Romania decree threatens green energy projects

June 4 2013, by Mihaela Rodina

Romanian Prime Minister Victor Ponta speaks on March 9, 2013 in Budapest. Romania's centre-left government on Tuesday adopted a decree cutting incentives for renewable energy, which experts say could drive investors away and put on hold a booming industry.

Romania's centre-left government on Tuesday adopted a decree cutting incentives for renewable energy, which experts say could drive investors away and put on hold a booming industry.

The order stipulates that wind, solar and small hydro-power producers will only get around half of the "green certificates" they are entitled to receive as a stimulus to develop clean [energy](#) and will have to wait until 2017 or 2018 to get the balance.

Analysts say the decree, due to come into force on July 1, will deprive producers of hundreds of millions of dollars (euros) in revenues.

"We had to find a compromise allowing investors in renewable energy to continue to make profits but not to the detriment of the other industries or of households," Prime Minister Victor Ponta said after a cabinet meeting.

Energy Minister Constantin Nita recently said that Romania's "current incentive scheme is the most generous in the European Union and has had a negative impact on households and industrial consumers" in terms of [electricity prices](#).

Under the scheme, conventional energy producers and distributors have to purchase "green certificates" from renewable energy producers, passing on the costs to consumers.

Nita stressed that major companies such as steel maker Arcelor Mittal or aluminium producer Alro, owned by Russia's Vimetco, "no longer agree to contribute to the well-being of green energy producers" and are threatening to leave Romania.

Despite the move, Romania is still committed to its target of having the share of [renewable energy](#) reach 24 percent of total output by 2020, the government said.

But the president of Romania's Wind Energy Association (RWEA) Ionel David said that the adoption of the bill would "spell the end of a

beautiful dream and of a top-ranking industry."

Investment in [green energy](#) projects has topped $4.0 billion since 2010.

Romania enjoys a privileged position on Europe's wind map, with a potential estimated at 14,000 megawatts.

It currently produces 2,100 megawatts of wind power, nearly half installed last year.

"This amounts to roughly one new turbine set in motion daily", David told AFP.

"But rumours of the government's plans to change legislation which have been circulating over the past few months have dampened the investors' enthusiasm" and many of them are mulling abandoning investment projects in Romania, he stressed.

German power firm E.ON has said it would no longer build a 120-megawatt wind-power farm in eastern Romania if authorities decided to cut incentives.

Solar power plants have also mushroomed over the past two years. Their capacity currently stands at 200 megawatts and could reach 350 to 450 megawatts by the end of the year.

Romanian Photovoltaic Energy Association criticised the move as undermining regulatory stability, adding that before being enforced the decree must get the approval of the European Commission, which could take some time.

An energy expert with Romanian think tank Expert Forum, Otilia Nutu, complained the change was made "without conducting any impact

study."

The adoption of the bill comes after Prime Minister Victor Ponta said he backed shale gas drilling, despite the controversy around the tapping technique, called hydraulic fracturing, and the opposition of local communities.

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Citation: Romania decree threatens green energy projects (2013, June 4) retrieved 25 April 2024 from https://phys.org/news/2013-06-romania-decree-threatens-green-energy.html