

Brussels, 18 September 2002

**ORIGINAL ENGLISH**

**OPINION**

of the  
Economic and Social Committee  
on the

**Proposal for a Decision of the European Parliament and of the Council adopting a  
multiannual programme for action in the field of energy:  
"Intelligent Energy for Europe" Programme (2003-2006)  
COM(2002) 162 final/2 2002/0082 (COD)**

---

On 6 May 2002, the Council decided to consult the Economic and Social Committee, under Article 175 of the Treaty establishing the European Community, on the

*Proposal for a Decision of the European Parliament and of the Council adopting a multiannual programme for action in the field of energy: "Intelligent Energy for Europe" Programme (2003-2006)*  
COM(2002) 162 final/2 2002/0082 (COD)

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 September 2002. The rapporteur was **Mr Morgan**.

At its 393<sup>rd</sup> plenary session held on 18 and 19 September 2002 (meeting of 18 September 2002) the Economic and Social Committee adopted the following opinion by 127 votes for, three against and one abstention:

## 1. Introduction

1.1 The Commission has made a proposal for a Decision of the European Parliament and the Council on a multiannual programme for action in the field on energy – the “Intelligent Energy for Europe” programme – for the period 2003 to 2006. With a budget of **□215 million, the programme** implements the strategy outlined in the Green Paper on security of energy supply, founded on renewable energy sources and energy saving.

1.2 This proposal does not relate to the whole of EU energy policy but specifically to actions in the fields of energy efficiency and renewable energy. It deals only with the EC treaty and not with Euratom and it excludes consideration of research and development which will be covered by the 6<sup>th</sup> Framework Programme. Intelligent energy is about the improved use of energy (energy efficiency) and encouraging the use of renewable sources of energy.

The programme aims to complement and help implement the various legislative measures agreed by the Community in the fields of energy efficiency, renewable energy sources and transport. These include the Directive for the promotion of electricity produced from renewable energy sources in the internal market (Directive 2001/77/EC); proposal for a Directive on the promotion of the use of biofuels for transport (COM(2001) 547 final); proposal for a Directive on the energy performance of buildings (COM(2001) 226 final); proposal for a Directive on the promotion of co-generation based on a useful heat demand in the internal energy COM(2002) 415 final.

1.3 The programme is designed as the main Community instrument for non-technological support in the field of energy. This is a new programme but it also provides continuity for the actions under the ALTENER, SAVE and SYNERGY programmes. It aims to strengthen the renewable energy sources and energy efficiency strands of these programmes, introduces a third strand on energy in transport and a fourth strand on international collaboration with developing countries, promoting renewable energy sources and energy efficiency. It also aims to strengthen measures to disseminate

and encourage best practice through awareness campaigns, education and promoting investment in new technologies.

1.4 The programme is structured in four specific areas: rational use of energy and demand management (SAVE), new and renewable energy sources (ALTENER), energy aspects of transport (STEER), and promotion at international level in the fields of renewable energy sources and energy efficiency (COOPENER). Actions to be funded will include: implementation of strategies; development of standards; creation of structures and financial and market instruments; promotion of systems and equipment to ease the transition from demonstration to marketing; development of information and education structures and utilisation of the results; monitoring and assessment.

1.5 The Commission is also considering delegating certain programme management tasks to an executive agency and the document sets out the range of tasks that such an agency would undertake. However, there is no formal proposal on this at present. This will be subject to a separate proposal for a Decision as soon as the Council Regulation laying down the statute for executive agencies, to be entrusted with certain tasks in the management of Community programmes, has been adopted.

## **2. General comments**

2.1 The Economic and Social Committee welcomes the Intelligent Energy proposal, as this accords with a number of earlier recommendations made by the Committee about the need to promote energy efficiency, renewable energy sources and the transfer of energy saving technology and know-how to developing countries (ref: ESC Opinion on Green Paper – Towards a European strategy for the security of energy supply COM(2000) 769 final). The proposed Intelligent Energy programme brings together four key elements of energy policy that need to be tackled effectively to deliver energy security in the present political context and to enable the Community to meet its sustainability goals and its international obligations on climate change.

