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Committee on Industry, Research and Energy

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DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council on amending Regulation (EC) No 663/2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy

(COM(2010)0283 – C7-0139/2010 – 2010/0150(COD))

Committee on Industry, Research and Energy

Rapporteur: Kathleen Van Brempt

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: [...].

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council on amending Regulation (EC) No 663/2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy (COM(2010)0283 – C7-0139/2010 – 2010/0150(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2010)0283),
 - having regard to Article 294(2) and Article 194(1)(c) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0139/2010),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Economic and Social Committee¹,
 - having regard to the opinion of the Committee of the Regions²,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on Budgets and the Committee on Regional Development (A7-0000/2010),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation – amending act

Recital 5

Text proposed by the Commission

Amendment

(5) A dedicated financial instrument to

(5) A dedicated financial instrument to

¹

²

support energy efficiency and renewable initiatives within the Sustainable Energy Financing Initiative should therefore be created to use the uncommitted funds under Chapter II of Regulation (EC) No 663/2009. This financial facility should support the development of bankable energy efficiency and renewable energy projects and facilitates the financing of investment programmes in energy efficiency and renewable energy by local and regional public authorities, in particular in urban settings.

support energy efficiency and renewable initiatives within the Sustainable Energy Financing Initiative should therefore be created to use the uncommitted funds under Chapter II of Regulation (EC) No 663/2009. This financial facility should support the development of bankable energy efficiency and renewable energy projects and facilitates the financing of investment programmes in energy efficiency and renewable energy by **municipal**, regional and local public authorities, in particular in urban settings.

Or. en

Justification

Conform previous and following statements in the text regarding the same topic. In the explanatory memorandum and in Annex II - part I - paragraph 1.

Amendment 2

Proposal for a regulation – amending act Recital 5 a (new)

Text proposed by the Commission

Amendment

(5a) In a period of budgetary constraints, the complementarity of EU financial instruments is of particular importance. The facility should efficiently complement and build on existing instruments, in particular on the European Regional Development Fund (ERDF) which was amended by Regulation (EU) No 437/2010, with the result that the available ERDF funding for energy efficiency and renewables in the housing sector was increased to a potential EUR 8 billion over 2007-2013.

Or. en

Justification

Given the tight financial and budget constraints, the use of any new financial instrument shall be made complementary to existing EU instruments already supporting investments in energy efficiency and renewables energies to strengthen synergies and maximise the added-value of EU supported projects. In particular the synergy with the Structural funds and the Cohesion funds (notably the ERDF) needs to be clearly emphasized to avoid any duplication of investments.

Amendment 3

Proposal for a regulation – amending act Recital 7

Text proposed by the Commission

(7) In compliance with Regulation (EC) No 663/2009, the facility should be limited to the financing of measures that have a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and reduction of greenhouse gas emissions. The criteria set out in Regulation (EC) No 663/2009 should fully apply to the selection and eligibility of the measures financed under the facility. The geographical balance of the projects should also be taken into account as an essential element.

Amendment

(7) In compliance with Regulation (EC) No 663/2009, the facility should be limited to the financing of measures that have a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and reduction of greenhouse gas emissions. ***The measures should contribute to greener growth, job creation, the development of a competitive and sustainable economy and tackling climate change.*** The criteria set out in Regulation (EC) No 663/2009 should fully apply to the selection and eligibility of the measures financed under the facility. The geographical balance of the projects should also be taken into account as an essential element.

Or. en

Justification

Emphasis should be placed on the crucial concepts of Greener Growth, job creation, a competitive and sustainable economy and climate change. Moreover, mentioning these additional objectives brings the text more in line with the statements out of the explanatory memorandum of the Commission.

Amendment 4

Proposal for a regulation – amending act

Article 1 – point 3

Regulation (EC) No 663/2009

Article 22 – paragraph 1

Text proposed by the Commission

1. In compliance with Article 3(2), appropriations that could not be subject to individual legal commitments under Chapter II for an amount of EUR 114 million, and eventually other appropriations that become available as a result of total or partial non-implementation of the projects according to Chapter II shall be for a financial facility within the Sustainable Energy Financing Initiative.

