

## ERDF trialogue

# Rejecting fossil fuel subsidies: ensuring European Parliament's consistency on climate change

February 2013

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### 1. SUMMARY: KEY RECOMMENDATIONS TO MEPs

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Our environmental NGOs are alarmed that a new own initiative report on Cohesion Policy and energy<sup>1</sup> might be considered sufficient by some REGI MEPs to consider that the rejection of fossil fuels subsidies in ERDF is put into question – overruling the clear REGI mandate voted in July 2012. **The Parliament's plenary has already voted several high profile reports repeatedly asking for the phase out of fossil fuel subsidies. Most of these reports are far more prominent than the above mentioned new own legislative report.**

In addition, the Parliament's plenary has stated that phasing out fossil fuel subsidies “would liberate billions of Euros which could be redirected to supporting energy efficiency measures, thus contributing far better to the EU's strategic energy objectives of sustainability, competitiveness and security of supply”<sup>2</sup>. There is a clearly identified alterative.

Fossil fuels would be a harmful distraction for scarce Cohesion Policy money. In the energy field, the Cohesion Policy should focus on energy savings and renewable energy, to contribute to the achievement of Europe 2020 targets and deliver multiple and massive benefits.

**To ensure consistency, the REI MEPs should maintain the REGI mandate as it is and oppose any fossil fuel subsidies in ERDF.**

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### 2. THE EUROPEAN PARLIAMENT ASKED SEVERAL TIMES TO PHASE OUT FOSSIL FUEL SUBSIDIES

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The REGI Committee, in its vote of the ERDF regulation on the 11<sup>th</sup> of July 2012, firmly rejected the Compromise Amendment XXII part II, not supported by all political groups, because it would have allowed support to “natural gas and oil transmission and distribution networks, storage infrastructure, as well as LNG infrastructure”<sup>3</sup>. **This vote gave a clear mandate to the REGI representatives for the ERDF trialogue.**

<sup>1</sup> Report on the role of EU cohesion policy and its actors in implementing the new European energy policy (2012/2099(INI)), Rapporteur: Lena Kolarska-Bobińska

<sup>2</sup> European Parliament resolution of 15 December 2010 on Revision of the Energy Efficiency Action Plan (2010/2107(INI)), paragraph 100,

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2010-485>

<sup>3</sup> ERDF regulation, COMPROMISE XXII - part II, Article 5, paragraph 1, point 4, point (e b) new

Our environmental NGOs are alarmed that a new own initiative report on Cohesion Policy and energy<sup>4</sup> might be considered sufficient by some REGI MEPs to consider that the context has changed and that the rejection of fossil fuels subsidies is put into question. We don't believe that a non-legislative report should overrule the REGI mandate on ERDF regulation that was being discussed for almost two years.

In addition, the Parliament's plenary has already endorsed several high profile reports asking for the phase out of environmentally harmful subsidies, including fossil fuel subsidies:

**1. The 2010 Parliament resolution on the Revision of the Energy Efficiency Action Plan<sup>5</sup>, explicitly asking for phasing out fossil fuel subsidies:**

"100. Endorses the call by the G20 group of countries in its Toronto Summit Declaration of 27 June 2010 for fossil fuel subsidies to be phased out over the medium term, and points out that doing so would liberate billions of Euros which could be redirected to supporting energy efficiency measures, thus contributing far better to the EU's strategic energy objectives of sustainability, competitiveness and security of supply;"

**2. The 2012 Parliament report on the low-carbon roadmap<sup>6</sup>, explicitly asking for an end to fossil fuels subsidies:**

- 119. Stresses the urgent need to tackle environmentally harmful subsidies within the framework of the Roadmap; calls for coordinated action aimed at identifying and phasing out all environmentally harmful subsidies by 2020, in order to support budget consolidation and the transition towards a sustainable economy; calls on the Commission to publish, by the end of 2013, a communication indicating all means by which the EU budget is used to justify financial support, directly or through Member States, to activities that contradict the objectives of its Low-Carbon Roadmap;
- 120. Calls on the Commission and the Member States to push for a more rapid implementation of the G-20 agreement on removing fossil fuel subsidies; (...)
- 75. Calls on the EU to commit itself to the total decarbonisation of the energy sector by 2050;

