

## **Renewable energy in the Netherlands**

In 2011 the Netherlands will gear its renewable energy policy to meeting the binding EU target of 14 percent renewable energy use in 2020 in a more cost-effective way. The improved support scheme, called "SDE+", builds on 15 years of experience of stimulating renewable energy. The SDE+ addresses several flaws of previous schemes, in particular by promoting competition among technologies and projects.

The SDE+, like its predecessors SDE and MEP, is a feed-in premium scheme. Per technology an estimate of the cost price (so-called "basisprijs") is made. The difference between this cost price and the actual market price is subsidized for a period of 15 years.

The main improvements in the SDE+ include:

1. Exclusive focus on attaining the binding EU target. For more expensive, innovative technologies separate instruments will be developed.
2. One annual budget, for which all technologies compete. This will spur the most cost-effective renewable energy mix.
3. Annual phasing-in of the scheme to allow the most cost-effective technologies to apply for the available budget first. Once the appropriations budget is exhausted, the scheme will close and reopen next year.
4. Introduction of a "free category" that allows frontrunners to apply for support in an earlier phase. This improves their chances of acquiring support, but for a lower subsidy than the estimated cost price would warrant for. These frontrunners may have other financing sources at their disposal, or are able to produce renewable energy at lower costs than the estimated average for that particular technology.

The SDE+ will be financed through a levy on the energy bill of both households, and industry.

In the table below the SDE+ is illustrated for a selection of renewable electricity options. For each option the estimated cost price per technology is shown in ct/kWh. In practice the SDE+ covers more electricity options, as well as green gas and heating. The table is limited to the selected options for illustration purposes only.

The SDE+ will be implemented as follows. The first stage will open on January 1. Options with a maximum average cost of 9 ct/kWh will then be eligible for SDE+. This includes waste incineration plants (6.2 ct/kWh). The second stage will open on April 1. In addition to the waste incineration plants, onshore wind (9.2 ct/kWh) and technologies costing up to 11

ct/kWh will be eligible. And so on, until the maximum cost price of 15 ct/kWh is reached in the 4<sup>th</sup> quarter.

If a project wants to ascertain financial support, it may consider applying for the free category. So, a biomass project (average cost price of 12.1 ct/kWh) may apply for support at 9 ct/kWh in the 1<sup>st</sup> quarter, or at 11 ct/kWh in the 2<sup>nd</sup> quarter, when the budget might still be affluent. This will spur competition when budgetary means are limited.

For the free category the system is asymmetrical. So, an onshore wind project may apply for 9 ct/kWh in the 1<sup>st</sup> quarter, but not for 13 ct/kWh, because the latter would violate EU state aid rules.

Some technologies like offshore wind (18 ct/kWh), tidal and wave energy (34 ct/kWh) and solar (47 ct/kWh) are on average more expensive than the SDE+ maximum cost price of 15 ct/kWh. However, individual projects may be less expensive and/or have access to alternative financing sources, so these technologies are allowed in the free category too.

Hence, even though the SDE+ is primarily geared towards achieving the binding EU target for renewable energy use in 2020, it may encourage innovative options too by offering these options a place in the free category.

**Table - Illustration of SDE+ (with average cost prices ("basisprijzen") quoted in ct/kWh)**

<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>
Incineration (6.2)	Incineration (6.2)	Incineration (6.2)	Incineration (6.2)
Free (9)	Onshore wind (9.2)	Onshore wind (9.2)	Onshore wind (9.2)
	Free (11)	Biomass (12.1)	Biomass (12.1)
		Free (13)	Fermentation (13.4)
			Free (15)