Amendment

1. In compliance with Article 3(2), appropriations that could not be subject to individual legal commitments under Chapter II for an amount of EUR 114 million, and eventually other appropriations that become available as a result of total or partial non-implementation of the projects according to Chapter II shall be for a financial facility within the Sustainable Energy Financing Initiative. ***Additionally, an amount of EUR 15 million from the EU action programme to combat climate change shall be allocated to the facility.***

Or. en

Justification

We should not waste financial resources and in budget line 07 03 23, there is currently a "pm" remark pending the adoption of such an "action programme", which the Commission does not have the resources to propose. The EUR 15 million are available. So we believe we should make use of the money as the same goals of energy efficiency and fostering of renewables are shared.

Amendment 5

Proposal for a regulation – amending act

Article 1 – point 5

Regulation (EC) No 663/2009

Annex II – part I – point a (new)

Text proposed by the Commission

Amendment

(aa) projects that demonstrate a high innovation potential and make use of new procedures and technologies which make it possible to obtain the best available

levels of energy efficiency world-wide;

Or. en

Justification

Innovation is a very important aspect that needs to be taken into account when setting out plans for economic recovery in any type of action field. To maintain the competitiveness of the European industry and economy, innovating potential should always be an attention point and should be placed high on the list when choosing projects.

Amendment 6

Proposal for a regulation – amending act

Article 1 – point 5

Regulation (EC) No 663/2009

Annex II – part I – paragraph 4

Text proposed by the Commission

The beneficiaries of the facility shall be public authorities, preferably at regional and local level, or private entities acting on behalf of these public authorities.

Particular attention will be given to proposals involving co-operation of such bodies with housing associations and development agencies.

Amendment

The beneficiaries of the facility shall be public authorities, preferably at regional and local level, or private entities acting on behalf of these public authorities.

Or. en

Justification

There is no reason to mention housing associations or developing agencies in particular. Many other organisations, associations and agencies can function as partners from the public authorities in co-operations mentioned in project proposals.

Amendment 7

Proposal for a regulation – amending act

Article 1 – point 5

Regulation (EC) No 663/2009

Annex II – part III – paragraph 1

Text proposed by the Commission

The facility shall be limited to the financing of measures that have a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and reduction of greenhouse gas emissions.

Amendment

The facility shall be limited to the financing of measures that have a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and reduction of greenhouse gas emissions. ***The measures should contribute to greener growth, job creation, the development of a competitive and sustainable economy and tackling climate change.***

Or. en

Justification

Emphasis should be placed on the crucial concepts of Greener Growth, job creation, a competitive and sustainable economy and climate change. Moreover, mentioning these additional objectives brings the text more in line with the statements out of the explanatory memorandum of the Commission.

EXPLANATORY STATEMENT

The original proposal for a European Energy Programme for Recovery

As a reaction to the financial crisis, the European Commission proposed in January 2009 to reallocate five billion Euros (from unspent EU funds) mostly to support projects in the field of energy. Under the plan, a total of €3.5 billion, later increased to €3.98 billion, would thus be devoted to energy projects, which would contribute to EU's economic recovery¹. The proposed European Energy Recovery programme (EERP) aims at supporting (a) (mostly cross-border) gas and electricity infrastructure projects (so-called inter-connectors), (b) offshore wind parks, and (c) Carbon Capture and Storage projects (CCS).

Parliament's request to include energy efficiency and renewable projects

The European Parliament was of the opinion that the EERP should also include support measures for projects in the field of energy efficiency and renewable energy as initially foreseen by the Commission. Financing projects in the area of energy efficiency and energy from renewable sources will stimulate economic recovery, create job opportunities and help in the battle against climate change. These projects are most effective when implemented at municipal, regional and local level. Most local projects are characterised by a high workload and will thus create a large amount of new jobs, which are not subject to delocalisation. Moreover, a high leverage effect will be triggered and other important aspects, such as social integration and the attractiveness of the region will be positively influenced. That way, the involved municipalities may serve as role models for other communities, which can create a chain reaction of good practices throughout the European Union. Financing projects aimed at energy efficiency and renewable energy also support in a direct way the EU's efforts to achieve the targets of a 20% share of energy produced by renewable sources and 20% energy savings compared to business as usual scenarios. In particular, stimulating energy efficiency measures in the buildings sector, which consumes 40% of energy in the EU, would have an immediate positive effect not only on increasing energy efficiency, but also on supporting SME at local and regional level. In addition, this aid would be beneficial for the development of promising initiatives in the field of energy efficiency at local level such as the "Covenant of Mayors" and the "smart cities" initiative, which were affected by the current credit crunch and resulting lower budgetary income.

