

1st European Regions Energy Day

28-29 April 2010 – Brussels

**Representation of the State of Baden-Württemberg
to the European Union**

**Challenges in European energy policy
Relevance of regions**

**Fabrizio Barbaso
Deputy Director General for Energy
European Commission, DG TREN**

Challenges in European energy policy – Relevance of regions

The scale of the challenges facing energy policy is truly global. Climate change and energy security and geopolitics, volatile international energy prices, competition for oil and gas reserves, energy technology development, nuclear safety and non-proliferation, renewable fuels for transport ... the list goes on. These challenges have shaped energy policy in the EU. And they affect the actions of every energy user across the EU.

Common challenges and common goals have brought European Member States together more than ever before to find common strategies and solutions. This commonality of purpose is also shared by regional and local actors. The interplay between European, national and local decision makers is complex. But in the EU we have a well-established framework in which the regions can work together, producing efficiencies, synergies and inspiration, to tackle today's challenges more effectively.

At the European level, it is tempting to focus on broad strategies, Europe-wide legislation, large numbers and major geopolitical events. But in reality, what makes the real difference in our energy performance are the routine, everyday decisions of individual people in their jobs, leisure and homes.

The EU's energy targets are by now well known – 20% reduction in greenhouse gas emissions, 20% share for renewable energy in our energy mix, and a 20% saving in anticipated energy demand by 2020. We also have in place a wide range of legislation and programmes to support the low-carbon vision for Europe: the Renewables Directive, the Emissions Trading Directive, the Eco-Design Directive, the Cogeneration Directive, the internal market legislation and the Strategic Energy Technology Plan. But when it comes to implementation, a key to success will be the active involvement and commitment of local actors, with local know-how and local initiatives.

On climate change also, our expectations of the Copenhagen summit have not been fulfilled. But if anything, this should spur our regional and local authorities to do what they do best: local action for local emissions reduction. Whatever happens at the global level, the EU will only achieve a low-carbon energy future if our cities – where 80% of our people live and work – are low-carbon.

Energy Efficiency

The regional contribution to EU energy strategies is most mature in the area of energy efficiency. For almost twenty years, local agencies have been brought together under the EU umbrella to share information and carry out joint initiatives to save energy.

We have also helped to establish common energy efficiency standards, which help local authorities to aim high, such as the Directives on Energy Performance in Buildings, Energy Services and Cogeneration. It is now time to review the last two, to ensure that they are as effective as possible.

The importance of voluntary local action to achieving the 2020 goal on energy efficiency cannot be overstated. The 20% energy efficiency target is not based on legal commitments. Member States have no specific national targets. Only recently the European Council asked Member States to set their national targets in a dialogue with the Commission in order to check consistency with the EU headline targets. The 2006 EU Energy Action Plan may achieve no more than a 14% efficiency saving. So the need for more intensive efforts at all levels is huge.

Local authorities have a very good understanding of the positive benefits which energy efficiency savings can make to quality of life, pollution and – importantly – budgets. The Commission is looking at ways of intensifying our energy efficiency measures and will propose a new Energy Efficiency Strategy early next year. We can be fairly sure that the role of regional and local initiatives in energy efficiency is likely to grow.

Renewable energy

In renewable energy, local decisions are decisive in stimulating the investments which we need to switch to more renewable and decentralised energy production. Whether through local subsidies, planning procedures or through good example, the influence which local authorities can have is huge.

We are broadly on course to deliver our 20% targets for 2020. But we cannot be complacent. The Commission wants to engage all levels of the public administration, industry and society in the implementation of our policy.

There is an urgent need to reduce administrative barriers to development of renewable energy projects and the needed infrastructures. I will return to this later. We also need to do more in the heating sector. Heating and cooling are now for the first time included in the Renewables Directive. It is an important sector where energy efficiency and renewable energy policies should complement each other - as is for example the case for the buildings sector.

The low level of renewable energy in the transport sector must be tackled head-on. The Renewables Directive contains a specific 10% target for the use of renewable energy in this sector. Biofuels will play a key role in making this happen, but of course have to meet the

agreed sustainability criteria. In addition, there are high expectations for the electric vehicle technology to deliver as well as the hydrogen and fuel cells technology. The Commission wants to develop a framework to support these opportunities. As part of this framework, the local or regional dimension will be vital.

The Commission is now working on a Roadmap towards a decarbonised transport and power generation sector by 2050. This vision could transform the local landscape. New approaches to urban transport, decentralised and sustainable energy communities and zero emissions public buildings are just some of the developments which must be explored to make a low-carbon future possible.

