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**Proposal for a  
COUNCIL DECISION**  
concerning a multiannual programme for the promotion of  
renewable energy sources in the Community (Altener II)

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(presented by the Commission)

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# I. EXPLANATORY MEMORANDUM

## 1. INTRODUCTION

The Altener programme was established by Council Decision 93/500/EEC and began officially on 1 January 1993. Altener will expire on 31 December 1997. An interim report on the results achieved under the programme so far has been carried out at the end of the third year.

The Commission considers that a continuation of the Altener programme is necessary. It makes an essential contribution to an increased use of environmentally friendly renewable energies and is a major part of the Community's strategy to reduce CO<sub>2</sub> emissions. This is in conformity with Articles 130r and 130s of the Treaty.

The increased use of renewable energies also makes an invaluable contribution to the attainment of the Community's energy policy objectives. This is clearly demonstrated in the Commission's Communication "Energy for the Future: Renewable Energy; Green Paper for a Community Strategy" (COM(96) 576 of 20 November 1996, which shows that renewable energy sources are currently unevenly and insufficiently exploited to play their proper role in reaching community energy policy objectives. In addition, the promotion of renewable energy sources is one of the pillars on which the White Paper on the Community's future energy policy, which has been presented by the Commission and discussed by both the European Parliament and the Council, has been based.

The Commission's White Paper on Growth, Competitiveness and Employment recognized that clean energy technologies are a key to future economic prosperity and that the current taxation system does not lead to an optimum resource allocation. It is generally agreed that renewable energies will be the cornerstone of a future policy of sustainable development and will make a substantial contribution to improving employment and the social conditions of those citizens of the Community who live in remote or peripheral areas. Increased use of renewable energies will thus contribute to social cohesion within the Community, promote the valorization of local energies and accelerate the penetration of new energy technologies (many of which have been developed with Community funding) into the marketplace.

In the light of the consideration mentioned above, the Commission is proposing a continuation and strengthening of the Altener programme embodying many of the recommendations made by a team of independent experts as well as the experience gained by the Commission in the operation of the Altener programme and other energy actions. At this critical stage for the penetration of Renewable Energy Sources into our energy mix, new actions have been proposed aiming to overcome the non-technical obstacles faced by RES.

It should be noted that following a request by Member States, the Commission is presently reviewing all the financial instruments available to implement a Community energy policy. Should these considerations lead to the adoption by the Council at some future date of a more global approach to energy actions, those undertaken under Altener II will obviously be integrated in this new approach.

Altener II is scheduled to begin on the 1 January 1998 and, unless it is along the way incorporated into a more global framework, will run as proposed until 31 December 2002.

The Altener II programme will consist of the following elements:

**A. EXTENSION OF ALTENER I ACTIONS**

- studies and standardization actions (including voluntary agreements) in the area of renewable energy equipment;
- pilot actions to remove institutional and administrative bottlenecks and strengthen infrastructures for the promotion of renewable energies in Member States;
- improved information flow to professionals and potential investors in renewable energy projects, to be carried out by appropriate networks.

**B. NEW ACTIONS TO PROMOTE PENETRATION OF RES**

- initiatives aimed at mobilizing private capital to accelerate investments in renewable energy projects;

**C. NEW ACTIONS ON THE IMPLEMENTATION, FOLLOW-UP AND MONITORING OF THE COMMUNITY RES STRATEGY**

- monitoring of progress made in renewable energy penetration at national and Community level and evaluation on the impact of the various actions undertaken under the RES Strategy to be decided and under this programme.

Renewable Energy Sources, in this proposal, refer to:

- biomass, including energy crops, fire wood, residues from forestry and agriculture, municipal waste<sup>1</sup>, liquid biofuels and biogas;
- large and small scale (<10MW) hydro-power;
- wind energy;
- solar thermal and solar photovoltaics;
- geothermal energy;
- tidal, wave and other ocean energies.

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<sup>1</sup> When dealing with waste, account must be taken of the Communication from the Commission on the review of the Community Strategy for Waste Management. COM(96) 399 final of 30 July 1996, under which the reduction of waste at source and material recovery through recycling shall be given priority, where environmentally sound, over the incineration of waste with energy recovery.

Renewable energy's contribution to the primary energy needs of the European Community is presently just below 6% and amounts to about 70 Mtoe/year. Biomass counts for about 60% and hydro-power for 36%.

Under Altener I a quantitative target for the development of renewable energy sources had been set at 8% for the Community of 12 and the year 2005. For the enlarged Community of 15, this target has to be revised. In its Communication on a Green Paper for a Community RES Strategy<sup>2</sup> the Commission suggests to set a new objective for the year 2010, which could be the doubling of the contribution made by renewables to the energy mix. If after a wide consultation with interested parties on the Green Paper, such an objective is adopted and would be achieved, renewables would contribute some 190 Mtoe to a total estimated primary energy demand of 1570 Mtoe. The additional contribution from renewables of 120 Mtoe would reduce CO<sub>2</sub> emissions in the year 2010 by 330 Mt.

The purpose of the Altener II programme is to make a meaningful contribution to the achievement of the Community objective for a significant increase in renewables. Altener should therefore be considered as an integral part of the forthcoming community strategy on renewable energy. Its actions are specifically designed to address the overcoming of barriers to accelerating the penetration of renewable energies specifically within the Member States of the Community and does not cover actions in third countries. However, following a decision of the European Council, Altener II will be open to cooperation with the CEEC countries who are in the pre-accession phase. The programme will also be open to cooperation with Cyprus.

The proposed programme has been developed to be complementary to other Community programmes and in particular to the actions of the renewable energy technological programme of the Community (Joule/THERMIE). It is not the aim of the Altener II programme to finance any research activities or technological demonstration projects. Its focus is the promotion of RES so that they can significantly penetrate the European energy market. The Green Paper for a Community strategy on renewable energy sources identified a range of obstacles, including barriers arising from market imperfections and a strengthened Altener II programme is required if these market barriers are to be overcome.

Altener II also forms an essential element of the Community's strategy for the promotion of Renewable Energy Sources and will hopefully make an important contribution to achieving the Community's aims under this strategy.

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<sup>2</sup> Communication from the Commission: Energy for the Future: Renewable Sources of Energy - Green Paper for a Community Strategy - COM(96) 576 final of 20 November 1996.

## **2. THE NEED FOR A EUROPEAN COMMUNITY RENEWABLE ENERGY PROGRAMME**

Increasing the penetration and use of renewables presents a number of advantages for the environment, for the energy sector and the economy as a whole. The Commission Communication on a Green Paper for a Community RES strategy includes an overview as to how development of renewables will contribute to achieving the Community's objectives as defined in the Treaty and in derived policies. It is however worth highlighting here the policy justifications underpinning this proposal for an Altener II programme, as outlined in the Green Paper.

### **2.1 The environment**

The Community CO<sub>2</sub> reduction strategy developed by the Commission in 1992 highlighted the role of renewable energy as a major contributor to the achievement of the Community's objective to reduce CO<sub>2</sub> emissions to the 1990 level by the year 2000. The Altener programme was therefore established as a principle element of that strategy. This situation has been reinforced by the conclusions of the Environment Council of 15/16 December 1994 which states 'The Council underlines once more that the target of stabilizing CO<sub>2</sub> emissions can only be achieved by a coordinated package of measures to improve energy efficiency and the rational use of energy which are based on supply and demand at all levels of energy production, conversion, transport and consumption and to exploit renewable energies<sup>3</sup>.

This does not mean that increased use of renewable energies should be seen as a panacea for our environmental problems but it is widely recognized that unless renewables are actively promoted the EC is not going to attain its objective. This will inevitably mean that Member States will have to supplement their efforts to create favourable market conditions for renewable energies and that the EC will have a role to play in coordinating and optimising the Member States' efforts. Most importantly, developments in recent years have highlighted the environmental problems directly linked to the use of fossil fuels, in particular the problems related to CO<sub>2</sub> emissions and climate change. It is equally clear that renewable energies will have to play a much more prominent role in the EU energy mix in order to achieve the most recent agreement in the Council on long term CO<sub>2</sub> reductions to be proposed at the COP III meeting in Kyoto in December 1997.

