


# Dismantling Renewable Energy Policies: A Comparative Analysis of Spain and the Czech Republic

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**Workshop on "Accelerating Technological Sustainability Transitions by Overcoming Adoption and Diffusion Barriers in Energy Transitions", Freie Universität Berlin, April 10&11, 2018**

# Structure of presentation

1. Introduction: Aim of the paper, relevance and related knowledge gap
2. Theoretical background and conceptual framework
3. Empirical results
4. Synthesis and conclusions

# Aim of the paper

- Identify and shed light on the main factors influencing policy dismantling decisions in the renewable energy sector

# Relevance

**Policy remains a key to enabling a transition to renewable energy**

- Despite cost competitiveness of renewable energy technologies, deployment of large shares of renewable energy remains dependent on active policy support.

**The global diffusion of renewable energy policies represents a success story, but…**

- Although support policies for renewable energy have diffused throughout the globe, cases of policy dismantling are increasing.
- Some examples: South Korea, Sweden, South Africa (interrupted), Spain, Czech Republic

# Knowledge gap

**The literature has mainly focused on factors enabling the introduction of renewable energy (policies) and the effectiveness of different policy approaches in boosting deployment.**

- Emerging discussion on „policy durability“
- Little empirical work on decisions to dismantle policy support.

**A better understanding of policy dismantling in the renewable energy sector will be key for the next stage of renewable energy support.**

- A better understanding of policy dismantling in the renewable energy sector can offer important lessons for designing more robust / durable renewable energy support policies.

# Theoretical background: The policy dismantling literature

- **Policy dismantling** is a relatively **understudied topic** in political science.
- Focus of contributions lies on welfare policy.
- Emergent literature on policy dismantling in the environmental policy field.
- **No applications in the (renewable) energy sector to date**.

# Policy dismantling as a concept

*"A change of direct, indirect, hidden or symbolic nature that either diminishes the number of policies in a particular area, reduces the number of policy instruments used and/or lowers their intensity. It can involve changes to these core elements of policy and/or it can be achieved by manipulating the capacities to implement and supervise them."*

Bauer and Knill (2012, p. 35)