Infrastructure

The issue of infrastructure is closely related to renewable energy and energy security. Local and regional authorities can play a powerful role in facilitating access to energy. Local opposition to new infrastructure developments are often cited as the most difficult barrier to new energy infrastructure. Here, transparency is essential to public trust. Proper debate can enhance understanding. The issues at stake are complex. But it is particularly at the local and regional level that the arguments must be made. It is easy for us to see the benefits of more sustainable and renewable infrastructure. But can we explain this adequately to our citizens?

Local infrastructure is also essential to complete the interconnected energy market and make Europe's energy more secure and sustainable in the future. This is a European project, but it will only come about through regional and interregional cooperation. The EU has a number of major interconnection projects, including the Offshore Grid for the North Sea, the Baltic Interconnection Plan, the Mediterranean Energy Ring and new gas and power connections in central and south eastern Europe. But in each case, they are being developed in close cooperation with local, regional, and cross-regional bodies. Thanks to high levels of cooperation between the many authorities involved, we are now seeing these strategically important projects move forward.

Large-scale infrastructure projects bring large-scale difficulties. But without large-scale projects for renewable generation, renewable electricity networks and new interconnectors, we will not achieve our renewable energy targets. This is a serious issue which will be more fully addressed in the Commission's Energy and infrastructure Package later this year.

Also on the subject of infrastructure is the question of smart metering. Smart meters will be instrumental in helping consumers control their energy demand and providing information to electricity suppliers for intelligent network management. Regional and local bodies can support these developments through procurement, innovation

programmes, pilot projects and exchange of best practice. The EU's Smart Cities and Smart Grids technology initiatives confirm the important role of public authorities in these developments.

In all these developments, on energy efficiency, renewable energy and infrastructure, the Covenant of Mayors will play an important role. We now have more than 1600 cities who have signed up to going beyond the EU 20% reduction target for CO₂ emissions. The success of the Covenant of Mayors is outstanding. We have almost quadrupled participation since the launch in February last year. The number of communities now involved is a clear indication of the strong belief in tackling climate in a coherent way at local level.

Finance

Our energy policy commitments come at a cost, but the savings and opportunities they create mean that it is in all our interests to forge ahead despite the recession and despite the pressure on public finances.

The EU is prepared to dig deep in its pockets to support its policies. Almost 4 billion euros of the European Economic Recovery Plan was allocated to energy projects, which will support dozens of major infrastructure projects in many of Europe's less advantaged regions.

We know that we need to increase significantly investment in technology development. Our estimation is that we should move from the current level of 3 billion Euros per year to 8 billion Euros per year with the means coming mainly from industry and Member States, but also from the EU budget. The SET Plan has the strong political support of both the Council and the European Parliament. The challenge now will be to increase investments given that public budgets are significantly stretched.

The EU's regional policy is directing increasing levels of funding towards energy efficiency and renewables, with specific help for low-income households.

Not only sustainable energy in Cohesion funding, but also Intelligent Energy is playing a growing role in supporting local initiatives. The current Intelligent Energy programme has around 100 million euros annually. In 2009, 15 million euros were earmarked for sustainable investment in cities. The call is now open for 2010 until 24 June.

A new technical assistance facility which leverages significant sustainable energy investments on local and regional level is the European Local Energy Assistance or ELENA for short. ELENA is financed by the Commission, and implemented via the European Investment Bank. It offers financial resources to unlock sustainable energy investments, creating new jobs and opportunities for local

people, in support of the 20-20-20 goals. It provides grants to local and regional authorities, for development, structuring and implementation of large sustainable energy investment projects or programmes. As a result, the EIB expects to mobilize more than 1 billion euros for energy efficiency and renewable energy - related projects throughout the European Union this year.

There are many other EU resources which are relevant to local authorities' energy strategies: CIVITAS and CONCERTO are already well known. But the possibilities are growing all the time, such as the new Build Up initiative for more efficient buildings, as well as the GreenLight and GreenBuilding initiatives of the Joint Research Centre.

Conclusions

In conclusion, local and regional authorities are not only highly effective at dealing with local issues. They are also a vital player in any strategy to tackle the world's global challenges in energy and climate change. It is at the local level that many of the changes in technology, energy production and energy use must be implemented. It is at the local level that we will need to communicate effectively to convince our people of the need, as well as benefits, of change. And it is at this level that we must motivate people to initiate and accept change.

Local authorities can also lead by example. Public procurement can create the markets which new technologies need to become affordable and widely accepted.

And local authorities can translate European policies into meaningful local strategies which are relevant to local people and local circumstances. You can translate the global vision of a clean, efficient and low-carbon economy into one which local people and local action can help make reality.

The EU has made the first step of putting in place a clear energy policy framework, with the clear priorities of energy efficiency, renewable energy production, low-carbon technology to tackle climate change and investment in infrastructure to bring clean energy to consumers. By working together, we will make sure that everyone is able to benefit, in all Europe's regions.

Thank you for your attention.