

News Release

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Renewable Energy: The European Green Certificate Market will be worth 20 – 30 Billion Euros by 2010

London - A new report from Business Insights, “Green Energy in Europe, Strategic Prospects to 2010” finds that despite growing interest from both consumers and suppliers in green energy, considerable political and administrative barriers to entry remain. There will be considerable growth in green energy production and a trade in green certificates valued at 20-30 Billion Euros by 2010. But the authors of the report, Greenprices.com and Ecofys, find that EC production targets will not be met unless other European countries follow the examples set by Spain and Germany.

Recent years have seen the development of a fledgling green energy market, backed by policies for fuel diversification, security of supply, climate change and other environmental aspects. Project developers, generators, traders and suppliers now operate in a dynamic liberalised market.

The voluntary demand for green electricity is now increasing. In the mid-1990s, several individual energy companies in Germany, the Netherlands and the UK began to offer their customers the option to pay a premium for green electricity and thus stimulate the production of electricity by renewable energy sources. Other active companies can also be found in Sweden, Finland, Ireland, Switzerland, Austria, the US, Canada, Japan and Australia. Hand in hand with the ongoing liberalisation, energy companies are using their green electricity offerings as an additional marketing tool to both keep their current customers and attract new ones.

The most important form of green energy that is subject to a more or less liberalised market – green electricity – currently represents a volume of about 400 billion kWh a year in the EU. There are many differentiated ways in which national or even local markets for green electricity develop. Regardless of the different marketing tools and support mechanisms in place, each of the EU green energy markets seems set for future growth.

As liberalisation spreads throughout European energy markets, many new participants are entering this field, such as brokers, traders, project developers and other new and “non-traditional” suppliers. Amongst customers, interest in green energy is growing even faster, stimulated by market forces as well as companies’ and governments’ policies. For instance, the European Commission target is a 22% share of renewables in the total EU electricity

consumption by 2010. Concurrently, customers are taking ever more interest in buying green energy.

Green Electricity Market: A long way to go

However, looking at perspectives and targets for the market on renewable energy and its predominant tradable form, green electricity, there is a big difference between the results of extrapolated existing policies and the (inter)national goals. According to the research for this report, the total produced renewable electricity would end up at least 140 TWh below the target of almost 700 TWh/year (the indicative target share of 22% for electricity in 2010).

The growth from the present 400 TWh to 560 TWh will still be considerable. Nevertheless, policy makers, market players and consumers will have to put an extra effort in the growth of the green electricity market. They can follow the examples of, for instance Germany, Spain and The Netherlands. Thus, the dynamics of the market will have to be enlarged by surplus policy and promoting instruments, dynamic cross border trade, certification and labelling and internalising external costs within the prices for grey electricity.

It may be expected that all green electricity in 2010 will be traded on a certificate market, a market parallel to the plain market of kilowatt-hours. Assuming the price of certificates will be at least 40 Euro per MWh, this amount represents a market value of some 20 to 30 billion Euro in 2010.

This conclusion for the green electricity market can also be applied to green energy as a whole. The markets for green fuels, green heat and green gas are still very young and will require even more efforts to meet the target of a 12% renewable share in EU's total energy consumption by the year of 2010.

Players should gain an early foothold in this fledgling market

As the internal EU energy market undergoes a period of liberalisation, participants are seeking new business opportunities. Big players need to raise the profile and awareness of green energy among their customers, whereas small newcomers are trying to get a piece of the action. The identification of commercial opportunities requires knowledge of marketing tools, support mechanisms, legislation procedures and competitive dynamics. The market is competitive and new brands are developing rapidly, reflecting the need to invest to gain market share in such a young market that could potentially bring substantial rewards in the future.

But there is complicated administration to overcome...

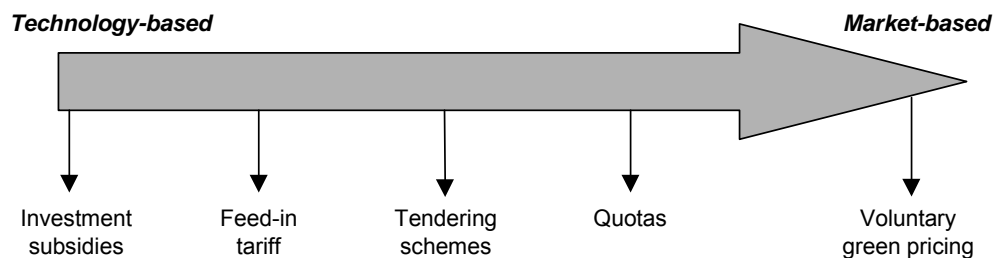
In addition to technological barriers, there are also growth resistors of a more political and administrative character, such as complex environmental planning and long public enquiry and consenting procedures. Such barriers do not actually differ from the licensing problems experienced by project developers of conventional energy plants, but, because of the low energy density, a project developer must go through a lot of bureaucratic wrangling for just a few megawatts. Although some countries are trying to smooth and standardise these procedures, little progress on this issue has been made to date.

Furthermore, procedures and support systems are often complicated by vague liability borders between local, national and sometimes even international authorities.

Support instruments: from technology-based to market-based

At present, most countries apply a mixture of instruments to promote renewable energy. Over the past years, the requirement to exert a continued downward pressure on prices for renewable energy production has driven policy makers in Europe to move from technology-based approaches for renewable stimulation to more market-based approaches.

Policy shift from technology-based to market-based renewable stimulation



This gradual movement towards market-based instruments will continue. Authorities – international, national and local – will go on searching for promotion instruments that fit best into market liberalisation trends.

Notes to Editors

- ❑ For further information on the report **Green Energy in Europe: Strategic Prospects to 2010**, contact Press Dept. press@globalbusinessinsights.com or call Business Insights on + 44 (0) 20 7675 0990. The editor is available for comment.
- ❑ **Green Energy in Europe: Strategic prospects to 2010**, is available from Business Insights. Please refer to our website for pricing information. Business Insights sales: + 44 (0) 20 7675 0990



- This report has been written in association with Greenprices.com and Ecofys.
- Greenprices.com is an intermediary on European green energy markets. As an independent information platform Greenprices provides product and price overviews, green electricity news and publishes information about the developments of the European green energy market. www.greenprices.com
- Ecofys BV is a leading international company in the field of renewable energy and energy efficiency, with over 200 employees and offices in The Netherlands, Germany, Spain, UK, Poland and Belgium. Ecofys is part of the Econcern Group. www.ecofys.com

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