Dear Mr Hoyer,

I would like to thank you for the opportunity given to the European Economic and Social Committee (EESC) to contribute to your stakeholder consultation on the EIB's future energy sector lending policy. I see this as an important new step in the increasing cooperation between our two institutions, following the adoption of our opinion in July 2011 on your future transport sector lending policy. It is my firm belief that the involvement of civil society is a condition for EU leadership in economic and financial policy and the completion of a competitive and sustainable Union.

Our Committee has been working extensively on energy policy matters in recent years, and has contributed civil society positions to the main legislative and non-legislative proposals tabled by the European Commission. With regard to the key issues raised by your consultation paper, I would like to refer you particularly to the opinions listed in the document enclosed.

I would like to assure you of the EESC's full support for your energy lending, which is vital in order to reinforce a genuine European approach to energy policy. While this policy field is still all too often viewed as a national issue, cross-border interdependence has never been stronger. The joint goal of providing secure, sustainable and affordable energy across the EU requires an integrated European approach and a new definition of solidarity. Our Committee, in partnership with Jacques Delors' "Notre Europe" and several other partners from European civil society, is calling for the establishment of a European Energy Community as the way to complete the European internal energy market.

May I finally thank you for our excellent meeting on 19 December and for your strong support to our shared goals of accelerating investments in the EU and strengthening the relations between the EIB and civil society.

Yours faithfully,

Staffan Nilsson

Enc.: EESC opinions related to the issues of the consultation paper and their integral text:
"Energy Roadmap 2050" – June 2012;
"Guidelines for trans-European energy infrastructure" – March 2012;
"Financial assistance to projects in the field of energy" – September 2010
OPINION
of the
European Economic and Social Committee
on the
Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Energy Roadmap 2050
COM(2011) 885 final

Rapporteur: Mr Coulon
Co-rapporteur: Mr Adams
On 15 December 2011, the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Energy Roadmap 2050


The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 10 May 2012.

At its 481st plenary session, held on 23 and 24 May 2012 (meeting of 23 May), the European Economic and Social Committee adopted the following opinion by 137 votes to 6 with 9 abstentions.

1. Conclusions and recommendations

1.1 The EESC notes with great interest the Energy Roadmap 2050 and its objective of providing a framework for the agreed policy of the substantial decarbonisation of the energy sector in Europe by 2050 (European Council October 2009). The challenge is not only to achieve a sustainable and secure low carbon energy mix in a competitive market but to convince civil society that this is an attainable objective.

1.2 EU Member States have different energy resources and infrastructure and the decarbonisation goal is a much bigger challenge for some countries than for others. The Roadmap offers considerable flexibility in its approach which enables countries to develop appropriate action plans. This will involve considerable burden sharing in order to achieve the decarbonisation goal.

1.3 This is an ambitious but vital goal if Europe is to play its part in combating climate change and to achieve greater energy security. The widest possible debate among the European public will be necessary and the Committee believes the Roadmap can be effective in launching this dialogue. But it must promote engagement at every level – personal, community, regional, national, at EU level and, in particular, with complementary global action.

1.4 The Roadmap concludes with ten conditions or priorities for immediate action. The EESC agrees with all these and in particular with the last one which recommends the establishment of concrete and specific milestones to guide progress over the next few years. The Committee
agrees also that the creation of a policy framework for 2030 is now becoming important so as to provide a reliable guide for investment decisions over the next few years that will have to look well beyond 2020 in calculating their benefits and returns.

1.5 Preliminary to that the EESC recommends carrying out an urgent review of the Energy 2020 Strategy. This is essential in adjusting the final course towards 2030 or 2050. The Committee would like to see country-by-country and sector by sector reports on the three main objectives set for the current decade.

1.6 It is important to obtain an early indication of whether the challenging goals of the Roadmap can be achieved and to review their impact on the EU's economy including global competitiveness, employment and social security.

1.7 The involvement of the public in energy transition issues is essential. A European civil society forum and active steps towards establishing a European Energy Community will both be constructive steps in achieving the desired goal of a sustainable energy future.

2. Introduction

2.1 The Energy Roadmap 2050 is the concluding policy framework proposal in a series produced by the European Commission to underpin European energy and climate change policies (see particularly the Low Carbon Roadmap 2050 – COM(2011) 112 final). The Roadmap provides a framework in which the three aims of decarbonisation, security of supply and competitiveness in European energy policy could be realised. The Roadmap itself does not make specific recommendations on policy actions or intermediate targets and the scenarios presented should not be regarded as policy proposals.

2.1.1 Globally, on present trends and present policies the primary demand for energy is expected to increase by one-third between 2010 and 2035, an increase which will only be marginally affected by lower economic growth. The share of fossil fuels in global primary energy consumption will only fall slightly (from 81% in 2010 to 75% in 2035) so energy-related CO₂ emissions will increase by a further 20% in this period, indicating a long-term rise in the average global temperature in excess of 3.5°C (IEA World Energy Outlook November 2011).

2.1.2 Although the Roadmap focuses on the decarbonisation of the energy system it recognises two major vulnerabilities. Energy imports comprise some 55% of the EU energy mix, and the international energy market is highly competitive and volatile. Ultimately only coordinated global action can resolve what is a global problem. Europe could play a leading role by demonstrating how the energy transformation can be managed in one major region of the world, possibly gaining first mover benefits in the process and reducing import dependency.

2.2 The challenge is urgent. Typically, energy investments last 40 years or more. To achieve the type of energy transition deemed necessary, with significant changes in supply and demand,
we need to start now and avoid locking-in carbon-intensive investment. Political, technical and economic uncertainties mean that the Roadmap does not offer a single development path to 2050. It explores possible transition routes and recognises the need for flexibility in a changing and uncertain world. Although the Lisbon Treaty extended the powers of the Commission with respect to energy policy, it specifically reserved the energy mix to national governments and any action at European level must accept that division of responsibility. The Roadmap does, however, point to the need for a new spirit of practical cooperation to emerge to achieve the optimum result and the Committee strongly supports this pragmatic approach, for example the development of a European Energy Community.

