How can EU policies both improve energy efficiency and strengthen Cohesion?

The Need for a Strengthened EU Energy and Climate Strategy

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Energy Efficiency and Consumption Trends

Fig 1: Energy efficiency index (ODEX) for final consumers

Fig 2: Absolute final energy consumption by sector

- The EU’s overall 20% energy savings target will not be met.
- Buildings and transport are the weakest link in EU climate policy.
Policy recommendations

1. The EU should set binding targets, at the MS level, expressed in final energy, and in energy intensity, to improve the energy efficiency of the existing building stock, and complement these targets with a combination of obligations and incentives.

2. The EU should adopt new legislation incentivizing avoided transport and modal shift, through coordinated European transport infrastructure policies.
EU Cohesion policy is divided into three objectives:

1. Convergence, which aims to stimulate growth and employment in the least developed regions.
2. Regional competitiveness and employment, which aims to support regions’ competitiveness and attractiveness as well as employment, by anticipating economic and social changes.
3. European territorial cooperation, which aims to reinforce cooperation at the cross-border, transnational and interregional level.

Preparing CEE economies to thrive in an energy and carbon constrained world would seem, *prima facie*, compatible with Cohesion policy objectives.
Focusing in on the New Member States (I): Energy efficiency

Table 1: setting out the problematic

<table>
<thead>
<tr>
<th>Country</th>
<th>Consumption per dwelling scaled to EU average climate, toe/dwelling 2005</th>
<th>% of the population reporting inadequate heat, 2008</th>
<th>Economic savings potential in the household sector in 2020, % of projected BAU final energy consumption in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>0.75</td>
<td>34%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Poland</td>
<td>1.26</td>
<td>20%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Latvia</td>
<td>1.25</td>
<td>17%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Romania</td>
<td>1.05</td>
<td>20%</td>
<td>4.9%</td>
</tr>
<tr>
<td>EU27</td>
<td>1.61</td>
<td>8%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

- Raise the threshold for energy efficiency in the ERDF (currently capped at 4%).
- Low-carbon labour force re-skilling via the ESF.
- Structure and co-finance domestic funding instruments via cooperation with EEEF.
Focusing in on the New Member States (II): Transport

Fig 3: Transport related cohesion policy allocations

- Incentivize modal shift and avoided transport via EU infrastructure policy
- Create a long-term framework to internalize transport externalities harmoniously across MS, fuels and modes.
Focusing in on the New Member States (II): Energy infrastructure

Table 2: Grid investment needs CEE

<table>
<thead>
<tr>
<th>Region</th>
<th>Investment needs</th>
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</thead>
<tbody>
<tr>
<td>Baltic</td>
<td>€11-13 billion</td>
</tr>
<tr>
<td>Continental Central East</td>
<td>€8-9 billion in Continental Central East</td>
</tr>
<tr>
<td>Continental South East</td>
<td>€4-5 billion</td>
</tr>
</tbody>
</table>

Fig 5: Technology priorities for grid operators

➢ There is a role for Cohesion/EU fiscal policy to invest in transnational infrastructure (heading 3/TEN-E)

➢ Cohesion policy should support pilot projects in the field of smart grids and ADM to build experience
Conclusions

• There is a need to refocus on absolute energy consumption in key sectors;
• … and prepare for the electrification of final energy consumption.

• EU fiscal policy can play a key role here: auction revenues (MS level) and the EU Budget (EU level)

• For the CEE MS key priorities include building efficiency; transport and energy infrastructure.

• Ultimately, there may be synergies between the goals of Cohesion policy; CEE post-crisis growth strategies and climate policy