

Reflection Group

Consultation of the ManagEnergy Reflection Group On a Framework Programme for Competitiveness and Innovation

1. Introduction

The members of the ManagEnergy Reflection Group have been asked by the European Commission to participate in the consultation on a new Framework Programme for Competitiveness and Innovation: http://europa.eu.int/comm/enterprise/enterprise_policy/cip/consultation.htm.

The ManagEnergy Reflection Group is an informal think-tank, set up by the Commission, as a global thinking group for local actions on energy (<http://www.managenergy.net/refgrp.html>). The group is composed of representatives for actors that are active on energy and transport issues at local and regional levels. These organisations include mainly National Associations of Local and Regional Energy Management Agencies and relevant European Networks and Associations.

This submission by the ManagEnergy Reflection Group (MERG) represents the opinions of its members. It summarises the contributions by e-mail from its members, which were given based on a short questionnaire.

The paper reflects the opinions as of 7th February 2005. A further discussion will take place during the next meeting of the Reflection Group on 22nd February 2005.

It should be noted that the ManagEnergy Reflection Group already took part in the consultation process on the need and opportunity for renewing the Community programme "Intelligent Energy – Europe" in the period 2007-2013 (opinion paper, ManagEnergy Reflection Group, 17th May 2004).

2. The objectives of the CIP

The members of the ManagEnergy Reflection Group (MERG) see the necessity of the proposed framework programme as an important instrument towards "sustainable economic growth with more and better jobs, greater social cohesion and respect for the environment". They, in general, believe the objectives to be very important and agree that there is a clear need for European level intervention.

For the MERG Objective 1 of the programme, to encourage innovation and the sustainable use of resources is most relevant to our needs.

- ***Energy efficiency and sustainable energy sources as key issues (Objective 1)***

An efficient and sustainable use of resources, increased energy efficiency and the broader use of renewable energies are seen as key issues for a sustainable, competitive and innovative region in the world:

Energy efficiency and renewable energies are very important in order to increase the security of energy supply due to the experienced black-outs in the electricity networks, the high dependence of the EU on fossil fuel imports and future expected instabilities (referring e.g. to the discussions on “peak oil”). The energy sector is most responsible to reduce CO₂ and greenhouse gas emissions and other polluting emissions. And the positive effect on economic growth and the regional labour markets is shown in various studies on European and national level.

The sharp rise in oil prices in 2004 has been more painful for the higher energy intensity economies around the globe – such as the US economy and the new emerging economies - than for the more energy efficient European economy. This is likely to be exacerbated in the future due to continuing high and/or unstable oil price.

The more energy efficient European economy currently enjoys a competitive advantage, but it is very important to increase the European level intervention in order to maintain and reinforce this competitive advantage and to achieve leadership in worldwide markets.

- ***Economic development must be sustainable (Objective 1)***

Referring to the Lisbon agenda, Europe wants to become the most competitive and innovative region in the world. For the MERG members this must, however, be considered from the angle of sustainable growth (efficient use of resources, social cohesion etc.) and not only from a short-term perspective of competition with the US or Southeast Asian markets. We are convinced that in the end those economies and regions will be leading which focus on long-term sustainable economic structures, compatible with the environment and a social development.

This means that both competitiveness and innovation have to be measured against sustainability indicators, that is, by considering their medium and long-term implications. And this also means that an energy model should be proposed (consumption and production) which is reproducible in the rest of the world.

- ***Sustainable use of resources needs broader scope of strategies (Objective 1)***

(a) Many MERG members emphasise that improvements in competitiveness will also result from the more widespread use of existing proven techniques, systems and methods rather than from concentrating available resources only on looking for new ones. The EU policy focus should therefore address also the widespread of results and technologies among the EU 25. Many innovative technologies for energy efficiency

and renewables have reached their market uptake under economically viable and profitable conditions.

Therefore, support for market deployment, in addition to R&D and demonstration projects, will help dynamise market penetration. Well-developed capacity building, technology and know-how transfer, better skills of SME, financial institutions and public authorities regarding energy efficiency and renewables are crucial at all levels.