2.2 There is substantial unmet potential for energy efficiency in buildings and industry – estimated by the Commission to be 18% of current total consumption (ref: p. 21 COM(2002) 162 final). The Commission's action plan to improve energy efficiency (which includes the measures proposed in this Intelligent Energy programme) is designed to achieve two-thirds of this potential by 2010. To do this it will need to achieve an improvement of 1% a year compared with an average of 0.6% over the past ten years. This would contribute about 40% of the CO<sub>2</sub> emissions reductions needed to meet the EU's Kyoto commitment.

2.3 Renewable energy sources currently represent 6% of energy supply and 14% of electricity production in the EU. The Committee has previously noted that renewable energy sources have a significant role to play in combating climate change and that they will help to diversify energy sources to provide energy security, in particular, by lessening dependence on imported energy sources (Opinion on renewable energy sources 2000). The Committee has emphasised the need for strong action to make optimal use of renewable energy sources and sees a clear need for incentives to increase their use (Opinion on renewable energy sources 2000). The Communication from the

Commission entitled “Energy for the future: renewable sources of energy – White Paper for a Community strategy and action plan” (COM(97) 599 final) sets an indicative target of 12% of energy (22% of electricity production) supply from renewable energy sources by 2010.

2.4 Transport policy must be a priority for action as transport absorbs over 30% of total final energy consumption (ref: Action plan to improve energy efficiency in the European Community). The long-term EU target is a 50% reduction in CO<sub>2</sub> emissions per passenger-kilometre and per payload-kilometre. In the shorter term the aim is 5-10% energy savings to achieve aggregate reductions in CO<sub>2</sub> emissions. The EU has reached a voluntary agreement with car manufacturers to reduce the average CO<sub>2</sub> emissions of new cars by one-third by 2005/2010 compared to 1995 levels.

2.5 In its Opinion on the Green Paper on security of energy supply the Committee stressed the need for action by the EU to support developing world countries’ efforts to achieve sustainable development. Developing countries currently use far less energy per capita than do the countries in the developed world, largely due to their much lower living standards. It is right that living standards and energy use should rise in developing countries, but the challenge will be to achieve those higher standards without substantial increases in emissions. There will be temptations for developing countries to seek short-term cheap energy sources rather than adopt long-term sustainable efficient and renewable structures. However, such measures can be more cost effectively provided at the development stage rather than later. The need to promote best practices in the fields of renewable energy sources and energy efficiency and to transfer them to developing countries in particular, is thus rightly one of the Community’s priorities as regards international commitments, along with strengthening co-operation on the use of flexible mechanisms of the Kyoto protocol.

2.6 The evaluation of the previous programmes (ALTENER and SAVE 1991-97 and the first two years of the First Energy Framework Programme 1998-2002) recognised the value of these programmes and the contributions that they had made to reducing CO<sub>2</sub> emissions, but also identified areas where improvements were needed. These included: the need for better co-ordination and consistency between the various programmes; the need to improve methods of selection, evaluation and management of the programmes and the dissemination of results. The evaluation recommended that in future there should be a single programme rather than separate ones for energy efficiency, renewables etc.

### 3. **The main issues**

3.1 In order to assess this proposal the Committee therefore has to determine: whether the Commission’s proposal meets the challenges set by climate change, and the need for sustainable development, economic competitiveness and energy security; and whether it will realise the potential for energy efficiency and renewable energy sources to contribute to these challenges both within and beyond the EU in industry, buildings and transport.

3.2 The Commission's energy efficiency target of a 1% per annum reduction up to 2010 will be challenging. The 0.6% annual improvement over the past ten years may not be easily sustainable (let alone easy to beat) as much of this has come from a switch from energy intensive industry to services. Industrial use now accounts for less than one-third of the non-transport total and this will continue to decline as the economy restructures further towards services and the remaining industry becomes more energy efficient. Energy use is actually increasing in what are now the two largest sectors (households and the service/public sector) although it is falling in the industrial sector. These sectors are particularly increasing their use of electricity for appliances and equipment and air conditioning is another growth area.

3.3 The Commission's target for renewable energy is ambitious as, on a business-as-usual basis, renewable energy sources would be expected to meet only 8% of energy supply by 2030 (COM(2001) 769 final). Many renewable energy sources are far from competitive with traditional energy sources when externalities are ignored and therefore, if left to the market, their uptake will be difficult to increase at the level needed to meet the Commission's target.

