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**Subject: NER 300 and geothermal energy technologies**

Dear Mr Tulej,

In view of the upcoming meeting of the Climate Change Committee and of the Second NER300 information event, I am writing you with some reflections on the NER300 as a financing instrument and the nature of geothermal technologies, notably Enhanced Geothermal Systems (EGS).

Firstly let me point out that, with three projects awarded, **the NER300 is providing a much needed boost to the demonstration of innovative geothermal technologies.** As already stressed in a letter addressed to Commissioner Connie Hedegaard on 8<sup>th</sup> July 2014, "NER300 is unique as it addresses the 'Valley of Death' of financing and plugs the gap between Horizon 2020, which lacks the scale needed for energy demonstration/pilot projects, and revenue support instruments such as Member States' support schemes, which do not address the risks of early-stage technologies". For this reason, we very much support the idea for a new innovation fund for renewable energy as part of the next EU climate and energy framework between 2020 and 2030.

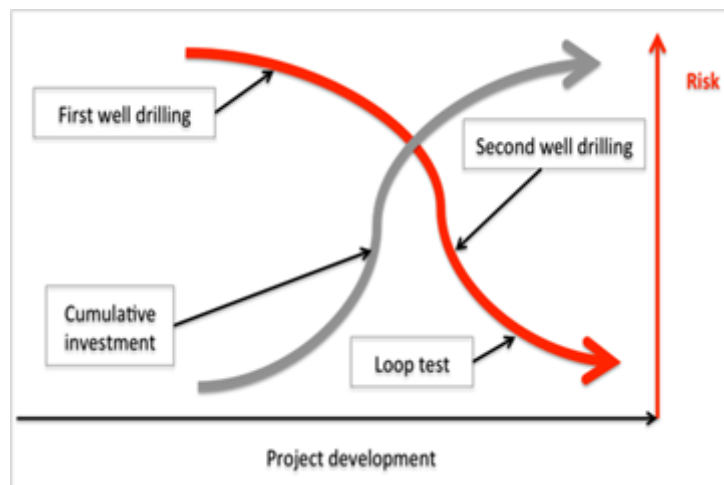
However, **experience from the awarded geothermal projects has shown that the NER300 does not solve the essential problem for the further development of geothermal technologies.** Indeed, geothermal projects are not only capital intensive and take several years for exploration and drilling, but also have a very specific risk profile, mainly due to the geological risk not to find adequate resources. Therefore, only after careful exploration and the first drilling can developers have the certainty to successfully realise their project.

In order for the NER300 and its successor to optimally serve the purpose of demonstrating innovative geothermal technologies, the European Geothermal Energy Council strongly recommends the following:

- ***Current deadlines for receiving all permits, the final investment decision and State Aid clearance (December 2014 for first round and December 2016 for second round's projects respectively) should be extended.*** With current rules, the actual implementation of an EGS project heavily depends on the Member State and project developer's capability to cover the geological risk. Under these conditions, the two-year deadline to achieve the key milestones is indeed too challenging.
- ***Upfront funding should be made available as soon as possible, while the European Union should really bear part of the project risks in the form of non-repayable grants.*** In case a project failed to enter into operation for technical reasons which cannot be directly

attributable to the project developers, the EU should bear these costs. This is the only way to alleviate the very high risks of pilot projects.

- **The European Commission should study the possibility to co-fund a pan-European geothermal risk insurance scheme.** Governance and structure of such a scheme have already been assessed. Public support has been instrumental also for the offtake of geothermal energy in resource-rich countries such as Iceland. A major effort to introduce EGS could create a substantial base-load and flexible renewable electric power production, as geothermal energy is available independently from weather conditions.



***Geothermal project risk characteristic***

Therefore, we call on the Commission to take the necessary steps for the adjustment of the current NER300 and to use the lessons learnt to put in place a similar instrument that could boost even further the development of geothermal and other renewable energy technologies.

I would be very pleased to represent the geothermal sector at the second NER300 information event to be held on 20<sup>th</sup> October 2014 and remain at your disposal should you need further information.

Sincerely yours,

Philippe DUMAS

Secretary general