

The logo for the SET PLAN Conference 2015 is contained within a white right-angled triangle. The triangle is positioned in the upper left corner of the slide. The text 'SET PLAN' is in a large, bold, black sans-serif font. Below it, 'Conference' is in a smaller, regular black font, and '2015' is in a medium-sized, regular black font. The background of the slide features a large, abstract geometric design with overlapping triangles in shades of blue, purple, and red.

**SET  
PLAN**  
Conference  
2015

Research, innovation  
and competitiveness  
for the Energy Union

**CHALLENGES IN FINANCING MARKET  
UPTAKE OF INNOVATION**

Carlos Pimenta,  
Novergia II Fund

---

**SESSION 7**

Financing challenges, possibilities and synergies  
between financing instruments  
Tuesday 22 September 2015

## SUMMARY

## CHALLENGES FINANCING MARKET UPTAKE OF INNOVATION

- Background
- Effect of Support Mechanisms on Innovation
- Uniform Respect for the Law: Overview
- Uniform Respect for the Law: Spain
- Effect of Carbon Market on Innovation: Lack of Uniformity
- Summary

## BACKGROUND

- Innovation in Renewable Energy projects typically have long time frames and large scales.
- Renewable Energy support schemes, based on clear and stable rules, have provided incentives that resulted in the availability of financing. This has resulted in the:
  - rapid expansion in the production of clean energy,
  - development of know-how, and,
  - **promotion of innovation** in the industry.
- The availability of funding for research and innovation would benefit from a stronger carbon market in the EU.

## EFFECT OF SUPPORT MECHANISMS ON INNOVATION:

- Renewable Energy support mechanism have been highly successful in promoting the growth of the industry in Europe.
  - This has manifested in larger energy output.
- Support mechanisms have also provided strong incentives for innovation in the industry resulting in improved, more powerful and efficient technologies.
  - These innovations have turned Europe into a leader in the space.
- The maintenance and respect for the already established support mechanisms can continue to provide strong incentives for innovation.

## UNIFORM RESPECT FOR THE LAW: Overview

Investments in research demand a uniform level of trust in the EU's legal system.

- Lack of trust raises the levels of perceived risk and, consequently, expected investment returns.
- Recent action by EU member Spain violated its legal obligation to support its Renewable Energy support mechanism.
  - This action has set a dangerous precedent.
  - It has called into question the inviolability of the EU's legal system with the potential to increase funding costs and to act as a deterrent to new investments.
- Uniform respect for the law across EU member states is needed to eliminate this risk. It is also the correct path to take.

## UNIFORM RESPECT FOR THE LAW: Spain

- Spain achieved rapid growth in the size of its Renewable Energy building on its support scheme for the industry.
- This growth has been propelled by investments in technological innovation.
- Having achieved this level of success Spain became a recognized leader in RE technology and began exporting its know-how globally.
- More recently Spain chose to violate its legal obligation to its own Renewable Energy support program.
- This resulted in a collapse of investments in the Spanish RES with very negative effects to the funding of innovations.
- It is clear that the lack of respect for legally-binding support mechanisms has negatively impacted the funding of innovation.

## EFFECT OF CARBON MARKET ON INNOVATION: Lack of Uniformity

The availability of funding for research and innovation would benefit from a stronger carbon market.

- There currently is a lack of uniformity across the Energy Union regarding the treatment, valuation and trading of carbon market instruments (green certificates, CO2 emission allowances, certificates of origin, etc.).
- This fragmentation lowers the value and ease of trade of the various instruments.
- A unified carbon market for the EU would increase their tradability, market liquidity and value.
- It would provide strong added incentives for funding innovation and research by providing more transparency into the potential revenue across Europe to be generated from innovation.

## SUMMARY

Some of the challenges facing the funding of research and innovation in the EU include;

- Breach of legal obligations of selected members for their support mechanisms, and,
- Lack of harmonization of the European carbon market.
- By tackling those two issues the EU can create an environment of greater investment security and liquidity.
- This would provide a strong incentive for Europe to maintain and expand its lead as a global engine for research and innovation in the Renewable Energy industry.





## CHALLENGES IN FINANCING MARKET UPTAKE OF INNOVATION

Carlos Pimenta  
Noverergia II Fund

XXX@XXXX.XX

SET  
PLAN  
Conference  
2015

**myenergy**  
Luxembourg



LE GOUVERNEMENT  
DU GRAND-DUCHÉ DE LUXEMBOURG  
Ministère de l'Économie



LE GOUVERNEMENT  
DU GRAND-DUCHÉ DE LUXEMBOURG  
Ministère du Développement durable  
et des Infrastructures  
Département de l'environnement



LE GOUVERNEMENT  
DU GRAND-DUCHÉ DE LUXEMBOURG  
Ministère du Logement

With the  
support of



Co-funded by  
the European Union



Presidency of  
the Council of the  
European Union

GRAND DUCHÉ DE  
**Luxembourg**

This conference has received funding from the European Union Horizon 2020 research and innovation programme under the grant agreement No 681163