

Molvær Tuva Magritt

Fra: Sjøveian Kate på vegne av !Postmottak OED
Sendt: 2. februar 2011 08:16
Til: Molvær Tuva Magritt
Emne: VS: Hearing Submission - Lov om elsertifikat

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Fra: Jens Thomassen [mailto:Jens.Thomassen@hgcapital.com]
Sendt: 1. februar 2011 20:29
Til: !Postmottak OED
Kopi: Tom Murley
Emne: Hearing Submission - Lov om elsertifikat

Thank you for the opportunity to comment on the proposed integration of Sweden and Norway's renewable energy support systems. This letter sets forth the comments of HgCapital, one of Europe's leading investors in renewable energy, to the formal hearing document "*Lov om elsertifikat.*"

HgCapital manages over €500 million in worker's pension funds and invests in renewable energy projects. With our local partner, Nordisk Vindkraft ("NV"), HgCapital currently holds controlling investments in 180MW in Swedish wind projects, including the 96MW Havsnas wind project, Sweden's largest operating onshore wind farm. We have invested over €125 million in these wind farms. This makes HgCapital the leading financial investor in Scandinavian wind.

We believe that a properly structured joint system can unlock both Norway and Sweden's energy potential and create economic value in Norway and Sweden through foreign investment, job creation and future tax revenues. Therefore, we welcome this development

We do, however, want to identify some concerns, which if not properly addressed, could result in the joint goals not being achieved.

First, new renewable energy projects, whether wind, hydro or biomass involve a significant upfront capital investment. The decision to make that investment is dependent on clear, long term price signals in the form of stable electricity and green certificate prices so investors can be assured of recovering their investment plus a reasonable rate of return. The Swedish green certificate system is not fully delivering that clear price signal today. We have recently seen that a national drop in power demand has created an excess of certificates in the market. This uncertainty is causing projects to be deferred in the hopes of clearer price signals. A larger market also brings risk of larger uncertainties if not properly managed.

The joining of Norway and Sweden together has the potential to destabilise this market and further reduce the price of green certificates to a level at which new projects will not be built. In particular, the peculiarities of the integration that create this risk are:

- It is important that power plants can not be awarded an extension of green certificates beyond 15 years unless they are completely rebuilt. This issue was recently discovered in Sweden, has been heavily debated and, as we understand, is now in the progress of being rectified. Given the large existing hydro capacity, it is crucial in order to build and maintain a confidence in the green certificate market to design very stringent, accurate and objectively measurable criteria for calculating green certificate allocations for upgrades or extensions of hydropower stations. These criteria also need to take in to account the very high annual volatility in production volumes from hydropower plants.

The longer term risk is that low green certificate prices deter investment in renewable energy, which may increase green certificate price volatility and risk Norway and Sweden not to meet their renewable energy goals. There are a large number of permitted renewable energy projects in Sweden that are not being constructed as they are not deemed economic by utilities, private investors and banks. If the green certificate system is not balanced, there is a significant risk that Norwegian renewable energy projects (both wind and hydropower) will not be deemed economic by public nor private investors. The best opportunity to correct any market failings is at the regular and planned control stations. The next date for review is set to 2015, we believe that there is a risk for this being too late and we can't see any downside with an earlier control station.

When reading the text, we see a need to put emphasis on structuring the financial information surrounding the coming joint market, to establish and support a sane transparent financial market in terms of information.

Finally, we appreciate the work you do in organizing this review process, and we are at your disposal for any further exchange in the future.

Respectfully submitted,

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