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*Committee on Budgets*

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**2010/0150(COD)**

5.7.2010

## **DRAFT OPINION**

of the Committee on Budgets

for the Committee on Industry, Research and Energy

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)0283 – C7-0139/2010 – 2010/0150(COD))

Rapporteur: Jens Geier

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## SHORT JUSTIFICATION

### *Recovery Plan*

The European Economic Recovery Plan (EERP) was agreed upon by the European Council in March 2009. In April 2009, the European Parliament, the Council and the Commission decided on the modalities of financing of the EERP, which consisted in two parts, energy projects and broadband internet in rural areas.

The financing foreseen in the Declaration of 2 April 2009 by the three institutions can be summarised as the following:

EUR million			
EERP -Type of project	Year 2009	Year 2010	Total
Energy	2000 million	1980 million	<b>3980 million</b>
Broadband internet	600 million	420 million	1020 million
TOTAL	2 600 million	2400 million	

While financing for 2009 was arranged mainly by redeploying funds from Heading 2 to Heading 1a, the agreement on the financing in 2010 was reached in conciliation of 18 November 2009. A major part of the commitment appropriations were made available by revising the MFF both for 2009 and 2010.

The amount on EUR 1, 98 billion, financing of energy projects in 2010 consisted in: 1776 million (increase of the ceilings of heading 1a ), EUR 120 million by mobilising the flexibility instrument and EUR 81 million by redeploying in Heading 1a. A specific chapter 06 04 14 for Energy projects to aid economic recovery was created in 2009 to this purpose.

### *Energy projects - Legal basis*

*Regulation (EC) 663/2009 of the European Parliament and of the Council of 13 July, establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy<sup>1</sup>.*

The Regulation established a financial instrument: European Energy Programme for Recovery (EEPR) for the development of projects in the field of energy in the Community which, providing a financial stimulus, contribute to economic recovery, the security of energy supply and the reduction of greenhouse gas emissions. To achieve these objectives, three sub-programmes were established: Gas and electricity infrastructure, offshore wind energy and carbon capture and storage. The regulation identified projects to be financed under each sub-programme and laid down criteria for identifying and implementing actions to realise these projects. Specific budget lines have been created in the EU Budget: 06 04 14 01, 06 04 14 02 and 06 04 14 03.

The Commission stressed, in its declaration attached to the Regulation, that energy efficiency and renewable energy sources are key priorities for EU energy policy, both for environmental and security of supply reasons, which is in line with the EP requests.

*(10). Should the Commission, when reporting in 2010 on the implementation of the Regulation under its Article 28, find that it will not be possible to commit by the end of 2010 a part of the funds foreseen for the projects listed in the annex to the Regulation, the*

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<sup>1</sup> OJ L 200, 31.7.2009

*Commission will propose, if appropriate and in a geographically balanced way, an amendment to the Regulation allowing for the financing of projects in the area of energy efficiency and renewable energy sources, in addition to the above initiatives, including eligibility criteria similar to those applying to projects listed in the Annex to this Regulation.*

### ***Energy projects - Proposal for a Revised Regulation***

In compliance with this declaration, the Commission adopted, on 31 May 2010, a proposal for a Regulation 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.

This proposal was presented on the basis of the EEPR implementation report of 27 April 2010 which estimates that an amount of around **EUR 114 million** will not be committed under the EEPR Regulation. The exact amount of uncommitted funds will be known by the end of 2010.

The Commission is proposing to use the uncommitted funds 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 facility should be managed by one or several financial intermediaries such as International Financial Institutions (IFIs), which should be selected on the basis of the demonstrated capacity 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.