**3. The 2012 Parliament resolution on a resource-efficient Europe<sup>7</sup>, explicitly asking for an end to all environmentally harmful subsidies:**

22. Urges the Commission and the Member States to adopt, without delay and by 2014, concrete plans based on a clear definition for phasing out all environmentally harmful subsidies by 2020, including subsidies that incentivise inefficient use of renewable resources, and to report on progress through the National Reform Programmes;

**4. The 2012 Parliament report on an EU biodiversity strategy to 2020<sup>8</sup>, explicitly asking for an end to all environmentally harmful subsidies:**

- 117. Calls on the Commission and the Member States to identify all existing environmentally harmful subsidies, according to objective criteria, and calls on the Commission to publish, by the end of 2012, an action plan (including a timetable) on how to phase such subsidies out by 2020 in line with the Nagoya commitments;

**5. The 2007 Parliament resolution on trade and climate change<sup>9</sup>**

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<sup>4</sup> Report on the role of EU cohesion policy and its actors in implementing the new European energy policy (2012/2099(INI)), Rapporteur: Lena Kolarska-Bobińska

<sup>5</sup> European Parliament resolution of 15 December 2010 on Revision of the Energy Efficiency Action Plan (2010/2107(INI)), paragraph 100,

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2010-485>

<sup>6</sup> European Parliament Report on a Roadmap for moving to a competitive low carbon economy in 2050 (2011/2095(INI)), 8 February 2012, paragraphs 119 and 120,

<http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2012-0033&language=EN#title1>

<sup>7</sup> European Parliament resolution of 24 May 2012 on a resource-efficient Europe (2011/2068(INI)), paragraph 22, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0223+0+DOC+XML+V0//EN&language=EN>

<sup>8</sup> European Parliament Report on our life insurance, our natural capital: an EU biodiversity strategy to 2020 (2011/2307(INI)), 3 April 2012, paragraph 117, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2012-0101+0+DOC+XML+V0//EN>

<sup>9</sup> European Parliament resolution of 29 November 2007 on trade and climate change (2007/2003(INI)), paragraph 29, <http://www.europarl.europa.eu/sides/getDoc.do?Type=TA&Reference=P6-TA-2007-0576&language=EN>

29. Calls for the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects and for the redoubling of efforts to increase the transfer of renewable energy and energy efficient technologies;

While this report is focussed on public support from export credit agencies and public banks, it is difficult to see how it could be different for EU direct subsidies from the Cohesion Policy.

**Most of these Parliament reports (all voted in Plenary) have indisputably a higher profile than the above mentioned own initiative report on Cohesion Policy and energy. Therefore, our environmental NGOs don't believe that the latter report is a reason to change the REGI mandate against fossil fuel subsidies in ERDF.**

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### **3. THE PARLIAMENT HAS ALREADY IDENTIFIED BETTER ENERGY ALTERNATIVES THAT NEEDS ALL POSSIBLE SUPPORT FROM THE COHESION POLICY**

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The Parliament's plenary has already stated that energy efficiency is the top energy priority:

- The Parliament resolution on the Revision of the Energy Efficiency Action Plan<sup>10</sup> states that phasing out fossil fuel subsidies “would liberate billions of Euros which could be redirected to supporting energy efficiency measures, thus contributing far better to the EU's strategic energy objectives of sustainability, competitiveness and security of supply”;
- The Parliament resolution on Europe 2020<sup>11</sup> “recalls that energy efficiency is the most cost-effective way to reduce emissions, improve energy security and competitiveness and reduce consumers' energy bills, as well as create employment”;

In addition, several arguments speak in favour of focusing all Cohesion Policy energy investments in energy saving and renewable energy investments:

#### **1. The EU is off track in meeting its 20% energy savings target**

Energy savings efforts undertaken or announced by Member States still fail to reach the target despite the new Energy Efficiency Directive<sup>12</sup>. Closing the gap is a must, as the European Council of February 2011 concluded: “The 2020 20% energy efficiency target as agreed by the June 2010 European Council, which is presently not on track, must be delivered<sup>13</sup>”.

According to the Commission's Roadmap to a low carbon economy<sup>14</sup>, an additional €200 billion is needed over the next decade for the refurbishment of existing building stock – a significant amount. But failing in this objective would be more expensive and waste up to **€78 billion consumers' money annually in 2020** – largely leaving Europe to oil and gas rich countries<sup>15</sup>.

