



**reia**

# Renewable Energy Integration Agency

Facilitating Renewable Energy  
Cooperation Mechanisms



# The Issue

- Cost benefits from cross-border renewable energy support and cooperation mechanism require framework
  - No facilitating framework available currently
    - 'First mover' dilemma, scope and structure uncertainty
    - High transaction costs for generators or buyers to develop and propose bankable framework to states
    - High level decisions made by Commission detailing framework and model contracts, however no bankable framework has as yet been developed
- A dedicated organisation (REIA) to fund and develop such frameworks with stakeholder support



# Key Design Objectives (I)

- Joint projects must achieve cost saving
- Proposal of cooperation design to reduce administrative and cost barriers
- Combination of multilateral, bilateral and unilateral instruments for flexibility to adjust to national support schemes and legal requirements
- State discretion over level of support
- Bankability of framework
- Minimisation of liability to states for necessary cross-border administration



## Key Design Objectives (II)

- Framework to create investor certainty and stability
  - Clear definition of supported renewable benefits and their commoditisation
  - Reliable evidentiary tools and audit processes to ensure that benefit arising from support is exclusively accounted, shared or transferred
- REIA can perform different functions to suit needs of states and markets



# Functions of REIA

- Create the legal framework for cooperation mechanism
- Create operational framework to accredit, audit and administer projects under cooperation mechanisms
- Provide intermediation and ancillary facilitation services to stakeholders, shielding states from risks associated with cross-border projects
- Provide financing for generation projects and/or supporting infrastructure under cooperation mechanisms



# Funding of REIA

- To avoid administrative and budgetary barriers to state participation, REIA will seek to primarily rely on private and transactional funding
- Potential sources of funding
  - Stakeholder seed funding and grants
  - REIA shareholder contributions
  - REIA accredited project contributions
  - Fees for intermediary services
  - Management fee for investment fund
  - Fees for use of state accredited and recognised labelling for voluntary green products and markets
  - Fees from 'green guarantor' functions

