Cross border auctions

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What are cross-border auctions?

Cross-border auctions are characterized by:
- being open for participation of projects from more than one country
- creating competition between project developers from different countries
- resulting in cross-border flow of support payments and RES statistics
Rationale of cross-border auctions

1. Potential to significantly **reduce support payments** by deploying RES in areas with:
   - Better natural resource potential
   - Higher market values
   - Lower cost of capital

2. **Increase competition**: countries may use x-border auctions to increase competition in their domestic scheme

3. **Transfer of knowledge** and testing different design
Why are international auctions an emerging topic?

• **NOW: State aid:** requires schemes to be open in principle, currently following Member States has opening obligations: DE, LU, ES, EE, RO, EL, IT, PT, BE, HU

• **FUTURE: RED II, Article 5:** Voluntary opening of national schemes (≥ 5% in 2023-26; afterwards 10%); potentially binding as of 2025

• Two **additional EU instruments** to incentivize cross-border cooperation:
  
  - **New funding line under future CEF:** for “cross-border renewables projects” → available grants (~ 1.2€ billion 2020 - 2027)
  
  - **2030 RES governance:** “Financing Mechanism” (gap-filler) may trigger EU wide RES auctions
Case study: Auction of the EU Financing Mechanism
A new option to cost-effectively deploy renewables

- Participation is voluntary for contributing and hosting MS.
- Mechanism focusses on new RES projects and thus results in continuous generation of statistical benefits.
- Support payments are borne entirely by contributing MS.
- Contributors receive statistical RES target contribution. Some RES statistics remain with the hosting MS.
Focus of case study: Process of setting-up a tender based on Member States’ input

Step 1: Call for interest to participate as a host or contributor

Step 2: Expression of interest to participate in a tender (incl. preferences on technologies, max. volumes, etc.)

Step 3: Draft tender documents incl. volumes, national caps, max. ceiling price

Step 4: Binding commitments of hosting and contributing MS

Step 5: Invitation for bids to project developers

Step 6: Execution of competitive tender and information of MS and project developers about the outcome

Source: Navigant
Illustrative outcome of a wind onshore auction

- 449 MW awarded volume
- Weighted average bid price is 256 €/kW

Production equivalent to **359 MW** is pooled and will be transferred to contributing MS.