(b) Market mechanisms are seen important to contribute to this dissemination process, but accompanying measures such as labelling, standardisation, information, training, education, tax incentives, networking, etc must support them.

(c) Innovation must not be regarded as being exclusively technological in nature. There is a need for innovations in e.g. tax regimes, regulations, training, transfers of knowledge, as well.

Especially the New Member States members stress the fact that support is needed in the technology transfer area, not only with regard to innovations. A range of technology, financial and management innovations were achieved in EU 15 in the past decades and these are not efficiently transferred for a better economic development of the EU 25.

From this analysis it was suggested, that the objectives “sustainable use of resources” and “encourage innovations” should be regarded as separate objectives for a competitive, innovative and sustainable Europe.

- ***ICT have positive synergies with efficient use of energy(Objective 2)***

It has been put forward that objective 2: ‘to ensure the mastery and best use of ICT’ is also very important in relation to the needs of the ManagEnergy Reflection Group:

The innovative and pioneering use of Information and Communication Technology by the ManagEnergy Initiative, through audio-visual web cast internet conferences, chat rooms and the managenergy.net website itself are all very valuable tools in the exchange of energy efficiency and renewable energy information and good practice.

The most difficult tasks in improving energy efficiency have to do with the behaviour of people in their energy use, in their home or place of work or in travelling between the two. One of the best tools for influencing behaviour and for the management of energy could be ICT.

- ***Improved SME’s access to finance of high relevance for energy efficiency and renewables (Objective 3)***

SME have been leading innovative developments regarding energy efficiency and renewables in many cases. However, difficulties occur in carrying the innovations through to the market.

The lack of equity and collateral for SME seems to be a problematic field for RES and EE innovations and investments. The access not simply to financial resources but to cheap financial ones is one of the most important conditions for the introduction of innovations and sustainable energy systems by SME that usually have at disposal very restricted financial resources. Providing means of SME financing in innovative technologies will lead to the faster development of SME's in areas related to renewable energies and environmental technologies.

Several MERG members, especially from the New Member States, pointed out that finance is only one of several topics and encouraging economic and administrative reforms are also very important for creating a better environment for the up-take of environmental and energy efficient technologies.

3. Strategies and measures

- ***Demand-side most important for energy efficiency***

Activities on the “demand-side” are of special importance to increase the efficient use of energy and resources. This means that a huge number of actors and consumers are concerned and that non-energy players are directly involved. This is different to a policy towards the supply side, which is compatible with a small number of specialised political and economic decision makers and with centralised decision-making mechanisms.

A policy focussing on the demand side and the development of a decentralised production must involve a large number of “decision-makers” from all levels, from researchers to businesses, local authorities and consumers. These decision-makers have little and often nothing to do with the energy sector, but their decisions have an influence on final energy consumption. Any demand-oriented energy policy needs actions taken towards and in collaboration with them.

- ***Local authorities and energy agencies can play crucial role***

Given the importance of the demand-side, many MERG members are convinced that the objectives often can best be reached by activities at local and regional level.

Local and regional authorities, that in general support these political targets, have a central role to play, which differs from the role played by businesses. Municipalities are closer to their citizens and are involved in everyday activities; they manage the urban environment and are responsible for building, transport and many other activities. They are, therefore, at the most suitable level for the implementation of sustainable energy policies.

In Europe there are around 380 energy agencies working towards an efficient, innovative and sustainable energy future (see www.managenergy.net). Around 250 were established with the support of European Union programmes. They can play an important role for the implementation especially of objective 1 of the proposed CIP and should be supported by the new programmes.

The energy agencies bring innovations in the energy sector into the market, carry out actions on the demand side, work towards the transformation of markets and raise the awareness of consumers, businesses, local authorities for sustainable energy issues.

- ***Energy Efficiency Action Plan for New Member States***

New Member States members have pointed out that an energy intensity gap exists between them and the most energy efficient countries amongst the former EU 15. To bridge this gap and to enhance competitiveness and sustainable economic growth in the New Member States specific measures are necessary. These include, as mentioned above, not only new technologies but also the better penetration of existing and proven energy efficiency technology. Therefore, activities on capacity building, training, information, know-how transfer, financial instruments, regulation etc. are necessary.

