AURES II – Auctions for Renewable Energy Support II

Final conference

Virtual meeting, 28 April 2022
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

Benefits for contributing party
Reduction of support costs by:
- tapping into better natural potential
- reaching higher market values
- accessing better financing conditions
- increasing competition in auction

Benefits for hosting party
- Structural transition of energy system and mobilization of FDI
- Job creation
- Clean air and public health
- Political cooperation
Are cross-border auctions an emerging topic?

Limited use of cross-border potential due to:

1. Lack of political willingness / acceptance
2. Uncertainty about the outcome
3. Complexity of cooperation options
4. Transaction costs

Reasons for more cross-border cooperation in the future:

1. Recently, more MS seek cooperation
2. Increasing RES ambitions
3. RED II: Voluntary opening of national schemes (≥ 5% in 2023-26); REV proposal: project by 2025
4. Two new EU instruments:
   - New CEF funding line: grants (1.2€ billion 2020 - 2027) for “cross-border RES projects”
   - “Financing Mechanism”: EU wide auctions

AURES II studies:
- Design options for cross-border auctions
- Auction theoretical aspects
- Practical guidance on implementing cross-border auctions
Case study: Auction of the EU Financing Mechanism – basic functioning

- **Participation is voluntary** for contributing and hosting MS
- **Contributing Member States** pay entire support: define volumes and max. financial contributions
- **Host countries**: define technologies, overall volumes and project sizes
- FinMec implements auction which determines **support levels**, allocates support to projects and redistributes RES statistics
- Contributors receive **statistical RES** target contribution. Some RES statistics remain with the hosting MS.
Case study: Auction of the EU Financing Mechanism – Pros & Cons

Hypothetical case study

- Pre-determined support scheme and auction design reduces negotiation requirements
- Less administrative burden for nat. authorities
- Risk of not being awarded
- Limited control over project selection
- System integration costs in host country
- FinMec is an effective tool to aggregate cooperation
- Process of setting-up a tender based on MS’ input: preferences may evolve over time (volumes, technology). Not all preferences may be reflected.
- Relevant use-cases (volumes) need to be identified.

Further case studies:

- Considerations for setting up cross-border auctions in Hungary
- International auctions in a joint offshore wind hub
What to expect from cross-border cooperation/auctions in the future?

1. Increasing attention via regulation

2. MS will have higher willingness to engage in cross-border cooperation and be more pragmatic about it

3. From pilot-phase to more large-scale cooperation

4. Less focus on distribution of support costs, more focus on system integration/infrastructure costs

5. More cross-border auctions at EU-level