Introducing direct sale in France : opportunities and challenges

I. Challenges
II. Opportunities

atee Club Biogaz
ASSOCIATION TECHNIQUE ENERGIE ENVIRONNEMENT

Biogaz

New support mechanisms

Law on the Energetic Transition and Green Growth

Umbrella decrees on support mechanisms for green electricity

Decrees

Water treatment plants and landfills

Decree

Decree

< 500 kW : feed-in-tariff
> 500 kW : additional compensation

Other AD plants (agricultural, collective and household waste)

Decree

< 500 kW : feed-in-tariff

Call for tenders

Call for tenders launched on Februray 17th 2016

> 500 kW : Additional compensation

Main challenges

- Bringing confidence to the **financial partners / project partners**
  - Uncertainties on reliability of the new mechanism (How does it work ? Will it allow a stable revenue ? etc.)
  - Lack of visibility (the tariffs have not yet been published, and the results of the call for tenders are not yet known)
- Transition period : freeze on investments and projects
- **Producers** : adapting to the new market sale mechanism

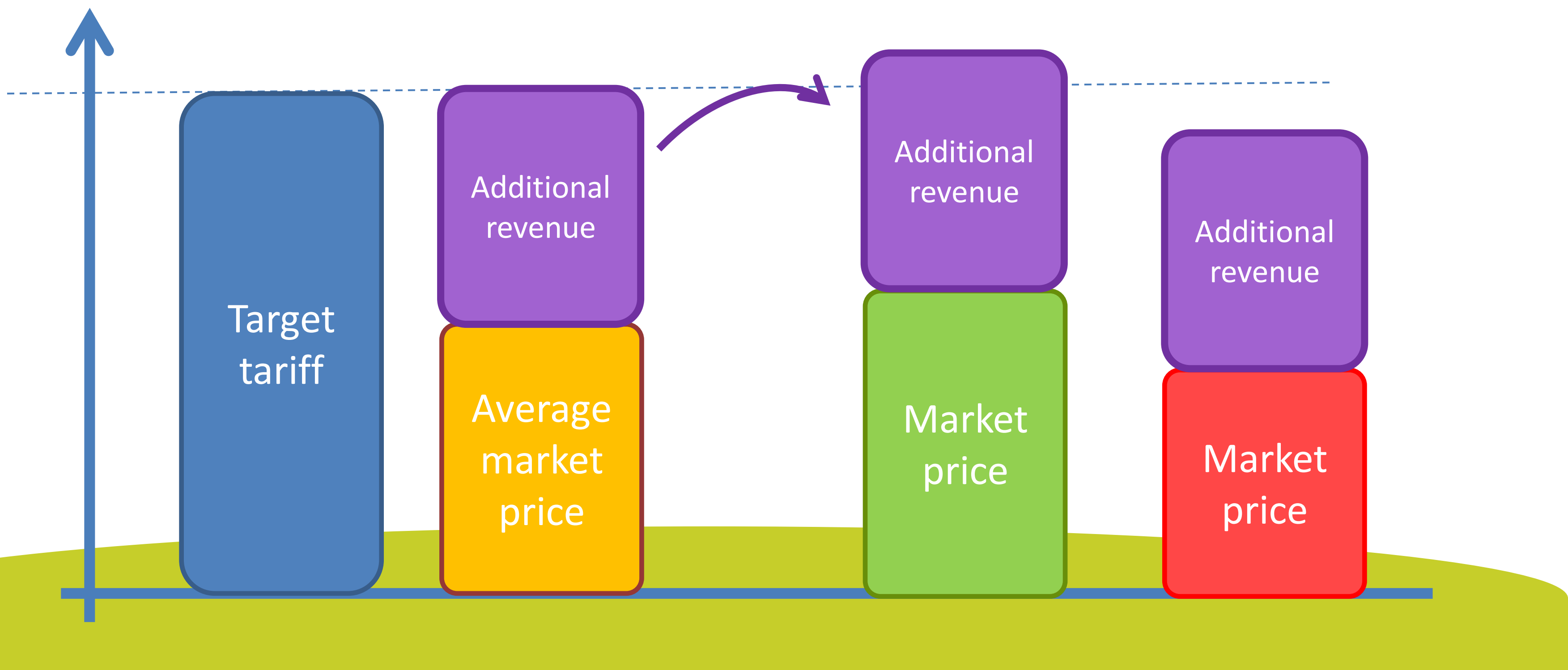
Adapting to the new market sale mechanism

- Cost for the signing of a contract (assistance, consultations, signing)
- Cost of billing the electricity
- Cost erasing the production when there are negative prices (lack of compensation during the first 70 h)

Adapting to the new market sale mechanism

- Most producers will resort to an aggregator to sale the electricity on the market

- Producers can usually choose between being paid on the market price or on a fixed price (based on the average market price)



Adapting to the market sale mechanism

Flexibilisation of the production

vs.

Ensuring a stable revenue

Higher income

No flexibility premium

Visibility

Adapting to the market sale mechanism

Flexibilisation of the production

vs.

Ensuring a stable revenue

Producer's choice :

Higher income

No flexibility premium

Visibility

Maybe a solution to combine both : aggregator

Uncertainties on the call for tenders mechanism

- Uncertainties on the selection process :
  - **From the banker's point of view** : does not get involved until certain that the project is selected and will benefit from a state aid (subsidies are not sufficient)
  - **From the partner's point of view**, for example : if a city launches a call for tenders for upgrading its organic matter, it will not wait for the AD project to be selected within the - other - call for tenders. Hence difficulties with finding partners and consolidating the project.

- Consequence : less tenders than planned, impact on project development

Uncertainties for the project holder

- The projet holder needs to provide a business plan, information on feedstock, and particularly letters of engagement of matter providers on three years

- The selection process is long and in the meantime the project doesn't develop

⇨ Not adapted to most projects under 1 MW

Other challenges or constraints on electricty production from biogas

- The prevalence of injection for projects over 300 kW
- Tariff degressivity starting in 2018
- No subsidies for AD plants selected within the call for tenders mechanism (> 500 kW)
- Limit on the use of food crops : 15% (with a penalty)

Opportunities

- Advantages of electricity produced of biogas, in comparison with intermittent energy : securing the electrical supply

- Contracts on 20 years (versus 15 years currently – except for landfills : still 15 years)

- Premium for manure use (*Ef* from 0 % to 60 %)

Thank you for your attention

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