The current overall energy mix is incompatible with the long-term requirements for sustainable development. This is by now widely recognized, not only by Members of the United Nations International Panel on Climate Change (IPCC), but also by other international organizations, such as the IEA and the World Energy Council (WEC), by national governments, international insurance companies, and perhaps most importantly, by the energy industry itself. Renewable energy technologies are not pollution free, but the use of renewables has the clear advantage that no net CO<sub>2</sub> is emitted. Furthermore most renewables imply lower emissions of SO<sub>2</sub> and NO<sub>x</sub>. This means that renewables are compatible with the overall strategy for sustainable development in the Community, in the industrialised countries but also in the developing countries.

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<sup>3</sup> 11870/94 (Presse 273 - G).

The use of renewable energy could reduce carbon dioxide emissions by 16% (from 1990 levels) by 2020. Under favourable conditions the best estimate of the reduction in external costs is ECU 20 billion by the year 2020<sup>4</sup>.

## 2.2 Security of supply

The European Community is increasingly dependent on imported energy. The great strides made by the Member States in the period 1973-1995 to reduce import dependency have been reversed by increases in demand mainly in the transport sector, reductions in energy efficiency, overall stagnant production of nuclear energy, reduced indigenous oil and gas production and by soft international oil market prices. The abundant supply of fossil fuels has led to a certain level of complacency which has in turn led to concerns regarding future long-term supply security. The recent tightening in the oil market allied to the rapidly growing energy requirements of South East Asia will increase this trend. The European Union can also provide competitive renewable energy technologies to third countries, in particular developing countries, which could have the effect of decreasing the demand of fossil fuels and substituting traditional fuels. The import dependency of the European Community currently stands at approximately 50% but could well according to most forecasts increase to as much as 70% over a period of 25 years.

In this situation the European Community cannot neglect the development of its indigenous resources. Renewable sources of energy are all indigenous and further exploitation of their potential can make a strong contribution to improving security of supply. The TERES II study<sup>5</sup> has identified the EC technical potential for renewable energies at 408 Mtoe by the year 2020. The corresponding EC best practice market penetration for renewables by 2020 is 228 Mtoe. The achievement of this potential would be a considerable contribution to security of supply.

## 2.3 Competitiveness

The TERES II forecasts show that in the EC renewable energies can contribute between 7.4 and 14% of primary energy supply by 2020 depending on which scenario is followed. The equivalent figures for all 30 European countries are 6.9 and 12.8% respectively. This represents an equipment market with a cumulative value of between ECU 78 billion and ECU 266 billion by 2020. This is a significant market potential for European constructors.

At the present point in time renewable energy technologies, in spite of rapidly dropping cost curves, are not always competitive vis-à-vis conventional sources of energy, in particular when compared to centralized applications. In the medium to long term, it can however, be expected that renewable energy sources will be competitive with conventional energy production techniques. In this light, and with the prospect of a future internalization of external cost, renewables could make a strong contribution to a

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<sup>4</sup> This is highlighted in a recent Report from Shell International, where long term scenarios show a rapid decline in the use of fossil fuels, notably oil, from 2020 and onwards and a similar steep increase in the use of alternative fuels, in particular renewables taking off just after the turn of the century. "....." Shell international, 1995.

<sup>5</sup> The European Renewable Energy Study (TERES I, 1994) (TERES II, 1996).



sustainable and competitive European energy system. Already at the present point in time, it is worth noting, however, that renewables, as indigenous resources, are hardly affected by price fluctuations on imported fuels and will thus provide a stabilising effect on energy cost. It should also be noted that some renewables are already competitive, in particular in certain regions of the Community.

World Energy Council and International Energy Agency forecasts for the global renewable energy markets by 2020 show, at an estimated ECU 1 700 billion, a level of five to ten times the European market. Europe's renewable energy industry is already leading the world in some areas, notably wind, and is a world pioneer in advanced biomass. With a strong home base and a supportive policy framework, European industry could become the leading global supplier of renewable energy technologies over the next 25 years. This represents a significant export opportunity for European industry. But, the success of the commercial activities will also depend on the ability of the European industry to satisfy, for example, the particular needs of the developing countries in terms of renewable energies.

#### 2.4 Regional development, social and economic cohesion and employment

Development of renewables can also bring positive and tangible effects on regional development and employment. Renewables are, by definition, local energies. Their use and the installation of renewable energy plants are - in many instances - independent of the existence of infrastructure. Furthermore many less-developed regions have a good renewable energy resource potential. Promotion of renewables is therefore a major element in a regional policy and can create new business and bring employment to regions which are otherwise deprived of industrial development.

With a supportive policy scenario, an additional ECU 180 billion of investment would be stimulated in the renewable energy home market by 2020. This would lead to the creation of 0.5 million jobs in the energy sector and associated supply sectors. The jobs created in the industry would be evenly divided between urban and rural areas. A great deal more jobs could be created in the renewable sector through equipment export opportunities.

### 3. THE STRUCTURE OF ALTENER II

#### 3.1 Introduction.

Altener II has to contribute the overall Community objectives in those fields where RES can play a decisive role: the limitation of CO<sub>2</sub> emissions; the increase of the share of renewable energy sources in the energy balance; the reduction of the energy import dependence; the security of energy supply; the economic development, the economic and social cohesion and the regional and local development.

The Altener II programme is also to contribute to two general objectives:

- (a) to help create the necessary conditions for the implementation of a Community action plan for renewable energy sources, and in particular the legal, socio-economic and administrative conditions; and
- (b) to encourage private and public investments in the production and use of energy from renewable sources.

In the current process of liberalization of the energy market specific measures for RES are needed at the legal, socio-economic and market level. Altener II has also to complement the Community efforts in research and technology helping to create the appropriate conditions for a greater penetration of RES.

The actions proposed in Altener II are intended to fulfil the following specific objectives:

- implement and complement Community measures to develop the potential of RES;
- harmonization of products and equipment in the RES market;
- increase confidence in RES, accelerate their market penetration and improve the sector's global maturity and competitiveness by supporting infrastructures;
- improve information dissemination and coordination between international, Community, national, regional and local experience and activities;
- increase operational capacity for the production of energy from RES;
- implement the Community RES strategy.

The actions and measures set out below have been conceived firstly on the basis of the experience gained by the Commission in carrying out the Altener programme over the past four years. Secondly, they take account of the conclusions and recommendations of the group of experts which established an interim report of the programme at the end of the third year. Thirdly, they reflect the opinions expressed by those taking part in the contracting parties' meetings held during 1996 on the main topics of the programme and the conclusions of the Altener Conference held on 25-27 November 1996 in Sitges. Fourthly, they incorporate certain elements of the European Parliament Resolution on a Community action plan for the promotion of renewable energy sources (Mombaur report) and the European Parliament Resolution on the White Paper "An Energy Policy for the European Union". Finally, they are in line with the Commission Green Paper on a Community strategy for renewable energy sources<sup>6</sup>.

#### A. EXTENSION OF ALTENER I ACTIONS

##### 3.2 Studies and other actions to develop the potential of renewable energy sources (Article 2(a))

Actions under Article 2(a) are the main instruments for building up a RES policy. This Article is partly the former Article 3(a) in Altener I. About 15% of the Altener I budget was allocated to these actions.

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<sup>6</sup> COM(96) 576 of 20 November 1996.

Under Altener II the preparation and evaluation of policy measures are to be pursued and extended to the EEA and CEEC countries and to Cyprus.

### 3.2.1 Community legislation, harmonization and standardization

Renewable energy sources are local resources. It is primarily a matter for the local, regional and national authorities to create the administrative and regulatory instruments needed to exploit them. In an internal energy market it is however essential that developments in the various regions of the Community are consistent. The Commission will closely monitor the development of renewables in the various regions and will, if necessary, propose any legislative measures that might prove necessary.

