



Extract from the report to the
Public Accounts Committee on
the amendment of the legislation
concerning support for photovoltaics
panels

September
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1. Introduction and conclusion

1.1. Purpose and main conclusion

1. This report is about the Danish government's amendment of the legislation concerning support for photovoltaics panels. It has been elaborated at the request of the Danish Public Accounts Committee and covers the period 2010-2013.

The purpose of the study is to assess whether the Ministry of Climate, Energy and Building has had sufficient focus on the financial implications of the legislation concerning support for photovoltaics panels, and whether the Minister for Climate, Energy and Building has informed the Folketing (Danish parliament) correctly and adequately in this respect. The report answers the following questions:

- Has the quality of the assessments made by the Ministry of Climate, Energy and Building of the financial implications of the legislative work concerning support for photovoltaics panels been satisfactory?
- Has the Minister for Climate, Energy and Building informed the Folketing correctly and adequately about the financial implications of the legislation concerning support for photovoltaics panels?

2. We have noted that a gap emerged in the legislation when the Folketing amended the rules on support for photovoltaics panels, late in 2012. In practice – and contrary to the intention – this gap made it possible to establish large solar cell parks within the framework of the new support scheme. The Ministry of Climate, Energy and Building was aware of this potential gap in the legislation, before the Folketing passed the amendments, but the Minister for Climate, Energy and Building failed to inform the Folketing in this respect. In May 2013, the Folketing therefore criticised the minister's handling of this case. Our review of the case, including the ministry's account of the course of events, has not afforded grounds for further comments by Rigsrevisionen and will therefore not be addressed further in this report.

Memorandum on the organization of a major study

At the request of the Danish Public Accounts Committee, Rigsrevisionen worked out a memorandum on the organization of a major study of government grants for installation of photovoltaics systems. The Public Accounts Committee endorsed the memorandum at its meeting in October 2013.

Photovoltaics – or solar cells – convert sunlight into electricity.

MAIN CONCLUSION

Overall, Rigsrevisionen finds that the Ministry of Climate, Energy and Building has not had sufficient focus on the financial implications of the legislation concerning support for photovoltaics panels. Rigsrevisionen is also of the opinion that the Minister for Climate, Energy and Building has not informed the Folketing adequately in this respect. Rigsrevisionen's assessment is based on the following findings.

The Ministry of Climate, Energy and Building foresaw, already in 2011, that the then current support policy for photovoltaics panels might lead to a significant increase in photovoltaics capacity and government spending. Therefore, the ministry prepared a proposal for a new support scheme, which would reduce government spending in this respect. The ministry worked for incorporation of the proposed support scheme in the government's energy policy agreement from March 2012, but in the end, the government decided not to include the proposal in the negotiations on this agreement.

After the closing of the energy policy agreement, the number of new photovoltaics panels increased more steeply than anticipated. The price of photovoltaics panels had gone down and – in combination with a scheme that offered high support amounts – investing in photovoltaics panels had become attractive for private households. In June 2012, the government therefore decided to prepare an amendment of the support scheme as quickly as possible. Early in November 2012, the government presented its proposal for a new support scheme, which reduced the level of support, and in mid-November 2012 the parties to the energy policy agreement agreed the new scheme.

Scope of expansion

At the same time, the parties to the energy policy agreement decided on a transition scheme according to which support to existing photovoltaics panels installed under the old scheme would continue to be supported as originally agreed for 20 years. The Ministry of Climate, Energy and Building assumed that photovoltaics panels with a combined capacity of 230 megawatts (MW) would come under the umbrella of the transition scheme. This assumption was, however, in the opinion of Rigsrevisionen too low. The ministry knew – before the Folketing passed the amendments – that photovoltaics panels with a total capacity of 302 MW would fall under the transition scheme, and that considerably more would follow. In the opinion of Rigsrevisionen, this was an important piece of information that should have been provided to the Folketing, because it had the consequence that the government's expenditure for the transition scheme would be minimum DKK 1.8 billion higher than expected. The Minister for Climate, Energy and Building should therefore have informed the Folketing that the photovoltaics panels under the transition scheme would produce considerably more than 230 MW.

Total expenditure for support

Based on the assumption that photovoltaics panels with a total capacity of 230 MW would fall under the rules of the transition scheme, the Ministry of Climate, Energy and Building estimated that total expenditure related to the amendment of the support scheme by 2020 would be DKK 4.7 billion. Approximately DKK 2.8 billion of this amount would be channelled into the transition scheme and the balance would be channelled into the new support scheme. The 20-year transition scheme would – according to the ministry's estimate – entail additional expenditure for support of DKK 3 billion up to 2032. The ministry's assumptions concerning the capacity of 230 MW produced by the panels on the transition scheme were – as mentioned earlier – too low and it follows that also the ministry's estimates of the total expenditure for photovoltaics support up to the years 2020 and 2032 were too low.

The Minister for Climate, Energy and Building failed to inform the Folketing and the parties to the agreement about the total estimated support expenditure. They were informed only of the additional government revenue that would be generated as a result of changing the support rules and subsets of the total support expenditure. The ministry has informed Rigsrevisionen that it is common practice to refer only to the consequences of current legislation, and since neither the Folketing, the parties to the agreement nor the individual spokespersons asked about the total expenditure, the minister did not volunteer this information. In the opinion of Rigsrevisionen information on the ministry's expectations concerning the total expenditure for solar-energy support was essential and would have provided the Folketing and the parties to the agreement with a more adequate basis for assessing the financial implications of the proposed amendment of the photovoltaics support scheme.

Information provided to the Folketing on funding

By the end of 2012, the parties to the energy policy agreement decided how the photovoltaics expansion up to 2020 should be funded. The funding decision was based on the assumption that photovoltaics panels under the transition scheme would produce a total of 230 MW. However, the Minister for Climate, Energy and Building was aware that the funding agreed would be inadequate already before the Folketing passed the amendment. In May 2013, the minister stated that agreement had been reached concerning funding of 800 MW up to year 2020. The minister did not, however, inform the Folketing and parties to the agreement that the funding requirement was based on the assumption that the transition scheme included photovoltaics panels producing a total of 230 MW, which amount, at the time, had already been considerably exceeded. The information provided by the minister to the Folketing was therefore inadequate.