### ***Rapporteur's conclusive remarks:***

1. Your Rapporteur welcomes Commission's proposal to use the unspent EEPR appropriations for a new facility, supporting the energy efficiency and renewable energy projects. He is also strongly supporting the establishment, to this purpose, of a specific financial instrument. Therefore, he calls on the institutions involved in the adoption of the legal basis to reach a rapid agreement;
2. The Rapporteur recalls that the financing of the European Recovery Plan was one of the EP priorities for 2009 budget procedure and that, the final agreement with the Council was reached following difficult negotiations, at the conciliation of November 2008;
3. Your Rapporteur stresses that the current Commission's proposal is fully in line with the initial EP request to include energy efficiency and renewable energy projects in the EERP and welcomes Commission's initiative to implement this priority;
4. Nevertheless, he regrets the delay in the implementations of the EEPR, aiming at supporting and stimulating the EU economic recovery. Therefore, he tabled an amendment calling on the Commission to take immediately the necessary budgetary measures in order to make the unspent appropriations available as soon as possible. He considers that a specific budget line for new financial facility, supporting energy efficiency projects, shall be created before the end of 2010.

5. Your Rapporteur calls on the Commission to inform the Budgetary Authority in transparent way on the establishment of the Financial Facility and its functioning modalities and on selection of the financial intermediaries (IFIs). He also requests the Commission to forward to both arms of the Budget Authority implementation reports, which shall include, inter alia, data on beneficiaries of the facility, projects supported and the leverage effect of the facility for the achievement of the projects;

6. Your Rapporteur stresses that in the context of actual budgetary constraints and with due respect of the principle of sound financial management, the synergies between the existing instruments supporting energy efficiency, renewable energies and combating the climate change shall be further developed within the EU budget.

## AMENDMENTS

The Committee on Budgets calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following amendments in its report:

### Amendment 1

#### Proposal for a regulation – amending act Recital 3

##### *Text proposed by the Commission*

(3) 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;

##### *Amendment*

(3) In the spirit of the Europe 2020 strategy for sustainable growth and jobs ***and in line with the EU climate and energy package and its Energy Efficiency Action Plan***, 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;

Or. en

##### *Justification*

*"Climate and energy package" was agreed by the European Parliament and Council in December 2008 and became law in June 2009. It reflects the integrated approach to climate and energy policy that aims to combat climate change and increase the EU's energy security*

while strengthening its competitiveness.

## Amendment 2

### Proposal for a regulation – amending act Recital 5

#### *Text proposed by the Commission*

(5) 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. This financial facility should support the development of bankable energy efficiency and renewable energy projects and facilitates the financing of investment programmes in energy efficiency and renewable energy by local and regional public authorities, in particular in urban settings;

#### *Amendment*

(5) A dedicated financial instrument to support energy efficiency and renewable initiatives within the Sustainable Energy Financing Initiative should therefore be created **by the end of 2010** to use the uncommitted funds under Chapter II of Regulation (EC) No 663/2009. **In order to enter these appropriations in the EU budget, a specific budget line should be created for this purpose.** This financial facility should support the development of bankable energy efficiency and renewable energy projects and facilitates the financing of investment programmes in energy efficiency and renewable energy by local and regional public authorities, in particular in urban settings.

Or. en

#### *Justification*

*The new financial instrument supporting energy efficiency and renewable energy projects has to be set-up as soon as possible, in order to ensure that it became operational by the end of 2010. This instrument has also to be presented in transparent way within the EU Budget; therefore the creation of a new specific budget line would be recommended.*

## Amendment 3

### Proposal for a regulation – amending act Recital 6

#### *Text proposed by the Commission*

(6) 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

#### *Amendment*

(6) 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.