It is essential to draw up technical norms and standards in order to complete an internal market in renewable energy products and in equipment and give confidence to users. The development of performance or quality "labels" serves the same purpose. The Commission will pursue its efforts to draw up norms, standards and quality labels.

Norms and standardization work began under Altener I: CEN and CENELEC are developing norms on solar thermal, solar photovoltaic, wind turbines and bio-diesel. Developing a norm takes two to three years time. This work must continue under Altener II in the field of biomass (biogas and other biofuels equipment), small hydro and geothermal.

### 3.2.2 Strategies for promoting the uptake of renewable energy technologies

Market strategies are needed for the various energy sources or technologies in order to clarify objectives and the paths to be followed. Regular updating will be undertaken, along with greater efforts to inform businessmen, policy makers, financial institutions, etc, including specific actions to inform potential users in SMEs about renewable energies.

Strategy and sectoral studies carried out during Altener I (TERES II, wood, solar PV, solar thermal, wind, geological risks, legal environment for small hydro, ENER - IURE, etc.) will, for some of them, be completed under Altener II. As a general rule all sectoral studies must be updated and extended to the EEA and CEEC countries and Cyprus in order to develop enlarged market strategies. Sectoral studies are carried out in collaboration with the industrial sectors and business organizations.

### 3.3 Sectoral pilot actions aimed at creating or extending infrastructures and tools for the development of renewable energy sources (Article 2(b))

These actions play a key role particularly in those Member States where there are no comparable measures, thus filling a major gap. The introduction in this programme of new targeted actions for the penetration of renewables (point 3.5, Article 2(e)) does not reduce the need for sectoral pilot actions. They are different in nature and conceived to be complementary.

The sectoral pilot actions under Article 2(b) are aimed at creating or extending the infrastructure in Member States and are not directly linked to specific projects. They are intended to continue the actions under former Article 3(b) in Altener I. Pilot actions on infrastructures and tools have been the main chapters in Altener I with 66 % of the total budget. Projects have been proposed through Member States where often a preselection

has been made, thus guaranteeing a high level of project quality. And yet only 43% of the projects selected and submitted by Member States in the first four years could be supported because of a shortage of budget. The enlargement of the Community in 1995 further increased the need for additional funds.

Projects on pilot actions are frequently submitted and implemented by partners from different Member States; even in regional and local planning, some projects involve more than one Member State. Cooperation between Member States in this type of action is thus one of the main elements, together with widespread dissemination of the results.

During Altener I guidelines for four main groups of pilot actions have been established on an annual basis. The budget has been equally distributed between these four main groups (Planning, Tools, Financial and Market instruments and Information and Training). From 1993 to 1996, 279 projects have been supported. Until now only two have been cancelled. Contractors' meetings have been organized with two main purposes: evaluate the progress and share experience and know-how. The Altener Conference held on 25-27 November 1996 was structured following the same lines and the conclusions showed the importance of continuing this action.

### 3.3.1 Local and regional planning

Planning is no longer a mere inventory of resources but an instrument whereby an evaluation can be made of the possible impact of the various measures to be undertaken in all the areas concerned, including environment, employment and the local economy.

The implementation of plans is one of the weak links in the chain; the actions under Article 2(e) described in point 3.5 aim to overcome this weakness.

### 3.3.2 Tools for planning, design, monitoring and evaluation

Carrying out projects involving renewables is not made easier by the complexity and diversity of renewable energy sources and their technologies, e.g. in the areas of energy crops, forestry and waste. Effective tools for planning, design, testing, monitoring and evaluation are increasingly necessary in order to reduce the costs inherent in project implementation as well as to improve the operation of renewables energy systems. Planning methods and tools for renewable energy sources have been developed considerably. Computer software or geographic information systems are now sophisticated tools which have to be widely available. Telematic systems and services can play an important role in optimising the supply of energy extracted from renewable sources, by automatically and continuously monitoring and adjusting the production to the consumption pattern.

### 3.3.3 Financial and other instruments

New financial arrangements must be developed. The possibilities of third party financing are far from being exploited to the full. New arrangements such as green pools, grouping of users or producers, green pricing, should be developed. The widely varying characteristics of renewable energy sources with high investments in some cases (e.g. photovoltaics) and high operational cost in others (e.g. biomass), dictate a diversification of financial instruments.

A major factor facilitating the funding of investments are market instruments such as the "guaranteed results" arrangements. These can reduce or even eliminate the risks and engender confidence among potential investors.

#### 3.3.4 Information

In contrast to specific information measures, information infrastructures are the pivots of the whole process of informing the public in general, but also target groups such as businessmen, students, civil servants, etc. in particular.

#### 3.3.5 Education and training

The introduction of education in the renewable energy technologies (RET) in schools and universities is essential for the future development of renewables; this is particularly necessary in disciplines where they are still too often lacking, e.g. architecture, economics, law and administration.

Courses on renewable energy technologies as part of continuing vocational training but also, and above all, within companies would encourage the penetration of such technologies in a field dominated by conventional energy sources. The development of teaching materials is also an important element of this action.

### 3.4 Dissemination of information (Article 2(c) and (d))

#### 3.4.1 Information networks

Information is an important element in increasing awareness and promoting the use of renewables. The network concept appears to lend itself particularly to the dissemination of information. Experience gained in the course of Altener I with such networks has been very positive. The dissemination of information through appropriate networks will therefore be continued and expanded. Some of these networks may have a variable geometry and be temporary in nature; specific tasks may be allocated to them for a given period.

Under Altener I no distinction was made between dissemination actions undertaken on request of the Commission and actions asked for by third parties. In both cases financial contribution of the Community was limited to 60%. Experience under Altener I demonstrates that some information actions have to be fully funded by the Community. Only support to Member States' initiatives may be in a co-financing - financing regime. Consequently information actions have been split in two: those funded up to 100% (initiated by the Commission) funded actions and those funded up to 50% funded actions (initiated by others).

Dissemination of information through networks allowed the management of a number of events and publications under a global contract and, very important, in closed collaboration with national energy agencies and associations. Under Altener II this kind of collaboration has to be extended to, firstly, other "networks" as the Euro-Info-Centres and, secondly other areas.

In respect of "targeted tasks networks" the three biomass networks built up under Article 3(d) of Altener I and concerning energy crops, waste and liquid biofuels have been extremely efficient. Their activities shall be pursued under Altener II within the framework of Article 2(d).

#### 3.4.2 Centralized system for collecting and circulating information

Following a suggestion made by the European Parliament (Report of Mr. Mombaur, point 7), a centralized system for collecting and circulating information on renewables, including financing methods, will be established. It will be coordinated with Members States and regional efforts in this regard. Information will be made available via Internet.

### B. NEW ACTIONS TO PROMOTE THE PENETRATION OF RES

#### 3.5 Targeted actions facilitating the penetration of renewable energy sources and encouraging investments (Article 2(e))

##### 3.5.1 The concept

Many renewable energy sources are presently competitive or close in reaching this goal. In spite of this favourable development penetration of renewable energy sources in the market is remarkably slow. The reasons for this market malfunctioning are a series of obstacles. They can best be illustrated by following, step by step, a typical project implementation:

- There is a lack of awareness of the business opportunities or the economical benefit offered to them by renewable energies sources available in their immediate surroundings. Lack of information and knowledge are the main reasons. The solution to this problem is a widely increased effort on targeted information campaigns, addressing whenever possible, directly and personally the potential investors and promoters.
- Once the awareness has been created, a number of questions will need a quick answer: what can be done exactly, what is the cost and what is its benefit? A market assessment and an evaluation of the potential is needed to answer these questions. This service has to be offered quickly and at reasonable cost.
- If the evaluation is positive and indicates economically viable opportunities, a detailed study has to be undertaken. In many cases the potential promoter does not have the necessary skills and needs assistance.
- Once the project has been defined and its investment costs established, a major problem has to be faced: construction and operation permits have to be obtained from the competent authorities and, if electricity production is involved, fair grid connection conditions have to be negotiated. The availability of advice is a critical factor, otherwise many economically viable projects are abandoned at this stage.

