

Programme to aid economic recovery: financial assistance to projects in the field of energy, European Energy Efficiency Fund (EEEF)

2010/0150(COD) - 31/05/2010 - Legislative proposal

PURPOSE: to amend Regulation (EC) No 663/2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: [Regulation \(EC\) no 663/2009](#) established a programme to aid economic recovery for Europe (EEPR) by granting €3.98 billion by the end of 2010. This Community financing was allocated to three sub-programmes in the field of gas and electricity infrastructure projects; offshore wind electricity projects (OWE), and carbon capture and storage projects (CCS).

It is estimated in the [report from the Commission](#) of 27 April 2010 on the implementation of the EEPR that almost the entire EEPR financial envelope will be committed in the course of spring 2010. An amount of around **€114 million will however not be committed under the EEPR Regulation**. The amount of uncommitted funds will be known by the end of 2010.

In the spirit of the [Europe 2020 strategy](#) for sustainable growth and jobs, the development of further renewable sources and the promotion of energy efficiency would contribute to Greener Growth, building a competitive and sustainable economy, and tackling climate change. By giving support to these policies, Europe will create new jobs and green market opportunities fostering the development of a competitive, secure and sustainable economy.

Providing for increased financial incentive and technical assistance is a key element to address the barriers of high up-front cost and lack of information and stimulate sustainable energy improvements. In a market constrained by the prevailing economical crises and in a time of caution by commercial banks, generating low investment rates, there are additional barriers for project financing to promote this policy area. Existing experiences across Europe demonstrate how well-targeted and well-designed financial aid policies can lead to massive improvement and succeed to tap the development potential of sustainable energy. Investments help in sustainable energy can be most effective and beneficial when targeted at municipal and local levels.

In the [2nd Strategic Energy Review](#), the European Commission's announced its intention to launch a **Sustainable Energy Financing Initiative** in cooperation with the European Investment Bank and other International Financial Institutions (IFIs) in order to establish appropriate financing mechanisms for the massive development of energy efficiency and renewable energies.

A dedicated financial instrument to support energy efficiency and renewable initiatives within the Sustainable Energy Financing Initiative should therefore be created to use the uncommitted funds under Chapter II of Regulation (EC) No 663/2009.

IMPACT ANALYSIS: no impact analysis was carried out.

LEGAL BASIS: Article 194(1)(c) of the Treaty on the functioning of the European Union (TFEU).

CONTENT: the Commission is proposing to use the uncommitted funds under Chapter II of the EEP Regulation for the **creation of a dedicated financial instrument to support energy efficiency and renewable initiatives within the Sustainable Energy Financing Initiative**. The financial facility shall support the development of bankable energy efficiency and renewable energy projects and facilitate the financing of investments in energy efficiency and renewable energy, in particular in urban settings. In order to foster a large number of decentralised investments, municipal, local and regional public authorities will be the beneficiaries. The approach will build up on the success of the Covenant of Mayors, signed up by more than 1600 regions and cities across Europe.

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 (in particular from renewable energy sources), decentralised renewable energy sources embedded in local settings, clean urban transport and local infrastructure such as smart grids, efficient street lighting, and smart metering.

So as to maximise the impact of the EU funding in the short term, the **facility should be managed by one or several financial intermediaries** such as International Financial Institutions (IFIs). The selection should be operated on the basis of the demonstrated capacity of the financial intermediaries to use the funding in the most efficient and effective way and with the highest leverage between the EU funding and the total investment in order to raise significant investments in the EU.

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

Since the exact amount of uncommitted funds may be known just by the end of 2010, individual legal commitments implementing budgetary commitments should be made by **31 March 2011**.

Due to the urgent need to address the economic crises and the Union's pressing energy needs, expenditure should be eligible as from 13 July 2009 as many applicants requested the eligibility of expenditure from the submission of the grant application in line with Regulation (EC, Euratom) No 1605/2002 (Financial Regulation).

BUDGETARY IMPLICATION: this proposal has no implication for the European Union's budget.