3. **Summary of the Energy Roadmap 2050**

3.1 Up to 2020 the way forward on energy is largely already committed by existing plans and the policies put in place to deliver the 20-20-20 strategy. The Roadmap now highlights the urgent need to develop energy strategies for the years beyond 2020. Governments need to act now to provide continuity of supply, investor certainty and minimise lock-in effects. Delay will both increase costs and the subsequent carbon minimisation effort.

3.2 Recognising the difficulty of predicting energy futures with certainty, seven alternative illustrative scenarios have been developed. The first two present the likely outcome of doing no more than continuing with existing policies and current policy initiatives – both would fail to deliver the 2050 carbon reduction goals. The other five offer alternative pathways to the 2050 goal, based on different technology and policy options:

- very firm energy efficiency measures;
- strong use of carbon pricing to drive a variety of low carbon solutions to compete in the market place;
- extensive support measures for the development of renewable energies;
- more nuclear and less carbon capture and storage (CCS);
- more carbon capture and less nuclear.

3.3 The Commission derives ten conclusions about structural change to the energy system from the scenario modelling. The picture that they paint is that decarbonisation is possible and should be less costly than current policies in the long-run. This will be in the context of an energy mix where electricity plays an increasing role, with prices rising in real terms and as a proportion of household expenditure until 2030. There will be higher capital expenditure but lower fuel costs and very significant energy savings throughout the system will be crucial. The share of renewables will rise substantially in all scenarios and it is assumed that carbon capture and storage plays a vital and significant role in system transformation, whilst nuclear energy will continue to provide an important contribution, with decentralised and centralised systems increasingly interacting as options widen.
3.4 The Roadmap notes that energy security needs a specifically European policy on security of energy supply and the development of infrastructures and relations with transit and producing third countries. Policies for the development of new technologies, the integration of renewable energy in the market, energy efficiency and savings and infrastructure development will be more efficient if coordinated at European level.

3.5 All scenarios will involve change and adaptation by energy users and the Commission notes the need for public engagement and involvement and recognition of social impact. Higher levels of investment in R&D and technological innovation will be required and outstanding single market and regulatory issues dealt with. The energy infrastructure needs significant upgrading and new capacity whilst member states and investors need concrete milestones. The Commission plans to issue further relevant Communications – on renewable energy, the internal market, CCS, nuclear safety, and energy technologies. These will shape the 2030 policy framework.

4. General comments

4.1 Given the many technical and political uncertainties about the future the Committee agrees that the Roadmap’s method of modelling alternative scenarios for 2050 is an appropriate approach, which enables the impact of different technical developments, different policy mixes and different external events to be compared and evaluated.

4.2 There is some lack of transparency about the modelling methodology and the assumptions built into it. More information about this needs to be made available so that other experts can test the approach and develop other scenarios on different input assumptions. Nevertheless the Committee believes that the information included in the Roadmap annexes are a positive step and supports the Roadmap’s main conclusion that substantial decarbonisation by 2050 is feasible, and that that outcome would, in the long term, provide Europe with a more secure and sustainable energy base going forward than continuing with existing policies, and at a broadly comparable cost over the 40 years to 2050. However, although feasible, the decarbonisation challenges of the Roadmap are very substantial and currently face many obstacles.

4.3 The Roadmap shows that there are different ways in which decarbonisation may be achieved. All of them have some key elements in common – a major push on energy efficiency, a big expansion of renewables, a greater reliance on electricity in the fuel mix, a more extensive and smarter grid, and new arrangements for storing electricity or back-up capacity. Other elements are more dependent on technical developments yet to be fully proven or on the resource base and choices of individual countries (clean coal, nuclear energy etc). Public acceptance and cost variation are both significant underlying factors in all options, and no route is without risk.
4.4 The Committee agrees with this analysis and the implicit conclusion that the EU should focus its primary collective effort on pushing forward the common elements which will be needed throughout Europe as quickly, coherently and efficiently as possible.

4.5 The Committee also agrees with the Roadmap's analysis of the main challenges and opportunities that need to be addressed at European level to transform the energy system, rethink the energy markets, mobilise investors, engage the public and drive change at international level. With due regard for the objections and comments set out below, the Committee can recognise the soundness of the suggested priorities, in particular the final section which identifies ten key conditions or issues that must be taken up urgently to drive progress forward.

4.6 The Committee is, however, dismayed about the extent to which progress in the EU and some of its Member States is already falling behind existing targets. The Committee urges recognition that the extent of this shortfall is disguised by the decline of high carbon-emitting production processes in the EU, their expansion in other parts of the world, and the subsequent import into the EU.

4.7 Technological development takes time to become fully available at competitive prices. Energy investments have a particularly long cycle, typically 40 years, making it necessary for the EU and Member States to urgently establish indicative targets for 2030, together with supporting policies, to avoid the lock-in of carbon-intensive plants. It is the very timescale of these investment cycles which may determine the pace of progress towards the final 2050 goal - and whether this can realistically be achieved. Converging political and business goodwill translated into practical action through supportive programmes and legislation will be necessary.

4.8 At present, energy efficiency and savings are not being driven forward fast enough, in particular in the light of inter-institutional negotiations on the current proposal for the Energy Efficiency Directive. The Commission's forthcoming review of national programmes for energy efficiency should stimulate additional action but be aware that a reduction in demand may also affect energy investment. Progress on renewables is held back by fluctuating Government support and in some cases by local resistance. Modernisation of the grid and energy storage is proceeding too slowly. A truly flexible "smart" grid carries additional investment costs but the Committee considers that the benefits in providing what will be the foundation of a mutually beneficial European energy community are predominant. We have commented further on this in the Opinion on Infrastructure Regulation1.

4.9 The price for carbon emissions that was meant to be established by the ETS is much too low and volatile to give a useful signal to investors. However, the consequences attached to assumptions about high ETS unit prices in the future (200-300 euros/tonne in 2040-2050)

require further analysis. These, and other unresolved issues, create barriers to fulfilling the ten conditions for progress identified by the Roadmap. A first priority must be to examine these problems openly and honestly and to fix them promptly so that further progress can be made.