- After project authorization and grid connection have been clarified, another major hurdle has to be taken, it is financing. Commercial banks often lack experience in financing renewable energy projects or do not trust inexperienced investors. These concerns of the banking institutions need to be overcome. Even when all these problems have been solved in an emerging sector such as renewables there are additional needs, such as training of operators.

As illustrated, there is a need for certain services to be provided to promoters of RES in order to overcome the non-technical obstacles present. This extra service has its cost. Under favourable conditions and fairly large projects, the peripheral costs can be of the order of magnitude of 10% of the investment costs. Under less favourable conditions and for smaller projects, peripheral costs can be as high - or higher than - investment costs. Technology development has drastically reduced the equipment investment costs over the recent years and, as mentioned, made renewable energy projects in many areas economically viable. A further effort needs to be made now to bring down peripheral or service costs and make project implementation a less risky task for inexperienced investors. This is the purpose of the new Altener action proposed here.

### 3.5.2 Lessons from Altener I

Under Altener I about half of the pilot projects supported under Article 3(b) of the Council Decision addressed the obstacles to market penetration:

- local and regional plans were drawn up with the purpose of creating the necessary awareness of potential investors;
- pre-feasibility infrastructures were set up and evaluation tools were created to provide quick and low cost advice to investors;
- detailed country-by-country studies were undertaken to identify bottlenecks in the authorization procedures;
- a particular attention was given to financing instruments; the concept of "guaranteed results" was introduced in order to reduce the risk of investors and of their financial institutes;
- infrastructures were set up for training of operators and maintenance staff.

The evaluation team of Altener I welcomed this type of initiative of the programme, which were particularly useful in Member states without comprehensive programmes for promoting renewables; they thus filled an important gap. The team, however, recommended a strengthening and a more strategic approach for actions under Altener II.

### 3.5.3 Proposed Altener II action

Future actions under Article 2(e) of Altener II are designed to improve the efficiency of the programme in this respect:

- all obstacles, in the whole process, from raising awareness to new capacity being installed, should be addressed;

- target groups will be set up for action in support of the different types of renewable energies. Local authorities will be an important target group in future.

No funding should be granted to investments for equipment procurement, or plant construction. Community support will be available exclusively to assist in the preparatory phases of projects aiming to increase the renewable energy capacity. The Commission will select promoters, who propose to encourage the implementation either of a certain number of smaller-scale projects, or of a few projects of a certain size. The conditions governing eligibility of projects will be determined annually for each type of targeted action. The support to be given to the preparatory phase will be determined on the basis of the electrical or thermal production capacities which are expected to be installed as a result of the action supported.

In order to ensure results, the Commission intends to link contract conditions to achievement. A first instalment of Community support will be paid after conclusion of a contract with the promoter. The second payment will be made after evidence has been provided to the Commission that financing arrangements for a project or a series of projects have been made. The third and final instalment will be paid when completed projects enter normal operation.

If a project fails to be fully implemented and is abandoned at an earlier stage, a detailed report will be requested to establish the reasons for the failure. The second and/or third instalment will not be paid. Should a promoter have an abnormally high level of failures, he might be disqualified for future participation in the programme.

Applicants will be encouraged to put forward projects which have a multi-regional or multinational dimension or benefit. Grouping together of projects will be promoted. Apart from facilitating transfer of experience and know-how, grouping of projects allows promoters to obtain better conditions from their suppliers and to make use of more efficient and new financial arrangements such as Third Party Financing.

Renewable energy installations are often not on a sufficient scale to obtain support from the major financial instruments EIB, IBRD, ERDF, EDF, World Bank, etc. or even commercial banks. It is expected that the Altener II action, assisting promoters to present financing arrangements for grouped actions or a combination of actions to be carried out in different regions or different Member States, could result in funding by public or private instruments which otherwise would not be involved.

Promoters of targeted actions for market penetration may be any public, private or mixed bodies or groups which have all the necessary qualifications to carry out the programme put forward and are capable of entering into a firm commitment in this connection.

Every project funded under the targeted actions for promoting market penetration will be followed up. An intermediate evaluation will be carried out when the investment funding package is drawn up. When a project becomes operational, a report will be established describing in detail the whole process of implementing the project. This report may be circulated widely.

In the event of total or partial failure, a report will be drawn up to establish the reasons thereof and draw the necessary conclusions.



This measure concerning targeted actions is intended to test the ways of best assisting renewable energy technologies to penetrate the market and to overcome existing obstacles.

## C. NEW ACTIONS ON THE IMPLEMENTATION OF THE COMMUNITY RES STRATEGY

### 3.6 Actions on the implementation, follow-up and monitoring of the Community RES Strategy in the EC and in Member States (Article 2(f))

#### 3.6.1 Purpose of actions

Renewable energy sources are local resources. It is primarily the matter for local, regional and national authorities to undertake, within the framework of an established Community strategy, the appropriate initiatives to promote their development. On the other hand, and according to the subsidiarity principle, it will be the task of the EC to closely monitor progress made in developing renewables in the various regions and play its role in coordinating and optimizing Member States efforts. These efforts must be converging, be fully in line with established Community policies and strategies and lead to a greater economical cohesion. The purpose of this new action under Altener II is to provide to the Community the necessary tool to undertake this important task of coordination.

Actions undertaken under the Altener programme itself will also need careful evaluation. Results must be efficiently disseminated to make full use of the Community dimension of the programme.

#### 3.6.2 Actions under Altener I

Objectives have been established at Community level for the limitation of CO<sub>2</sub> emissions and for the development of renewable energy sources. In order for these objectives to have a meaningful purpose, progress should be monitored at regular intervals. Results must be reliable and comparable between Member States. However, official statistics on renewable energy sources did not exist before the year 1994. The Statistical Office of the European Community has therefore established a system for regular collection of statistical data on the production and use of renewable energies. The first series for the years 1989-1993 were published in 1994. Since these data are not readily available in Member States but need to be compiled on special request, the Altener I programme offered financial assistance (ECU 10 000/country/year) under Article 3(a) of the Council Decision to undertake the yearly data collection. However, Member states need to be more closely involved in the analysis and interpretation of the collected data.

As far as the specific actions under the Altener programme are concerned, a data base has been established under Article 3(a) of the Council Decision. This data base has now been incorporated in the Commission data base CORDIS and can be accessed via Internet and COROM. However, the project evaluation was not considered to be fully satisfactory. A considerably increased effort will be needed to fully exploit available results.

### 3.6.3 Proposed Altener II actions

#### 3.6.3.1 Implementation of a strategy and a Community action plan for renewable energy sources, and monitoring of the progress achieved in the Community and in the Member States

Following a wide debate on the Green Paper on a Community Strategy for Renewable Sources of Energy, the Commission will adopt during 1997 a White Paper on a Community Strategy and Action Plan. Altener II will be an important tool for the implementation of the strategy and for monitoring progress made under the various actions proposed. Periodic reports will be prepared.

Part of the strategy will involve promotion of renewables under other Community programmes and a close synergy with Altener should be promoted.

It is also important to monitor Programmes carried out and policy measures taken by Member States in favour of renewable energies. Reports will be prepared, and suggestions will be made to improve, where appropriate, coordination between the various actions.

Under this action an annual progress report will also be made on the implementation of the Community RES strategy.

As long as Member States do not compile the necessary information on renewable energies at national level, the Community has to pursue its annual effort to collect available data. This effort has to be extended to the associated Central and Eastern European Countries and Cyprus.

An annual meeting of Member States experts will be held to evaluate the results and the progress made by renewables to achieve the objectives for CO<sub>2</sub> emissions and for the penetration of renewable energies.

#### 3.6.3.2 Evaluation of the actions and measures taken under the programme.

To evaluate the individual actions and measures taken directly under the programme and to disseminate the results an appropriate team of experts will be set up. Special attention will be paid to the definition of target groups; statistics will also be drawn up to monitor the involvement of different size classes of enterprises<sup>7</sup>.

