Europe’s climate policy goals hinge on renewables, solar power

The Paris Agreement on climate change is an international commitment that can only be kept by the European Union if effective, consistent policy drives the shift to a low-carbon economy through action which boosts renewable energy such as solar power.

Ratified by the EU in early October, the agreement is a landmark pact to keep global warming to less than two degrees above pre-industrial levels. The task is enormous. World leaders made promises to curb their emissions in the run-up to the UN Climate Change Conference in Paris. But these Intended Nationally Determined Contributions will only cap global warming at 3.7 degrees.

Efforts and ambition will have to be further stepped up by the EU, and other major polluters such as the US and China. The Paris Agreement enters into force on 7 November.

Europe is already the most solarised region in the world, with almost 100GW of installed capacity. In 2015, 8.1 GW of solar power was added to the grid, a 15% increase on the 7GW in 2014. But that boost was the first increase since 2010-2011, according to trade association SolarPower Europe.

This positive trend needs to be accelerated if the EU is to turn away from an economy based on fossil fuels and extraction to embrace a low carbon, sustainable future.

Trade barriers

One barrier to the sector’s expansion, according to leading industry bodies and environmental NGOs, is the ongoing trade dispute between the EU and China over solar cells and modules.

The European Commission placed punitive tariffs – extra duties to be paid by the importer – on Chinese solar cells and modules in 2013. The measures are currently being reviewed with a decision expected in March 2017.

The anti-dumping measures were conceived as a way of guaranteeing fair competition with European manufacturers. It remains the largest trade dispute between the EU and China.

Supporters argue that the measures are necessary because China was selling the cells and modules at a value below its normal price on the domestic market.

There is also a perception that the EU had done most of the expensive ‘heavy lifting’ on solar products, only
to miss out on the profits after being muscled out by China.

But opponents of the anti-dumping measures argue that it is time to draw a line under the row, that they have stunted growth in European solar, and that the bloc stands no chance of hitting its climate objective with them in place.

The tariffs make solar panels more expensive and are slowing the deployment of solar across the EU.

But how does solar fit into the EU policy picture, and how can it answer some of the questions faced by the EU?

Climate policy and renewables

A suite of policies at European level are being brought to bear to cut emissions across an economy that is still dominated by an overwhelming dependence on polluting fossil fuels.

Renewable energy is a vital piece in this jigsaw. Technologies such as wind and solar generate electricity without carbon emissions, unlike coal or gas.

This clean energy can be used to drive down emissions across sectors, including transport, the one sector in the EU where emissions can continue to rise, as it becomes more electrified in the future.

The Commission’s flagship Energy Union plan has twin goals; to fight climate change and reduce the bloc’s dependence on energy imports.

Renewable energy provides part of the answer to both of those questions.

It foresees a connected EU energy system, where shortages in one area can be made up by a surplus elsewhere. Policymakers want to better connect renewables into this system, and incentivise homeowners and businesses to generate their own power, through, for example, solar panels on their roofs.

The EU imports more than half of its energy every year. The crisis in Ukraine brutally exposed just how addicted the bloc was to Russian gas, giving the project political impetus.

Commission President Jean-Claude Juncker has vowed to make the EU “the world leader in renewables”.

The EU has set itself the target of boosting the share of renewables by at least 27% by 2030, compared to 1990 levels.

That goal is one of three climate and energy targets backed by EU leaders before the Paris Agreement. The Commission is expected to translate the targets into EU legislation in early December.

The executive also plans to publish a paper on the design of the EU’s electricity market. It is expected to push for greater integration of renewables.

These policy imperatives are positive market signals for the solar industry. In an ideal world, such signals should convince investors to reach into their pockets.

This financial backing could be further incentivised at EU level through judicious use of the European Investment Bank-helmed Juncker Plan, which offers risk guarantees on project investment to get them off the ground.

Investors need certainty but are skittish when it comes to renewables because they have been burnt by national policymakers in the past.