4.10 In the longer term this will make the European economy more resilient and competitive in the world than just continuing with present policies. But in the shorter term the investment needed will inevitably lead to energy price increases and extra costs for consumers, business or governments (or probably some mixture of all three). It is also likely to have different impacts in different Member States, which differ substantially at present in their degree of reliance on fossil fuels, their current levels of energy efficiency and in their potential for development of renewables.

4.11 In this connection the likely continued reliance on coal in power generation in many parts of Europe, coupled with the growing interest in the potential of shale gas will need collaborative research and financing efforts to implement complementary CCS programmes. Shale gas, though useful in reducing third country energy supply dependency, carries significant environmental risks which must be fully evaluated. Establishing burden-sharing principles and cost allocation of large infrastructure programmes between countries are necessary requirements. Countries that are dependent on coal for energy production need sympathetic encouragement and incentives to make the maximum decarbonisation effort.

4.12 In the EESC's view it is vital that all these impacts be fully costed, debated and accepted by all concerned, and that measures be taken to share the burden of adjustment according to capacity and in a spirit of solidarity at both European and Member state level. Experience shows that communities can be brought to accept the need for change and the costs involved in such transformations - but only if they are fully engaged, do not believe themselves to be unfairly disadvantaged and can see and accept for themselves the reasons. National governments need to give their citizens the tools to participate in these expected changes, clearly set the objectives as well as explain why these steps are needed.

4.13 It is also essential that vulnerable consumers should be protected from the impact of higher energy prices, that vulnerable businesses should be protected from unfair competition from regions outside the EU not subject to the same constraints. Member States or regions with special problems in making the energy transformation may also need extra support through the structural funds or other mechanisms but different support schemes should not create unequal competition between countries and regions. Rather, harmonisation of justified support schemes as well as of cost allocation principles of large infrastructure projects between countries should be dealt with. The concomitant risks inherent in the central planning processes, which all this requires, need to be noted.

4.14 The European Commission should effectively monitor the strategies of the EU Member States to guarantee that consumers' interests are assured and the implementation of smart & low-carbon technologies are based on cost-efficiency. In particular a well functioning internal
market, the reinforcement of the powers and independence of energy regulators, and a broad universal service obligation should all be set in a context of transparency, accountability and public information about sustainable consumption.

4.15 Further expansion of renewables is also facing some problems at present. On the technical side plans and investment have not yet been put in place to accommodate further expansion of variable and widely distributed sources of supply into the grid and storage system. On the economic side, although the average unit cost of renewables is continuing to decline, this so far remains a more expensive option for power generation than conventional methods (particularly gas-fired power stations). On the consumer side there is some local opposition to certain types of installation (particularly wind power). So although from a 2050 standpoint the high renewables scenario looks the most attractive option with the greatest security of supply, and virtually zero costs of the fuel used (sun, wind etc) the problems of getting there look the hardest from where we are now, and will require very determined and consistent political leadership to achieve. Even so, the preceding arguments are only valid in as much as carbon-free energy storage systems or back-up power stations will be available to compensate for the fluctuating nature of most renewable sources.

4.16 Managing the transformation will require determined and co-ordinated efforts at all levels. Strong European action is needed to establish common standards for energy efficiency in all sectors, to drive forward innovation in key technologies, to integrate the market and harmonise fiscal measures and incentive systems, to reform the ETS, to co-ordinate plans for an integrated Europe-wide smart grid and energy storage systems, etc. An early review of the Energy 2020 Strategy is regarded as essential before setting Europe on a final course towards 2030 or 2050. The Committee would like to see country-by-country and sector by sector reports on the three main objectives set for the current decade.

4.17 The Committee considers it to be essential that Commission and Member States establish effective mechanism for driving the transformation forward co-operatively. The Committee favours the early establishment of an integrated European Energy Community; and meanwhile they urge the Commission and member States together with the regulators and energy operators to establish co-operative mechanism that can enable them to work together almost as though there were an Energy Community already in place.

5. Specific comments

5.1 Energy Mix

5.1.1 The decarbonisation of Europe's energy system could be a real asset for Europe's competitiveness in the medium term. It will entail sweeping changes in the energy production mix of Member States and involve a gradual move away from fossil fuels (oil, gas, coal) which still account for 80% of the European energy mix. Such fossil fuels are largely imported, which puts the European Union in a situation of financial and economic
dependence (almost 55% of our energy comes from sources outside Europe). The EU's annual purchases of oil and gas amount to EUR 270 and 40 billion respectively and the cost of obtaining these fuels risks rising even further in the years ahead due to the volatility of oil and gas prices.

5.1.2 The transition to local sources of low-carbon energy will be less costly for Europe than the maintenance of an energy system which is dependent on imported primary energy, particularly in the context of constantly growing global demand. A system of dispersed energy sources stimulates the local economy and job creation and makes the public more energy-conscious. Its development could make a major contribution to achieving the EU's energy and climate goals. Progress in introducing a system of local, low-carbon energy sources depends on the energy and financial policies of Member States. The Commission is expected to take more decisive action to support national policies for the development of local energy sources.

5.1.3 In this sense, renewable energy should be encouraged along with any technologies that can help achieve the goal of decarbonisation at a lower cost. Biomass may also have a part to play though it will be important to ensure that the methods chosen contribute to carbon reduction on a full life-cycle analysis and do not contribute to food insecurity. Across Europe, there is concern about nuclear energy and opposition to its development. However, nuclear energy might help bring about this transformation in the energy system and reduce CO₂ emissions in those countries choosing the nuclear option, by making it possible to lower the costs of the electricity system and prices, though questions remain about whether some costs, for example those ones related to safety, waste storage, decommissioning and liability issues, remain externalised or socialised.

5.1.4 Electricity must play a more important role than it does today, as it can make a large contribution to the decarbonisation of transport and heating/cooling. The planned doubling of its share of final energy consumption must be accompanied by sweeping changes in electricity production methods and arrangements for trading it between European countries and by increased and actual competition between power generators and sellers.

5.1.5 Oil should continue to be primarily used for freight and long-distance passenger transport; as for gas, it can be used as a temporary substitute for the most polluting sources of energy (such as coal or oil), yet its primary role in the period up to 2050 should be to act as a transition fuel on the road towards low-carbon energy sources. In this light, there should be a detailed stock-taking of the EU's internal gas resources, as they can help boost the EU's energy independence.

