Contribution of the Committee of the Regions (CoR) to the stakeholder consultation of the European Investment Bank on the Bank’s energy sector lending policy

Dear President,

In reply to your letter of 31 October 2012, and further to our interesting discussion in Brussels, on 5 December 2012, on the ways to improve access to European Investment Bank (EIB) resources for local and regional entities and to promote better use of the Bank’s funding opportunities, as well as referring to our joint understanding, achieved during the CoR Plenary Session of 18-19 July 2012, to work towards a new phase of strengthened cooperation between our two institutions, I would like to welcome the fact that you have invited the CoR to provide a contribution to the stakeholder consultation of EIB on the Bank’s energy sector lending policy. Sustainable energy investment is indeed a policy area of key importance for local and regional authorities across the EU, represented by the CoR.

I would like to use this opportunity to reaffirm our wish to further strengthen the CoR-EIB cooperation, notably in the development of future EU financial instruments geared towards regional development. I am confident that our joint conferences in May 2013 on the impact of the crisis on local and regional finances will provide for additional useful insights in that respect.

Specifically regarding the energy sector, I am pleased to forward you the contribution of the CoR in annex to this letter.

As key messages on behalf of the CoR, I would like to stress the following points:

- the CoR believes that it is crucial that access to the EIB loans should be made easier (minimal administrative burden respecting the principle of proportionality, plain language, sound eligibility criteria and minimal reporting requirements) for local and regional authorities.
interested in investing in energy efficiency and renewable energy programmes for the purpose of sustainable territorial development;

- the CoR considers that ensuring a substantial offer for technical assistance to local and regional authorities across the EU is paramount for the success of the Bank's future Energy Sector Lending policy; technical assistance is not only to be limited to pilot projects but to be extended to a broad range of actors, for example those involved in initiatives such as the Covenant of Mayors;

- the CoR considers that the EIB should support projects aligned with local and regional sustainable energy action plans leading towards the 20-20-20 European energy and climate objectives and that priority could be given to Covenant of Mayors signatories;

- the CoR also considers that it would be important to achieve the best possible balance in the EU spending between large scale infrastructure and decentralised energy production, insisting on sufficient availability of support schemes also to small scale renewable energy producers;

- the CoR recommends that smart grids with better integration of demand response and storage for intermittently produced local renewables, within the framework of innovative local and regional energy systems, as well as smart cities in general, should be key elements supported by the financial institutions in the years ahead;

- the CoR stresses that the achievement of the EU's sustainable energy objectives will not only depend on urban areas, but also on tapping the considerable potential of rural areas for energy savings in commercial and domestic buildings and for decentralised renewables production;

- the CoR calls to take into account biodiversity protection and ecosystem services when assessing environmental costs of projects competing for funding in terms of cost efficiency. Indeed, we are currently witnessing a steady loss of biodiversity, which has profound consequences for the natural world and human well-being.

I trust you will take good account of our recommendations and I remain at your disposal for further exchange between our two institutions in key policy sectors of reciprocal interest. In principle, the Committee of the Regions is ready to contribute to any future EIB consultation with a clear territorial dimension.

We look forward to continuing the good cooperation between our institutions.

Yours sincerely,

Ramón Luis Valcárcel Siso
Annex
Contribution by the CoR
to the European Investment Bank's public stakeholder consultation on energy sector lending

Brussels, 6 December 2012

The need to make access easier to EIB funding for local and regional authorities

In its Opinion on the Energy Road Map 2050, the CoR has stressed that it is crucial that access to the European Investment Bank (EIB) loans should be made easier for local and regional authorities interested in investing in energy efficiency and renewable energy programmes for the purpose of sustainable territorial development. The CoR believes that projects involving innovative technology should be supported by appropriate economic incentives in order to make a transition to green economy and society.

Efforts in support of energy efficiency should be a particularly prominent priority for EIB lending

The CoR has stressed in its opinion on Energy Efficiency that massive investment in sectors such as industry, transport and housing as well as public and commercial buildings will be needed, if energy savings are to be achieved in line with the 20-20-20 objectives. Energy efficiency of buildings and transport are simultaneously the most significant potential contributions of local and regional authorities to solving the security of supply problem, and therefore a direct contribution to major EU policy objectives.

The CoR has particularly commended the European Commission's efforts, in partnership with the EIB and European Bank for Reconstruction and Development, to develop financial instruments geared towards improvement of local and regional energy efficiency, and wishes work in this direction to be continued.