In Spain and the UK, the governments retroactively withdrew guaranteed support schemes for wind and solar.

Such subsidies, long-established in fossil fuel industries, were important in getting the technology off the ground.

The solar industry is now transitioning to a market based model, after being let down at national level.

Economy and employment

There is the potential to give the economy a boost and cut Europe’s stubbornly high levels of unemployment, as clean jobs are created in the solar industry.

European innovation in renewables can create employment once the technology is brought to the market and rolled out at scale.

The Commission has initiatives in the pipeline to boosts research and development but without creating the right market conditions to roll out such innovation, the EU could miss out on the benefits.

The construction industry is a bellwether for the economy. The installation of solar panels on homes, if supported by consumer education, training, and forward-thinking financial services, will provide local employment.

Most companies working in construction are SMEs, identified by policymakers as drivers of the economy.

The European construction industry is keen to harness the shift to the low carbon economy to create a new generation of SMEs.

Antidumping and protectionism

This week’s Special Report will examine the issues surrounding the Commission’s review of the anti-dumping measures. The Commission will have to weigh up the competing claims and political pressures for and against the duties, and whether they can meet their policy objectives with them in place.

The antidumping regulation is EU law. Any Commission decision will have to respect that legal framework but officials do have flexibility if they decide the wider interests of the Union outweigh the arguments for the trade defence measures.

Groups such as Greenpeace and Climate Action Network, and trade association SolarPowerEurope, are adamant that they do.

Meanwhile the political mood music, in Europe and globally, is increasingly protectionist.

The Commission is working on new trade defence instruments, driven by calls to protect the European steel
Almost 49,000 employees, about 3.7 million installations and a saving of more than 28 million tonnes of CO2 last year alone: the German solar industry is impressive. But it is going to need freer trade and new ideas if it is to remain an important player in Germany’s energy transition.

In the 1990s, the German government introduced solar subsidies in order to boost the photovoltaic industry. As time went on, solar power was supposed to get so cheap that Berlin would not have to provide this support anymore.

But it hasn’t quite panned out that way, as demand has not remained all that strong in Germany. Last year, the country’s total capacity was just under 1.5 gigawatts: about half what it was in 2013, when Germany could call on about 3.3 gigawatts.

This hasn’t just led to a cut in production, there have been cases of bankruptcy and massive job losses too. Germany’s solar industry looked like it would no longer be the hyped “environmental industry” it was supposed to be and that it would fall victim to harsh economic and commercial realities.

This is not necessarily all down to Germany’s renewable energies act (EEG) either, because its targets are essentially on the right path, said Dr Christian Westermeier, board director of SolarPower Europe. One of the biggest problems facing the industry is Europe’s trade measures.

“The EEG aims to make solar power ever cheaper and thereby make the Energiewende (Germany’s energy transition) affordable for our society. To this end, tenders have been implemented for ground-mounted systems and for small rooftop installations. In both cases, the fixing of a minimum price for Chinese solar products means that the costs of photovoltaic (PV) systems cannot decrease to the extent that is possible and actually needed. The cost of the Energiewende and the much criticised EEG levy are therefore artificially increased. For small rooftop systems we have now reached the paradoxical scenario that because of the low installation speed in Germany, the feed-in tariffs for new systems will increase for the first time!” said Westermeier.

Cheap Asian components provide massive competition to the European solar market. Current statistics show that China is still the biggest manufacturer worldwide of PV cells by sales, followed by Canadian Solar, with a sales volume of around 4.7 gigawatts.

In order to protect the European market, the EU introduced anti-dumping and anti-subsidy duties in 2013 on all solar cells and components imported from China, establishing a minimum import price (MIP) at which they must be sold.

There has been little success, even in Germany, as a result. More and more Chinese PV cells and modules ignore the agreed minimum agreement, while...
European products are still subject to the minimum price. The industry believes itself to be suffering from impaired growth and competition.