5.1.6 With regard to fossil fuels in general, Europe should urgently carry out further research into the location and economic factors relating to carbon capture and storage, in combination with the assignment of a realistic value to carbon and greater public awareness.
5.1.7 Three sectors of activity in particular will need to make radical changes to their organisation. Electricity production must reduce its emissions by at least 95%; each Member State will have the freedom to strike its own balance between renewable energy, nuclear energy and carbon capture and storage. Residential and commercial buildings will also need to adapt, with reduction targets of 90% based on more stringent standards for the construction of new buildings and the energy consumption of new appliances, as well as the renovation of existing buildings. Industry will need to reduce its own emissions by 85% and monitor the potential risk of carbon leakage – through relocation of production to countries that apply less restrictive emissions standards.

5.2 Industrial and financial commitment

5.2.1 Energy transition will provide an opportunity to breathe new life into European industry, generate activity and comprehensively review our modes of production and consumption. Europe's competitiveness must be underpinned by research, innovation and a capacity to bring clean technologies to market. With this in mind, the EU and its Member States must prioritise large-scale projects involving European operators, to serve industry generally but with a particular concern for SMEs and the role of localised energy production also needs to be considered and evaluated.

5.2.2 The transition towards a low-carbon economy must promote employment in the internal market. In tandem with the transformation of the energy industry, the right conditions must be created for the development of new jobs. The construction and renewable energy sectors should be able to create some 1.5 million additional jobs by 2020.

5.2.3 The EESC agrees with the Commission's assessment that the additional investment (EUR 270 billion per year during the period up to 2050, or 1.5% of EU GDP), will help Europe to boost growth. As much as EUR 175 to 320 billion per year could be saved on hydrocarbon imports alone. However, the investment community is demanding a coherent and consistent market framework across Europe and greater collaboration between Member States. Innovative financial investment instruments should be developed in particular to support SMEs in the energy field.

5.2.4 There is a need to pool the necessary financial resources and to go beyond national-level support systems which are ineffective and stifle competition. The planned 2013 review of the environmental state aid framework should make it possible to support the promotion of all technologies that can help reduce CO₂ emissions.

5.3 Improving and reducing our consumption: more energy efficiency and energy trading among Member States

5.3.1 A major European drive is needed to reduce energy consumption, improve how we use it – by promoting energy-saving behaviour and less energy-intensive technologies – and trade energy
efficiently. Buildings (39% of all final energy consumption in Europe), transport (30%) and industry (25%) all need a common framework of binding rules. There is huge scope for saving energy: the industrial sector could reduce its energy consumption by 19% and the transport sector by 20%.

5.3.2 The EESC recommends pursuing the action committed to under the Climate and Energy Package in a rational manner, taking into account the need to support the countries of Central and Eastern Europe.

5.3.3 The massive growth of renewable energies in the North Sea, and potentially, but to a lesser extent, in the Baltic Sea region, and of solar and wind energy in southern Europe will require new, "smarter" infrastructure to improve trading between European regions and countries. The development of such "smart grids" could make it possible to cut consumption by 9% and CO₂ emissions by between 9 and 15%. This will entail priority investment in such strategic infrastructure, estimated at between EUR 1.5 and 2.2 trillion in the period to 2050, to modernise and develop European electricity and gas networks.

5.3.4 It could be useful for groups of Member States from a particular geographical region to coordinate their energy mixes, infrastructure and market rules in order to share the benefits of the various sources of energy at their disposal. Being more inter-connected and harmonised, their markets would be more resilient to fluctuations in production and consumption and together better placed to ensure security of supply for the EU's energy needs.

5.4 Involving the public in energy transition

5.4.1 Public acceptance of energy choices (nuclear, CCS storage, wind farms, high-voltage power lines etc.) is a challenge for Europe's democracies today. The EESC, as well as the national ESCs, consumer organisations and other NGOs have a central role to play in promoting clear and transparent information about these policies and involving the public more effectively. The Roadmap is an opportunity to develop participatory democracy in relation to an issue which affects every citizen.

5.4.2 The EESC suggests launching a broad information and awareness-raising campaign to inform the European public about the various energy transition options, the central role of infrastructure and the new consumption behaviour expected of people in Europe.

5.4.3 The EESC considers that the creation of a European civil society forum would boost the flow of information within the EU, by bringing together all local, regional, national and European stakeholders on a regular basis to jointly discuss the main issues of the energy transition for the period up to 2050.

5.4.4 The creation of a European Energy Community would also focus attention on the vital and strategic dimension of energy (accessibility, affordable tariffs and prices, regularity, reliability
etc) and the changes that need to be made over the next 40 years. It would embody the idea of a Europe which listens to the people, and which addresses issues that are of direct concern to them. This project would involve greater social harmonisation, which is needed to strengthen and give new meaning to the European project.

5.4.5 The EESC recommends giving firmer support to local and regional initiatives which are in the front line when it comes to issues of smart mobility, infrastructure and transport, new construction and renovation projects, heating and cooling networks and urban planning. The EESC considers that their initiatives should be encouraged as they often promote energy policies that are innovative, devolved and democratic.

Brussels, 23 May 2012.

The President
of the
European Economic and Social Committee

Staffan Nilsson

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N.B.: Appendix overleaf
APPENDIX
to the opinion
of the
European Economic and Social Committee

The following section opinion texts were rejected in favour of amendments or compromises adopted by the assembly but obtained at least one-quarter of the votes cast:

"1.1 The EESC welcomes the Energy Roadmap 2050 and its objective of providing a framework for the agreed policy of the substantial decarbonisation of the energy sector in Europe by 2050 (European Council October 2009). The challenge is not only to achieve a sustainable and secure low carbon energy mix in a competitive market but to convince civil society that this is an attainable objective."

Outcome of the vote on the amendment: 88 votes in favour, 41 votes against and 13 abstentions.

"4.5 The Committee also agrees with the Roadmap’s analysis of the main challenges and opportunities that need to be addressed at European level to transform the energy system, rethink the energy markets, mobilise investors, engage the public and drive change at international level. Subject to the more detailed comments below the Committee supports the priorities suggested, and in particular the final section which identifies ten key conditions or issues that must be taken up urgently to drive progress forward."

