

White Certificate Schemes in Europe

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Benefits

First
experiences

Basics & Why

Drawbacks

Road map to
European
scheme

Why white certificates?

- Market-based approach (compared to command-and-control policies)
- Avoiding energy price distortion between sectors (compared with taxes on energy consumption)
- Avoiding using identical performance standards for all market actors
 - > higher feasibility
 - > lower transaction costs
- Saving public money (compared to a system of subsidies)

The basics of the scheme

- Market based system to support achievement of end-use energy efficiency
- Often combined with an obligation scheme where market actors have an obligation on energy saving
- Certificates can be created from projects that result in e-savings beyond business-as-usual
- Certificates can be used for *compliance* and *trading*

Key benefits

- Introduction of tradability aims at least-cost achievement of targets
- The system could unlock energy saving potentials and actors that are currently not unlocked by other instruments
- Can stimulate the market for ESCOs
- Penalties guarantees meeting the agreed target

Potential drawbacks

- Could impede to enjoy local benefits due to energy efficiency action implementation
 - employment opportunities,
 - pollution reduction,
 - reduced external fuel dependency,
 - technical innovation,
 - etc.
- Could involve large transaction costs
- Might favour mainly most competitive actions and measures
- Linking various systems may require substantial harmonization in energy policies

First European experiences (1)

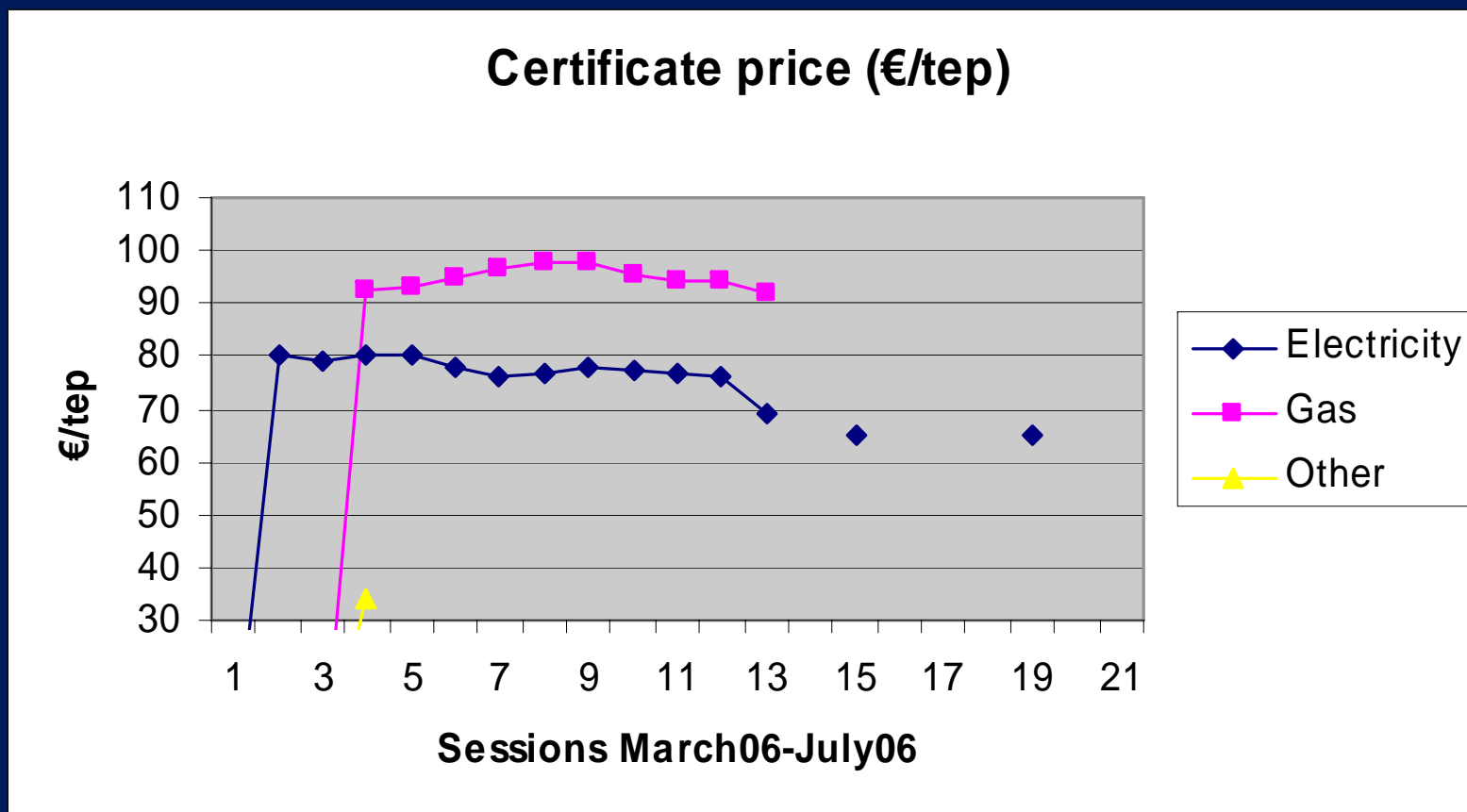
	Italy	France	UK*
Start date	Jan. 2005	July 2006	April 2002
Compliance period	Every year; 2 yr borrowing for max. 50% target	In 3 yrs (July 2009)	Each 3 yrs (March '05 and '08)
Obligated parties	Distributors gas/electr. > 100,000 clients	Suppliers gas/electricity	Distributors > 15,000 clients
Market size	2.9 Mtoe in 2005-09	54 TWh in 2006-08	1 st : 62 TWh 2 nd : 130 TWh