“Artificially high module prices in the EU means that the reduction in feed-in rate cannot compensate and have contributed to the collapse of PVs in Germany and the EU,” insisted Westermeier. In his view, the trade restrictions on Chinese solar mean that global competition will thwart the most efficient technologies and deny us the best prices, even if many cell and module producer intermediary products source their wafers, aluminium frames and junction boxes from China and other Asian countries.

“It is precisely because of this price stagnation that the entire industry suffers. If PV products in Germany and Europe cannot follow global price trends because of trade measures, then the industry is not going to experience any growth. It’s unfortunate that Germany cannot tap into this potential for job creation and creating added value,” Westermeier criticised.

While German solar companies may long for an end to the trade restrictions and go on the hunt for alternatives, the European Commission is looking into its expiry review of trade tariffs, which is set to be finalised by March 2017.

“Meanwhile, market experts like IHS and the Joint Research Centre (JRC) have shown that European producers cannot keep up with their Asian (not just Chinese) competitors, because of their lack of economies of scale. European producers have to consolidate themselves into bigger outfits or concentrate on niche markets and/or added value.”

An example of added value could be solar power storage. The potential is there: of the 1.5 million homes in Germany that have a solar system on their roofs, only 15,000 use storage systems, according to the industry’s association. The German government has recognised this fact and since 2013 has supported power storage systems in the solar sector, which has been extended up until 2018.

Through innovative new business models and the elimination of trade restrictions, Germany could regain its place as a major solar player. It has to. In order for the ‘Energiewende’ (Energy change) to happen and for CO2 levels to decrease as planned, it needs a healthy solar industry.

However, the signs are not bad, according to Westermeier: “PVs have demonstrated enormous cost saving potential in recent years and there is still great potential for further optimisation of this. Solar power, together with wind power, will be the main pillar of Germany’s, as well as the world’s, energy supply.”

More than 400 companies from across the European Union, and leading environmental NGOs, have demanded the immediate end of punitive trade measures on solar panels and cells imported from China.

403 companies from all 28 member states warned that failure to remove the anti-dumping and anti-subsidy measures on cells and modules from China would make panels more expensive.

That was slowing down the deployment of solar across Europe, and costing the bloc much-needed jobs, the businesses said in a letter to the European Commission.

The industry call was echoed in another letter sent to EU Trade Commissioner Cecilia Malmström by five leading environmental NGOs, including Greenpeace, WWF and the Climate Action Network.

“The measures add 100,000s of euros cost to installations in the region of 10MW and above and around €1,000 to the household installations,” the industry
To return sustainable growth to our sector, to see jobs come back to our companies and to see the value of solar grow in Europe again, the trade measures must go.”

The trade defence measures were imposed because of fears the Chinese were selling the products at an artificially lower price, lower than they would cost on their domestic market.

In a separate letter, the NGOs identified solar power as one of the key technologies needed by the EU to meet its commitments under the Paris Agreement on climate change.

World leaders pledged to curb global emissions to well below two degrees compared to pre-industrial levels. Earlier this month the EU ratified the deal, pushing it over the threshold needed to bring it into force this November.

But the environmental groups fear that the tariffs were slowing down the deployment of solar because they make it more expensive.

“It is vital that there be consistency between the EU’s climate and trade policy. We therefore urge you, Commissioner Malmström, to end the trade measures on imported solar panels immediately,” they wrote.

The Commission imposed the measures on imported Chinese solar products in 2013, sparking a bitter trade dispute with Beijing, which retaliated with an investigation into European wine imports.

The executive has since opened a probe into allegations that Chinese exporters are dodging the duties by channeling the products through Taiwan and Malaysia. The Commission on 11 February extended the duties to cover panels and cells coming from those countries.

The measures are up for expiry review with a decision on whether to extend or ditch them expected in March 2017.

Industry wants them and the minimum import price removed. While the Commission must respect EU laws protecting fair competition, it can make exemptions if it finds it is in the best interests of the Union.

