

# Programme to aid economic recovery: financial assistance to projects in the field of energy, European Energy Programme for Recovery (EEPR)

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The Commission presents a report on the implementation of the European Energy Programme for Recovery (EERP).

It recalls that the EEPR is endowed with a financial envelope of EUR 3 980 million in support of three sub-programmes. Regulation (EC) No 663/2009 allocates EUR 2 365 million to gas and electricity infrastructure projects, EUR 565 million to offshore wind electricity projects (OWE), and EUR 1 050 million to carbon capture and storage projects (CCS).

**EEPR implementation - state of play:** the Commission received 87 applications: 46 for gas and electricity projects, 29 for OWE and 12 for CCS. It adopted the award decisions, on 9 December 2009 for the OWE and CCS sub-programmes and on 4 March 2010 for the gas and electricity infrastructure projects.

It is currently estimated that almost the entire EEPR financial envelope will be committed in the spring of 2010. There remains an amount of around EUR115 million (less than 3% of the total) which can not be committed. This amount is not expected to change, unless one or more project promoters fail to take up the grants because of regulatory constraints and technological or market-related risks. The Commission departments are currently assessing options for the possible reallocation of unspent funds.

- **Gas and electricity infrastructure projects:** of the 46 proposals submitted, the evaluation committee recommended 43 projects for funding and the Commission decided to award financial support of EUR 2.3 billion (31 gas and 12 electricity projects).
- **Offshore wind energy projects:** based on the recommendations of the evaluation committee, the Commission awarded EUR 565 million to the 9 highest-ranking proposals within the limits of the available budget.
- **Carbon capture and storage projects:** of the 12 proposals submitted, the Commission awarded EUR 1 billion to the six best-ranked proposals.

**First assessment of results and achievements:** given the short time which has elapsed since the EEPR call for proposals was launched, it is too early to assess the results of the programme. However, a first qualitative appreciation of the impact of the EEPR is possible. First of all, the success of the call for proposals must be stressed. The high number and quality of the proposals received confirms the relevance of the EEPR approach and the readiness of the industry.

From the start the EEPR appears to have been an accelerator of infrastructure investments. Indeed, the technical maturity of the selected projects meant that pre-feasibility studies, cost and market analysis and investment strategies, in some cases funded by the TEN-E programme, had already been completed before the EEPR came into the picture. However, the perspective of the EU financial support for capital expenditure has proven to be decisive in the actual launching of the projects. In particular, EEPR funding has acted as a stimulus, attracting co-financers and encouraging them to make investment commitments. Thus it has been possible to set up projects that otherwise would have been delayed or abandoned given

the particularly severe funding constraints prevailing in the current economic circumstances. The EU contribution will have an important leverage effect.

In the case of gas and electricity projects, it is expected that the EUR 2.3 billion of EEPR grants will help to mobilise up to EUR 22 billion of private sector investment over the next 3 to 5 years. However, the growth enhancing effect of the EEPR grants is not limited to direct investments in the selected projects. It also spills over into the supply chain. This can already be seen in the OWE sector, where the projects contribute to creating or securing numerous jobs in new factories or production lines for the manufacturing of foundation structures and wind turbine components as well as their assembly and offshore installation. Some of this new manufacturing activity is taking place in regions where unemployment is particularly high, for example near the coastline of Cuxhaven in northern Germany. The OWE projects are the most advanced in terms of budgetary execution. As of the end of March 2010, the Commission had made pre-financing payments totalling over EUR 65 million. Further payments, totalling approximately EUR 155 million, are planned in the period April – June 2010.

CCS projects are also making good progress. The presence of the EEPR as co-financer has been decisive in giving these projects a kick-start. The demonstration effect is already being felt in the Rotterdam and Hatfield projects, which are aspiring to become CCS hubs with a potential to attract other investments for CO2 transport and storage infrastructure from other big CO2 emitters in the region. First orders for installations will be placed during 2010 and will lead to substantial capital expenditures and job creation.

**Potential risks and mitigation measures:** the projects supported by the EEPR may present a high degree of technical, organisational and financial complexity and therefore involve some level of risk. The Commission's individual grant decisions for gas and electricity projects will state that, before payments can be made, the beneficiaries must have:

- obtained the necessary environmental and construction permits, and
- signed an investment decision, namely a formal commitment by the project promoters to go ahead with the project, by the end of 2010.

Should these conditions not be met, the Commission will assess the situation with a view, possibly, to cancelling the decision and de-committing the funds.

In some OWE projects, the main risk is technological. For example, one project will demonstrate offshore deployment of 6 MW turbines for the first time, while others will use innovative high voltage direct current (HVDC) technology for the grid integration of wind electricity at yet to be proven capacities. In other projects, the risks are more financial (financial close foreseen in the next few months) or administrative (possible delays with permits). The technical annexes to the grant agreements explain how the beneficiaries manage the risks involved and include plans for obtaining the necessary co-funding and permits.

As for CCS projects, implementation is progressing smoothly. There are, however, sensitive issues which need to be monitored:

- continued national funding and industrial commitment will be necessary if the CCS demonstration projects are to be successfully completed by 2015;
- Member States need to provide the necessary legal framework for CO2 storage by transposing the [CCS Directive](#) into national law. This is to avoid delays in the delivery of CO2 storage authorisation and ultimately in the timely approval of the final investment decision;
- public awareness of CO2 storage safety should be properly addressed as this is critical in the implementation of the CCS projects.

The Commission, in close cooperation with Member States and/or project promoters, will ensure project management, supported by external independent experts in the monitoring of the EEPR projects and the overall assessment of the impacts of the EEPR programme.