Outcome of the vote on the amendment: 75 votes in favour, 51 votes against and 24 abstentions.

"5.1.3 In this sense, renewable energy should be encouraged along with any technologies that can help achieve the goal of decarbonisation at a lower cost. Biomass may also have a part to play though it will be important to ensure that the methods chosen contribute to carbon reduction on a full life-cycle analysis and do not contribute to food insecurity. Nuclear energy might help bring about this transformation in the energy system and reduce CO₂ emissions in those countries choosing the nuclear option, by making it possible to lower the costs of the electricity system and prices, though questions remain about whether some costs, for example those ones related to safety, waste storage, decommissioning and liability issues, remain externalised or socialised."

Outcome of the vote on the compromise: 89 votes in favour, 53 against and 8 abstentions.
OPINION

of the
European Economic and Social Committee

on the
COM(2011) 658 final – 2011/0300 (COD)

Rapporteur: Mr Biermann
On 15 November and 29 November 2011 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Articles 172 and 304 of the Treaty on the Functioning of the European Union, on the


The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 131 votes to 1 with 2 abstentions.

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This opinion is part of a five-opinion package prepared by the EESC on the Connecting Europe Facility (CEF) and its guidelines, which were issued by the European Commission in October 2011. This package contains opinions TEN/468 on the CEF (rap. Mr Hencks), TEN/469 on the Guidelines for Telecom Networks (rap. Mr Longo), TEN/470 on the Guidelines for Energy Infrastructure (rap. Mr Biermann), TEN/471 on the Guidelines for Transport Infrastructure (rap. Mr Back) and TEN/472 on the Project Bond Initiative (rap. Mr Duttine).

1. Conclusions and recommendations

1.1 The EESC supports the goal of modernising and comprehensively expanding Europe's energy infrastructure. An efficient, secure and stable European energy supply infrastructure, together with diversified energy sources, supply sources and transit routes, constitutes the basis for a secure, stable energy supply for the EU.

1.2 The financial crisis has demonstrated that stable industry structures in particular, but also stable SME structures, create added value which can help Europe pull out of the crisis more quickly. For both sectors, a basic prerequisite is a stable energy infrastructure which guarantees solid security of supply.

1.3 Energy will in future have to be transported across great distances more frequently and in greater quantities than is feasible today. For this, as the European Commission proposal states, the right conditions have to be created and put in place.

TEN/470 - CESE 491/2012 EN/o
1.4 Maximum voltage direct-current transmission has to be built up in a stable EU-wide network. Linear connections used to date are not fail-safe.

1.5 European border interconnections have to be created to avoid bottlenecks developing. Congestion management helps to secure a stable supply.

1.6 Only if there is a trans-European energy infrastructure can all the EU Member States make use of locational advantages in terms of national sources of energy. This applies to hydro-electric and wind power as well as solar power facilities in southern Europe. Such an infrastructure would also optimise the use of fossil energy sources like oil, gas and coal.

1.7 Only by having an extended energy infrastructure will it be possible to make the switch to sustainable, secure energy supplies producing low levels of carbon-dioxide.

1.8 The EESC supports the creation of a Connecting Europe facility. As yet there are only estimates of the amount of investment needed. However, implementation requires accurate identification of the real investment requirement, together with better framework conditions and resources for innovation in the expansion of Europe's energy infrastructure. This should not be to the detriment of the equally necessary expansion of the distribution networks in Member States and the regions. At every level, what is needed are network tariffs that encourage private investment. Likewise necessary are effective public guarantee schemes and support programmes to create incentives for private investment.

1.9 The criteria for awarding projects are extremely important. They must be transparent for network operators, the general public, and energy producer and consumer businesses. The EESC welcomes the structures set out in the proposal for the participation of the public and the regions. The EESC therefore endorses the criteria for awarding contracts set out in the annex to the regulation.

1.10 Expansion of the electricity network is essential to optimise electricity load balancing and to make full use of efficiency potential. So that network expansion does not create a bottleneck for European growth, permit-granting procedures need to be speeded up significantly. Here too, the proposals contained in the draft regulation are to be welcomed. The EESC calls on the Member States to take the necessary steps to make the relevant adjustments to their national legislation.

1.11 Basically, the EESC feels that more acceptance and more dialogue are needed between all the parties involved in order to meet the challenges entailed in network expansion.

1.12 Further research efforts are needed to even out fluctuations in the flow of electricity generated from renewable sources by using smart networks, storage capacity and intelligent approaches to the energy mix. Implementation requires legal certainty throughout the EU.
1.13 Special attention should be given to the stability of the European electricity network against a background of changing circumstances where there is an increasing amount of volatile renewable energies being fed into the system. The must be no fluctuation in voltage control or frequency control.

1.14 A high degree of public acceptance is needed when trans-European energy infrastructures are to be created. The possibilities suggested for this in the draft regulation constitute an important step towards achieving this. These possibilities must be expanded in individual EU Member States where necessary.

1.15 A great deal will be expected of workers in both the building and operation of transnational energy networks. Appropriate skills and qualifications for such work, as well as further training, will be necessary for it to be carried out properly. The most highly-skilled staff, such as managers and engineers, need specific, continuous training in innovation, research and risk prevention in the field of power transmission between the different countries, and regarding relevant legislation, which is continually evolving. When awarding contracts, attention should be paid to compliance with social standards.

1.16 The EESC welcomes the fact that the idea of a comprehensive gas network has been retained. Security of supply will be boosted by linking up different gas-producing regions to such a network.

1.17 The research projects suggested by the EU for capturing and storing CO₂ are only advancing at a snail's pace. A network which links up research centres and potential storage sites, or which itself serves as storage, should indeed be planned for as of now. Yet from today's perspective, it is doubtful whether this is achievable by the year 2020. The EESC therefore suggests that accompanying measures be put in place which further investigate and test the applicability of this technology (see also opinion CESE 1203/2008 on the geological storage of carbon dioxide, rapporteur: Mr Wolf).

2. Introduction

2.1 Shaping Europe's energy future is a major challenge for Europe's politicians and European society. It can only be achieved with consistent, focused and realistic action, perhaps based on feasibility studies. Such action, going beyond the borders of the Member States, must incorporate a shared concept of Energy for Europe.