Jobs

“Despite the global boom in solar power, Europe today holds a worryingly small and shrinking percentage of the annual market”, the industry letter read.

“The measures have had unforeseen consequences on our companies, leading to job losses and reduced opportunity in the solar market due to increased costs.”

The NGOs echoed those concerns in their letter. “About 120,000 people are currently employed in the European solar power sector. That number could be significantly higher if the trade measures were removed,” they said.

Those jobs are urgently needed because of the employment that will be lost as polluting industries shut down during the shift to a low-carbon economy. A recent Ernst & Young study has found that 55,000 new jobs could be generated by 2020 in the EU solar supply chain.

Both groups pointed out that the EU’s target of boosting its share of renewables by 27% by 2030, compared to 1990 levels, would be made more difficult if the measures were continued.

Energy Union

The NGOs, which include influential climate think tank E3G, reminded Malmström that Commission President Jean-Claude Juncker had said he wants Europe to be “the world number one in renewables”.

The executive’s Energy Union strategy to lessen the bloc’s dependence on imports and fight climate change also pledges to put the consumer at the heart of the plan.

But, according to the NGOs, the trade measures hurt consumers and made it more expensive for them to generate their own solar power. Creating such active energy citizens is one of the goals of the Energy Union project.

Solar will only be able to grow in Europe without subsidies if the measures were cancelled, the 403 businesses said in their letter.

“The trade measures are ensuring that the potential of solar is not being fulfilled in Europe,” the letter said.

Not all stakeholders are in favour of removing the measures. EU ProSun represents PV cells and module producers. It made the complaint about exports via Taiwan and Malaysia.

It said that the minimum import prices on cells and modules had not hit new installations in the EU.

“Anti-dumping rules are fundamental to guarantee a fair, level playing field in the EU market. Demanding the termination of the measures is essentially like abolishing doping controls at the Olympic Games,” said Milan Nitzschke, president of EUProSun.

The Commission said, “The final decisions should be taken by March 2017 at the latest. In the process, we welcome the expression of views from all interested stakeholders, both on the producer and user side.”
INTERVIEW

Fjellner MEP: EU tariffs on Chinese solar imports are a Commission-backed cartel

EU trade defence measures on solar imports from China are, in effect, a European Commission-backed cartel, which benefits only German and Chinese panel producers and makes the fight against climate change more expensive, MEP Christofer Fjellner has said.

Christofer Fjellner is a vice-coordinator of the European Parliament’s Trade Committee and a substitute member of the Environment Committee. The Sweden Moderaterna lawmaker (EPP), spoke to EurActiv.com News Editor James Crisp.

What is the feeling in the European Parliament when it comes to free trade?

I would say that there is clearly a wave of protectionism that is sweeping all over the world and that’s clearly present in the European Parliament. You can see by looking at the WTO that there has been a sharp increase in trade defence instruments all over the world and the European Parliament is no exception. The first thing that almost always comes is new calls for anti-dumping duties and use of trade defence measures.

But I have actually never met a protectionist or no one who calls themselves that! I’ve met a lot of people that claim the need for protection for X,Y or Z but they don’t call themselves protectionists.

What’s driving this desire to shut up shop?

When you are in dire economic times, that is when free trade is most needed. Normally, the way to get the economy moving in such situations is to use taxpayer’s money and call it investment. But we have kind of run out of taxpayer’s money! When growth is low, people tend to protect what they have instead of opening up the economy to competition to improve growth. It’s an illogical logic but it has been around forever.

You’ve said the Greens are guilty of this...

Nobody admits to being a protectionist but we have a hell of a lot of them and most of them come from those people who think you can foster economic growth by telling other people what to do rather than opening up the economy. That again is a conflict in politics and ideas that’s been around for hundreds of years.