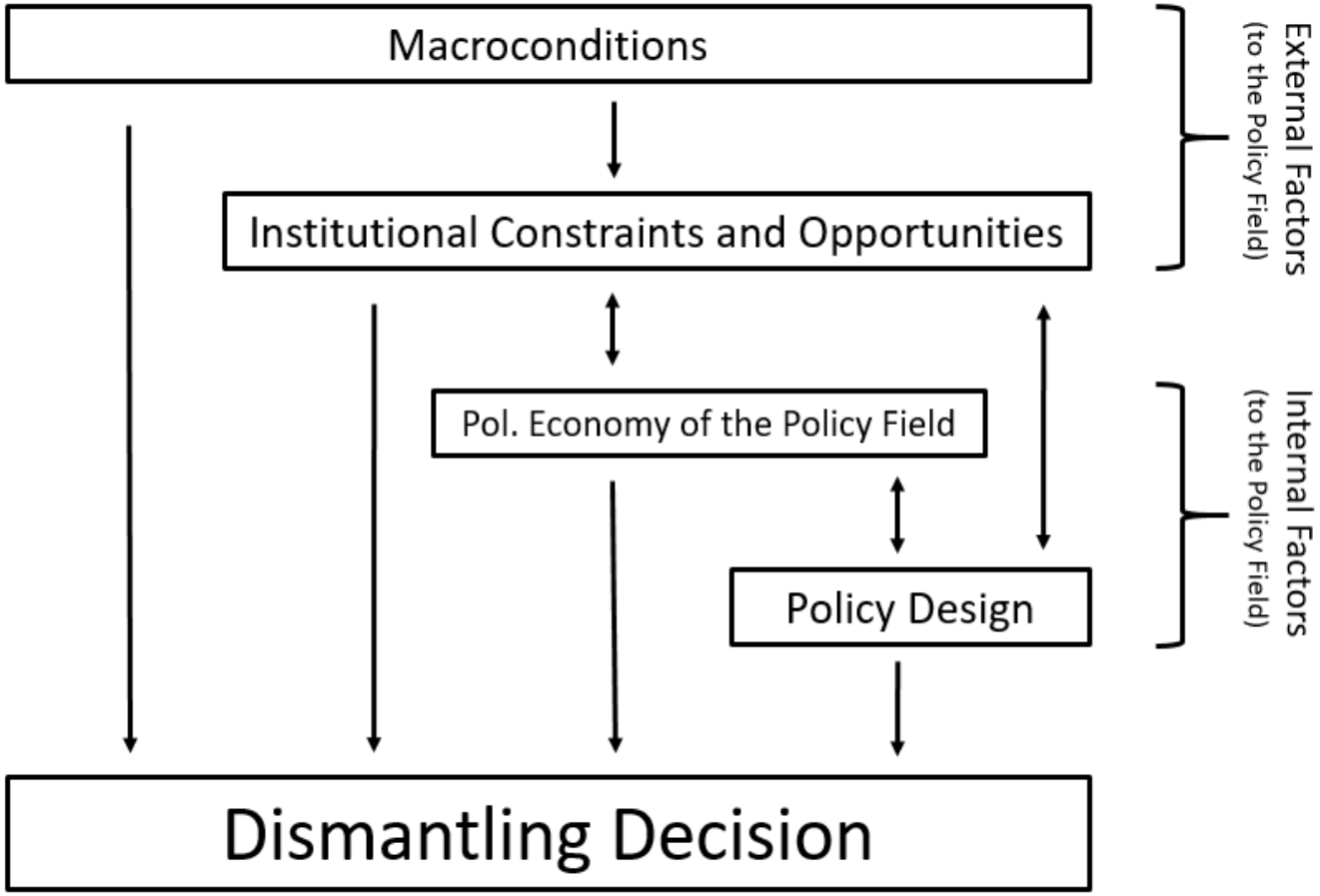
- Policy dismantling encompasses **policy curtailment and policy termination**

# Point of departure

- The assessment of the related political costs and benefits is assumed to be undertaken as subjective evaluations by the politicians rather than according to objective indicators of social costs and benefits.

- Dismantling decisions is carved out to be influenced by three main groups of influential factors: **(1) external factors, (2) institutional constraints and opportunities as well as (3) situational factors** (Bauer & Knill, 2012, p. 38f.; 2014, p. 38).
  - „Situational factors“ is a an under-conceptualized element in Bauer and Knill
  - The paper proposes a revised analytical framework, which further develops/specifies factors for the (renewable) energy sector.