This requires a specific Action Plan, which must include measures aimed at building capacities in energy expertise at local level, as previously proposed by Energy Cities.

It should be noted that one of the pre-conditions for local energy action and the creation of energy agencies in the old Member States were the local decision making structures in place and that energy topics could be tackled by local administrations. The picture is different in the New Member States, where local decision-making structures have largely been developed during the process of EU accession (cf. concept paper on actions in New Member States and Candidate Countries, ManagEnergy Reflection Group, October 2004). This means that special attention must be paid to the insufficiently developed municipalities and regions in the newly integrated countries.

- ***Specific targets needed on all levels***

For an ambitious programme such as CIP to be implemented, it has to be integrated into the national and regional policy of each member state.

It was put forward in some comments that specific targets should be set for the authorities on all levels, especially for energy consumption and the sustainable use of resources. The tools and methods of application of policy measures may vary from state to state, however a mechanism of control and comparison of results should be created on European level. The policies in turn should be canalised to regional and local authorities, which would need to establish close cooperation with businesses and business organizations. Market mechanisms (emission trading, energy saving certificates etc.) will then be able to play an effective part.

It was also suggested that the application of efficiency, renewable and environmental technologies should be covered by “umbrella energy plans” for regions, municipalities etc. The programme should support the development of such plans and/or strategies, as well.

4. The Instruments

Generally speaking, the types of instruments were seen to be mostly appropriate. However, the feeling was that not enough information about the specifications and procedures as well as regarding the financial means that will be allocated to the policy for promoting the sustainable use of energy resources is available presently. So more and more specific information on the instruments is needed.

Concerning the single programmes, the complexity of administration, the rules for application (calls for proposal etc.), the system of evaluation and selection of projects, reporting etc. will also be important parameters for success.

There have been some doubts about the role of the European Investment Fund (EIF) in supporting SME - although mentioned as best practice (a communication problem?). SME have problems to get access to big European funds; they are not used to apply for loans on EU level. In this field something should be encouraged on regional, local level. To set up the appropriate instruments help from the EC or the EIF would be appreciated.

5. Concerns about the integration of the “Intelligent Energy for Europe” (EIE) programme into the CIP

As said, the MERG members see the efficient and sustainable use of resources like energy to play a vital role for a competitive, innovative, prosperous and sustainable development of Europe. It is seen positive, that energy efficiency and sustainable energies are an important part of the new CIP. When brought together within the broader framework of the CIP there could be opportunities arising out of the bigger and higher priority grouping.

However, some MERG members expressed their serious concerns about the integration of the “Intelligent Energy for Europe” follow-up programme (2007-13) into the new CIP:

The EIE programme does not have, as a matter of course, the same objectives as the other programmes of the CIP.

The objectives of the Intelligent Energy for Europe programme (EIE) are focused on policy issues like security of energy supply, reduction of greenhouse gases, sustainability, overcoming non-technical barriers for energy efficiency and renewable energies. The programme includes measures like policy shaping, capacity building, educa-

tion and training, dissemination of RD results etc. The EIE programme has also worked as an instrument, which provides input to the EU legislation process and anticipates the implementation of legislative measures with a strong component of raising awareness and replicating the good practices.

As presented in section 2, bullet point 3, a broader scope of strategies than the focus on (technological) innovations is needed to ensure the sustainable use of energy.

The listed programmes to be included in the CIP mainly concentrate on encouraging innovations and activities in the private sector, in particular SME.

On the other hand the objectives of the EIE programme often can best be reached by activities at local and regional level and/or by public authorities and energy agencies (see 3. in this paper, bullet point 2).

Therefore, under current circumstances, the integration of the EIE programme into the broader CIP is seen with anxiety. The policy goals of the EIE programme could be relegated to a position of secondary importance or even abandoned. Important activities to save natural resources and to promote energy efficiency and renewable energy might not be taken into account and no longer appear among the funded measures.

Summarizing, it is therefore suggested, either

- to keep the EIE programme as a separate programme, or
- to ensure, that the political goals of the EIE programme are well integrated in the CIP as priorities of the same level and that adequate financial resources are provided

This submission is based on input from members of the ManagEnergy Reflection Group.

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