Today, a lot of those who want to tell people what to do come from the Greens. The most provoking examples of that are in the application of trade defence instruments. The very ones hailed by Greens have, with the precision of a surgeon, been targeted towards renewable energy. We now have antidumping on all forms of renewables – biodiesel, ethanol, even the plastic that covers our windmills.

Some even claim the tariffs are too low. One example of this provoking protectionism is the Green Goods Agreement. It would remove tariffs on green goods and the Greens are the most vocal opponents to it.

We have no tariffs on oil, coal or any of the fossil stuff. They even oppose the removal of tariffs on bikes. It’s unbelievable.

But aren’t these measures needed to protect European jobs?

Anyone who thinks you can protect jobs by protectionism will preserve what is uncompetitive and old, and make us the losers of globalisation.

Soon Portugal will be exporting T-shirts to China when China will be exporting airplanes to Portugal. If the EU doesn’t adapt to globalisation, we will be run over.

Is the problem that people are scared of China’s economic and manufacturing muscle?

Sure, and a lot of people are upset with how the Chinese run their economy, with the subsidies and lack of a transparent marketplace. Saying that, I have spent most of my political life being criticised for not subsidising solar...
When it comes to dumping solar panels on the EU market, the people who should really be upset are the Chinese taxpayers!

Imagine if Russia through Gazprom had subsidised the gas they sell to the EU. Or Saudi Arabia said we will give you oil for free. Do you think the reaction would have been "No, we are upset with this and we will hit you with tariffs"? And it is not as if OPEC is run on a regulated market basis.

Do the fears over Chinese dumping of steel and its effect on the European steel industry play into this?

We have plenty of anti-dumping duties on steel. We have over 27 measures on steel. Probably one of the sectors, along with chemicals, where we have the most trade defence instruments in place. One could argue that we need to drive up the price of steel in Europe but we should also ask ourselves how many less Mercedes cars we will be able to sell to China as a result.

Is there a risk of Chinese retaliation? A trade war?

We will probably have retaliation on top of the decreasing competitiveness of European industry. But steel is less of an influence that the general mood towards trade defences and protectionism.

The European Commission wants to show it is tough on China but if we want to be WTO compatible, we have to be less discriminatory towards China.

The expiry review was extraordinarily stupid because it was declared in Paris during the UN Climate Change Conference, while negotiations were ongoing.

Can the EU hit its climate and energy targets with the duties on Chinese solar products in place?

Solar is, of course, important. How important is down to other policy choices. We can probably hit the targets but this is an important tool and it will be expensive if we don't use it. The tariffs create costs and makes our fight against climate change a lot more expensive and it is not as if we have too much money to fight climate change!

One thing about the tariffs; their construction through the minimum import price removes competition in the solar sectors. The level of the minimum import price was supposedly agreed by Germany and China, the two largest producers. As has been said in the past, when two producers meet together, they conspire against the consumer.

You're saying it is a cartel?

They have managed to get a European Commission sanctioned, controlled, and enforced cartel. The reason I don't get Chinese producers complaining – as I did before the measures were imposed – is that we have a lot of Chinese producers making damn good money.

Should the EU grant China market economy status?

The person who called it market economy status is either an idiot or very good at public relations. This has nothing to do with whether China is a market economy. I think the EU should live up to its WTO obligations and respect the treaty it signed up to in 2001. The treaty says there would be a transitional period of 15 years when non-standards of calculating anti-dumping could be used but that period is nearly over. All the lawyers say that we have to change our relation with China when it comes to trade defence instruments.

But I think we will miss the 11 December deadline in the treaty, we will have retaliation and we will be sued by China. Our own lawyers say we will enter an illegal situation on 11 December and the Commission has not presented any proposal to change that.

But the Commission must respect the legal framework of fair competition.

After 11 December, we will be the ones breaking the law, not China. Before then, the EU can use the current evaluation method, which makes it possible to find dumping wherever you want.

Maybe the law itself is flawed but in the case of solar panels I would question if the Commission has followed the legislation which asks for an ‘interests of the Union’ test.