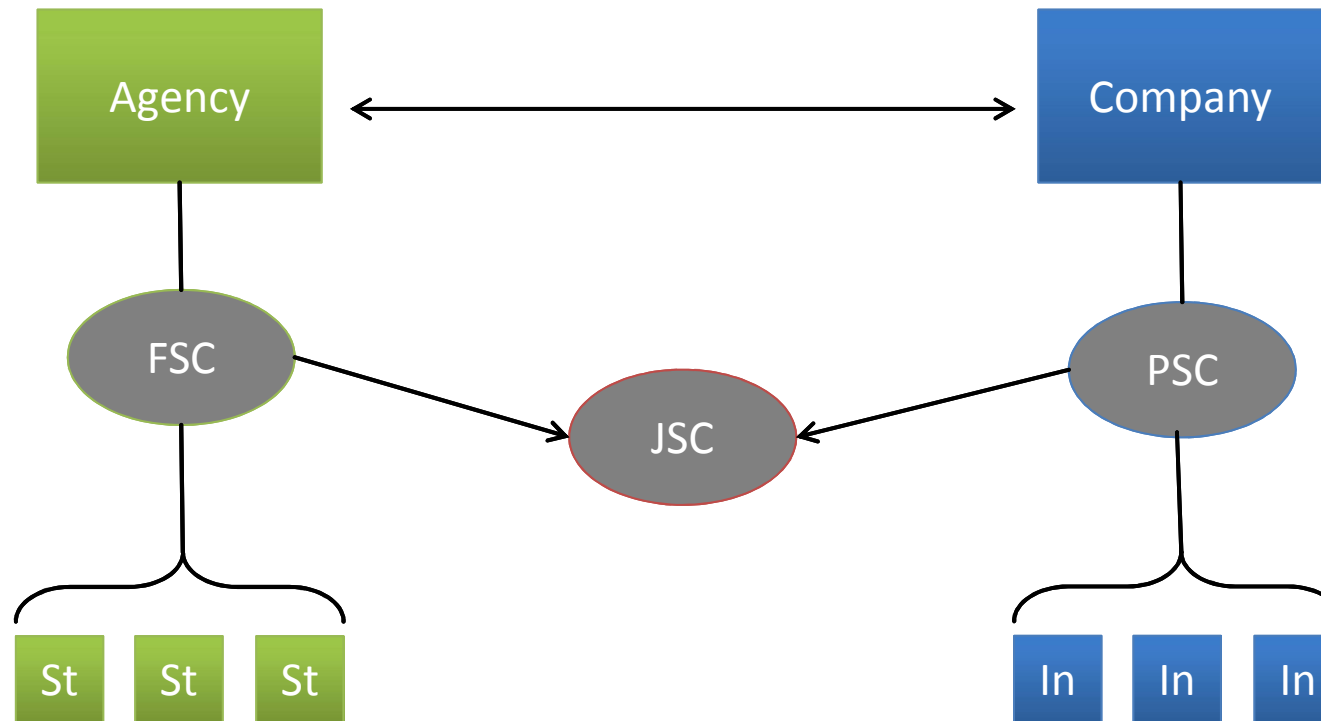


# Organisational Framework

- REIA as an international agency
  - Stakeholders develop cooperation frameworks
- REIA as a company
  - Shareholders provide development funding for framework
  - Shareholders receive dividends from the income of different REIA functions and preferential treatment for their projects
- REIA as an investment fund
  - Investors provide financing for joint projects
  - Investors share in revenue from
    - Cross-jurisdictional counterparty services to effect joint projects (e.g. swaps, buy and sellbacks)
    - Interest from funding activities of projects and infrastructure



# REIA as Agency and Company



**Agency** represents states signatory to the MFA, BF and NF.  
**Company** represents investors of REIA, and is the implementing arm of the Agency, shielding states from risk.  
Steering committees to facilitate decision-making of **states** and **investors** respectively, which cooperate by means of the **joint steering committee**





# Benefits

- REIA Stakeholders
  - Framework for cooperation mechanism is created
  - Reduction of renewable energy cost to nationals
  - Compliance with requirements (e.g. Energy and Environmental Aid Guidelines)
  - Knowledge and experience provided by Agency to support states
  - Liability removed and assumed by Company
  - "Local content" requirement for contractors from supporting state
- REIA Shareholders (Generators, Traders, Suppliers)
  - Framework provides flexibility and enables financial investment
  - No accreditation costs
  - Dividends from REIA revenue
  - Unlocks investment for renewable energy projects an infrastructure
  - Preferential treatment for shareholders for joint projects in consideration for funding



# The Case and Structure for Establishing REIA



# Renewable Energy Directive and Cooperation Mechanisms

- Renewable Energy Directive 2009/28 sets consumption based targets
- Recognition of cross-border consumption requires acceptance by generation state
- Directive suggests different cooperation mechanisms for cross-border consumption
  - Art. 6 RED statistical transfers
  - Art. 7 RED joint projects
  - Art. 11 RED joint support schemes



# Role of Cooperation Mechanisms

- EU 2013 guidance on cooperation mechanism
  - Identifies barriers to establishment of mechanisms
  - Confirms need for supporting inter-state instruments
- Examples of state's preparedness to offer cross-border support scheme participation
  - Sweden & Norway: joint support scheme
  - UK: confirmation of intended opening following call for evidence
  - Germany: commitment in connection with state aid clearance
  - Italy: past recognition of GoO based power
- Opening of support schemes is a state aid approval criterion under Energy and Environmental Aid Guidelines