2.2 The direction to take in a shared European approach is set by the EU's three energy policy goals: security of supply, competitiveness and sustainability. These must be pursued,
however, with social responsibility, i.e. ensuring that all EU citizens get access to affordable energy.

2.3 On 17 November 2010, the Commission published a communication entitled *Energy infrastructure priorities for 2020 and beyond*. It includes a call for a new policy on energy infrastructure in Europe, under which network development is to be coordinated across Europe in the future. This involves reworking and further elaborating the present strategies on, and approaches to, trans-European energy networks.

2.4 Finally, on 19 October 2011, the Commission published its *Proposal for a Regulation of the European Parliament and of the Council on Guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC*. The goal is to create a single energy infrastructure market which is to come into force on 1 January 2013. Thus, trans-European infrastructure is a part of the 2020 European approach to energy. The concept involves: incorporating all Member States into the European network, promoting sustainable energy generation, increasing energy efficiency, reducing greenhouse gas emissions and expanding renewable energies.

2.5 Energy infrastructure will take on far greater importance in the future, with the German government's Ethics Commission for a Safe Energy Supply calling it the "core of a high-tech economy".

2.5.1 For electric power transmission, this entails the expansion of an EU-wide extra-high voltage direct-current grid (electricity highways), including coupling points, the exploration and further development of electricity storage facilities, the extension of intelligent decentralised distribution systems ("smart grids") and the management of smart electricity use.

2.5.2 Natural gas will also play a key role in the future European energy mix to even out fluctuations in electricity generation and secure a core supply. The construction of high-pressure gas pipelines and corresponding storage capacities must be speeded up. Since the cost of storage is relatively high in today's terms, consideration should be given to whether natural gas storage might be replaceable at least in part by other forms of energy production.

2.5.3 In the medium term, oil will continue to play a central role, especially in road transport. For this reason, here too, transport structures should be expanded and optimised taking into account the need for a high level of security of supply.

2.5.4 Infrastructure for CO₂ transportation will also have to be built up; a discussion on the pros and cons of this technology is already under way. More research, development and measures to

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promote public acceptance are needed here; for this reason, implementation might well be delayed.

2.6 Member States' domestic energy sources must be integrated into the European energy infrastructure. There is a role, then, for ultra-modern oil- and coal-fired power stations, for instance, to contribute to the core supply and to even out fluctuations in electricity generation.


3.1 At the heart of the proposed European Parliament and Council Regulation on guidelines for trans-European energy infrastructure is the obligation on Member States to take part in trans-European infrastructure measures while at the same time creating more efficient transport structures. It is vital to establish links to create trans-European energy networks at a time of constantly increasing energy demand. It concerns all energy sectors.

3.2 The proposal sets out twelve priority energy infrastructure projects and areas. All Member States are to be integrated as appropriate into the individual projects, which are:

- four electricity corridors: this involves, inter alia, the creation of a Northern Seas offshore grid and a North-South electricity interconnection;
- four gas corridors: including an extension of the European gas network to guarantee security of supply; and
- one oil corridor, with security of supply again a prime concern; and
- three priority thematic areas: inter alia, creating smart networks, constructing electricity highways and cross-border CO₂ networks.

3.3 The Commission proposal sets out fifteen infrastructure categories for the four areas (inter alia for electricity highways, electricity storage facilities, gas pipelines, oil transportation and CO₂ pipelines). This is necessary to ensure that every party involved has the same starting point, accepted by all.

3.4 The same is true for the mandatory rules laid down in the Commission proposal for collaboration between groups responsible for regional implementation. These ground rules apply to all regional groups and are intended to optimise cooperation. All the various interests involved are to be represented in these groups. Such rules and guidelines are essential, since the projects have a sizeable impact on the sovereign territory of Member States and across borders.

3.5 Given that Member States have not only different electricity prices but also different network prices, a method for cost-benefit analysis will be devised in which scenarios for the different energy sectors can be worked out and compared. These will cover, for example, demand, pricing and generation capacities.
3.6 Finally, "Guidelines for transparency and public participation" will be established. These will address the need to create a single modus operandi given the different arrangements in the Member States. It is proposed that a manual of procedures be compiled, the aim being to secure widespread public participation. The binding rules proposed for this should apply across the whole of Europe. They allow the procedures to be aligned on one another (See Annex II of the proposal).

3.7 At the same time, this opens up opportunities for carrying out public participation pilot projects aimed at developing a culture of participation in Europe.

3.8 This brings a completely new dimension to the public participation of local and regional authorities, industry and the general public. People in all the Member States concerned – and not just one country – participate. The result is near-transnational participation, which can and should lead to a European culture of involvement. This aspect was amply highlighted by the Committee of the Regions (CoR) in its opinion entitled Energy infrastructure priorities for 2020 and beyond (see inter alia points 3 and 4).

3.9 The main legal basis for implementing a possible regulation is Article 171(1) TFEU. Its provisions are quite unambiguous, as are those of Article 172 regarding co-decision on procedural matters. The important thing is that the current Member State competence for the energy mix is safeguarded. EU competence for trans-European networks is helpful in this context and should be further extended.

3.10 The budget for expanding Europe's energy infrastructure by 2020 is estimated at approximately EUR 210 billion. Private investment is expected to make up 50%. The Commission is currently discussing and developing funding instruments to arrive at this share. The proposals for establishing such instruments are being examined by the TEN "Europe 2020 Project Bond Initiative for infrastructure projects" study group.

3.11 The proposed regulation should enter into force on 1 January 2013. The funding principle for this is part of the EU’s planned common financial framework for 2014–2020.

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4 The Commission's proposal estimates about EUR 140 billion for high voltage electricity transmission systems, storage, and smart grid applications, EUR 70 billion for high-pressure gas transmission pipelines, and EUR 2.5 billion for CO2 transport infrastructure.
5 See EESC Opinion on "Europe 2020 Project Bond Initiative for infrastructure projects".
4. The Committee's comments

4.1 Securing an energy supply by means of a modern energy infrastructure is a prerequisite for European society to progress. The EESC therefore welcomes the Commission's proposal. It is an important step in implementing the 2020 energy policy goals.

