

## PUBLIC CONSULTATION ON INTELLIGENT ENERGY-EUROPE III IN HORIZON 2020

### 1. INTRODUCTION — SETTING THE SCENE

As the **Intelligent Energy-Europe II (IEE II) programme (2007-2013)**<sup>1</sup> draws to a close, options for following it up with a successor need to be considered. This consultation paper starts that process.

IEE II is the main EU instrument for non-technological support in the field of energy. Its aim is to contribute to removing market barriers that hamper the efficient use of energy and increasing use of new and renewable energy sources.

The programme is playing a key role in EU efforts to meet the EU 2020 targets. It has enabled more efficient implementation of a number of Directives and other policy initiatives such as the **Energy Performance of Buildings Directive**,<sup>2</sup> the **Eco-design Directive**,<sup>3</sup> the **Energy Labelling Directive**<sup>4</sup> and **Renewable Energy Directive**.<sup>5</sup> With the new **Energy Efficiency Directive** as a regulatory backbone, the Programme will in its last year (2013) start to create the institutional and knowledge base for closing the energy efficiency gap.

With a budget of €0.73 bn during the period 2007-2013, IEE II has supported **more than 300 actions** in all relevant sectors of the EU economy, striving to improve market conditions, to develop the skills of professionals, to define and implement legislation, to raise awareness of successful solutions through knowledge-sharing and by promoting best practices, and stimulating investments in sustainable energy.

The **final evaluation of IEE II**<sup>6</sup> concluded in 2011 that ‘the programme is relevant and useful as it replies to the evolving needs, problems and barriers related to sustainable energy issues that Europe is facing’.

<sup>1</sup> One of the three pillars of the Competitiveness and Innovation Framework Programme (CIP)

<sup>2</sup> Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast).

<sup>3</sup> Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products.

<sup>4</sup> Directive 2010/30/EU of the European Parliament and of the Council of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products.

<sup>5</sup> Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources.

<sup>6</sup> The final evaluation of the Intelligent Energy — Europe II, Deloitte, 2011: [http://ec.europa.eu/cip/files/docs/2011\\_iee2\\_programme\\_en.pdf](http://ec.europa.eu/cip/files/docs/2011_iee2_programme_en.pdf).

The evaluation concluded that there was a need for a successor programme, IEE III. There have also been calls for such a programme from the Member States Programme Committee, more than 20 MEPs across the political spectrum, the national energy agencies of all Member States, large industry associations, European networks of local authorities, NGOs and other important players. This paper launches a consultation on how a new programme should build on the work of IEE II.

## 2. HOW DOES IEE II WORK?

Most IEE II funding has been disbursed in the form of grants and tenders to multi-national teams of energy stakeholders, i.e. public and private organisations across Europe committed to collaborating towards a cleaner, more competitive and more secure energy future. Some of the funding has addressed policy support activities through tenders to expert organisations. A growing part of the budget has been allocated to individual applicants in the form of investment project development grants.

### *Promotion and dissemination projects*

Most of the IEE II Work programme is managed by the **Executive Agency for Competitiveness and Innovation (EACI)** through **promotion and dissemination projects**. These projects help build the capacity, knowledge and investment confidence of public and private stakeholders, by transferring know-how and experience across borders and transforming markets by accelerating the uptake of proven/certified products and services, helping industries and energy service companies to promote trading of competitive products across the EU, tackling single market barriers, and improving market transparency through improved standards, labelling, and information campaigns (including web portals).

IEE II has gradually moved away from supporting awareness-raising activities and has increasingly focused on capacity-building, addressing **national authorities** (e.g. **concerted actions** allowing Member States to implement energy policy legislation more effectively); **regional and local authorities** (e.g. capacity-building activities in the context of the **Covenant of Mayors**; the **ELTIS** urban mobility facility; and the **ManagEnergy Initiative**); and other actors, especially **small and medium size enterprises** (e.g. through benchmarking in industries or training schemes for energy managers).

The evaluation of IEE II found that these efforts had been effective. However, the lack of skills, behavioural inertia and regulatory bottlenecks, both in the public and private sectors, are still preventing sustainable energy technologies and solutions being taken up more widely.

### *Mobilisation of sustainable energy investments*

Since 2009, IEE II has provided support for the development of bankable investment projects, as lack of investment (finance) structuring and tendering skills among local and regional authorities and the low lending confidence of retail banks are the key obstacles towards the cost-effective development of the energy efficiency market (and in particular the market for energy services).

The **ELENA Facility**<sup>7</sup> and the **Mobilising Local Energy Investments** initiative (MLEI)<sup>8</sup> have demonstrated that focused and conditional support addressing the lack of capacity and understanding of the business models behind energy efficiency, can unlock significant investments and bring solid economic and environmental benefits.

IEE II support in the form of project development assistance grants has been shown to be effective and should be continued. Covering feasibility and market studies, project structuring, business plans, energy audits, preparation of tendering procedures and contractual arrangements (but excluding subsidies for investment (hardware) costs), this assistance is pivotal in ‘making projects happen’.

So far, €28 million provided in ELENA grants to 16 projects are about to mobilise more than €1.5 billion worth of investments up to 2014, demonstrating the solutions and energy management models which should ideally be mainstreamed with the support of the major EU and national investment support schemes. However, the sustainable energy sector needs to transform itself into a sustainable energy market, with public funding used as a trigger for (and not as a barrier to) private funding.

