Position

of Central Europe Energy Partners concerning
the European Investment Bank’s Consultation Paper

December 30, 2012

1. Central Europe Energy Partners (CEEP), welcomes the initiative of the European Investment Bank, and its readiness to consult publicly on the review of its lending policy for the next few years, bearing in mind the profound changes in the EU economy.

2. The main challenge for the EU today, is to overcome the crisis situation with all its hazards, and avoid negative phenomena, such as shrinking investments, rising unemployment, and high energy prices, leading to a decrease in the EU’s competitiveness, vis-à-vis the United States, China, India, Brazil, and to some extent, Russia.

3. We realise that although the European Investment Bank (EIB) will not solve all the above problems, it has substantial instruments to help overcome the crisis.

4. Under current economic conditions, deep differences between the economies of the EU-15 and the rest of the EU (Central European countries) still remain, despite the evident successes of cohesion policy. According to our calculations, based on Eurostat data, the average GDP per capita in Central Europe is three times lower than in the EU-15. A big challenge for the EU remains how to speed up the rate of progress of the cohesion and investment policy and allow the Central European countries to catch up with the rest of Europe.

5. The graphs below illustrate this situation:

![European Energy Security from a Central European point of view](image-url)
6. CEEP expertise is mostly in the area of the Central European energy sector, and consequently, the opinions expressed below, concern mainly issues related to CE energy sector investments and project financing, within the broader context of EU energy and energy security policy. On October the 12th, 2012, CEEP organised in Budapest, a Round Table Debate: ‘29+1’ Energy Summit with the EU’s Commissioner for Energy, Mr. Guenther Oettinger, and key energy industry leaders from Central Europe. Common opinions and concerns, raised during the debate, have been put in a form of a Memorandum, which you will find attached to this document, for your perusal. A majority of the issues discussed in Budapest could, in our opinion, be relevant to your review.

7. It is understandable that the EIB is not able to cover all investment needs of the EU; that is why some priorities should guide where money is most urgently needed for investments. It is difficult to suggest the criteria in a sequential order, because many of them should be considered as having an equal weighting. We have tried to list some of them below, bearing in mind that all investments should be economically feasible.

7.1. **GDP criteria** – the countries with lowest GDP per capita should have the highest priority.

7.2. **The cheapest source of energy**, especially indigenous, including fossil fuels (coal, peat, oil shale, gas – both conventional and unconventional) and renewables. Nuclear energy should not be excluded.

7.3. **The level of CO2 emissions decrease as a result of the investment.** Europe has got the chance to modernise its coal-powered power plants, replacing the old ones with new ones. On average, we can achieve in Central Europe a decrease of more than 30% of CO2 emissions, and get the cheapest power needed for enhancing further development. We do not understand such comments as, for example, the Centre for European Reform calling for the stopping of the EIB’s carbon subsidies. Such a position doesn’t seem to take into consideration tremendous technological progress. The energy efficiency of coal-powered plants has increased, on average, by 15-20%, which translates into a 30-40% decrease in CO2 emissions. New developments, which have already been announced, indicate another possibility of a 10% CO2 emissions decrease. The EIB support for investments into new, more efficient power plants with an efficiency for hard coal of a minimum 45%, and for lignite – 43.5%, will contribute to a further significant CO2 emissions decrease. The successful German example, as concerns newly-commissioned lignite power plants, illustrates the above thinking.
7.4. **BAT technologies** – one should realise that CO2 emissions per capita in the EU-27 is much higher than the average, for this indicator, for Central European countries. Yet, for Central European countries to catch up with the EU-15, they have to invest much more. New investments developing the country's potential can lead to more CO2 emissions, but this is the most important way to redress the economic balance. How to solve this dilemma? According to us, if the investor proves that he is going to use BAT technologies, such investment should be supported by the EIB. Overall, we are convinced that CO2 emissions will not increase per capita, if the CO2 decrease policy, coupled with the investments policy, are both observed by Central European countries.

7.5. **Energy Efficiency** – This is a very rich opportunity to decrease energy consumption. Energy efficiency principles should be applied, not only to civil engineering and more efficient grids, but also to stimulate technological progress in the industry, as for example - point 7.3.

7.6. **Energy Security** – The EU is still a very big importer of energy sources, that is why the importance of indigenous sources of energy is so vital. A crucial part of this is that the EU, and especially Central European countries, are not sufficiently covered by electrical grids, gas and crude oil interconnectors, as well as storage systems. We believe that investments into those aspects of the industry should, and will be supported by the EIB.

8. **CCS** – As the EIB asked energy stakeholders to express their opinions, CEEP would like to underline the following: CEEP welcomes CCS technologies which are economically viable. Practically, there is no technological barrier to the capture of CO2 for the time being. The main conceptual obstacle is where to store the captured CO2, and who will be responsible for the management of storage sites for the next hundreds of years. To our knowledge, there is not one country in the EU which has a clear concept of how to solve the problem. It means that the above economic problems, - the problems of storage and management responsibility, - have not been solved yet. Under such circumstances, a compulsory legal EU requirement to develop new energy sector projects as “CCS – ready” may lead to many of them being dropped and/or difficult to credit. This, in turn, will run contrary to the current needs of EU economic policy and global competitiveness of the European economy.

9. CEEP’s intention was to raise some key issues which we believe will be of value to the EIB. CEEP stands ready to answer any ensuing questions and looks forward to further engagement with the EIB on issues of common concern.

CEEP’s CEO, Janusz Luks.

Encl. 1 Budapest Memorandum