



High-level conference on clean energy financing:

Delivering the energy transition for jobs, growth and investment

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#CleanEnergyEU



Speech by

EU Commissioner for Climate Action & Energy, Miguel Arias Cañete

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Distinguished guests,

Ladies and Gentlemen,

I am very pleased to see leaders, policy makers, public and local administration representatives, banks and investors and many other stakeholders present today, all committed to the cause of the clean energy transition in Europe.

This conference could not be timelier. Firstly, the Bonn climate talks started yesterday, and the EU will work hard to ensure that we make solid progress on the implementation of the Paris Agreement. It is now time to translate ambition into concrete action.

Secondly, the EU energy system is undergoing a profound and rapid transformation, faced with the challenges of decarbonisation, decentralisation and digitalisation. As always in times of change, there are challenges and huge opportunities to seize.

This transition is already under way, and, as the data shows, it is here to stay:

- Currently, 30% of electricity in the EU is coming from renewable energies. This share will rise up to 50% by 2030.

- At global level, the increase in generation capacity from renewable energy sources in 2015 (53.6%) was for the first time higher than the increase from conventional energy sources including coal, gas, oil and nuclear.
- In 2015, worldwide investment in clean energy hit a record high with more than 300 billion EUR.
- A record number of 8.1 million people are now employed in the renewable energy sector at global level;

The landmark Paris agreement gave a crystal clear signal that the transition towards a sustainable energy system is not only Europe's ambition, but a goal shared by the global community. This also means that clean energy technologies are a matter of global competition – and that Europe needs to ensure it remains at the forefront.

The energy sector is a key factor for the competitiveness of Europe's economy. With the energy transition we can improve the quality of life of our citizens; we can boost our economic recovery.

Today, we will discuss together how to go further and faster. How we all can contribute to advance our common interest in making the energy transition a success for all Europeans. I see two main elements:

- Firstly, how the EU can set the right conditions for a transition to clean energy;
- Secondly, how we together can address the investment challenge, outlining the role of our common budget but also that of the private sector.

1. MAKING THE ENERGY TRANSITION HAPPEN

In October 2014, our political leaders decided on an ambitious policy framework with clear objectives for 2030. These include binding EU targets of at least 40% domestic reduction in greenhouse gas emissions.

The end of 2015 saw a major breakthrough at global level, with the signature of the Paris Agreement, the first universally, legally binding global climate deal. Having long been the global leader in climate action, the EU was joined by a global alliance and an unprecedented multilateral partnership between nearly 200 countries.

Three years into its mandate, the Juncker Commission has delivered: we have adopted several major legislative packages in the field of energy and climate action with the aim to fulfil the political mandate set by the European Council and the Paris deal. Let me recall some of them.

First of all, in February 2015 and later in July 2016, we presented all legislation necessary to meet our climate target, composed on one hand of the revision of the EU's greenhouse gases emission trading system, the ETS, and on the other, of the Effort Sharing proposal covering all other sectors, as well as proposals on how to integrate land use and forestry.

Then, in November 2016, we adopted the Clean Energy Package for all Europeans, in order to deliver secure, sustainable and competitive energy with a 2030 perspective.

The package will establish a stable framework for investments in clean energy, contributing to an increase in 1% of European GDP over the next decade, and creating 900.000 jobs.

It covers all parts of the energy system – from the producer to the end user. Focusing on Energy Efficiency, Renewables, Electricity Market Design and Governance, it intends to set the most advanced regulatory framework, allowing Europe to continue to lead the transition towards a decarbonised energy system. All these proposals are interlinked and mutually reinforcing to support our ambitions:

- First, to foster investment in the energy sector, by creating the optimal conditions for investing in smart grids, new capacity, buildings and industry;
- Second, to put energy efficiency first, by introducing an ambitious target of 30%;
- Third, to promote innovation in new technologies and help their market penetration;
- Fourth, to increase the integration of energy markets, creating stability and certainty for investors;
- Fifth, to empower consumers, strengthening their rights and giving them an active role in energy markets;
- And finally, to give energy policy a truly European dimension, by strengthening solidarity and trust between Member States, strengthening the security of supply and promoting the coordination of policies at European level.

The Commission is providing all its support to progress on these files during negotiations with Parliament and Council. And I would like in to compliment both co-legislators for their commitment and efforts in this process.

There are already concrete results. Let me take this opportunity to announce that, according to the latest figures available, greenhouse gas emission in the European Union declined by 23% between 1990 and 2016, while the economy grew by 53% over the same period. In 2016 alone, EU emissions decreased by 0.7% while GDP grew by 1.9%.

This clearly shows that the EU continues to successfully decouple its economic growth from its emissions. Our emissions decline while the economy grows, largely thanks to innovative technologies, providing evidence that growth and climate action can go hand in hand. As part of these efforts, I will tomorrow propose new CO2 targets for cars and van, representing nearly a quarter of all EU emissions.

2. FACING THE INVESTMENT CHALLENGE

Ladies and Gentlemen,

Turning now to the investment challenge, the energy transition is first and foremost a historical opportunity to boost the deployment of low carbon technologies and infrastructure and to stay at the forefront of innovative technologies.