4.2 The proposed approach steers a middle course between market transparency, necessary regulation and market freedom. This is a positive aspect. At present, regulation of energy markets varies between Member States and conflicts of interest could arise. This is why efforts are being made to align the energy markets in the different countries while respecting national requirements.

4.3 There is an opportunity here for joint, effective action, especially in the proposed plans for common indicators and rules that are to be binding on all parties. Conceptual differences will thus be minimised from the outset.

4.4 The goal of building up an energy super-network and – further – creating decentralised smart networks has many beneficial knock-on effects:

- more and better jobs will be created, especially in Europe's peripheral areas;
- a secure energy supply will bolster Europe in global competition as a base for industry and services; this is particularly the case for SMEs;
- the modernisation and expansion of Europe's energy infrastructure will help improve energy efficiency;
- the creation of transnational infrastructure, coupled with a simultaneous expansion of regional networks, could help compensate for current energy shortages;
- the aim of greater competition on energy markets brings with it the opportunity for price stabilisation or even a fall in prices; this might be offset by the fact that in some areas there will be a considerable need for regulation, which can have a detrimental impact on prices; a political assessment process should be launched to work out in what direction to go from here.

4.5 The planned involvement of regional and local authorities should mean that the infrastructure changes they propose are better received. This aspect was particularly highlighted in the CoR's opinion on this subject.

4.6 Network regulation needs redirecting. A way must be found to replace the profit motivation of operators with broader concepts. One key issue here, however, is technical feasibility; others include economic, sustainable and social implementation.

4.7 One important component in a modern energy infrastructure is energy stocks, which have so far mostly involved gas and oil. Energy storage will now be extended to electricity. Generally speaking, the question is whether these are projects of common interest or national plans.
yet, there are no EU rules governing this and there are serious legal concerns. The Commission is therefore urged to put together a proposal that provides legal certainty on energy storage. This must go beyond currently envisaged possibilities for promoting energy storage and take on board all conceivable technical options, such as accumulators, steam technologies, hydrogen and methane. It would also be desirable for funded research projects to run in tandem with implementation.

4.8 Member States that have economic and social councils should consult them and give them an advisory role in planning and implementation.

4.9 National arrangements for workers’ participation and involvement in decision-making must be incorporated into regional infrastructure projects. This is a precondition for shaping the social dimension of existing and new jobs in European infrastructure projects.

4.10 In order to ensure smooth implementation, workers in infrastructure projects must have the required skills and receive appropriate further training for these demanding tasks.

4.11 The EU public must be scrupulously informed about impending infrastructure projects. Implementation is impossible without broad public support.

4.12 Infrastructure costs are part of end-user energy prices. In practice, they are passed on to the consumer. There is a danger here that electricity will be placed beyond the reach of some people. The proposal addresses this only in passing. Ideas for averting energy poverty in Europe must also be developed as part of the entire package. One of the decisive issues here will ultimately be the extent to which we are successful in generating competition on the energy markets, which itself can counteract price increases.

4.13 Infrastructure costs will also be optimised if the right kind of energy is generated in the right place. Thus, wind energy should be generated in windy regions and solar energy in sunny regions. This will optimise not only the generation of energy but also its transportation.

4.14 Industry and SMEs continue to be key players in creating value added in Europe. Here again, a stable energy supply at competitive prices on the global market is an important precondition.

4.15 One issue still to be resolved is the planned building of the CO₂ transportation infrastructure. The pros and cons of this technology are at present under discussion. However, in the medium term, fossil fuels such as oil, gas and coal will remain part of the energy mix in Europe, so flanking measures are therefore needed to kick-start this technology and create the corresponding infrastructure in order to be able to achieve the EU’s long-term climate goals. Certainly at the moment there are hardly any pilot projects at all, and it is doubtful whether there will be any between now and 2020, or even thereafter.
Against this background, the EESC endorses the proposal for a regulation and, subject to the comments made here, supports its swift implementation.

Brussels, 22 February 2012.

The President
of the
European Economic and Social Committee

Staffan Nilsson
TEN/427
Financial assistance to projects in the field of energy

Brussels, 15 September 2010

OPINION
of the
European Economic and Social Committee
on the
Proposal for a Regulation of the European Parliament and of the Council 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) 283 final - 2010/0150 (COD)

Rapporteur: Mr Buffetaut
On 15 June and 23 June 2010 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Articles 194(1)(c) and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council 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


The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 September 2010.

At its 465th plenary session, held on 15 and 16 September 2010 (meeting of 15 September 2010), the European Economic and Social Committee adopted the following opinion by 133 votes to two with one abstention.

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1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) supports the general thrust of the proposal and the Commission's objectives. The EESC particularly welcomes the idea of using the European funds as a "leverage multiplier" to speed up investment in energy efficiency and renewable energy sources. The EESC would like the distribution of financial assistance between technical assistance and soft loans and bank guarantees from financial institutions to be better substantiated. The EESC would like to see details of what is actually covered by the term "technical assistance".

1.2 The EESC hopes that the arrangements set out by the Commission will indeed be implemented, i.e. all the financial intermediaries concerned should be authorised to manage the financial facility, with projects selected by the fund managers under the Commission's supervision. The EESC would like the arrangements for managing and accessing the funds to be clarified so that financial intermediaries and project managers have a clear understanding of how they should be used.

1.3 That said, the EESC feels that some clarification is needed – or would be helpful – on the following points:

TEN/427 - CESE 1188/2010 - 2010/0150 (COD) FR/SS/JP/hn
1.3.1 Details are needed (or at least an estimate) as soon as possible – by the end of 2010 – of the total amount available under this envelope over and above the EUR 114 million already announced, which, when shared among 27 Member States, actually provides relatively limited input. That said, account must also be taken of the leverage effect from the additional input provided by private investors and from the impetus that will be given to projects and investments in the light of the substantial support provided during the technical assistance phase.

1.3.2 The definition of "bankable projects" must be looked at again. Building insulation, for example, is extremely energy efficient and, in terms of energy saved, is bankable in the long term, especially in the case of old buildings. "Bankable projects" should be understood to mean fundable projects which could not be implemented without EU support. The term "bankable projects" could be defined in the regulation as "projects that secure financial balance through aid provided under European instruments".

