EREF
European Renewable Energies Federation

GREEK ASSOCIATION OF RES ELECTRICITY PRODUCERS

Günther H. Oettinger
Commissioner for Energy

Connie Hedegaard,
Commissioner for Climate Action

European Commission
Bruxelles

Brussels/Athens, 23 November 2012

Subject: Government-imposed retroactive cuts of the "guaranteed" gross revenues of all operating RES projects in Greece and their particularly destructive impact on the national wind, small hydro and biomass sectors

Dear Commissioners,

EREF, the European Renewable Energies Federation, together with GAREP, the Greek Association of Renewable Electricity Producers, representing the vast majority and the full technological spectrum of installed renewable capacity in Greece, would hereby like to call upon you and the European Commission and to request your support in dealing with the recent decision of the Greek Government to impose a levy on the supposedly "guaranteed" gross income of all operating RES projects in Greece.

The particular decision, which was rushed through the Greek Parliament and hastily approved by a slim parliamentary majority on November 7, 2012 as part of a huge package of fiscal austerity and economic reform measures, aims to reduce the continuously growing deficit of the Greek electricity Market Operator by cutting unilaterally the Operator's payment obligations to the RES producers for three (2+1) years.

The levy ranges from 25% - 30% for operating PV systems >10 kW (average FIT ~ 400 € / MWh). Although wind farms (average FIT ~ 90 €/MWh) and all other cheaper and / or higher added value RES technologies (small hydro and biomass) were exempt from the levy in the original proposal of the Ministry of Energy to the Parliament, the Government gave in to last minute political pressure and decided to impose a 10% levy on those ones as well. Politics also dictated the irrational decision not to tax the most expensive PV system category (rooftop PVs < 10 kW with an average FIT of ~ 500 € / MWh) (!).

EREF asbl – Brussels Representative Office
Avenue Marnix 28, B-1000 Brussels,
Tel.: + 32 2 204 44 00
Fax: +32 2 204 44 99

Greek Association of RES Electricity Producers
85, Mesogion Ave., 115 26 Athens,
Tel.: +30 210 69 68 418
Fax: +30 210 69 68 031

The imposition of the levy:

- Is a clearly retroactive, unilateral intervention, which undermines further the seriously wounded credibility of the Greek State and the ailing RES FIT support system.

  Since the beginning of 2012 and as a result of a rising debt and serious liquidity problems, the Greek Electricity Market Operator has been delaying payments to RES producers - such delays now exceed 4 months - making it increasingly difficult for them to pay back their loans and shaking investor and creditor confidence in the ability of the Greek State to honor its obligations.

  The retroactive reduction of the "guaranteed" feed-in tariffs, achieved through the imposition of the levy, only confirms RES market fears that the nightmare scenario of a unilateral haircut in RES project revenues has become a reality.

- Threatens the viability of many European companies based in Greece which are either Greek or which operate in the country through subsidiaries involved in the development, installation and operation of RES projects.

  Six major European RES companies (investors, developers, operators and equipment manufacturers) with significant activity in the wind sector, in a joint declaration have already warned the Government that they are now forced to reevaluate their presence in Greece. The Greek RES Associations, which have given the Government early warnings of the disastrous effects of the imposition of a levy, have also reacted strongly and denounced the measure.

- Drives away investment and, thus, wipes out any serious prospects for continued RES, and especially wind farm growth, in a country whose significant renewable energy potential remains largely unexploited.

  Major European banks which were balancing the risk of regulatory instability with other advantages offered by particular RES technologies, i.e. the increasing competitiveness of wind farms especially compared to natural gas fired thermal stations, are now choosing to abstain from approving financial support for Greek RES projects.

  Greek IPPs who operate RES projects and have planned to continue to invest in the sector wonder how are they going to complete their renewables projects which are in the construction stage, when the levy practically deprives them of the already limited liquidity resulting from the delayed payments of the Market Operator.

