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Subject: Europe 2020 Strategy
- Policy debate
= Contribution from the Greek delegation

Delegations will find attached a contribution from Greece on the above.

Europe 2020 Strategy - Policy debate

Question 1:

In light of the Annual Growth Survey 2012 what do you see as main obstacles to the achievement of the Europe 2020 energy objectives ?

The economic crisis and the major fiscal constraint could erode public acceptance for expenditure allocated for measures necessary for the attainment of the 2020 targets, undermine the level of ambition and prove to be a decisive slow-down factor. A major challenge facing the EU is to mobilize public opinion and maintain momentum for the 2020 policies at a time when governments need to curtail spending and convey the message, reiterated by the Annual Growth Survey (AGS) that they constitute factors for economic growth. Obstacles have to be overcome in order to ensure the timely achievement of the 2020 targets thus maximizing their potential to contribute to a more competitive, secure and sustainable path for the EU.

Internal Market: As the AGS notes, the EU's energy market continues to be fragmented and has not achieved its potential for transparency, accessibility and choice. The lack of a fully integrated market and regulatory system is preventing the full capacity of firms to grow by benefiting from economies of scale. Therefore, Greece agrees with the AGS that the completion of the single market has to be accelerated. The expected increase in competitiveness should promote setting the right incentives and reduce the costs to investments to what is necessary. Moreover, steps to extend the energy acquis communautaire to neighbouring countries should also be stepped up through a strengthened external policy.

Apart from the timely implementation and diligent monitoring of the 3rd package reforms, the regulatory framework needs to be further consolidated so as to promote cross border investments. In this respect, the measures included in the Commission's proposed infrastructure regulation regarding incentives and a Cost-Benefit Analysis are a sound basis on which to formulate a framework acceptable to the Member States and we also look forward to the Commission's presentation of the Network codes which were announced by the third package.

Infrastructure: The EU does not have sufficient appropriate infrastructure to meet the demands of the 2020 goals. Clearly a prerequisite for integrating the internal market and achieving the 2020 targets is the construction of appropriate grid infrastructure to enable renewables to develop and compete on an equal footing with traditional sources and the deployment of smart grid technologies. Moreover, the task of Member States regarding their endeavours to meet their climate change and RES targets could be facilitated by the construction of power lines which would link areas rich in solar and wind resources to other parts of the EU with high consumption but fewer resources. Greece and its islands are a case in point. While it is estimated that today it is technically feasible to transmit to central Europe 2-2.5 GW generated from PVs in Greece, connections on the one hand between the islands themselves and to the mainland and on the other between Greece and its EU partners should be reinforced in order to maximize the potential of Greece's solar resources. Lack of infrastructure poses a significant obstacle to meeting the targets and this is an issue which can be partly addressed under the priority corridor "NSI East Electricity" identified by the proposed infrastructure regulation regarding North-South electricity.

Natural gas, given that it is the cleanest hydrocarbon and can constitute a back-up fuel for variable electricity generation, will also increasingly feature in the EU's energy mix as Member States shift towards a low carbon system. This however will only be possible if supplies are ensured. This calls for strengthening the interconnection of domestic markets with diversified sources of supply with pipelines enabling imports from third countries.

Technology /ICT: The speed for realising the 2020 targets is hampered by the EU's shortcomings regarding ICT investments and by the so called innovation deficit which, in turn, is partly caused by the incomplete single market, insufficient human resources, as well as complexity of accessing finance. Smart meters and power grids are the keys to full exploitation of the potential for renewable energy and energy savings as well as improvements in energy services. A clear policy and common standards on smart metering and smart grids are therefore needed well before 2020 to ensure interoperability across the network. Moreover, information and communication technologies can play a decisive role through, for instance, smart metering in increasing awareness of businesses and the public to the benefits of resource efficiency. Greece supports the EU's initiatives in this respect and considers that ICT and technological advances are essential components of a modern, competitive Economy.

Financing: There is concern that the economic recession will have negative effects on access to financing for major infrastructure required for the 2020 targets. While Greece firmly believes that the development of infrastructure is primarily the task for the market, assistance is also necessary, in particular for projects which are not wholly commercially attractive but necessary for achieving the targets and for energy security. In this respect, the Connecting Europe Facility's foreseen provision of 9.1 billion euro is welcome, as are additional instruments, including use of risk sharing instruments (project bonds and guarantees); finally, as new sources of national revenues such as the auctioning of CO2 emission allowances become available, they could be allocated to support projects / initiatives directly related to the 2020 targets. Insufficient access to funds constitutes an obstacle for energy efficiency measures notably for SME's, the residential sector and for ESCOs.

