energy transition strategy was launched to achieve EU targets, and the costs were passed on to end consumers via their electricity bills. Due to falling prices for solar panels, the expansion of renewables proceeded faster than planned: the EU target for 2020 was already achieved in 2013. But for cost reasons, it was no longer politically feasible to continue with the expansion once those targets had been achieved. A more adaptable set of rules at EU level that rewards early progress and prevents stagnation could have kept up the necessary international pressure on decision-makers.

Auctions help to control costs

The authors have derived several recommendations from the two case studies, which decision-makers should take to heart when formulating future energy transition policy. “Under the right conditions, auctions have an advantage over fixed feed-in tariffs in that they can help to control the volumes and costs of the renewable electricity generated,” explains Konrad Gürtler from the IASS. The distribution of costs is another important factor: both case studies highlight the important role played by industry lobbying in the dismantling of renewable energy policies. The exemption of certain industry consumers is one strategy of minimising this potential source of opposition. However, such exemptions can themselves be a source of political controversy. Exemptions that are phased out over time might represent a happy medium.



According to the study, policies should give greater consideration to the structures of the energy sector. Since Spain has no viable export markets for surplus electricity, the established suppliers had an economic interest in limiting the use of renewables. An active policy of extending grid interconnections with France could have eased the pressure. And ultimately, any energy transition strategy needs to address the declining utilisation of conventional power plants.

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For further information, please contact

Dr. Bianca Schröder

Press & Communications

Institute for Advanced Sustainability Studies e.V. (IASS)

Tel. +49 (0)331 288 22-341

Email: bianca.schroeder@iass-potsdam.de

www.iass-potsdam.de

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