- Affects all RES technologies but in an asymmetrical manner, primarily with wind, and, secondarily, with small hydro and biomass taking the "brunt". (According to the

EREF asbl – Brussels Representative Office
Avenue Marnix 28, B-1000 Brussels,
Tel.: + 32 2 204 44 00
Fax: +32 2 204 44 99

Greek Association of RES Electricity Producers
85, Mesogion Ave., 115 26 Athens,
Tel.: +30 210 69 68 418
Fax: +30 210 69 68 031

NREAP 2020, wind should act as the locomotive for national RES development and account for ~ 70% of the planned RES capacity mix).

Before the imposition of the levy typical financial returns for the majority of PV projects ranged from 51% (for small roof top systems < 10 kW), to 26% (for big ground stations > 1 MW). By contrast, IPPs for typical wind farms (~ 10 MW) are of the order of 13%, i.e. two to four times smaller. This has led the PV sector to overheat and reach the national PV NREAP 2020 target eight years earlier. The quick growth of the PV sector has created a significant debt in the financial accounts of the electricity Market Operator, who has been unable to balance revenues and expenses for the RES sector, as the Government has been incapable to control PV growth and come up with a set of effective fiscal measures to confront the problem.

The situation has become worse for wind projects after the imposition of the levy. Assuming an optimistic scenario, i.e. that the duration of the levy will not be extended past the foreseen three years - as declared by the Government, typical IRRs drop to single digit numbers, overturning approved business plans and putting serious strains on investor-creditor relations and on the continued operation of the projects. By contrast, PV projects are either unaffected (rooftop systems are exempt from the levy) or their IRRs are reduced to levels that do not threaten their viability (~21%, for systems > 1 MW).

Also, it is to be noted that before the imposition of the levy PV FITs were much higher than the EU average, despite the fact that Greece enjoys 20% more sunshine than the average in the EU, while wind FITs were very close to the relevant EU average. After the imposition of the levy, PV FITs remain higher than the EU average, while the FITs for wind drop below the EU average.

Returns for operating small hydro and biomass projects are also reduced to unacceptable levels through the imposition of the levy.

The European Commission has repeatedly criticized the application of retroactive measures and has highlighted the negative effects such measures may have in promoting investment in RES in the context of reaching EU energy and environment policy targets in 2020. It even discusses the balancing of greenhouse gas emission allowances as a means to recharge investment in RES. The Greek Government, by imposing a levy on the gross revenues of all operating RES projects in the country, is moving in the opposite direction.

EREF asbl – Brussels Representative Office
Avenue Marnix 28, B-1000 Brussels,
Tel.: + 32 2 204 44 00
Fax: +32 2 204 44 99

Greek Association of RES Electricity Producers
85, Mesogion Ave., 115 26 Athens,
Tel.: +30 210 69 68 418
Fax: +30 210 69 68 031

We urge you and the European Commission to intervene by taking the necessary actions to convince the Greek Government to immediately suspend the application of the levy, at least as far as the wind, small hydro and biomass sectors are concerned (these sectors have already low or even unsustainable returns even before the levy), and to come up with alternative, rational, non-destructive solutions for the viability of the national RES market.

Yours sincerely,

Rainer Hinrichs-Rahlwes
President, EREF

George Peristeris
President, GAREP

The European Renewable Energies Federation (EREF) is a federation of national renewable energy associations from EU Member States, such as wind, solar, small hydro, bio-energy, tidal, wave, and geothermal sources. EREF is striving to defend the interests of independent power, fuel and heat production from renewable sources and to promote non discriminatory access to the energy market.

The Greek Association of RES Electricity Producers (GAREP) is an association of independent power producers active in the development, installation and operation of RES-electricity projects in Greece. GAREP represents the vast majority and the full technological spectrum of installed renewable capacity in Greece and strives to facilitate the implementation of RES projects nationwide.

EREF asbl – Brussels Representative Office
Avenue Marnix 28, B-1000 Brussels,
Tel.: + 32 2 204 44 00
Fax: +32 2 204 44 99

Greek Association of RES Electricity Producers
85, Mesogion Ave., 115 26 Athens,
Tel.: +30 210 69 68 418
Fax: +30 210 69 68 031