# Proposed analytical framework



# Case studies

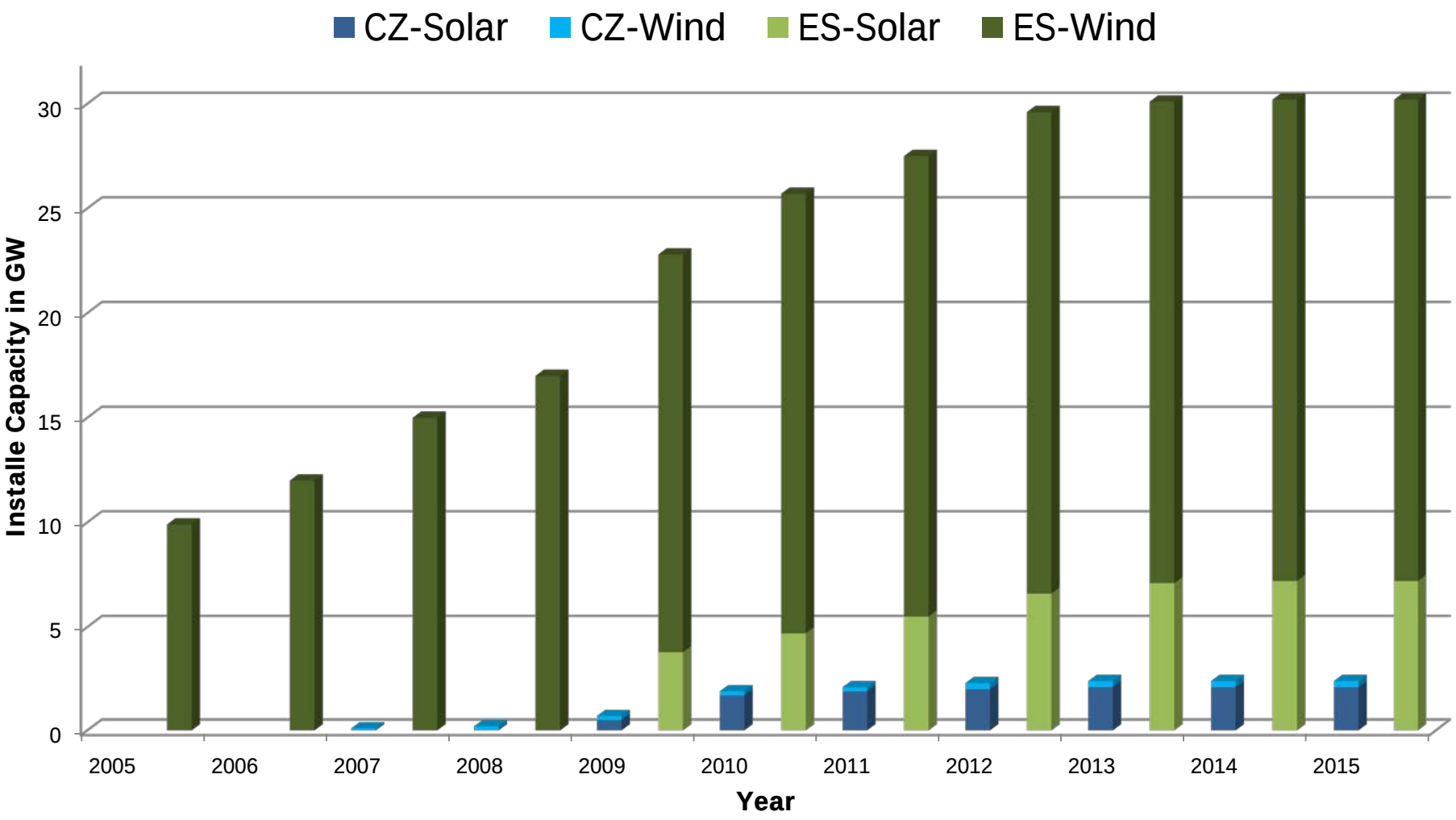
## Spain

- International and European frontrunner in wind and solar energy
- Feed-in tariff scheme launched in late 1990s
- Steady expansion of wind energy, solar boom in 2008
- Feed-in tariff abolished in 2012

## Czech Republic

- Eastern European frontrunner in solar PV
- Feed-in tariff scheme established in 2005
- Solar PV boom in 2009 and 2010
- Feed-in tariff abolished in 2013

# Installed solar and wind capacities in Spain and Czech Republic



| FiT Dismantling in Spain | | FiT Dismantling in the Czech Republic | |
|---|---|---|---|
| **1997** | Electricity Sector Law (Law 54/1997) introduces FiTs | **2005** | Renewable Energy Support Act No. 180/2005 introduces FiTs. |
| **June 2007** | Royal Decree (RD) 661/2007 revises FiT and introduces increased renumeration for PV installations between 100 kW and 10 MW. | **2010** | Amendment No. 402/2010 Coll. introduces levy of 26% on operators' incomes. |
| **2008** | Installation rate of solar PV rises to extraordinary levels due to favorable conditions ("solar boom") – parallel rise in subsidy costs / "tariff deficit" | **2012** | Initial Law is replaced by Act No. 165/2012, substantially slowing down RES-E development. |
| **Sept 2008** | RD 1578/2008 revises tariff levels and sets quarterly capacity quotas | **Aug 2013** | Amendment No. 310/2013 Coll. de facto abolishes FiT (exc. small hydro) |
| **Dec 2010** | RD 1565/2010 reduces duration of support for existing installations (to 25 years); RD Law 14/2010 implements a cap on operating hours for existing solar PV plants. | **May 2014** | Another amendment drafted for retrospectively adjusting investment conditions to yearly ROI of 3.5%, final status unclear |
| **Jan 2012** | Indefinite moratorium on new installations | | |
| **2013** | Renumeration for renewables completely changed, FiT replaced | | |