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<sup>7</sup> 96 (280) EC, OJ No L 107, 30.4.1996.

## 4. FINANCIAL CONSIDERATIONS

### 4.1 Altener I

The budget for Altener I was set in 1993 at ECU 40 million. In reality it will amount by the end of the programme to some ECU 43.5 million. Allocation of funds to the various actions under the programme will approximately be as follows:

Article 3a: Studies and Standards	ECU 6.4 million	14.7 %
Article 3b: Pilot projects	ECU 28.8 million	66.3 %
Article 3c: Information dissemination	ECU 4.5 million	10.2 %
Article 3d: Biomass Networks	ECU 3.8 million	8.8 %
<b>TOTAL</b>	<b>ECU 43.5 million</b>	<b>100.0 %</b>

### 4.2 Altener II

As outlined in Chapter 3, the Altener II programme will include three main areas of actions:

- A. Extension of Altener I actions.
- B. New targeted actions to improve penetration of renewables.
- C. New actions on the implementation of a Community strategy.

If Altener II is to make a meaningful contribution to the goals set for renewables under the various Community policies not only the successful actions under Altener I have to be pursued and strengthened, but new actions, influencing directly the uptake of renewables and achieving a better coordination of the many efforts undertaken in Member States have to be introduced. This enlarged scope of the Altener II programme will require additional resources.

The following considerations are based on the assumption that Altener II will cover a five-year period, for which funding will be at first allocated for a two-year period. Financial allocations will need to be reconsidered for the remaining three years at a later stage. It should be noted that if Altener II is later incorporated into a more global framework, of energy policy instruments a suitable adjustment of the programme will be made.

#### 4.2.1 Extension of Altener I actions

The Community has grown from 12 to 15 members since the inception of the Altener programme. This growth alone would have required a modest increase in the budget to maintain the former (and ostensibly inadequate) Altener financial efforts, especially after the Community's expansion towards the north where the implantation of renewable technologies presents new challenges. A certain, though small, increase would have also been justified by inflation.

The report on the results achieved by Altener I came to the conclusion that studies preparing new Community initiatives to complete the internal market for renewables energy equipment, to establish standards and quality labels, to prepare voluntary agreements with equipment manufacturers and to develop market strategies for the various energy sources and technologies will need more attention than in the past. It is therefore proposed to increase the indicative budget for these actions under Altener II (Article 2(a)).

Sectoral pilot actions aimed at creating or extending infrastructures played a key role particularly in those Member States not having comparable measures. To fill the still existing gap actions in this field should be continued under Altener II at a more or less constant level (Article 2(b)).

Dissemination of information including the activities of the biomass networks is an essential task for the Community. It needs to be considerably strengthened. A major effort will also be necessary to set up a centralized system for collecting and circulating information on renewable energies, following a suggestion made by the European Parliament. The indicative budget for information dissemination including the biomass networks should be increased under Altener II (Article 2(c) and (d)).

The indicative budget for the extension of Altener I activities (Article 2(a), (b), (c), (d)) will amount to ECU 19.2 million (4 + 9.4 + 5.8) over the first two years.

#### 4.2.2 Targeted actions to improve the uptake of renewables

This action is proposed to provide a new tool for bringing down peripheral costs linked to project implementation. It is very different from, but complementary to technology development action supported by JOULE-THERMIE aimed at reducing equipment costs. Targeted actions are addressed to promoters of RES and are aimed to assist in overcoming non-technical barriers to implementation. Only projects involving mature technologies and likely to have wide application will be considered.

No investments in equipment or installations will be supported. The purpose of this action is to encourage investments in the sector by providing assistance in a preliminary phase where promoters have to face major non-technical problems and higher costs in preparing to enter the market of RES than they would face if they were dealing with conventional energy sources. The measurable result of this action, if successful, will be to directly stimulate, through a leverage effect, the construction of a new production capacity from RES of at least 1 000 MW. It should in this way make a meaningful contribution towards the achievement of the objective for significant increase in the penetration of renewable energy sources in the Community.

To illustrate the pump-priming effect, it has been estimated that a financial support during a preliminary phase of planning for RES implementation of only ECU 42 in order to reduce the high peripheral costs, could induce a private investment of ECU 326, resulting in 1 KW new capacity from RES. (This is the estimated to be the average unit cost per KW for new capacity in the year 2000).

The effectiveness of Altener II will, to a large extent, depend on this new action. Its budget has to be high enough to reach meaningful results but nevertheless remain limited until sufficient experience has been gained with this new scheme. The proposed budget is ECU 8.0 million over the first two years.

#### 4.2.3 New actions on the implementation of a Community strategy

Renewable energy sources are decentralized and local resources. Their development is primarily a matter for private initiatives and for local, regional and national authorities. The role of the Community, according to the subsidiarity principle, is essentially to guarantee that the developments in Member States are coherent and converging, and in line with established Community policies. A major new element in Community policy will be the adoption in 1997 of a Community Strategy and Action plan for the promotion of renewable energies. An important task of Altener II will be the implementation of this strategy and a permanent monitoring of progress made. A major new effort will be required to evaluate the impact of all measures taken at local, regional, national and Community level. To finance this monitoring actions a budget of ECU 2.8 million over the first two years appears to be appropriate.

#### 4.2.4 The proposed budget

In summary, the proposed indicative budget for the first two years of Altener II will be as follows:

A.	Extension of Altener I activities (Article 2(a), (b), (c), (d)):	ECU 19.2 million
B.	New actions promoting penetration of renewables (Article 2(e)):	ECU 8.0 million
C.	Implementation of the Community RES Strategy (Article 2(f)):	ECU 2.8 million
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		ECU 30.0 million

The proposed budget for the first two years takes into account the budgetary restrictions in the framework of the current financial provisions for 1998 and 1999. Adequate funding to ensure an appropriate level of actions will be foreseen at a later stage to enable the programme to be continued for the remaining period of three years, on the basis of experience and results from the completed Altener I programme and the first year of the Altener II programme.

In the case of the new targeted actions under Article 2(e) the first two year period is to be considered as a "start up" phase, and, if successful, these actions are likely to be expanded in the following three years of the programme.

The necessary measures will be taken to ensure an appropriate monitoring and evaluation of the programme. During the course of the second year of Altener II an evaluation report will be presented to the European Parliament and to the Council. On the basis of this report the Commission will define any new implementing guidelines necessary, and will propose a new budgetary framework for the following three years.

## 5. THE PROPOSED MEASURE AND SUBSIDIARITY

The measure proposed by this communication is presented within the framework of Article 130r and 130s of the Treaty, the objectives of which are to preserve, to protect and to improve the quality of the environment and to ensure a prudent and rational utilization of natural resources.

The proposal will contribute to the attainment of the Community's environmental and energy policy objectives, areas in which the Community has a shared competence with the Member States.

The proposed action is complementary to actions being undertaken by the Community and by Member States in favour of renewable energies. At their meeting on the 15/16 December 1994, the Council of Ministers underlined the need for both Member States and Community efforts in the area of CO<sub>2</sub> emissions reduction by stating 'the Council invites the Commission to submit to the Council as soon as possible, in due time before the first Conference of the Parties of the World Climate Conference, a set of options in terms of policies to be taken at Community level and by Member States...'<sup>8</sup>

Therefore the Council recognized that a concerted effort at both Community and Member State level would be required if the Community's CO<sub>2</sub> objective is to be attained. The transnational nature of CO<sub>2</sub> emissions as well as the possible distortion in competitiveness caused by different and unconnected national measures requires a common approach. The actions proposed by this Programme represents a real added value in that they contribute to the development of transnational-national solutions to bottlenecks in the development of renewable energy and endeavour to build upon the experience of some Member States in developing renewable energy solutions by transferring this experience to other regions.

The actions envisaged under this proposal are economically viable and justified. The added value element of the programme is enhanced in that it will improve the competitiveness of the EC industry, increase its export opportunities and create employment, as well as help improve the environment and reduce reliance on imported energy supplies.