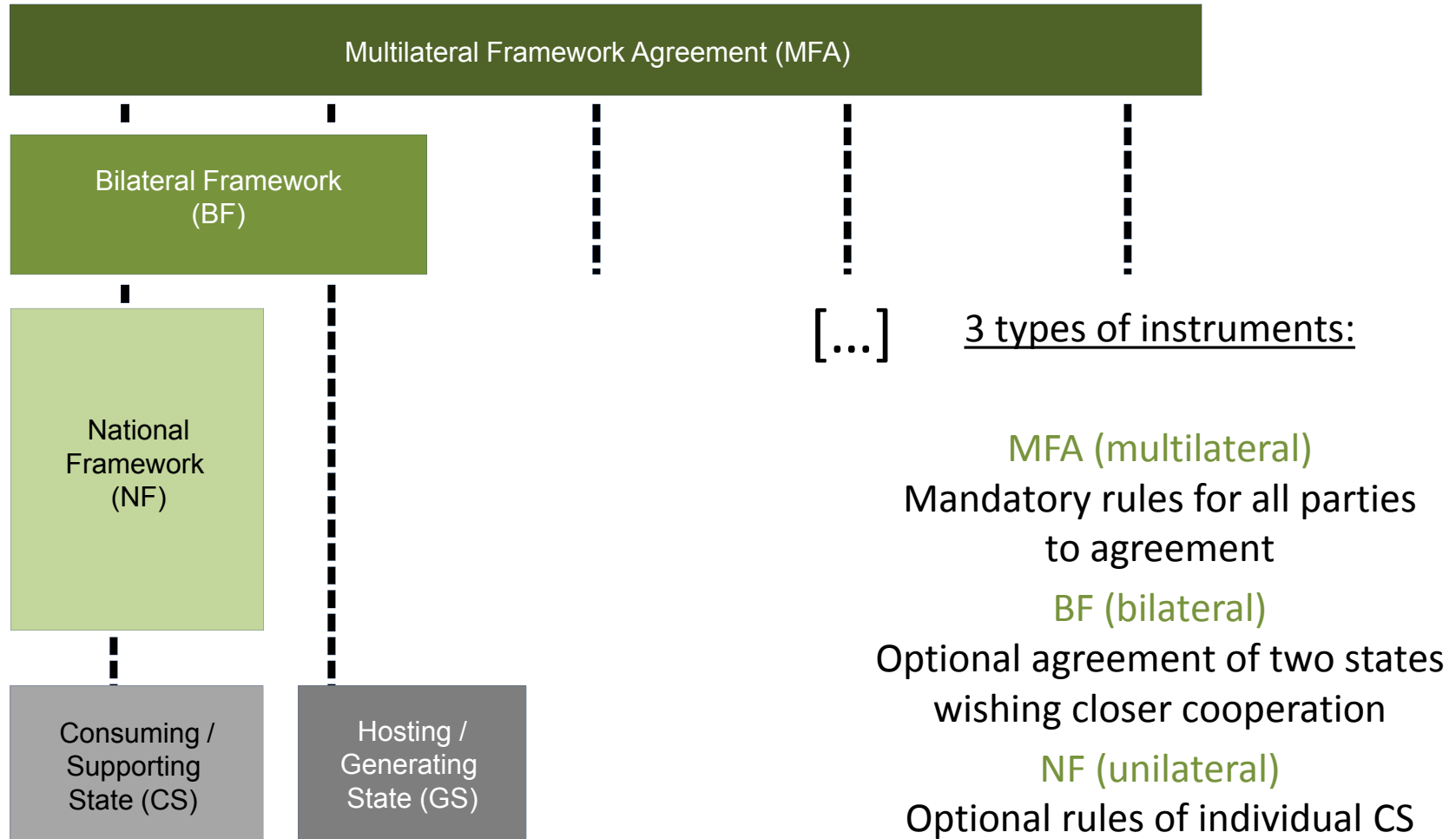


# Aftermath of Ålands Vindkraft

- Recent ECJ cases opined on compatibility of cross-border support restrictions and free movement of goods
  - AG Bot opined that nationally supported scheme breaches TFEU
  - ECJ opined that restrictions are justifiable
    - Justification on grounds of proportionality = case based justification
    - Discretion for member states to what extent they allow foreign generation to be supported by national schemes
    - Questioned role of Guarantee of Origin as an evidentiary tool for renewable energy in a cross-border context
- Need for multilateral framework, providing legal certainty for stakeholders



# Legal Framework





# Mandatory Framework

- Multilateral Framework Agreement (MFA)
- International law character
- Agreement entered into among all participating states who wish to allow joint projects/market activities
- Provides key operational framework for joint project cooperation
- Can be supplemented or deviated from through *bilateral framework* and/or *national framework*
- Provides flexibility for states to decide which types/quantity of renewable energy they wish to support cross-border



# Optional Frameworks

Bilateral Framework (BF)	National Framework (NF)
Both optional instruments	
Bilateral cooperation between member states party to MFA	Specific conditions set by Consuming State (CS)
Between Generating State (GS) and Consuming State (CS)	Applies to CS
Forms: <ul style="list-style-type: none"> <li>- International agreement</li> <li>- Interministerial agreement</li> <li>- Authoritative interpretation</li> </ul>	Forms: <ul style="list-style-type: none"> <li>- Decision under MFA/BF taken by state</li> <li>- National regulation/legislation</li> <li>- Authoritative interpretation</li> </ul>
Can either: <ul style="list-style-type: none"> <li>- Supplement conditions in MFA</li> <li>- Deviate from conditions in MFA</li> </ul>	
Allows adaptation to specific national or regional issues and requirements	