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<sup>10</sup> European Parliament resolution of 15 December 2010 on Revision of the Energy Efficiency Action Plan (2010/2107(INI)), paragraph 100,

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2010-485>

<sup>11</sup> European Parliament resolution of 17 February 2011 on Europe 2020, paragraph 24, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP/TEXT+TA+P7-TA-2011-0068+0+DOC+XML+V0//EN>

<sup>12</sup> <http://www.europeanvoice.com/article/imported/member-states-fail-to-meet-energy-efficiency-targets/69834.aspx>

<sup>13</sup> Article 8, conclusions of the European Council of 4 February 2011,

<http://register.consilium.europa.eu/pdf/en/11/st00/st0002-re01.en11.pdf>

<sup>14</sup> European Commission (2011), A Roadmap for moving to a competitive low carbon economy in 2050

<sup>15</sup> Stefan Scheuer consultancy, <http://www.stefanscheuer.eu/NRP%20EE%20targets%20analysis.pdf>

## **2. The EU needs to increase its investments in renewables to reach its 2020 targets**

A 2011 communication of the Commission called Member States to double annual capital investments in renewable energies from €35 billion to €70 billion to achieve the EU's target of 20% renewable energy by 2020<sup>16</sup>. **Currently, a tiny amount of 1,4% of Cohesion Policy only is spent on renewables** (€4,9 billion over seven years). Cohesion Policy investments in renewables have to strongly increase to better contribute to the renewable energy target.

## **3. Energy saving and renewable investments will create up to 2,6 million jobs by 2020**

Energy savings and renewable energies have a huge local job potential, while it is very limited in fossil fuels. Reaching the 20% energy saving target will create up to 2 million local jobs that cannot be outsourced<sup>17</sup> (especially in the building sector). According to the Commission the 20% renewable energy target can create up to 600,000 additional jobs<sup>18</sup>. **But this employment will not be created without much stronger funding, including from the Cohesion Policy.**

## **4. Energy saving and renewables are at the heart of the Europe 2020 Strategy**

The energy efficiency, renewable and climate targets by 2020 are included in the headline targets of the Europe 2020 Strategy<sup>19</sup>. The Cohesion Policy should contribute more to reaching them.

## **5. Economic opportunities will benefit every single region in Europe**

Every single European region has untapped potential to improve its energy saving and renewable outputs, and it cannot be outsourced. Economic opportunities and SME support from energy savings and renewable energy investments will benefit all regions not only a few.

## **6. Energy savings are the lowest-cost climate solution**

**Energy savings are recognized as the lowest-cost and fastest means of tackling climate change<sup>20</sup>.** On average, the abatement cost of 1 ton of CO<sub>2</sub> is 40€/t CO<sub>2</sub> for the gas industry and 70 €/t CO<sub>2</sub> for coal-gas fuel switch. Alternatively, most energy savings (especially in buildings) are an economically profitable climate solution: once the upfront investment cost has been paid off (usually in 3 - 10 years in buildings through annual energy savings), money is saved by energy efficiency and can be reinvested in the economy.

## **7. Reducing costly imports will improve energy security**

Imports of fossil fuels cost €200 billion a year to the EU and are on the rise. Energy savings and renewable energies are the best options for energy security: they are massively available inside Europe.

**Parliament statements and arguments above should lead to a focus of all energy investments of Cohesion Policy in energy savings and renewable energy. Fossil fuels would be a harmful distraction for scarce Cohesion Policy money – even more now that the European Council has cut the amount of Cohesion Policy 2014-2020 by €25 billion compared as today.**

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<sup>16</sup> Communication assessing member states' progress toward meeting the 2020 targets, 31/01/11, <http://www.euractiv.com/energy/oettinger-tells-europe-double-quits-renewables-news-501748>

<sup>17</sup> Danish Ministry of Climate and Energy, EPC event, Brussels, 24/01/12

<sup>18</sup> European Commission, Staff working document of Regional Policy contributing to sustainable growth in Europe 2020, COM(2011)17

<sup>19</sup> [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>20</sup> The Coalition for Energy Savings, Financial issues for energy efficiency, April 2011

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