1.3.3 Eligibility criteria:

- The EESC understands and also accepts that none of the various sectors enjoy special priority, and that criteria for investment and compliance with European energy efficiency and renewable energy objectives will be applied. Eligible projects include those subject to energy performance contracts and those already in receipt of European funding support. The EESC stresses that the purpose of this instrument is to promote synergies with the Structural Funds and the Cohesion Fund.

- In the absence of a list of pre-selected projects (as under Regulation (EC) No 663/2009), the EESC will take a close interest in the way funds are allocated between project financing and technical assistance. The EESC believes that the bulk of funding should go to concrete investments or projects.

- The Committee points out that the regulation itself will not include a list of pre-selected projects and that the fund will select projects on the basis of criteria set out in the regulation. A report will be drawn up on funded projects.

- The EESC stresses that this financial assistance to investment projects must comply with the principle of neutrality of treatment vis-à-vis the public or private operator. There should therefore be scope to implement these projects as Public Private Partnerships.

- Broadly speaking, the Committee strongly feels that selection criteria should be based mainly on the projects' technical reliability and financial security and the specific results expected in terms of energy efficiency and renewable energy sources.

- The EESC would like further clarification regarding the eligibility criteria for "measures that have a rapid, measurable and substantial impact".
1.4 Although the EESC understands why the Commission would like the local authorities concerned to "have made a political commitment to mitigate climate change, including precise targets", it warns against placing too much trust in positions that have more to do with politically correct thinking and language than with specific actions backed up by sound and innovative techniques or effective and approved management systems in the areas of energy efficiency, heating networks or renewable energy sources.

2. **Background and principles underpinning the Regulation establishing the programme to aid economic recovery by granting Community financial assistance to projects in the field of energy**

2.1 The European Energy Programme for Recovery (EEPR) had been granted an envelope of EUR 3.98 billion, almost all of which should have been committed by 2010. However, around EUR 114 million will not be committed under the EEPR and this figure may go up if some projects fail to meet legal, financial or technical requirements.

2.2 Uncommitted funds under Chapter II of the EEPR regulation will be used to create a dedicated financial instrument to support energy efficiency and renewable energy initiatives within the Sustainable Energy Financing Initiative.

3. **General principles**

3.1 This financial facility is designed to support the development of BANKABLE energy efficiency and renewable energy projects and facilitate the financing of investments in these areas, in particular in urban settings.

3.2 In order to foster a large number of decentralised investments, municipal, local and regional public authorities will be the beneficiaries, including under PPP arrangements.

3.3 The sustainable energy projects to be financed include public and private buildings, high-energy efficient combined heat and power (CHP) and district heating/cooling networks, decentralised renewable energy sources embedded in local settings, clean urban transport and local infrastructure such as smart grids, efficient street lighting, and smart metering.

4. **Selection and eligibility criteria**

4.1 Financing will go to measures that have a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and the reduction of greenhouse gas emissions.

4.2 The intention is that Community financing should act as leverage for other contributions from stakeholder authorities and businesses, on the basis of precise criteria as regards the policies
pursued by the public authorities and the technical and financial features of the relevant projects.

4.3 The rules applicable to the authorities relate to their commitment to fighting climate change and to the specific proclaimed objectives, the nature of the developed strategies, and the follow-up and publicising of implementation and the results obtained.

4.4 The technical and financial rules address issues such as the soundness and technical adequacy of the approach, the soundness of the financial package, the extent to which the EU contribution stimulates public and/or private finance, the social, economic and environmental impacts and the projects' geographical balance and maturity, the aim being to reach the investment stage without delay.

Brussels, 15 September 2010

The President
of the
European Economic and Social Committee

Mario Sepi
January “3” 2013

Mr. Werner HOYER
President
European Investment Bank
98-100, Boulevard Konrad Adenauer
L-2950 Luxembourg

Dear Mr. Hoyer,

I would like to thank you for your answer of 15 November 2012 in which you assured me that the European Investment Bank closely monitors the recent developments in order to find a mutually acceptable solution to the situation of certain Finance Contracts of the Municipality of Budapest. The Bank’s attention to the issue was most recently highlighted by Vice President Molterer’s letter of 18 December.

At the meeting of 6 December in Budapest referred to in your letter I presented the situation Vice President Molterer, and the visit also gave opportunity to discuss the pending issues and the points in question.

I would like to inform you that the Hungarian Government together with the Municipality of Budapest is constantly negotiating in order to find the most effective solution to the issue of the financial covenants.

On the basis of proposals of the Government, the Hungarian Parliament recently has taken several important legislative measures with implications for municipalities: the Budget Act for 2013 was adopted, and the Hungarian State is going to take over certain portions of municipalities’ debt. Right now the consolidation is ongoing for municipalities in settlements with less than 5,000 residents; early next year the consolidation of the debt of Budapest would be amongst the top priorities, focusing on the takeover of 40% of the Capital City’s debt by the State.

Please allow me to inform you about the planned schedule of solving this financial situation: following several rounds of negotiations between the Government and the Municipality of Budapest already this year, all necessary decisions should be reached in the coming months as the budget of the Capital City will be submitted for approval by 15 February 2013 and accepted by the General Assembly of the Municipality of Budapest in March. Afterwards we will be in a position to shed light on the details of the 2013 financing of Budapest to the Bank.
I am confident that following an agreement on the 2013 budget of Budapest and on the implementation of the partial takeover of Budapest’s debt by the State the issue of the financial covenants can be settled in a satisfactory manner.

Therefore I would like to suggest that any further decisions with respect to the covenants included in the contracts between EIB and the Capital City should be postponed until March 2013 when the above mentioned details of the municipal consolidation and the financial situation of the Capital City will have been clarified. However, let me stress that in the meantime we will continuously inform the Bank of the procedure and status of the internal negotiations and are ready to carry on with the negotiations between the EIB, the Capital City of Budapest and the Hungarian Government in person as well.

Mr. President, I am looking forward to your kind understanding regarding the above mentioned issue. Finally, I would like to express my appreciation for the excellent cooperation established between our institutions.

Yours sincerely:

György MATOLCSIY