

# Renewable energy subsidies renewed

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## Introduction

### 2018 SDE+ programme

### Subsidy-free future?

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In a December 6 2017 letter to Parliament, the minister of economic affairs and climate announced that the new government has reserved €12 billion to grant subsidies in 2018 for the production of renewable energy under the Renewable Energy Grant Scheme (SDE+). The SDE+ subsidies, which will be made available to applicants in two €6 billion tranches, aim to accelerate the development and use of sustainable energy production technologies. The first tranche will be available from March 13 to April 5 2018. The second tranche is expected to become available in Autumn 2018.

The SDE+ programme is one of the various measures taken by the new government to meet its ambitious climate goals. These are set out in the government's coalition agreement for 2017 to 2021, titled Confidence in the Future, under which the Netherlands aims to have reduced its carbon dioxide (CO<sub>2</sub>) emissions by no less than 49% by 2030. The government recognises that although sustainable energy production technologies are rapidly improving and becoming more efficient, energy from renewable sources remains, in most cases, more expensive than energy from fossils. Therefore, new subsidies have been made available to stimulate the production of energy from renewable sources.

## 2018 SDE+ programme

The 2018 SDE+ programme builds on the SDE+ programmes of previous years and is based on the same principles of technology neutrality and competition for subsidies. However, the 2018 programme's scope is broader than that of its predecessors, as non-production measures for the reduction of CO<sub>2</sub> emissions are now also eligible for subsidy.

The SDE+ programme has the following main features:

- The SDE+ subsidies aim to cover the gap between the cost price of renewable energy projects and the market value of the energy that is produced. This gap is referred to as the 'unprofitable surplus'. For each technology that is eligible for support under the SDE+ programme, a so-called 'base amount' is established, which is the maximum amount of support per kilowatt hour (kWh) that companies can apply for. However, the actual amount of support that a project receives will be determined by the produced energy's market value: if the market value increases, the amount of support decreases and vice versa.
- The SDE+ subsidies will be made available in a phased manner. When the first €6 billion tranche becomes available on March 13 2018, only technologies that have been allocated a base amount of €0.09 per kWh will be eligible for support. Subsequently, subsidies will also become available for more expensive technologies that have been allocated base amounts of €0.11 and €0.13 per kWh. By using this phased structure, the programme ensures that the budget will be spent on the most efficient technologies. Further, applicants can choose to use a lower base amount in their applications than the base amount that has been allocated to the relevant technology, which will increase their chance of receiving support. This provides an incentive for companies to offer their projects at the lowest possible price.

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- The maximum base amount for all technologies is €0.13 per kWh. Technologies with an unprofitable surplus of more than €0.13 per kWh are not necessarily excluded from the SDE+ programme. However, the support that these projects can receive will not cover the entire difference between the market value of the produced energy and the project's cost price. In his letter to Parliament, the minister of economic affairs and climate indicated that he will look for alternative innovation measures outside the SDE+ programme to make such technologies more efficient and competitive in future.

As indicated above, the SDE+ programme is based on the principle of technology neutrality. This means that it does not favour one technology over another, provided that such technology falls within the definition of 'renewable energy sources' included in Article 2 of the EU Renewable Energy Directive (2009/28/EC). However, the technology neutrality principle does not detract from the phased structure whereby the cheapest technologies can apply for subsidies first. The only projects that are excluded from the SDE+ programme are offshore wind power projects. The government will tender several offshore wind power projects in separate procedures where it hopes to receive offers from parties that do not require any support. This demonstrates the progress that has been made with offshore wind power in terms of efficiency.

### **Subsidy-free future?**

The new government has renewed the SDE+ programme as a measure to meet its ambitious climate goals. However, at the same time, the SDE+ programme aims to develop renewable production technologies further and increase their efficiency. The SDE+ programme therefore contributes to its own redundancy – namely, a future where subsidy programmes are no longer necessary for renewable energy production.

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