3.4 CO<sub>2</sub> emissions from transport are expected to increase by about 40% between 1990 and 2010. Turning this around, in the absence of further specific measures to tackle transport use, will be extremely challenging, especially if externalities continue to be discounted.

3.5 As noted above, energy demand will need to increase in developing countries in the future and there is a danger that opportunities to build in energy efficiency and renewables could be lost if action is not taken swiftly enough.

3.6 In view of these challenges there is also a question about whether the legislative package at Community level is complete. Whilst there is a need to strike a balance between regulation and the market, effective legislation is required in a number of areas. Although there is a broad range of measures in place or in the form of draft directives, some are not legally binding (e.g. household appliance and office equipment labels and standards). Others set indicative targets (e.g. for renewable energy sources) but effective realisation of these at least in some Member States remains in question.

3.7 There is also a need for a greater commitment to intelligent energy at Member State level. As the Commission notes (p. 21) most Community measures on energy efficiency are not binding on the Member States. This support programme is therefore a useful means of securing greater commitment at Member State level, but it can only make a small contribution. Member States must therefore be encouraged to step up their commitments to improve energy efficiency and use of renewable energy sources through appropriate legislative and support mechanisms. Indeed, some legislation may be more appropriately developed at the national rather than EU level to take account of specific circumstances in individual countries. The key test for this programme therefore will be the extent to which it can harness and share the knowledge and capabilities existing in Member States.

3.8 At Member State level there are also economic opportunities to promote energy efficiency and CO<sub>2</sub> reduction. They can be achieved both by favourable tax policies and support measures for renewable energy sources.

3.9 In the view of the Committee, the Intelligent Energy programme can make a valuable contribution towards the goals of energy security, sustainable development and tackling climate change. However, in order for the programme to deliver a step change of the level required there are a number of other preconditions. Firstly, in some situations, according to the different circumstances in each country, there may be a need on a selective basis for legislation and economic instruments to bring about change. Secondly, advances in transport, energy efficiency and renewables all depend upon successful research and development and the effective implementation of the 6<sup>th</sup> Framework Programme. In this context, the Committee draws specific attention to its Opinion "Research needs for a safe and sustainable energy supply" (CES 578/2002). Finally, the role of the proposed Agency will be critical: it has to have the mission and scope to bring about change of a kind that we have not yet seen.

#### **4. The programmes and the budget**

4.1 The Committee supports the proposal to bring together the different aspects of intelligent energy – energy efficiency, renewables, transport and international work – into a single programme. As the evaluation of the programmes to date found, this should make efforts more effective and cohesive and help to avoid conflicts and duplication. The benefits of having a single programme will come not just in terms of more efficient administration but also in the easier facilitation of cross-programme opportunities – e.g. programmes and projects that tackle energy efficiency and renewables, or buildings and transport, for example.

4.2 SAVE and ALTENER are programmes that have been in existence for some time. However, STEER and COOPENER are essentially new programmes and it would therefore have been helpful if the Commission had provided more information on what they are intended to achieve. This is particularly so given that they have relatively small indicative budgets and will therefore need to be well focussed if they are to make any impact.

4.3 The Committee welcomes the proposal to define key actions, which should help to focus the programme and enable it to have a greater impact. Without this there is a danger that resources could be spread too thinly and that dissemination of results becomes too unwieldy. The evaluation of the previous programmes found that there had been too many small programmes with limited impact.

4.4 The Committee approves the Commission's emphasis on the need "to bring about a genuine change in consumer behaviour". This must be the focus of key action programmes in all Member States. Likewise, the Committee approves the Commission's recognition of the importance of

education and training. It also stresses the need to appeal to young people with energy integrated into the school curriculum and into competition and award schemes.

4.5 The document (table p. 19) talks of the possibility of combined key actions covering several specific areas. The Committee considers it would be valuable to ensure that key actions and projects that combine two or more of the four fields of action can be developed. For example, there is an opportunity to make better links between actions to utilise renewable energy sources and improve energy efficiency in buildings so that a co-ordinated approach to low emission or zero emission buildings can be developed.