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| | Main Causes of FiT Dismantling | |
|---|---|---|
| | **Spain** | **Czech Republic** |
| **Policy Design** | - Overgenerous FiT rates for certain technologies (esp. larger solar PV)<br>- Lack of annual caps, inflexible FiT rate adjustment<br>- Technology-specific FiT termination followed by transition phase leeds to boom and bust in PV<br>- Uncertainties regarding the ultimate responsibility to cover for the increased “tariff deficit” | - Lack of industry exemptions in the CZ FiT<br>- Inflexible policy design, unable to react to substantially changing market circumstances<br>- Early achievement of Czech RES-E 2020 target, making it politically troublesome to uphold the remuneration scheme |
| **Political Economy of the Policy Field** | - Overcapacities in the electricity sector with limited possibilities for electricity export; predatory competition<br>- Intensified lobbying efforts by incumbents<br>- Lack of phase-out scenarios for other fossil-based generatio | - Successful lobbying against FiT by energy intensive industries and conventional energy companies with vested interests in fossil-based system<br>- Legacy of influential State-owned utility, which still controls approximately 70% of generation<br>- Lack of phase-out scenarios for fossil-based generation |

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| | Main Causes of FiT Dismantling | |
|---|---|---|
| | **Spain** | **Czech Republic** |
| **Institutional Constraints and Opportunities** | - Centralized decision-making on FiT through Royal Decrees in *de facto* unicameral system with single party government facilitates dismantling process | - Czech bicameral system does not offer particularly easy path to policy dismantling |
| **Macro-conditions** | **Economic crisis**<br>- Shrinking power demand<br>- Public securitization of "tariff deficit" put Spanish government under pressure in times of budget constraints/ economic crisis<br><br>**Change in government**<br>- Dismantling process was reinforced after election of conservative government | **Economic crisis**<br>- Increased prices for electricity consumers during the economic crisis are considered to have played only a minor role<br><br>**Change in government**<br>- FiT dismantling appears to have had broad support in parliament |

# Synthesis of findings

| | Spain | Czech Republic |
|---|---|---|
| **Macroconditions** | Economic crisis and change in government are important enabling factors | Not a strong enabling factor |
| **Institutional constraints / opportunities** | Enabling factor | Not an enabling factor |
| **Poltical economy** | Physical constraints and incumbents‘ influence drives dismantling process | Strong incumbent with strong vested interests drives dismantling process |
| **Policy design** | Major design flaws drive dismantling process | Design flaws and lack of ambitious EU target drive dismantling process |

# Conclusions (1)

- **Spanish case confirm the relevance of all four analytical categories**
  - Macroconditions and institutional constraints/opportunities do not feature as major enabling factors in Czech Republic
  - Macroconditions may be more relevant as the share of renewables in the energy sector increases

- **Policy design is confirmed as the most decisive feature in both cases**
  - In **Czech Republic**, the lack of an **unambitious EU target** is a key factor
  - In **Spain**, tarif deficit and other more **technical design flaws** play a decisive role

# Conclusions (2)

- **Poltical economy of the energy sector acts as a strong driver**
  - Incumbent lobbying efforts are decisive factors in both cases
  - Emerging renewables industry lacked lobbying power to match these efforts

- **Further research needed for**
  - Further validation of framework
  - Assessing the importance of the various factors and their interplay
  - Comparison with successful cases

# Policy implications

- **EU / international targets matter**
- **Policy flexibility vs. policy inertia / lock-ins**
  - Flexibility is needed to address design flaws
  - Unclear if institutional constraints can create policy lock-ins that protect policies from dismantling
- **Costs of policy need to be actively addressed**
- **Political economy matters**
  - Resistance from powerful incumbents requires an active strategy
  - Phasing-out fossil-based generation needs to be tackled in parallel