## 6. CONCLUSIONS

The Altener I programme has been assessed as having had a positive effect on the evolution of the penetration of renewable energy in the EC. There are many important reasons for continuing and expanding this effort including environmental protection, energy policy considerations, employment, regional and local policy and social cohesion. Lessons learned from the Altener programme indicate a re-orientation of activities towards those action with a high Community dimension and actions aimed at coherence within the Community in order to accelerate the use of renewable energy.

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<sup>8</sup> 11870/94, (Presse 273 - G).

The proposal for a Altener II Programme represents a comprehensive approach by the Community to achieve the great environmental and economic potential to which an increased use of renewable energy would contribute. An important element of Altener II will be an initiative aimed at overcoming obstacles to wide-scale implementation of RES and thus mobilizing private capital for renewable energy projects. It is important to find mechanisms to ensure a place for renewables in a liberalized energy market.

The proposal incorporates those elements which have proved successful in Altener I augmented by a series of new actions aimed at strengthening the programme and creating a more effective and synergetic approach to the Community's environmental and energy problems.

The Commission invites the Council and the European Parliament to adopt the following decision concerning the Altener II programme.

**Proposal for a  
COUNCIL DECISION**  
concerning a multiannual programme for the promotion of renewable  
energy sources in the Community (Altener II)

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(Text with EEA relevance)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130s(1) thereof,

Having regard to the proposal from the Commission<sup>9</sup>,

Having regard to the opinion of the Economic and Social Committee<sup>10</sup>,

Having regard to the opinion of the Committee of the Regions<sup>11</sup>,

Acting in accordance with the procedure laid down in Article 189c of the Treaty, in cooperation with the European Parliament<sup>12</sup>,

1. Whereas Article 130r of the Treaty lays down that one of the objectives of the Community action is to ensure prudent and rational utilization of natural resources;
2. Whereas Article 129 of the Treaty lays down that health protection requirements shall form a constituent part of Community's other policies; whereas the Altener programme contributes to health protection;
3. Whereas, at its meeting on 29 October 1990, the Council announced its objective of stabilizing total CO<sub>2</sub> emissions by 2000 at the 1990 level in the Community as a whole;
4. Whereas a mechanism for monitoring CO<sub>2</sub> and other greenhouse gas emissions was established by Council Decision 93/389/EEC<sup>13</sup>;
5. Whereas CO<sub>2</sub> emissions from energy consumption in the Community are likely to increase by about 3% between 1995 and 2000, assuming normal economic growth; whereas it is, therefore, essential to adopt additional measures;

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<sup>12</sup>

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OJ No L 167, 9.7.1993, p. 31.



6. Whereas, at its meeting on 25 and 26 June 1996, the Council noted that in the framework of negotiations seeking a protocol according to the Berlin Mandate, the Second Assessment Report of the Intergovernmental Panel on Climate Change (SAR IPCC) had concluded that the balance of evidence suggests that there is a discernible human influence on global climate change and had stressed the need for urgent action at the widest possible level, noted that significant "no-regrets" opportunities were available and requested the Commission to identify which measures have to be taken at Community level;
7. Whereas with the Green Paper of 11 January 1995<sup>14</sup> and the White Paper of 13 December 1995<sup>15</sup> the Commission communicated to the European Parliament and the Council its views on the future of energy policy in the Community and on the role that renewable energy sources should play;
8. Whereas in its Resolution of 4 July 1996<sup>16</sup> the European Parliament calls on the Commission to implement a Community action plan to promote renewable energy sources;
9. Whereas with the Green Paper of 20 November 1996<sup>17</sup>, Energy for the Future: Renewable Sources of Energy, the Commission started a process for the development and further implementation of a Community Strategy and an Action Plan on Renewable Energy Sources (RES);
10. Whereas in its Resolution of 14 November 1996<sup>18</sup> on the White Paper of the Commission "An Energy Policy for the European Union" the European Parliament calls on the Commission to establish a financial programme aimed at promoting sustainable energy;
11. Whereas Article 130a of the Treaty provides that the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion and that, in particular, it shall aim at reducing disparities between the various regions and especially the backwardness of the least-favoured regions; whereas those actions cover *inter alia* the energy sector;
12. Whereas by Decision 93/500/EEC<sup>19</sup> the Council adopted a Community programme for the promotion of renewable energy sources "Altener" aimed at reducing CO<sub>2</sub> emissions by increasing the market share of renewable energy sources and its contribution to overall primary energy production in the Community; whereas that programme ends on 31 December 1997;
13. Whereas the Community has recognized that the Altener programme represents an important element of the Community strategy for reducing CO<sub>2</sub> emissions;

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<sup>14</sup> COM(94) 659 of 11 January 1995.

<sup>15</sup> COM(95) 682 of 13 December 1995.

<sup>16</sup> OJ No C 211, 22.7.1996, p. 27.

<sup>17</sup> COM(96) 576 final of 20 November 1996.

<sup>18</sup> OJ No C 362, 2.12.1996, p. 279.

<sup>19</sup> OJ No. L 235, 18.9.1993, p. 41.

14. Whereas European Parliament and Council Decision No 1110/94/EC<sup>20</sup>, as amended by Decision No 616/96/EC<sup>21</sup>, has established a fourth framework programme for research, technological development and demonstration projects; whereas policy in the field of renewable energy sources is an important instrument for the use and promotion of the new energy technologies that the framework programme will develop; whereas the Altener II programme is an instrument which complements that programme;
15. Whereas the increased use of renewable energy sources will have a positive effect both on the environment and on security of energy supplies; whereas a high degree of international cooperation is desirable to achieve the best results;
16. Whereas a strengthened Altener II programme represents an essential instrument for developing the potential of renewable energy sources;
17. Whereas in implementing the programme, there should be close cooperation with other Community actions and programmes also concerned with promoting renewable energy sources;
18. Whereas it is politically and economically desirable to open the Altener II programme to the associated Central and Eastern European countries in accordance with the conclusions of the European Council meeting in Copenhagen on 21 and 22 June 1993, and as outlined in the communication on this subject presented to the Council by the Commission in May 1994, and also to Cyprus,

HAS ADOPTED THIS DECISION:

#### Article 1

1. A five-year programme of measures and actions to promote renewable energy sources in the Community, called Altener II, hereinafter referred to as "the programme" is hereby established.

The objectives of the programme shall be to:

- (a) help create the necessary conditions for the implementation of a Community action plan for renewable energy sources, and in particular the legal, socio-economic and administrative conditions; and to
- (b) encourage private and public investments in the production and use of energy from renewable sources.

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<sup>20</sup> OJ No L 126, 18.5.1994, p. 1.

<sup>21</sup> OJ No L 86, 4.4.1996, p. 69.

The objectives contribute to achieving the overall Community objectives and concerns of limiting CO<sub>2</sub> emissions, increasing the share of renewable energy sources in the energy balance, reducing energy import dependence, ensuring the security of energy supply, and fostering economic development, economic and social cohesion and regional and local development.

2. Community financial support shall be granted under the programme for actions meeting the objectives set out in paragraph 1.
3. The annual appropriations for the implementation of the programme shall be authorized by the budget authority within the limits of the financial perspectives.

## Article 2

1. The following actions and measures relating to renewable energy sources shall be financed under the programme:
  - (a) studies and other actions, intended to implement and complement Community measures taken to develop the potential of renewable energy sources. These include the development of sectoral and market strategies, the development of norms and standards, grouped procurement and the analysis of the legal, socio-economic and administrative conditions which are more favourable to the market penetration of renewable energies and the preparation of appropriate legislation;
  - (b) pilot actions aimed at creating or extending infrastructures and instruments for the development of renewable energy sources in:
    - local and regional planning,
    - the tools for planning, design and evaluation,
    - new financial and market instruments,
    - information,
    - education and training;
  - (c) measures proposed by the Commission to encourage the exchange of experience and know-how aimed at improving coordination between international, Community, national, regional and local activities; establishment of a centralized system for collecting, prioritizing and circulating information and know-how on renewable energy sources;
  - (d) measures to encourage the exchange of experience and know-how, proposed by an entity other than the Commission;
  - (e) targeted actions facilitating the market penetration of renewable energy sources and encouraging investment, by assisting the preparation and presentation of implementation projects.