4.6 There are three further areas where the Committee would like to see a key actions. Firstly, in the role of energy suppliers – in particular to encourage them to offer comprehensive energy services to customers that include both renewable energy sources and energy efficiency. Secondly, to ensure that architects and developers realise opportunities to maximise energy efficiency in new buildings. Thirdly, to develop, where appropriate, the role of energy efficiency and renewable energy in carbon valuation and emissions trading schemes.

4.7 The Committee welcomes the increase in budget for Intelligent Energy compared to its predecessor programmes. There is of course a question, given the scale of the task, as to whether even this increase in budget is likely to be adequate. However, given the findings of the evaluation of previous programmes about the need for improvements in programme management, it would seem unwise to increase the budget too substantially too rapidly as pressures to spend the money might lead to inefficiencies. The Committee expects appropriate financial controls to be applied. The Committee believes that the budget level proposed by the Commission represents a sensible compromise. In arriving at this conclusion the Committee takes into account the commitment for additional funding when enlargement takes place and also the presumption that the Agency will be able to lever effectively the skills and resources of the Member States.

4.8 The Commission says that the programme aims to link the support initiatives (SAVE etc.) with the legislative actions. This is welcome, but it is unclear how this will be done. One option might be to consider, in determining the key actions, how these might link to specific pieces of legislation such as the proposed energy in buildings directive.

## 5. **Executive Agency**

5.1 It is difficult for the Committee to make fully informed comments on the idea of an Executive Agency without seeing the proposal for a Decision on the agency alongside this proposal.

5.2 It is the Committee's understanding that the Executive Agency envisaged in this proposal will have the following characteristics. Firstly, its work and in particular the selected action programmes will be determined by a committee led by the Commission and involving Member States. Secondly, a small number of Commission staff will be seconded to the Agency to manage the action programmes. Thirdly, the action programmes themselves will be staffed by staff recruited on a contract basis. The concerns to which this proposal gives rise are that : the know-how generated will

be lost if staffing is transient; the work of the Agency will be narrowly specified and will ignore the full scale and scope of Member State activities.

5.3 Currently, there is no organisation at EU level that performs the crucial role of promotion and dissemination to the level that is required. These tasks require an improved effort by the Commission as the evaluation of the previous programmes concluded. It is not something that individual Member States can easily perform, as it requires good networks throughout the Member States. Such a role would add considerable value to individual Member State action. It could have a particularly important role to play post enlargement, as the new members will particularly need the information that it could provide.

5.4 The Intelligent Energy programme needs to achieve more than just demonstration projects; where projects and programmes lead to successful outcomes these need to be widely implemented. In particular, it must become its key interface from its 6<sup>th</sup> framework programme into the market.

There is also an important role to be played in the delivery, dissemination and promotion of the Intelligent Energy programme by relevant energy agencies and centres at Member State and regional level. In particular, such agencies could provide the link between the Commission and the Agency and local organisations, providing a more cost effective and responsive method of supporting smaller projects which may be difficult for the Commission to support directly.

5.5 The Committee recognizes that the Executive Agency has three advantages: it is "off-budget", it facilitates a "quick start" and it allows necessary skills to be recruited. However, these are short-term palliatives and ignore the long-term issues. The Committee feels that the Commission must go further than is presently proposed and choose one of the two following options: either establish a fully fledged traditional agency with a wide-ranging brief for leveraging country skills, competencies and resources; or locate such a mission within the Commission staff with the necessary resources and objectives. This is because it is a sector of considerable strategic concern which must have the full weight of the Commission behind it.

## 6. Conclusion

There are unresolved issues relating to the agency proposal – in the Committee's view there is a need for more than an executive arm for a limited number of action programmes, if the full opportunity of Intelligent Energy is to be realised. Furthermore, the Intelligent Energy proposal itself will not achieve the scale of change needed for the EU's strategic and sustainable energy goals unless other preconditions are met: Member State commitment; selective legislative support; economic instruments; successful research and development outcomes. The case for a full EU strategic energy initiative still needs to be answered. Nevertheless, the Committee believes that the programme proposed by the Commission is valuable. It needs to be put in place by the end of 2002, so this decision should be made forthwith.

Brussels, 18 September 2002.

The President  
of the  
Economic and Social Committee

The Secretary-General  
of the  
Economic and Social Committee

**Göke Frerichs**

**Patrick Venturini**

---