

Energy market turmoil shakes Europe's green power plan

Europe's plan to roughly double renewable power generation by the end of the decade to cut its emissions and reliance on imported Russian fuel is under threat from market turbulence that has shaken the economics of the shift to low carbon energy.

Russia's war on Ukraine and the disruption of the gas supplies on which Europe had relied has injected urgency into the European Union's move toward carbon-free energy.

It is negotiating a legally binding target to generate 45% of energy from renewable sources by 2030, up from the existing target of 32% and renewable capacity of roughly 22% in 2021.

But even if the bloc's 27 member countries reach agreement on the plan, to enforce it they must overcome rising costs and uncertainties linked to power market reforms triggered by the price surge linked to war in Ukraine.

As energy prices have increased all costs, including of the materials needed for renewable infrastructure, investment models built on low prices for renewably produced electricity are in doubt.

"This completely changes the dynamic as you need to sell your electricity for much higher prices, which could have a derailing impact on the whole energy transition," David Swindin, Chief Executive Officer at Cubico Sustainable Investments, a renewables investor and developer, said.

"This era of cheap electricity that people have become used to is changing, particularly post-Ukraine."

The Paris-based International Energy Agency (IEA) last week anticipated reduced Russian fossil fuel exports would spur green investments, but it also said cost increases for clean energy technologies "mark a distinctive break with the steady, and sometimes dramatic, reductions seen in recent years".

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