Pace of Progress: There is concern that the EU is particularly lagging behind its energy efficiency goals. Lack of awareness for the benefits accruing from the implementation of 2020 measures is an issue and partly explains insufficient progress for efficiency measures in the building/ residential sector and for industrial production processes. For its part, Greece is working hard on this issue and according to national assessments, due to the measures implemented as well as the recession, it is on course to surpass, by 2016, the 9% saving stipulated by Directive 2006/32. Greece shares the views of the Commission that efforts to de-couple economic growth from resource use must be accelerated and agrees with the time-table included in the AGS that the new Directive on energy efficiency be adopted during the first semester of 2012 based, of course, on a sound compromise to be promptly achieved. Member States should also set their efficiency targets and submit first reports the soonest possible, based on a reasonable timetable to be commonly agreed. However, we consider that care be taken to avoid rigid rules in this sector. For example, regarding the proposed Directive's call that the obligatory schemes established by the Member States should ensure that all distributors or retail energy savings companies achieve annual energy savings equal to 1.5% of their energy sales by volume in the previous year, it would be preferable each Member State to have the flexibility to set its own percentage of energy savings each year, based upon national circumstances, provided that this percentage is in conformity with the respective national energy efficiency target.

Question 2

In your view, which measures in the field of energy efficiency and renewable energy have the biggest potential to contribute to growth and job creation and should thus be prioritised?

While estimates vary on how many jobs may be created and how much competitiveness will be enhanced, there is consensus that low carbon policies can fundamentally bolster the EU's economy and the fact that this is stressed in the 2012 Annual Growth Survey is welcomed.

Regarding **renewables**, the **development of infrastructure**, as referred to in the first question, has to be prioritized in order to increase their use and because of the investments generated.

Focus should also be given to **bring down the cost of renewables**. Renewable energy is still often more expensive than traditional sources, due to the fragmented single European energy market, traditional infrastructure and the fact that fossil fuels still receiving four times the level of subsidies. Therefore priority has to be given to provide incentives, allowing Member States to reach their targets cost-effectively.

Moreover, **financial support for renewable energy has to be maintained** and phased out only when costs have further declined, market failures have been corrected and they can operate in a competitive single market. Greece is convinced that that **feed-in tariffs** are most suitable to effectively and efficiently promote renewable energies for the generation of electricity and provide a stable framework for investors.

Overcoming **complex bureaucracy**, simplifying permit procedures and removing non-cost barriers to the growth of renewable energy is also fundamental to their deployment and remains a priority.

We would also prioritise **cooperation mechanisms measures**, including statistical transfers, joint projects and joint support schemes, which may enable the renewable sector to function cost effectively. While Member States have continued to focus on national resources to achieve their 2020 targets, a greater priority could be given to exploring the possibility of using resources in other parts of the single market, since these measures will stimulate a European, rather than national, perspective for renewable. A move towards a more pan-European approach to development of renewable energy sources could be pursued. This is the aim of the Greek project Helios.

Priority could be given to **increasing the funding** of renewables at the EU level in order to back up the political commitment of the EU to renewables with adequate funding. Financing for renewable energy should be recognised as growth-enhancing expenditure that will provide greater return in the future. Measures should be developed which would use EU and national funds to leverage private capital into energy projects of European interest on local, regional, national and European levels.

Energy Efficiency as a whole needs to be prioritized, given that assessments indicate that the EU is lagging behind its 2020 target. However, establishing binding targets at this stage would appear premature and in general Greece supports the phased approach put forward by the relevant proposed Directive, pursuant to which initially it will be up to the Member States to set national energy efficiency targets, schemes and programmes. Estimates indicated that the sectors with the greatest potential are residential, tertiary and transport. The fact that **transport** is the fastest growing sector in terms of energy use, with the strongest reliance on fossil fuel, means that measures, including the introduction of advanced traffic management systems in all modes; infrastructure investment and the creation of smart pricing; and efficiency standards for all vehicles across all modes as well as other measures to promote vehicle innovation, have to be prioritised. Moreover, since investment costs represent a significant financial barrier to the use of energy efficient technologies, measures which promote the availability of funding are fundamental priorities for accelerating investment. Priority could be given to the following in particular:

