EU development cooperation in support of the objective of universal energy access by 2030

2011/2112(INI) - 02/02/2012 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on EU development cooperation in support of the objective of universal energy access by 2030.

Parliament recalls that worldwide about 1.3 billion people have no access to electricity (in Sub-Saharan Africa nearly 70% of the total inhabitants fall into this category). They add that approximately 2.7 billion people are without clean cooking facilities, a situation that creates indoor smoke which is responsible for over 1.4 million premature deaths per year, making it, after HIV/Aids, the second most frequent reason for premature deaths worldwide.

In parallel, Parliament stresses that the Millennium Development Goals will not be achieved unless substantial progress is made on improving energy access, which requires an estimated annual investment of USD 48 billion by 2030, which is equivalent to around 3% of the global investment in energy infrastructure projected over the period to 2030 and would result in a modest increase in CO2 emission of 0.7 % by 2030. The resolution stresses that although there is no MDG specifically related to energy, access to modern, sustainable energy services for all (hereinafter 'universal energy access') is a prerequisite for achieving the MDGs. The Commission and the Member States are urged to endorse and commit to supporting the (UN-created) international target of universal energy access by 2030, and to align their policies and development cooperation with this objective.

Members call on the Commission to:

- issue a communication on development cooperation in support of **universal energy access** for the year 2012, which has been dedicated to this issue by the UN;
- develop an action plan to mainstream the objective of universal energy access into relevant EU policies, as well as into all sectors of development policy;
- encourage the establishment of a specific 'energy and development' programme, with special focus on universal energy access, within EU development cooperation.

Mobilise renewable energy and local energy: Parliament stresses the need to support renewable decentralised solutions, such as small-scale, off-grid and mini-grid energy solutions, to reach all parts of developing countries' populations, particularly poor and rural populations. It notes the huge potential for renewable energy in many developing countries to guarantee sustainable energy supply and reduce dependency on fossil fuels, thereby decreasing vulnerability to energy price fluctuation. If implemented correctly, the use of renewable sources to provide energy services can offer an economic solution in developing countries with benefits to health, the environment and local development. Members stress, however, the need to take into account the environmental impact of the use of renewable energy to improve universal access to energy, especially in the case of hydropower, biomass or agrofuels. The Commission is called upon to make the use of decentralised renewable energy or sustainable low-carbon /high energy efficiency a priority condition for support of new energy projects.

Energy Facility: the resolution underlines that the Energy Facility is internationally one of the very few financial mechanisms that provides funding for small-scale renewable energy solutions. It calls on the Commission to continue and extend funding for this kind of project in the next financial period from 2014 onwards and to evaluate the impact of investments supported by the Energy Facility on improving access to basic energy services for people living in poverty.

The resolution encourages the Commission and the Member States to support, through **development cooperation and the Energy Facility**, the following initiatives:

- the transfer of technologies, including technical knowledge, information, and good practices, appropriate for the delivery of modern energy services to poor people, between partner countries in the South and between Europe and the South devoted to capacity development, including twinning, staff exchange and practical training, in order to assess and absorb technological options;
- effective partnerships between the public sector, the private sector, communities and local governments will be necessary to expand access to sustainable energy services;
- use, wherever possible, a market approach to new/innovative energy solutions;
- promote governance capacity building to enable replicability of small-scale energy service projects through the promotion of SMEs;
- promote the rule of law in all its aid actions, particularly in the least developed countries;
- provide information on taxes, incentives and regulatory requirements in developing countries to those EU companies who want to invest in the energy sector;
- facilitate the sharing of best practices concerning the most efficient incentives for facilitating the expansion of energy infrastructure in developing countries;
- support the development and promotion of sound policy and legal frameworks and of technical standards that strengthen local capacity and generate confidence among private-sector investors.

