



EREC response to the public consultation on the creation of a framework programme for competitiveness and innovation

EREC and its members, the European renewable energy industry, trade and research associations, being:

- EPIA (European Photovoltaic Industry Association),
- ESHA (European Small Hydropower Association),
- ESTIF (European Solar Thermal Industry Federation),
- EUBIA (European Biomass Industry Association),
- EUREC Agency (European Renewable Energy Research Centres Agency),
- EWEA (European Wind Energy Association),
- AEBIOM (European Biomass Association) and
- EGEC (European Geothermal Energy Council),

would like to put forward their point of view concerning the creation of a framework programme for competitiveness and innovation.

EREC welcomes that DG Enterprise recognises the importance of renewable energy sources and energy efficiency measures in enhancing competitiveness, as well as the role of EU industry as world leader in this sector. However, EREC is concerned about the proposed approach to integrate the Intelligent Energy Europe (EIE) programme into the proposed framework programme for competitiveness and innovation as this seems to be premature at the moment.

Historically, renewable energy and energy efficiency issues were addressed by separate programmes – ALTENER and SAVE. The current Intelligent Energy Europe programme is the first to recognise the links between the sectors and addresses them in a combined and concerted manner. This is particularly important as any sustainable energy policy has to take both into account. The EIE programme clearly communicated this need for the first time.

Further underlining the twinned nature of these sectors, as well as their economic importance in the light of sustainable development and contribution to security of energy supply, the European Commission created the Intelligent Energy Executive Agency, responsible for the execution and management of the EIE programme. DG TREN and the Executive Agency have substantial and consolidated know-how and experience with regards to best practice promotion of renewable energy sources and energy efficiency; it is EREC's

belief that they should certainly remain the driving force behind these sectors in the future.

The integration of the EIE programme into the proposed framework programme for competitiveness and innovation seems premature for both sectors. Such a move would impact heavily on the newly created identity of the programme, as well as of the Executive Agency, and thereby risk serious reduction in their effectiveness, and endanger the attainment of their objectives.

The Renewable energy sector is still young, and recent cost developments for renewable energy technologies show a steady decline in costs. This reduction can mainly be attributed to economies of scale, increased production capacities for renewable energy installations and R&D based improvements in the technologies. The production cost of a kilowatt-hour of wind power, for example, is one fifth of what it was 20 years ago. Unlike the cost of energy from conventional sources, the cost of renewable energy will continue to decrease dramatically in the future, and the EIE programme contributes significantly to this.

The renewable energy sector is indeed a very dynamic and booming sector in which competitiveness and innovation play an important role – and a programme dedicated to these objectives might at first sight seem appropriate. However, due to current price distortions in the energy market (inter alia, no internalisation of external costs, and hidden subsidies for conventional energy sources) renewable energy is not competing on a level playing field with conventional energy sources, and it is likely that the proposed Framework Programme For Competitiveness And Innovation (CIP) would not effectively address such price distortions. Addressing the barriers to growth for renewables specific to the energy sector is an important element of the policy-oriented part of the current EIE programme.

However, EREC stresses the need for a clear and committed RES industry policy (market support, R&D, standardisation, legal rules, etc.) to strengthen the EU RES industry. In that sense, the EIE programme should allocate substantial budget to industry policy, thereby contributing to innovation and market development.

EREC is also concerned about the target groups of the proposed CIP. The EIE programme focuses on a wide range of market actors such as energy agencies, industry associations, municipalities, universities, local and regional authorities, NGOs and SMEs. Thus SMEs constitute only one of many target groups of the EIE programme, whereas the proposed CIP identifies SMEs as the principal target group.

EREC and its members stress the importance of continued and well-defined EU support for renewable energy and energy efficiency, with a clearly defined budget, such as that coming at present from the existing EIE programme. The integration of the EIE programme into the proposed CIP would be premature and counterproductive for the sector. Furthermore the CIP would place only

secondary emphasis on the most important aspects of renewable energy and energy efficiency – their environmental protection qualities and their contribution to security of energy supply.

As Commissioner Piebalgs stated in his speech to the ITRE committee of the European Parliament on 11th January 2005, “*a properly targeted approach to renewable energy is of outmost importance in order to contribute to both our Kyoto and Lisbon objectives.*”

Uniquely, renewable energy contributes towards attainment of the Lisbon objectives, resolution of security of supply concerns, reduction of greenhouse gas emissions, and the creation of employment at local and regional levels. It is one of the most innovative and fastest growing industry sectors. EREC is convinced that to ensure it remains so, the continuing independence of the EIE programme, as a separate programme for the promotion of renewable energy and energy efficiency, is essential, but that its focus on the RES industry should be strengthened in the future.

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