Even though the Parliament did not succeed in convincing the Council in the trilogue negotiations to include a mechanism to allocate un-committed funds to energy efficiency and renewable sources of energy, the Commission took the Parliament's view on board by making a declaration attached to the final regulation to consider using any funds unspent by the end of 2010 for energy efficiency and renewable projects: *"Should the Commission, when reporting in 2010 on the implementation of the Regulation under its Article 28, find that it will not be possible to commit by the end of 2010 a part of the funds foreseen for the projects listed in the annex to the Regulation, the Commission will propose, if appropriate and in a geographically balanced way, an amendment to the Regulation allowing for the financing of projects in the area of energy efficiency and renewable energy sources, in addition to the above initiatives, including eligibility criteria similar*

¹ Commission proposal for a regulation of the European Parliament and the Council establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy, COM (2009) 35.

to those applying to projects listed in the Annex to this Regulation."

Implementation report and funds to be re-allocated

The report on the implementation of the EERP published on 27 April 2010¹ indicates that 115 million EURO could not be committed to the selected projects so far. Furthermore, there is a potential risk with respect to project implementation due to their technical, organisational, legal and financial complexity. If a project was not to meet all the conditions for being implemented, the Commission will assess the situation. Consequently, more funds might be available for reallocation by the end of 2010.

Setting-up a financial facility within the Sustainable Energy Financing Initiative

In order to reallocate the funds to projects in the field of energy efficiency and renewable projects, the Commission has presented on 31 May 2010 this proposal for amending the EERP. The proposal corresponds very much to the ideas of the Parliament expressed during the negotiations on the EERP. As regards the mechanisms for using the funds for energy efficiency and renewable measures, it foresees to allocate the unspent funds to a financial facility within the Sustainable Energy Financing Initiative. This facility will support the development of bankable energy efficiency and renewable energy projects, and, thereby, facilitating the financing of energy efficiency and renewable energy projects by municipal, local and regional public authorities. More specifically, a large number of projects with a high leverage effect can be supported by implementing innovative financial incentive schemes such as guarantees and soft loans with favourable interests and by financing technical assistance. The rapporteur believes that this mechanism should be set up by experienced financial intermediaries, and the Commission should start working on agreements with such as institutions as soon as possible. As soon as these agreements are finalized, the Commission should communicate them in a transparent and comprehensive way to the European Parliament and the Member States.

Issues of consideration for improvement

The rapporteur welcomes the overall proposal of the Commission and wishes to reach a rapid agreement with the Council (under Belgian Presidency). In the view of the rapporteur, the following issues might be considered by the Committee for improvement of the initial Commission proposal:

- Appropriate attention should be given, throughout the entire text, to crucial aspects such as Greener Growth, job creation, the development of a competitive, social and sustainable economy and the tackling of climate change.
- Innovation and innovating technologies are extremely important for the competitiveness of the European industry and economy. The innovating characteristics should also be taken into account when choosing the projects to be supported by this facility.
- Given the tight financial and budget constraints, the use of any new financial instrument shall be complementary to existing EU instruments already supporting

¹ Report from the Commission to the Council and the European Parliament on the implementation of the European Energy Programme for Recovery, COM (2010) 191.

investments in energy efficiency and renewable energies to strengthen synergies and maximise the added-value of EU supported projects. In particular the synergy with the Structural and Cohesion Funds (notably the ERDF) needs to be clearly emphasized to avoid any duplication of investments.

- The funds allocated to the new financial facility remain very limited. However, the initiative is very promising and has a high potential leverage effect. Therefore, a maximum of possible funds should be made available for this new financial facility and other unspent funds in the area of energy and climate change may be allocated to this project as well. There are some unspent funds from a multi-annual programme of DG Climate, which was also aimed at energy efficiency and renewables. These unspent funds could also be allocated to the Financial Facility for sustainable energy projects.
- The annex sets conditions for the financial intermediaries to be entrusted with the implementation of the Financial Facility for sustainable energy projects. The regulation must contain sufficient safeguard that these financial intermediaries have demonstrated their capacity to handle such projects under heavy time constraints and comply with relevant EU budgetary requirements.

Last but not least, the rapporteur would like to stress that it is the Parliament's interest to reach a rapid agreement with the Council, in order to be able to use the unspent funds for energy efficiency and renewable projects, since these areas are of need for public support in times of difficult access to financing.