****: Strictly speaking not a white certificate scheme as there is no certification. Obligated parties can trade (parts of) their obligation.***

First European experiences (2)

	Italy	France	UK*
Eligible customers	All incl. transport	All (incl. Transport) excl. EU trading	Residential only
Eligible participants	Gas and electricity grid companies or ESCos	Any economic actor	Gas and electricity suppliers only
Penalty	Related to size of miss	20 euro/MWh	Related to size of miss
Nature of savings	Cumulative primary energy	Lifetime cumulated 4% discounted	Lifetime cumulated 6% discounted

The Italian scheme: market prices



Issues observed in Italian market

- Very little price fluctuation
- Maximum prices just below 100 €/Toe (~2.2 Eurocent/kWh) , which is the maximum that distribution companies may recover from their clients.
- Prices are significantly higher than in FR and GB.
- The Italian system did trigger ESCO activities 64% of certificates issued in 2005 were issued to ESCOs
- Double counting issues: some savings resulting in creation of white certificates also generate CO₂ reductions on the EU ETS and some also generate green certificates

France: some first indications

- Market is starting up. End of 2006, 280 Million kWh had been delivered, split between Electricité de Strasbourg; EDF; Elyo Suez Energie Services and Soregies.
- No public price for certificates yet. Estimated price for first year ~10 euro/MWh, which is well below penalty price of 20 euro/MWh