Major EU funding programmes need to be supplemented by measures that stimulate positive behaviour and the responses of market actors, including the financial sector. There is a continuing need for targeted support to roll out systemic (integrated, bundled), innovative and replicable investments, involving all relevant stakeholders (policy makers, end users, technology providers and financiers).

### ***EU energy policy implementation***

IEE II also funds **tenders**, support for **standardisation** and **direct support** for initiatives such as the International Renewable ENergy Agency (IRENA), which are small in budgetary terms but still vitally important to support EU policy development and implementation. Recent EU legislation on energy efficiency and renewable energy requires coordinated implementation across the EU. It also requires public authorities to set an example and to assume a leading role in promoting the sustainable use of energy, e.g. through public procurement and through refurbishing public building stocks. Strong, stable, long-term policy frameworks and legislation are needed, as they strengthen the confidence of decision makers and investors, and allow them to take actions with longer-term objectives. The IEE II has been instrumental in supporting such frameworks so far.

IEE II has established itself as an effective bridge between innovation and market deployment. The aim in designing its successor is to provide focused, complementary mobilisation support to encourage further energy efficiency and renewable energy actions that move towards a low carbon and sustainable economy.

<sup>7</sup> Implemented in cooperation with the European Investment Bank, KfW Bankengruppe, Council of Europe Development Bank and (potentially) the EBRD

<sup>8</sup> Implemented by EACI

### 3. PUBLIC CONSULTATION: WHAT SHOULD THE IEE III LOOK LIKE?

#### 1.1. Objective of the consultation

The views of all relevant stakeholders are now being sought, given IEE III's aim to provide focused and effective support for market deployment of sustainable energy measures to achieve the 20-20-20 targets and support the EU 2050 energy roadmap. This consultation will seek views from stakeholders including:

- Member States (e.g. national, regional and local authorities, etc.);
- Financial sector (e.g. public and commercial banks, institutional and private investors, investment funds, etc.);
- Energy sector (e.g. regulators, grid operators, energy utilities, energy service companies, energy technology producers, large energy users, energy agencies, energy professionals, academia etc.);
- Non-governmental organisations (e.g. consumer representatives, environmental groups, trade unions, etc.).

The responses to this public consultation will provide an important contribution for shaping IEE III under the Energy Challenge of the EU programme for Research and Innovation 'Horizon 2020'.

#### 1.2. What should IEE III look like?

The Commission's proposals for the **next Multiannual Financial Framework** reflect the need to increase investment in energy efficiency and renewable energy in the next budget period, 2014-2020. While budget allocations are still under negotiation, funding earmarked for energy efficiency and renewable energy is expected to be significantly higher than previously, offering a clear opportunity to address the financing challenge in the energy efficiency and renewable energy sector.

Besides the earmarked allocations for low-carbon investments in the **European Regional Development Fund**, the Commission proposes to allocate €6.5 bn to the 'Energy challenge on secure, clean and efficient energy' for research, development and deployment of **Horizon 2020**, including for '**market uptake of energy innovations**'. This priority axis is the basis for the successor to IEE II, bridging, complementing and supporting other EU programmes and national initiatives on sustainable energy.

The main logic behind the Commission's proposal for IEE III may be summarised as follows: in addition to putting in place policies, legislation, and dedicated investment funds, EU funds should be used to co-finance collaborative activities at EU level. These should address sustainable energy policy implementation, capacity building and mobilisation of finance for investments in key areas not covered by other programmes or initiatives, where EU added value is greater and more cost effective than actions by individual Member States alone.

A **comparative analysis**<sup>9</sup> commissioned by DG Energy has identified problems that remain to be addressed by assessing the impacts of different options for a future

<sup>9</sup> The ex-ante evaluation of a possible successor to the Intelligent Energy — Europe II, Deloitte, 2011: [http://ec.europa.eu/cip/files/docs/2011\\_iee2\\_programme\\_ex\\_ante\\_en.pdf](http://ec.europa.eu/cip/files/docs/2011_iee2_programme_ex_ante_en.pdf).

programme. Analysis has shown that continuing the programme in its current form would offer higher net benefits than not continuing it. However, the best policy option would require some adaptation. In particular, the study found that marginal returns from awareness-raising are probably not as high as at the beginning of the programme, though there may still be areas where such activities are relevant.

Building on analysis and experience with IEE II, the Commission proposes that IEE III should address the following **three main areas**:

- a) Policy implementation support, focusing on technical support for specific activities to promote efficient development and implementation of policies and legislation at EU, national and local level, on energy efficiency and renewable energy sources;*
- b) Capacity-building, addressing public acceptance, knowledge transfer and skills improvement; and*
- c) Financing to mobilise investments and make energy efficiency and distributed renewable energy projects bankable, via provision of project development assistance, 'business' and 'investments' capacity building and dialogue with project promoters, policy makers and investors/financiers. Specific attention will be given to the retail financial institutions and market-based financing mechanisms.*

These activities would complement other Horizon 2020 activities, but focus specifically on market uptake of demonstrated yet innovative sustainable energy products, processes and solutions. At this stage, no major changes are expected in terms of the sectors to be covered. The main aim of IEE III should continue to be on the removal of market barriers and mobilisation of sustainable energy investments. The IEE III programme should also continue to cover energy efficiency in transport.

### **1.3. Consultation questions**

Based on the information provided above, please answer the questions in the public consultation: <http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=IEEIII>

*This document has been prepared by the Commission services as a basis for comments to the public consultation. It does not prejudge the final form of any decision to be taken by the Commission.*