(f) actions intended to:

- monitor the implementation of the Community strategy and action plan for the development of renewable energy sources;
- support initiatives taken in implementing the Action Plan, particularly with a view to promoting better coordination and greater synergy between actions, including all Community funded activities;
- monitor the progress achieved by the Community and its Member States with regard to the development of renewable energy sources;
- evaluate the impact and cost effectiveness of measures undertaken under this programme. This evaluation shall also take into account the environmental and social aspects.

2. The aim of the targeted actions referred to in point (e) of paragraph 1 is to facilitate and accelerate investment in new operational capacity for the production of energy from renewable sources by providing financial support in order to reduce the peripheral and service costs of renewable energy projects, and thus overcome the non-technical obstacles present.

This action shall promote, *inter alia*: access to specialized advice, analysis of market prospects, choice of location of projects, application for construction and operation permits, establishment of financing plan, preparation of calls for tenders, training of operators, and plant commissioning.

The targeted actions shall concern projects carried out in the following areas:

- biomass, including energy crops, fire wood, residues from forestry and agriculture, municipal waste, liquid biofuels and biogas;
- thermal and photovoltaic solar systems;
- passive and active solar systems in buildings;
- small scale (< 10 MW) hydroelectric projects;
- wind power;
- geothermal energy.

### Article 3

1. All costs relating to the actions and measures referred to in points (a), (c) and (f) of Article 2(1) shall be borne by the Community.
2. The level of funding under this programme for the actions and measures referred to in points (b) and (d) of Article 2(1) may not exceed 50% of their total cost, the balance being made up from either public or private sources or a combination of the two.

3. The level of funding under this programme for the actions and measures referred to in Article 2(e) shall be established annually for each of the targeted actions in accordance with Article 4(2).

#### **Article 4**

1. The Commission shall be responsible for the implementation of the programme.
2. The conditions and guidelines applicable to funding for the actions and measures referred to in Article 2(1) shall be defined annually, regard being had to:
  - (a) the priorities set out by the Community and the Member States in their programmes for the promotion of renewable energy sources;
  - (b) criteria relating to the profitability and development potential of renewable energy sources and their effects on employment and the environment, in particular the reduction of CO<sub>2</sub> emissions;
  - (c) for the actions referred to in point (e) of Article 2(1), the relative cost of the assistance, the new production capacity expected to arise and the extent of transregional and/or transnational benefits;
  - (d) the principles established in Article 92 of the Treaty and the relevant Community guidelines on State aid for environmental protection.

The Committee referred to in Article 5 shall assist the Commission in defining these conditions and guidelines.

#### **Article 5**

The Commission shall be assisted by an advisory committee composed of representatives of the Member States and chaired by the representative of the Commission.

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft, within a time-limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

## Article 6

1. During the second year of the programme, the Commission shall present a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, on the measures taken to promote renewable energy sources at the level of the Community and of the Member States, with reference in particular to the objectives set out in Article 1. This report shall be accompanied by proposals for any amendments to the programme which may be necessary in the light of those results.
2. On expiry of the programme, the Commission shall assess the results obtained from the application of this Decision and the consistency of national and Community actions. It shall present a report thereon to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.

## Article 7

The programme shall be open to participation by associated Central and Eastern European Countries (CEEC) in accordance with the conditions, including financial provisions, laid down in the additional protocols to the Association Agreements, or in the Association Agreements themselves, relating to participation in Community programmes. The programme shall also be open to participation by Cyprus on the basis of additional appropriations, under the same rules as those applied to EFTA/EEA countries, in accordance with procedures to be agreed with those countries.

## Article 8

This Decision shall apply from 1 January 1998 to 31 December 2002.

## Article 9

This Decision is addressed to the Member States.

Done at Brussels,

For the Council  
The President

### III. FINANCIAL STATEMENT

#### 1. TITLE OF THE ACTION

Proposal for a Council Decision concerning a multiannual programme for the promotion of renewable energy sources in the Community (Altener II)

#### 2. BUDGET HEADING CONCERNED

B4.1030

#### 3. LEGAL BASIS

Council Decision 93/500/CEE of 13 September 1993 (OJ No L 235, 18.9.1993, p. 41).  
Altener I programme.

The attached proposal for a Council Decision.

#### 4. *Description of the Action*

##### 4.1 Aim of the action

The Commission considers that a continuation of the Altener programme is necessary. It makes an essential contribution to an increased use of environmentally friendly renewable energies and is an important part of the Community's strategy to reduce CO<sub>2</sub> emissions. This objective is in conformity with Articles 130r and 130s of the Treaty.

Renewable energy's contribution to the primary energy needs of the European Community is presently just below 6% and amounts to about 70 Mtoe. In its Communication on "Energy for the Future: Renewable Energy Sources. Green Paper for a Community Strategy", the Commission proposes a significant increase in the use of renewables for the year 2010.

The purpose of the Altener programme is to make a meaningful contribution to the achievement of this Community objective. Increased use of renewable energies will also contribute to social cohesion within the Community, promote the valorization of local energies and accelerate the penetration of new energy technologies (many of which have been developed with Community funding) into the marketplace.

In the light of the consideration mentioned above, the Commission is proposing a continuation of the Altener programme which will embody many of the recommendations made by a team of independent experts and the conclusions of the Altener Conference as well as the experience gained by the Commission in the operation of the Altener programme and other energy actions.

##### 4.2 Period covered by the action and methods planned for its renewal

The action lasts in principle five years from 1 January 1998 to 31 December 2002.

However, a more integrated approach to Community energy policy financial instruments is presently under consideration. Should a more global framework be adopted, actions presented under this Altener II proposal will be integrated in this new approach.

In the following Financial Statement, only the finance for the first two years of the five-year programme is considered, for the period 1 January 1998 to 31 December 1999, which falls within the remaining period of the present budgetary perspectives. The financing for the remaining period will be fixed once the new financial perspectives are defined.

## 5. CLASSIFICATION OF EXPENDITURE

DNO/CD

## 6. TYPE OF EXPENDITURE/INCOME

The budget proposed for Altener II is ECU 30 million for the two first years after which a further budget allocation shall be envisaged for the remaining three years.

The budget for Altener I was originally ECU 40 million but the allocation was increased by the end of the programme to some ECU 43.5 million. As shown in Table I, 76.5% of the total budget was spent in the years 1994, 1995 and 1996. Year 1993 had in practice only four months - the programme was adopted on 18 September 1993 - and in 1997 the budget available is limited to ECU 5.2 million.

Table I

Altener I - Allocation of funds

in million ECUs

	Altener programme					Total Altener	
	1993	1994	1995	1996	1997*	million ECU	%
3a Studies	0 892	0 611	1 916	1 320	0 380	5 119	11.8
Standards	-	0 405	-	0 454	0 400	1 259	2.9
3b Pilot projects	3 913	7 190	8 977	6 005	2 700	28 785	66.3
3c Information	0 194	1 004	1 003	1 245	1 000	4 446	10.2
3d Biomass network	-	0 785	1 221	1 031	0 800	3 837	8.8
Total	4 999	9 995	13 172	10 055	5 280	43 446	100.0
Budget	5 000	10 000	13 300	10 000	5 200	43 500	
Allocation EEA				0 158	0 082	0 240	
Total	5 000	10 000	13 300	10 158**	5 282**	43 740**	

\* Indicative.

\*\* Including EEA Contribution.



Altener II will be composed of six types of actions and measures concerning renewable energy sources:

**A. EXTENSION OF ALTENER I ACTIONS**

- (a) studies and other actions intended to implement and complement Community measures taken to develop the potential of renewable energy sources, such as sectoral and market strategies, the development of norms and standards, grouped procurement and legislation;
- (b) pilot actions aimed at creating or extending infrastructures and instruments for the development of renewable energy sources in:
  - local and regional planning,
  - the tools for planning, design and evaluation,
  - new financial and market instruments,
  - information,
  - education and training;
- (c) measures proposed by the Commission to encourage exchanges of experience and knowhow; establishment of a centralized system for collecting and circulating information on renewable energy sources;
- (d) measures to encourage exchange of experience and knowhow proposed by an entity other than the Commission.