ICT and in technology; In order to realise the 2050 de-carbonization ambitions, the EU has to make advances in ICT and in technology. Smart electricity grids and widespread use of renewable energy, made possible through sophisticated use of ICTs, are essential components of a modern, competitive economy and thus key for EU development. Priority has to be accorded to measures which will enable European firms and researchers catch up the competitive edge which the EU as a whole has been losing, exploit the potential for job creation and open up significant new export markets. Moreover, given the time scale for the development and dissemination of energy technology, it is imperative to bring new low-carbon technologies to the European markets without delay.

In this respect, initiatives which develop through collaboration at the EU level may be more economical and measures which support Europe-wide coordination could be prioritized, with the EU budget leveraged to raise the overall level of funding. Moreover, the SET Plan, by virtue of its medium term strategy which promotes policy coherence and business confidence, the Joint Programmes of the European Energy Research Alliance (EERA) and European Industrial Initiatives, particularly in fields of wind; solar; bio energy; smart grids, constitute priorities. Finally, the EU ETS is an important demand-side driver supporting the deployment of innovative low carbon technologies.

The Building sector has a high potential of as yet untapped energy savings but should also be prioritized as a factor contributing to economic growth. Application of energy efficiency measures in this sector stimulates demand for ESCOs and may significantly boost jobs in the construction industry which has been negatively affected by the economic recession. Moreover, due to the fact that Energy efficient building solutions entail technical specialisation, there is a potential for the development of a work force with new skills ranging from architects, engineers, auditors, craftsmen, technicians and installers, notably for those involved in refurbishment. In this respect, the Commission's 'BUILD UP Skills: Sustainable Building Workforce Initiative' to support Member States in assessing the training needs for the construction sector and develop strategies is significant. Adapting higher education and professional curricula would also be relevant and synergies with the Commission's Flagship Initiative "An Agenda for New Skills and Jobs" to ensure that skills match labour market needs should be ensured.

The Public sector: Apart from private buildings, actions regarding the refurbishment of public sector buildings, included in the Action Plan, should be prioritized both because public authorities are in a position to set a good example and because publicly owned or occupied buildings represent about 12% by area of the EU building stock. Moreover given that public spending represents about 17% of GDP or roughly €2,000 bn, the application of high energy efficient standards by the public sector regarding the purchasing of goods and services is an important factor for growth and jobs. Studies have shown that the public sector can create new markets for energy efficient technologies, services and business models. Therefore, this field should be prioritised for its potential to serve as a strong driver for higher market uptake of energy efficiency and development of the skills and knowledge required. Moreover, focusing public spending towards energy efficient products, transport, buildings, works and services reduces public expenditure on energy bills.

The EU-supported Covenant of Mayors is an important initiative which encourages a high performance in cities and communities. Moreover the work involved including building retrofitting, urban mobility and urban renovation are employment-intensive economic activities and the jobs created tend to be skilled, stable and localised.

Manufacturing industry: While this is the sector where progress in energy efficiency has been greatest (with a 30% improvement in energy intensity over 20 years), 20% of the EU's primary energy consumption is still accounted for by industry and increasing energy savings would contribute to enhancing its competitiveness. Priority could be given to overcoming important obstacles, such as the lack of information, lack of access to capital and short term pressures of the business environment. Moreover, developing for the manufacturing industry expertise in energy efficient processes and services can also be turned into a new export business, providing a competitive edge to European industries. The suitability of measures including energy performance (eco-design) requirements for standard industrial could be explored, as well as the possibility of voluntary agreements by the ICT industry and energy intensive industries on implementing energy efficiency processes and systems. The Commission could also focus on measures to assist SME's and develop tools that SMEs can use to benchmark their energy use against comparable companies.

Measures which will raise **consumer awareness** should be prioritised in order to support energy efficiency. The deployment of a European smart grid and smart meters will not only benefit consumers and enable a step change for gathering and communicating information about energy supply and consumption, but will also stimulate the demand for new energy services and permit ESCOs and ICT providers to offer services to consumers for tracking their energy consumption at frequent intervals through channels like the internet or mobile phones.