# Key elements of the MFA (I)

- Fundamental rights and obligations of the state parties
  - Discretionary right to decide the mechanism, generation type and level of support
  - Discretionary right on the type of cooperation mechanism
  - State endeavours to enable cross-border participation in case of demonstrable cost savings
  - State endeavours to agree on supplemental bilateral or national frameworks
- Rights and obligations of the Agency, its bodies and details of their functioning
- General/fall-back state cooperation principles for statistical transfers, joint projects and joint markets
  - Definition of benefits for which support is provided and their commoditisation in the support context
  - Model statistical transfer process
  - Model joint project process



## Key elements of the MFA (II)

- Rules for supplementing MFA through bilateral (BF) or national frameworks (NF)
  - Detailing areas of MFA which may be deviated from
  - Including model frameworks
- Rules on evidentiary tools and procedures to exclusively account green benefit/statistical transfer
- "Local content" percentage for contractors of supporting state and function as exempted GPA
- Participation and commoditisation rules
  - Physical cross-border transmission, swap or commoditised participation requirements
  - Scheduling and market-coupling based flow demonstration and treatment of outages
  - Delivery point and potential inter-TSO compensation mechanism



## Key elements of the MFA (III)

- Decision-making by the Framework Steering Committee
  - Organisational set up and voting
  - Development of MFA and model BF or NF
  - Accession procedures
- Dispute settlement procedures
- MFA exit and support closure procedures
- Rules on accredited project stabilisation following support closure or exit



# Potential elements of BF and NF

- Supplemental or deviating provisions to MFA on:
  - Operation of the general/fall-back mechanism
  - Exercise of discretionary rights
  - Allocation of benefits between CS and GS
  - Bilateral or individual confirmation of group accredited or individually accredited projects
  - Review mechanisms for non-accredited projects
  - Cooperation with national authorities on accreditation and auditing
  - Intermediation services conducted by REIA on behalf of the state
- Choice of legal instrument for BF and NF

