



**To: Margrethe Vestager**  
European Commissioner, Competition

Athens, May 14<sup>th</sup>, 2019

**Subject:** Greek long-term capacity remuneration mechanism for the electricity market

**Reference:** Our letter of 23 January

Dear Commissioner Vestager,

In our letter of 23 January 2019, which was addressed to you and Commissioners Moscovici, Vella, Cañete and Šefčovič, concerning the divestment of PPC's lignite assets, we expressed our deep concerns about the role of the European Commission in sanctioning highly polluting fossil fuel power plants. Noting that we have not yet received a reply to that letter, we are coming back to you regarding the Greek capacity mechanism, which was recently published for a three-week consultation.

As the consultation on the "Long-Term Capacity Remuneration Mechanism in the Greek electricity market" was concluded on 10 May 2019, we hereby share with you, attached to this letter, the comments submitted jointly by WWF Greece and Greenpeace Greece.

Given the deeply flawed nature of capacity mechanisms, we wish to highlight your statement of 2016 that "*capacity mechanisms need to match a problem in the market and be open to all technologies and to operators from other EU countries. They must not be backdoor subsidies for a specific technology, such as fossil fuels, or come at too high a price for electricity consumers.*"<sup>1</sup>

A 2018 report by Greenpeace showed that in the EU "governments are already covertly adding almost €58 billion to energy bills to fund capacity mechanisms. Of these subsidies, 98% go to fossil fuels and nuclear energy."<sup>2</sup> The track record of the Greek capacity remuneration schemes to date is also notoriously CO<sub>2</sub> intensive. In total, from 2006 to 2014, state aid through the Greek capacity remuneration schemes has been at least 3.8 billion EUR, 2.9 of which supported the operation of fossil fuel units.<sup>3</sup> This translates to 1.4 billion EUR for lignite plants, 1.35 billion EUR for natural gas and almost 180,000 EUR for oil powered units.

The potential of the capacity mechanism to prolong Greece's dependence on fossil fuels is our biggest concern, as the contracts supporting fossil fuel power plants would slow down Greece's vital transition to a 100% clean electricity system.

As the proposed remuneration scheme is not based on a solid assessment of capacity needs, while at the same time capacity payments in general are not based on any type of environmental and climate impact assessment, compensation to a high emitting coal plant simply for being available heavily distorts the "polluter pays principle" on which the ETS is based.

With regard to the duration of the proposed scheme, capacity mechanisms are defined as "a temporary measure to ensure the achievement of the necessary level of resource adequacy by remunerating resources for their availability...". As the full implementation phase of the CM under consultation spans through 2033, it is obvious that this can in no way be regarded as a temporary but rather as a long term state support scheme to fossil fuels.

In view of the climate crisis currently unfolding, we see the European Union as a much needed global champion for rapid decarbonization policies and just transition to the post-fossil fuels era.

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<sup>1</sup> European Commission. (2016, November 30). State aid: Sector Inquiry report gives guidance on capacity mechanisms.

<sup>2</sup> Greenpeace European Unit. (2018, 13 September). EXPOSED: €58 billion in hidden subsidies for coal, gas and nuclear.

<sup>3</sup> WWF Greece. (2018). Greek subsidies to fossil fuels [in Greek]. Retrieved from: [http://www.wwf.gr/images/pdfs/Fossil\\_Fuel\\_Subsidies\\_in\\_Greece\\_Final.pdf](http://www.wwf.gr/images/pdfs/Fossil_Fuel_Subsidies_in_Greece_Final.pdf)

A healthy, carbon-free and innovative energy sector will not only benefit public health and the protection of the environment, but can also trigger viable investments aligned with the future energy reality towards the transition to clean energy.

Especially in accordance with art. 39(b) and (c) of the “Code of Best Practices for the conduct of State Aid Control procedures”, and in light of the EU General Court’s judgement on the “Tempus Energy Ltd v European Commission” case, we ask you not to apply the streamlined procedure. Upon notification by the Greek authorities to the Commission of the long-term capacity remuneration mechanism, we urge you to consider the attached comments submitted by WWF Greece and Greenpeace Greece to the Ministry of Environment and Energy during the brief consultation and formally request from the Greek authorities further information on the numerous points raised.

Sincerely,

A handwritten signature in blue ink, appearing to read 'DKaravellas', with a small flourish at the end.

Demetres Karavellas  
CEO, WWF Greece

A handwritten signature in black ink, appearing to read 'NCharalambides', with a long horizontal line extending to the right.

Nikos Charalambides  
Director, Greenpeace Greece