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***However, in times of financial and economic crisis which have a particular adverse effect on regional and local authorities' finances it needs to be ensured that the difficult budgetary situation of the beneficiaries of the mechanism does not hinder them from being able to access the funds;***

Or. en

#### *Justification*

*In line with Annex II, part III, paragraph 2 of the proposal of the European Commission, it is important to highlight the fact that difficult budgetary situations of the local or regional authority do not hinder the access to the facility mechanism in line with its objective of addressing the economic crisis and the European Union's pressing energy needs, as laid down in recital 10 of the Commission proposal.*

#### **Amendment 4**

##### **Proposal for a regulation – amending act**

##### **Article 1 - point 1**

Regulation (EC) No 663/2009

Article 1 - paragraph 4

##### *Text proposed by the Commission*

This Regulation shall allow for the creation of financial instruments to support energy efficiency and renewable initiatives;

##### *Amendment*

This Regulation shall allow for the creation of financial instruments to support energy efficiency and renewable initiatives ***of a local and regional nature. The new financial instrument shall be established by the end of 2010;***

Or. en

## *Justification*

*The Rapporteur considers necessary to emphasise the fact that the financial instruments shall aim at the local and regional level. The Rapporteur calls on the Commission to take the necessary legislative and budgetary measures in order to ensure that the Facility becomes operational before the end of 2010.*

### **Amendment 5**

#### **Proposal for a regulation – amending act**

##### **Article 1 - point 3**

Regulation (EC) No 663/2009

Article 22 - point 1

#### *Text proposed by the Commission*

1. In compliance with Article 3(2), appropriations that could not be subject to individual legal commitments under Chapter II for an amount of EUR 114 million, and eventually other appropriations that become available as a result of total or partial non-implementation of the projects according to Chapter II shall be for a financial facility within the Sustainable Energy Financing Initiative.

#### *Amendment*

1. In compliance with Article 3(2), appropriations that could not be subject to individual legal commitments under Chapter II for an amount of EUR 114 million, and eventually other appropriations that become available as a result of total or partial non-implementation of the projects according to Chapter II shall be for a financial facility within the Sustainable Energy Financing Initiative. ***Additionally, an amount of EUR 15 million from the EU action programme to combat climate change (budget line 07 03 23 in the 2010 budget) shall be allocated to the facility. This amount shall be accommodated by using all the provisions of the Interinstitutional Agreement of 17 May 2006, notably its Point 23, in order to modify the ceilings of headings 1a and 2 accordingly. The Commission shall therefore proceed with the necessary proposals concerning the adjustment of the ceilings and the creation of a new separate budget line for the facility in the 2010 budget.***

Or. en



### *Justification*

*The Rapporteur supports the ITRE Rapporteur in his view that already available financial resources should be put to good use and that, consequently, the financial means on budget line 07 03 23 should also be transferred to the Facility. In order to transfer the EUR 15 million from budget line 07 03 23 to the facility, it is necessary to add this to the content of the amending budget, installing the facility.*

*This point could be treated at one of the next budgetary dialogues.*

### **Amendment 6**

#### **Proposal for a regulation – amending act**

##### **Article 12 - point 3**

Regulation (EC) No 663/2009

Article 22 - paragraph 2 a (new)

*Text proposed by the Commission*

*Amendment*

***2a. The Commission shall on a regular basis forward to both arms of the budgetary authority reports on the working of the financial facility referred to in paragraph 1. Reports shall include, inter alia, data on beneficiaries of the facility, projects supported by the facility as well as the leverage effect of the facility for the achievement of the projects.***

Or. en

### *Justification*

*The receipt of regular reports on the correct implementation of the funding goes in line with the European Parliament's position of strengthening the control systems for EU funds in order to ensure a proper use of these funds.*

### **Amendment 7**

#### **Proposal for a regulation – amending act**

##### **Article 2 - point 5**

Regulation (EC) No 663/2009

Annex II - part III - subparagraph 3 - point vi a (new)

*Text proposed by the Commission*

*Amendment*

***vi a) the cost effectiveness of the projects;***

*Justification*

*The Rapporteur agrees that innovating potential should always be an attention point and should be placed high on the list when choosing projects. However, he additionally attaches importance to the long term goal of the projects. This should not just rest on a high level of energy efficiency, but also a reasonable level of cost-effectiveness in respect to a rapid, measurable and substantial impact on economic recovery within the EU, increased energy security and reduction of greenhouse gas emissions, as laid down in Annex II part III paragraph 1 of the Commission proposal of 31.05.2010.*