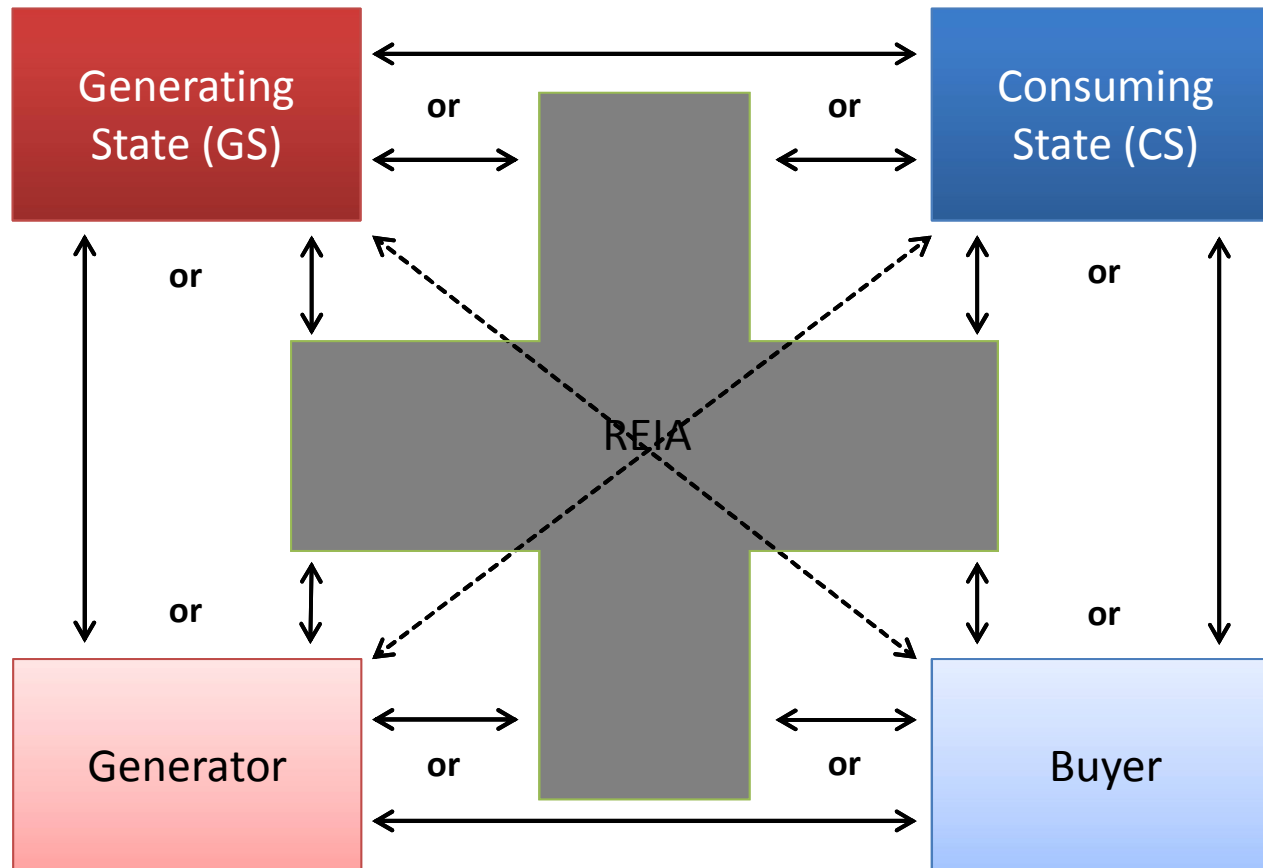


# Key Elements of Shareholder Documentation

- REIA business objectives
- Corporate structure and operation of the Market Framework Committee
  - Corporate bodies and governance
  - Voting procedures and thresholds
  - Development of REIA activities
- Budget and funding commitments
  - Limitation to annual participation obligations
  - Different shareholdings and participations
- Shareholder benefits
  - Distributions
  - Preferential treatment in project accreditation
- Exit and transfer of participation interests



# REIA as an Intermediary



REIA can act as intermediary in intrastate, interstate and intercompany transactions



# Advantages of an Intermediary Function of REIA

- Takes over administrative efforts in joint projects
- Assists in overcoming legal barriers
- Overcomes cost and transaction barriers, notably for smaller cross-border projects
- Allows transparent access to information for efficient realisation of joint projects
- Allows standardisation joint project approach across jurisdictions
- Actions are steered through stakeholder committees
- Can act as 'green guarantor'



# Budget and Workplan of REIA





# Workplan

- Q3/2014 - REIA corporate set up
- Q4/2014 - Preparation of key draft documentation
  - Shareholders Agreement and Governance Package
  - Draft Multilateral Framework
  - Draft Bilateral Framework
  - Draft MoUs
- Q1/2015 - First EU COM and State workshops
- Q1/2015 - First Round Shareholder Accession
- Q2/2015 - First Round State MoU