This is a test to see if it is in the wider interests of the EU not to continue with trade defence measures. Do the measures on Chinese solar products fail that test?

27% of EU solar producers filed a complaint with the Commission saying they were hurt by Chinese dumping but there is another side to that coin. What about the climate targets? What about the downstream users? 80% of the value of solar panels is created downstream – this really sits badly.

In this case, it is hard to see how it could possibly be in the Union interest to strike down on renewables and make them more expensive.
Commission calls for tougher EU trade defence measures

The European Commission is pushing for EU leaders to back stricter trade defence instruments against countries such as China at their summit in Brussels today (20 October).

Yesterday, the executive published a communication calling for stronger shields against unfair trade. It wants the heads of state and government to endorse the plan at the summit, before a November meeting of EU trade ministers.

“The Commission has been doing its part, deploying trade defence instruments to their full force. But we have reached the limit of what is feasible under the existing legislation,” Commission President Jean-Claude Juncker said.

The EU accounts for 15% of world imports, second only to the United States, but its trade defence measures are imposed on just 0.21% of imports.

The communication comes after accusations that Chinese steel overcapacity was seriously damaging the European steel industry. Juncker, whose father was a steelworker, has pushed for a robust response to the issue.

He said, “Some EU industries have lost thousands of jobs. We cannot stay idle. The EU’s trade defence rules require an urgent update.”

The Commission has asked for national governments and the European Parliament to quickly adopt a proposal it first tabled in 2013. It advocates changes to the so-called “Lesser Duty Rule”.

Current rules cap the levels of anti-dumping duties through the Lesser Duty Rule. This cap, according to the executive, means that some products, like Chinese rolled steel, face a 21.1% duty in the EU. In the US, which doesn’t have the rule, the average duty is 265.8%, the executive said.

While the tougher measures will be welcomed with some, other stakeholders may be concerned about what they could mean for anti-dumping measures on Chinese solar imports.

Industry and NGOs have warned that continuing those existing measures on those imports will make the EU’s fight against climate change far more expensive. They will be reviewed in March next year.

“Removing the LDR and applying astronomical tariffs on Chinese solar will only hurt the consumer, who is meant to be at the heart of the Commission’s Energy Union strategy,” said James Watson, CEO of SolarPower Europe, the European Photovoltaic Industry Association.

Member states are divided over the rule, with some countries traditionally in favour of free trade having supported it historically.

But European Commission Vice-President Jyrki Katainen said he was confident those historic differences could be overcome.

“Everybody agrees that overcapacity is a cancer in the world of free trade,” he told reporters at the launch of the communication.

“Everybody, including China, knows what we are trying to oppose, and they will take it positively.”

The communication also suggests a new methodology “to capture market distortions linked to state intervention in third countries”.

The measures on Chinese solar products were imposed after accusations that producers were benefitting from state subsidies and selling their products for lower than what they would cost on the domestic market.

It means that the communist country will have to be treated as a free market equal when settling trade disputes.

That poses a problem for the EU, as it can currently use a different methodology to find anti-dumping than it could if China had the status. If the 11 December deadline passes without action, China could sue the EU in the WTO.

The proposed changes would respect WTO rules and allow the EU to impose higher anti-dumping changes in some instances, the Commission said.

They will also allow deal with any “forthcoming changes to the legal framework of the WTO”, the Commission added.
Solar power in Europe: Free trade or trade duties?

Europe is the most solarised region in the world with 100 gigawatts (GW) of solar power installed. Back in 2013, the European Commission imposed trade defence measures on solar modules and cells imported from China. While module manufacturers welcomed the action, technology manufacturers and developers argued that such a move would drive up the cost of solar panels, leading to a slowdown in the deployment of the technology and job losses across the industry.

In December 2015, the European Commission announced a review of the measures. It is expected to make a decision by early 2017.

EurActiv organised a Stakeholder Workshop on 12 October 2016. See the highlights clip at eurac.tv/4lO3