The British scheme

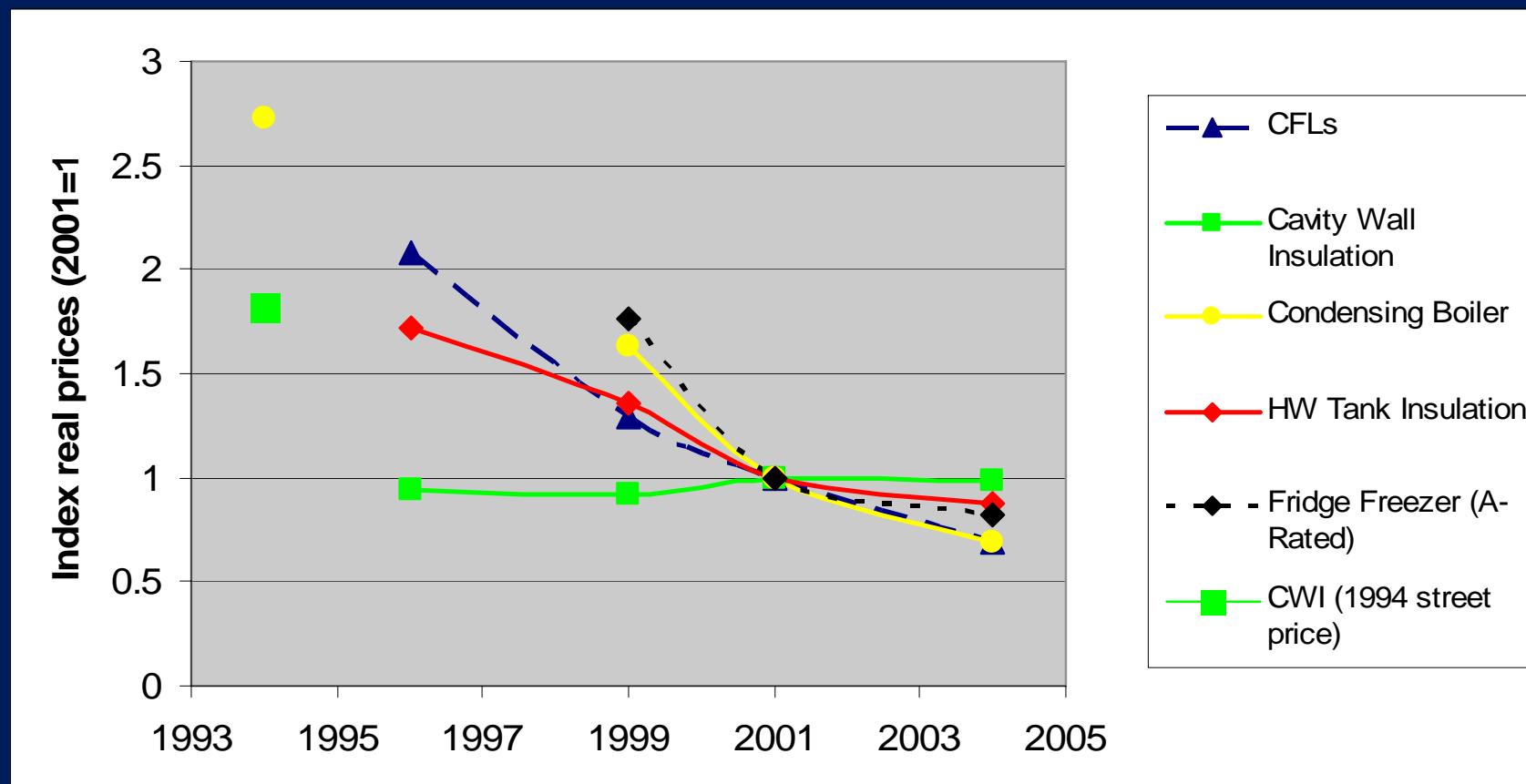
- The scheme has unlocked significant energy saving potentials and actors that were not unlocked by other instruments
- Prices of saving measures have significantly gone down
- Costs are < 1.5% of fuel prices

Costs and benefits

- Total costs of all participants £ 690 mln
- Costs for admin £ 1 mln
- + £3.03 on average cons. bill per fuel (< 1.5% fuel prices)

Costs in p/kwh	Costs EEC	Consumer price (ex VAT)
Electricity	1.3	6.68
Gas	0.5	1.66

Observed price reductions



*Prices corrected for inflation using Retail Price Indices (RPIX)
 Source: Evaluation of the Energy Efficiency Commitment 2002-05;
 Eoin Lees Energy, 28-2-2006*

(Relevant) Lessons learned from other market-based systems

- Clear, simple and correct penalty setting is essential for compliance
- Avoiding double counting and double selling is essential for the trust in the system
- Ensure reciprocity of certificates
- Ensure sufficient liquidity
- Keep it simple! Complexity confuses
- Pursue a continuous policy

Future scheme?

- Set long-term targets
- Add wider possibility for ESCOs on the market
- Combine with requirements from:
 - a) Energy Performance of Buildings Directive (EPBD)
 - b) Directive on energy end-use efficiency and energy services (EE & ES)
 - c) Domestic offset projects
- Replace system by:
 - a) ETS for built environment and transport sector (*separate from existing ETS*)
 - b) Establishment of national energy saving company to act as fund manager, tenderer,
 - c)

Roadmap towards EU scheme

Define agreed common policy objectives
(energy saving, GHG reductions, employment creation, security of supply etc.)



Develop common set of guidelines
(design, eligible technologies, measurement savings etc.)



Establishment of White Certificate schemes
(in individual Member States according to common guidelines objectives)



Modification of schemes
(to form pan European scheme and to allow trading between countries)

Thank you for your attention

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