# Workplan

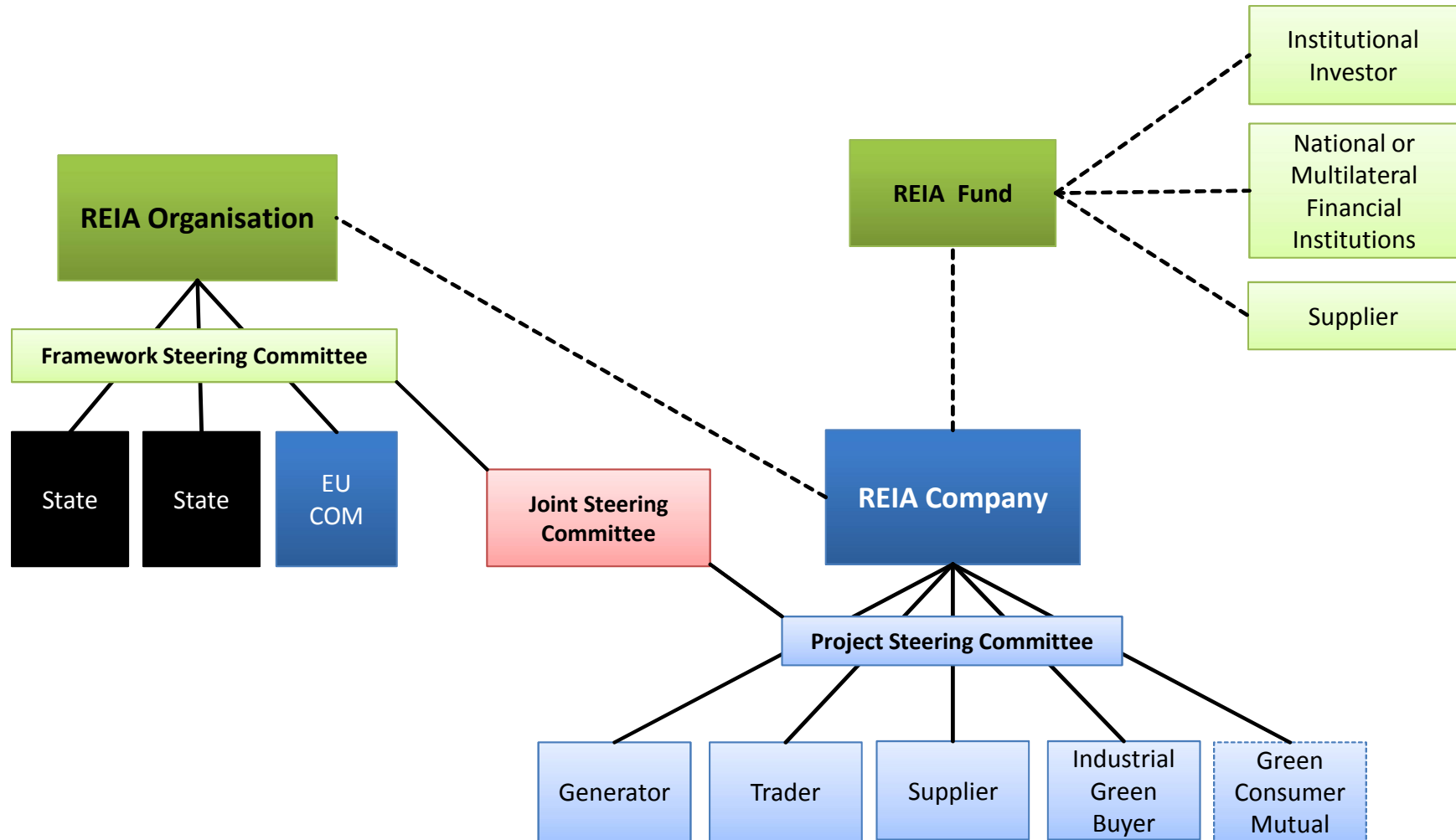
- **Q1/2015** – State negotiations and signing of Multilateral Framework my first States
- **Q2/2015** – Pilot joint project proposals for Participating State Parties
- **Q3/2015** – Development of Bilateral and National Frameworks
- **Q4/2015** – Additional round of shareholder and state accession



Acceding to REIA



# Organisational Structure





# Accession for States

Steps	Status <sup>1</sup>
Sign Memorandum of Understanding	"Interested Party" <ul style="list-style-type: none"><li>- Observer at Framework Steering Group</li><li>- Consider accession to Multilateral Framework</li></ul>
Accede to Multilateral Framework	"Participating Party" <ul style="list-style-type: none"><li>- Restricted Voting Party at Framework Steering Group</li><li>- Work on development of bilateral or national frameworks</li></ul>
Implement Bilateral and National Frameworks	"Agency Party" <ul style="list-style-type: none"><li>- Full Voting Party at Framework Steering Group</li><li>- Approve joint projects</li></ul>

<sup>1</sup> First group of member states will be given full state party rights following signing of the Memorandum of Understanding



# Accession for Shareholders

Steps	Status
Sign Confidentiality Agreement	"Interested Party" <ul style="list-style-type: none"><li>- Observer at Market Steering Group</li><li>- Consider accession to Shareholders Agreement</li></ul>
Sign Shareholders Agreement and ancillary documentation	"Shareholder" <ul style="list-style-type: none"><li>- Shareholder and Member of Project Steering Group</li><li>- Entitled to work as facilitator</li><li>- Funding of the Agency</li></ul>