EU aid: the resolution underlines also that EU aid for improving access to energy should support local economies, green jobs and poverty reduction and must not be tied to the involvement of, or used to subsidise, EU businesses. Recognising that the public sector alone will not be able to provide all the financing needs required to expand energy access, Members point out, in this respect, the importance of private investors and market-oriented reforms in the energy sector. They underline, however, that increasing focus on the use of public-private partnerships and attracting funds from private financiers may adversely diminish the financial attractiveness of **local renewable energy projects**. Parliament underlines, therefore, that the ultimate responsibility for ensuring access to universal services, especially affordable energy for poor and remote populations, **remains that of the state**.

Strengthen regulation and legislation: Members highlight the fact that there are numerous ways for partner governments to further universal energy access through legislation, regulation, contracts or licensing by imposing universal service obligations, tailored to the country's needs and possibilities, such as:

- coverage targets in concession or licensing agreements,
- differential consumer treatment based on financial capacity,
- subsidies or funds targeted to particular consumer categories and remote rural areas,
- review of counterproductive subsidies, taxes and duties, for example a shift from pro-fossil to 'pro-decentralised-renewable' in order to improve energy access and energy efficiency,
- liberalising operators' entry to unserved areas,
- fiscal incentives to facilitate expanded infrastructure,
- measures to ensure that available energy is used as efficiently as possible.

Parliament calls on the developing countries to commit seriously to the goal of universal energy access, and recommend increased assistance to ministries of energy in developing countries to enable them to make the case for support – in the new financial period – for universal energy access. It urges the EU to refrain from developing a top-down approach on developing energy infrastructure, bearing in mind that large-scale infrastructures may not suit the economic and social structure of the country and fail to provide energy access to the poor, for whom smaller local energy sources are usually more appropriate.

Members also encourage the EU to dialogue with partner governments and civil society in developing countries in order to ensure that both national energy policies and poverty reduction strategies take

account of universal energy access. This dialogue should include specific consideration of the benefits of including the development of cooking energy services in national and regional development plans, and for the partner countries and regional bodies to be encouraged to engage in dialogue with local authorities and non-state actors involved in the field of household energy (cooking).

Evaluation of results: Members ask the Commission to report annually on progress towards achievement of the universal energy access target, having established reliable indicators. They advocate that the Commission's and the Member States' support for energy service development should be based on an assessment of the relative financial cost and performance of all options, taking into account contributions to MDGs and national development objectives, as well as the relative costs and benefits of decentralised and centralised energy systems. The resolution calls on the Commission to support new results-based approaches in the energy sector, such as results-based financing, cash on delivery or output-based aid, which are currently also being tested by other donors, thus highlighting the importance of demand-driven aid ('partner requests it') instead of supply-based aid ('donor has an expert available').

Greenhouse gas emissions: Members urge the Commission and the Member States to recognise that energy consumption by the poor in developing countries does not, and for the foreseeable future will not, contribute significantly to global greenhouse gas emissions (1.3% of global emissions by 2030, according to the IEA), and that in order to achieve a minimum acceptable standard of living their per capita consumption of modern energy services should increase without being constrained by climate change mitigation measures that are too strict.

Promote small-scale projects: Members note with concern that large hydropower infrastructure remains a focus for the World Bank and the EIB. However, experiences have shown that such projects do not necessarily increase access for the poor, but that this aim is better served through mini-hydro or micro-hydro power units for local demand, thereby avoiding the social and environmental drawbacks of larger projects. They regret the absence of sensitivity and banking capacity for small scale energy projects on the part of the EIB, the European development finance institutions and the international financial institutions, and demand that they make universal energy access the focus of their engagement in the energy sector, also supporting small-scale and off-grid projects, particularly in rural areas, and integrating universal service obligations for the provision of universal energy access into their energy projects and grants.

Against the nuclear solution: with a very small majority (316 votes to 302, with 39 abstentions), the European Parliament confirmed in plenary the position of its committee responsible which call specifically on the Commission and the Member States **neither to fund nor to otherwise encourage the use of nuclear power in developing countries**, given the serious security and sustainability concerns.

To conclude, Parliament calls for the inclusion of universal energy access in the – yet to be formulated – post2015 MDGs.