In 2015, the renewables sector represented 1.1 million jobs in the EU, and a turnover of 153 billion EURO. Europe is the world leader in per capita investment in renewables, as well as in terms of new generating capacity installed.

In addition, it is estimated that energy efficiency measures could create 2.5 million jobs. And the energy transition will create huge opportunities for the construction and engineering sector.

But financing the clean energy transition demands considerable investments. You know the order of magnitude: *[as already reminded by previous speakers]*. It is estimated at some 379 billion EURO worth of investment every year from 2021 until 2030 if we are to achieve our proposed 2030 energy and climate targets. That is 177 billion EURO more than expected under a status quo scenario.

This can only be breached with the necessary combination of EU and national, public and private, investment. This is why we have chosen to use our common EU budget to (i) fund key priorities with EU added value such as energy efficiency renewables and missing infrastructure links; and (ii) stimulate private investment in the energy sector.

An EU budget fit for the challenge

The European Structural and Investment Funds have a paramount role for investment in energy efficiency and renewables.

They are investing over 21 billion EURO in energy efficiency in public and residential buildings and in enterprises in the 2014-2020 programming period, with a focus on SME's and in wind, solar, biomass and other renewables.

As regards the needed trans-European infrastructure in the energy sector, the Connecting Europe Facility plays an important role to ensure that all necessary interconnectors are rolled out.

Between 2014 and 2016, the Connected Europe Facility has provided support to 74 carefully selected projects, with grants worth 1.6 billion EURO. These electricity interconnectors are crucial in making optimum use of intermittent renewable resources, whose availability varies greatly from region to region.

The focus of the Connecting Europe Facility is already gradually shifting towards electricity, including smart grids, in support of the decarbonisation objectives of our Energy Union. I expect this trend to be further reinforced with the third list of Projects of Common Interest to be adopted on the 23rd of November.

To make sure that the EU remains at the forefront of innovative technologies, the EU also supports research and innovation activities. Through Horizon 2020, it provides 5.68 billion EURO for secure, clean and efficient energy between 2014 and 2020.

Making our budget an integral part of the energy transition means aligning it to the maximum possible extent with our policy objectives. Climate mainstreaming is a powerful vehicle for ensuring financial support for our 2030 energy and climate policy target and longer-term decarbonisation goals.

This has worked well. Setting a 20% target for climate-related spending has put consideration of climate and clean energy at the centre of design and implementation of all EU programmes.

This also means ensuring that the EU budget does not finance actions that are incompatible with our ambitions in terms of climate policy and clean energy transition.

Leveraging public and private investment

Given the magnitude of the investment challenge, we also need to use our limited EU budget as a catalyst to spur further public and private investment.

There is no doubt that the bulk of investments for the clean energy transition will have to come from the private sector.

This is why innovative financial instruments have been given a prominent role in implementing our common budget. In this respect, [*and to complement the words of Vice President Katainen*] let me underline that the energy sector has received the most financing from the European Fund for Strategic Investments. As of September 2017, this represents over 20% (worth 9.6bn EURO) of all approved EFSI operations.

The Commission has proposed an even more ambitious approach for the reformed EFSI, with the introduction of a 40% climate target in the infrastructure and innovation window.

The renovation of building is a particularly interesting sector, representing some 40% of Europe's energy consumption, with a market value estimated at some 80-120 billion EURO in 2030 and representing huge business opportunities for SMEs, with also a strong social dimension as energy poverty can be reduced thanks to energy savings.

To unlock this potential, we have introduced the Smart Finance for Smart Buildings (SFSB) initiative. It includes a number of concrete actions to use public funds more effectively, including through the faster deployment of innovative financial instruments and the development of financing platforms, to aggregate projects, support their development, and make energy efficiency projects more attractive to financial institutions so as to achieve more leverage.

As part of this initiative, we are helping the public sector to lead by example and undertake ambitious renovations of its buildings, not least because it owns about 1 in every 10 buildings in the EU, but also because it faces several constraints in that respect, including limited scope to invest.

A major breakthrough was achieved in September 2017 in this respect, when we updated the relevant European guidance so as to allow for energy efficiency investments in publicly-owned buildings to not count towards the calculation of public deficit and debt – therefore lifting a major barrier to public investment.

To ensure a swift change in market practices, we are currently working with the experts from the European Investment Bank (EIB) on a practitioners' guide to be adopted by the end of the year which will show how concretely this new guidance should be applied by public bodies and energy service companies.

Ladies and Gentlemen,

I hope that I have been able to highlight how the Juncker Commission is delivering in meeting our ambitious targets for decarbonising our energy system.

Through (i) ambitious sets of legislative proposals, underpinned by our role as global leaders in driving the global climate agenda; and (ii) making use of our common budget to finance key projects and leveraging public and private resources, we are making the energy transition a reality for all Europeans. And my hope is that today's conference will make it clear how, if we all work together, we can further accelerate this process.

Thank you for your attention.