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## WORKING DOCUMENT

on ECA Special Report 24/2018 (Discharge 2017): Demonstrating carbon capture and storage and innovative renewables at commercial scale in the EU : intended progress not achieved in the past decade

Committee on Budgetary Control

Rapporteur: Tomáš Zdechovský

## Summary

In 2007, the EU presented its climate and energy package for 2020, which required an increased use and development of renewable energy sources and low carbon technologies. The EU and its Member States have taken action to support innovative renewable energy and the construction and operation of power generation and industrial facilities, which capture and store carbon to accelerate the demonstration of the first commercial facilities.

The EU launched two large funding programmes in 2009 to support carbon capture and storage and innovative renewables: the European Energy Programme for Recovery (EEPR) and the New Entrants' Reserve 300 programme (NER300). With an overall spending target of €3.7 billion, both programmes set ambitious targets for the delivery of carbon capture and innovative renewables. Under the 2015 Paris Agreement, the EU is committed to at least a 40% reduction in greenhouse gas emissions by 2030, complementing its ambition to achieve a low-carbon economy by 2050.

The EU also funded energy demonstration activities and contributed to EIB-managed financial instruments through research programmes in the same period. The EU sought increased alignment of energy innovation priorities and funding through the Strategic Energy Technology-plan (SET-plan) launched in 2008 and updated in 2015 to match Energy Union priorities.

The Court looked at the design, management and coordination of both programmes, and assessed whether they had made the progress expected in terms of helping carbon capture and innovative renewables advance towards commercial deployment. The Court visited projects in Germany, Spain, the Netherlands, Poland and the United Kingdom.

The Court found that neither of the programmes succeeded to deploy Carbon Capture and Storage (CCS) in the EU. EEPR contributed to the development of the offshore wind sector, but NER300 did not achieve the intended progress in supporting the demonstration of a wider range of innovative renewable energy technologies.

The Court reported that adverse investment conditions affected both programmes, with uncertainty in regulatory frameworks and policies that have hampered or delayed the progress of many innovative renewable energy and carbon-capture projects. The Court also highlighted the key role of volatile and lower-than-expected carbon market prices after 2011 in the failure of carbon capture and storage deployment.

The Court further stated that the design of NER300 limited the Commission and Member States' ability to respond effectively to changing circumstances. In particular, the chosen funding model lacked justification when the NER300 legal basis was inserted in the Emission Trading Scheme directive and did not effectively reduce the risk for demonstration projects. Project selection and decision-making processes were complex, and other design features constrained the programme's flexibility.

This audit finally revealed that coordination and accountability arrangements required improvement. Despite slower than intended progress, the SET-plan provides a basis for better aligning public and private priorities and resources. Relevant Commission departments needed to improve their coordination to enhance the coherence of EU support to low carbon

demonstration projects and the accountability arrangements for the entities managing NER300 were also not clear enough.

In the light of its findings, the Court recommends that the Commission should:

- increase the potential for effective EU support for such projects;
- improve the project selection and decision-making procedures for the forthcoming Innovation Fund, and ensure its flexibility to respond to external developments;
- enhance its internal coordination for more coherent targeting of EU support;
- ensure accountability for the Innovation Fund and the New Entrants' Reserve Programme.

### **Recommendations by the Rapporteur**

#### The European Parliament:

1. Welcomes the Court's Special Report on *'Demonstrating carbon capture and storage and innovative renewables at commercial scale in the EU: intended progress not achieved in the past decade'* and sets out its observations and recommendations below;
2. Welcomes the ambitious commitments of the European Union to achieve cutting of its emissions compared to 1990 by at least 20% levels by 2020 and by 40% by 2030, and to spend at least 20% of its budget on climate related action for the 2014-2020 budgeting period;
3. Welcomes the EU ambition of being a global leader in renewables; considers it of high importance for the Commission to continuously demonstrate sufficient leadership and commitment to climate change issues to consolidate its international credibility and impact of its instruments for shaping conditions for the Union's climate policy and green diplomacy in future years;
4. Believes that more synergies across the various EU bodies, the relevant Commission services and industry partners are needed and the efforts should be combined in order to achieve a conducive environment for the transition to a low carbon economy with innovative low-carbon technologies, by adapting and developing investment conditions and instruments;
5. Stresses that coordination between the Commission services related to climate issues still needs improvement to meet not only the international commitments but also to allow the Union to stay a frontrunner in terms of climate change;
6. Reiterates its call on the Commission to develop intensified coordination of activities in the area of development of new technologies and environmental innovations;
7. Points out the need for the Commission to particularly deliver enhanced coordination among Member States in terms of climate-change related policies to be able to reach the

objective of addressing at least 20% of the Union budget to low carbon and climate resilient society;

8. Regrets the lack of low-carbon strategies by the Member States that creates an environment of uncertainty, harming the investments conditions, affecting the financial viability and progress of innovative low-carbon energy demonstration projects and offers only limited possibility of recovering money from failing projects; calls on the Commission to enhance the Member States' active participation on achieving the low-carbon objectives;
9. Regrets the general low viability and sustainability of financed projects and the lack of utilization of projects' tangible results;
10. Believes that better aimed strategies on the EU and national level are needed to succeed in this area; calls on the Commission to develop a concrete overall strategy on reaching the set targets that will entail area-specific action plans including in-depth assessments, detailed measures and instruments, methodology of measurement and reporting, and performance indicators;
11. Call on the Commission to increase in general the compatibility of different budget areas to complement the programmes aimed at building low-carbon economy; regrets the absence of specific targets in substantial parts of the EU budget;
12. Calls on the Commission to swiftly develop conducive environment for the transition to a low carbon economy by adapting its investment conditions and spending frameworks and instruments for innovation and modernisation in all key relevant sectors.