Furthermore, the EIB should support projects that are aligned with local and regional sustainable energy action plans harmonised with the European energy and climate 20-20-20 objectives, as is the case for a large number of Covenant of Mayors signatories. The Covenant of Mayors initiative has gathered more than 4500 towns and cities voluntarily committed to achieve and go beyond the EU energy and climate objectives. The Covenant represents a model of multilevel governance fully respectful of the principle of subsidiarity that should be promoted and expanded to other EU policies where possible. The EIB could send a signal for those local and regional authorities already implementing a sustainable energy action plan by giving priority to Covenant's signatories in the framework of the provision of EIB funding.

1 Energy Road Map 2050; Cdr 88/2012 fin.
2 Cdr 188/2011 fin.
Local and regional renewables projects should not be less favoured than large scale energy projects

The CoR has considered that it would be important to achieve the best possible balance in the EU spending between large scale infrastructure and decentralised energy production, insisting on the availability of support schemes also to small scale renewable energy producers.

The CoR has been advocating investment which allows for the integration of decentrally produced renewable energy into the grid, including the funding for virtual power plants, which on a regional basis aggregate a range of various local renewables suppliers, combine this supply with elements of smart grid and storage, and thereby ensure better balancing of local energy supply and demand, contributing to energy security of supply.

Smart grids with better demand response and integration of storage for intermittently produced local renewables, within the framework of innovative local and regional energy systems, should be key elements supported by the financial institutions in the years ahead.

The Intelligent Energy Europe programme to be continued and expanded – the EIB lending component

In particular, the CoR has stressed the need of continuity for the Intelligent Energy Europe programme, endowed with appropriate funds also in the future, with a view to offering technical assistance to local and regional authorities across the EU for the purpose of sustainable energy investment. This assistance should cover the preparation, implementation and financing of local/regional investment programmes (comprising feasibility and market studies, structuring of programmes, business plans, energy audits, preparations for the tendering procedure.) The CoR would like to stress that in the future, as before, up to 90 per cent of such upfront expenditure for technical support should be eligible for funding support, and it should not only be limited to pilot projects, but also extended to a broad range of actors, for example those involved in initiatives such as the Covenant of Mayors.

Therefore we believe that the priority of local and regional energy efficiency investment should be adequately reflected and expanded in the context of the EIB's future lending policy.

Innovative financial instruments in addition to the EU Structural Funds and grants

In general, the CoR has argued that in addition to the Structural Funds, public–private partnerships for sustainable local and regional investment should be encouraged by funding mechanisms such as low/zero interest loans, bank guarantees, local revolving funds and other innovative financial engineering tools.
In its Outlook Opinion on the Future of the Cohesion Policy\(^3\), the CoR has stressed that loan based instruments such as Joint European Resources for Micro to Medium Enterprises (JEREMIE) and Joint Assistance to Support Projects in European Regions (JASPERS) should be enhanced in the development and application of loan-based Structural Fund programmes.

However, the CoR has considered in its previous work\(^4\) that new funding instruments, including the EU project bonds, should be used where they have proven to be simpler and more effective for local and regional authorities than existing instruments, i.e. they should be an addition to and not a replacement of national grants and the EU Structural Funds.

The need to ensure better urban – rural balance for sustainable energy investment and funding

The CoR has stressed that the achievement of the EU’s sustainable energy objectives will not only depend on urban areas, but also on tapping the considerable potential of rural areas for energy savings in commercial and domestic buildings and for decentralised renewables production.

The CoR has stressed the value of integrated cross-sectoral sustainable energy policies for rural areas encompassing both energy efficiency in buildings and transport and decentralised production of renewable energy: notably, the CoR has in its opinion on Climate Change Mainstreaming and the Future EU Budget\(^5\), called for support, development and implementation of sustainable plans by cities, combining the Cohesion policy fund and financial instruments (EIB loans), for the purpose of expanding combined heat and power generation and district heating, further developing local renewable energy sources and increasing energy efficiency.

Moreover, the CoR has required support for urban rural interaction and development e.g. in energy efficiency, environmentally-friendly public transport and safeguarding environmental services through an integrated urban-rural approach to project design and funding.

The need to account for biodiversity services when assessing environmental costs of projects

When projects competing for funding are assessed in terms of cost efficiency, ecosystem services such as biodiversity, should also be taken into account, in accordance with previous CoR opinions on this subject, notably the Opinion on EU and international biodiversity policy beyond 2010.\(^6\) Indeed, we are currently witnessing a steady loss of biodiversity, which has profound consequences for the natural world and human well-being.

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\(^4\) CdR 318/2010 fin.
\(^5\) Climate Change Mainstreaming and the Future EU Budget: CdR 104/2011 fin.
\(^6\) CdR 112/2010 fin.