**B. NEW ACTIONS TO PROMOTE PENETRATION OF RENEWABLES**

- (e) targeted actions facilitating the penetration of renewable energy sources and encouraging investment in the following areas:
  - biomass, including energy crops, fire wood, residues from forestry and agriculture, municipal waste<sup>22</sup>, liquid biofuels and biogas,
  - thermal and photovoltaic solar systems,
  - passive and active solar systems in buildings,
  - small scale hydroelectric projects,
  - wind power,
  - geothermal energy.

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<sup>22</sup>

Communication from the Commission on the review of the Community Strategy for Waste Management. COM(96) 399 final of 30 July 1996.

## C. NEW ACTIONS IMPLEMENTING THE COMMUNITY RES STRATEGY

### (f) Actions intended to:

- monitor the implementation of the Community strategy and action plan for the development of renewable energy sources;
- support initiatives taken to implement the Action Plan particularly with a view to promoting greater synergy between actions;
- monitor the progress achieved by the Community and its Member States with regard to the development of renewable energy sources;
- evaluate measures taken under this programme.

Financial support will be:

- up to 100% for the expenses relating to the actions described in paragraphs (a), (c) and (f);
- between 30% to 50% of the total cost for actions described in paragraphs (b) and (d), the remainder being borne by the Member States or by private companies.

The level of financial support for different actions under Article 2e will be defined annually.

The actions selected will enter under an indicative programme with annual fixing of priorities and guidelines.

Annual guidelines will be submitted for opinion to an advisory committee made up of representatives of the Member States.

Any financing will be the subject of a contract between the Commission and the person responsible or the coordinator of the financed action.

## 7. FINANCIAL CONSEQUENCE

The annual appropriations for the implementation of the programme shall be established by the budget authority within the limits of the financial perspectives. The amount will be fixed annually by the budgetary Authority.

The proposed indicative budget is ECU 30 million for the first two years. The financing of the remaining period will be fixed once the new financial perspectives are defined.

### 7.1 Method of calculating total cost of operation (definition of unit cost)

The following detailed breakdown and explanation by action indicate how the total cost of the operation has been calculated.

#### **Actions under Article 2(a) Implementing and complementing Community measures taken to develop the potential of RES**

Sectoral studies: the past average cost has been taken as basis considering, however, that all the studies have now to include all 15 Member States. In 1998/99 the market strategies will include "biogas" and "hydro".

Background for harmonization: same approach as for sectoral studies - in 1998/99 harmonization of authorizations procedures and conditions for the connexion to the grid.

Standards: the past average cost ~ ECU 500 000/mandate - in 1998/99 continuing PV and wind, biodiesel, biogas.

Breakdown	1998	1999	2000	2001	2002
<b>Article 2(a) Implementing and complementing Community measures taken to develop the potential of RES</b>					
* Studies on sectoral and market strategies	500 000	500 000	p.m.	p.m.	p.m.
* Background for harmonization	1 000 000	500 000	p.m.	p.m.	p.m.
* Development of norms and standards	500 000	1 000 000	p.m.	p.m.	p.m.
<b>Subtotal Article 2(a)</b>	<b>2 000 000</b>	<b>2 000 000</b>	<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>

### **Actions under Article 2(b) infrastructures and instruments for the development of RES**

Infrastructures and planning: 1998/99 at least one project for ten countries and two for five countries in the three types of infrastructures. Past average cost around ECU 100 000.

In planning the ceiling is ECU 150 000.

Breakdown	1998	1999	2000	2001	2002
<b>Article 2(b) Actions on infrastructures and instruments for the development of RES</b>					
* Local and regional planning	1 500 000	1 600 000	p.m.	p.m.	p.m.
* Projects developing tools for planning, design, assessment and evaluation	1 000 000	1 100 000	p.m.	p.m.	p.m.
* Projects on new financial and market instruments	1 000 000	1 100 000	p.m.	p.m.	p.m.
* Development of infrastructures on information, and education and training programmes	1 000 000	1 100 000	p.m.	p.m.	p.m.
<b>Subtotal Article 2(b)</b>	<b>4 500 000</b>	<b>4 900 000</b>	<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>

### **Actions under Article 2(c) - Dissemination of information**

Community events and publications: Four contractors meeting on infrastructures and two on sectoral items per year at the past average cost of ECU 65 000. Promotional expenses (fact-sheets, brochures, etc.) average cost of around ECU 100 000 per year.

Temporary networks for specific tasks: In Altener I the three biomass networks were financed at 30% and the cost was ECU 1.2 million in 1995 and ECU 1 million in 1996. In 1998 to 1999, only the running of two networks per year has been scheduled at an average cost of ECU 250 000 per year.

Centralized system for collecting and circulating information (creation of WEB-site):  
 Being a new action, estimated costs have been calculated from the experience of the EnR network on collecting and processing information from Member States for Altener and its cost (ECU 200 000 per year), and extrapolating taken into account the increase of countries, tasks and items to be included.

Breakdown	1998	1999	2000	2001	2002
<b>Article 2(c) Dissemination of information</b>					
* Community events and publications	500 000	500 000	p.m.	p.m.	p.m.
* Temporary networks for specific tasks on biomass, waste, liquid, biofuels, solar thermal, solar PV, buildings, etc.	500 000	500 000	p.m.	p.m.	p.m.
* Centralized system for collecting and circulating information	500 000	500 000	p.m.	p.m.	p.m.
Subtotal Article 2(c)	1 500 000	1 500.000	p.m.	p.m.	p.m.

#### **Actions under Article 2(d) - Co-financed dissemination of information**

Support to national, regional and local information actions in collaboration with Member States, etc.: Support to at least two country events per year at ECU 30 000 (50% funding) with special relevance in 1998 when launching the programme.

Support to existing networks, associations and other actions: Almost each industrial sectoral association or federation held one event per year and, for some of them, a world event every two years. Financial support could be from ECU 30 000 to ECU 100 000. Support to newsletters or information actions also could be given.

Breakdown	1998	1999	2000	2001	2002
<b>Article 2(d) - Co-financed dissemination of information</b>					
* Support to national, regional and local information actions in collaboration with Member States local authorities, including EEA, CEEC, Cyprus,	1 000 000	900 000	p.m.	p.m.	p.m.
* Support to existing networks, associations, and other actors	500 000	400 000	p.m.	p.m.	p.m.
Subtotal Article 2(d)	1 500 000	1 300 000	p.m.	p.m.	p.m.

**Actions under Article 2(e) - Targeted actions promoting the penetration of RES and encouraging investment through a leverage effect**

The financing will be for peripheral activities assisting the penetration of renewables and facilitating investments. The amounts proposed for this action have been based on discussions with industry taking into account projections of development of the different sectors and the estimations of the varying peripheral costs from industry. The type of contribution from this Programme to these peripheral costs will be defined by the Commission during the call for tenders.

Breakdown	1998	1999	2000	2001	2002
<b>Article 2(e) Targeted actions promoting the penetration of RES facilitating and speeding up investment</b>					
* Launching annual calls for tender/proposals and modifications or reorientations	100 000	100 000	p.m.	p.m.	p.m.
* Targeted actions:			p.m.	p.m.	p.m.
- Area 1: biomass, biogas, biofuels	1 000 000	1 000 000			
- Area 2: solar thermal and PV	750 000	1 000 000			
- Area 3: solar in buildings	500 000	1 000 000			
- Area 4: small hydro	500 000	500 000			
- Area 5: wind	500 000	500 000			
- Area 6: geothermal	250 000	300 000			
Subtotal Article 2(e)	3 600 000	4 400 000	p.m.	p.m.	p.m.

**Actions under Article 2(f) Implementation of the Community RES strategy and action plan**

Monitoring of Member States and Community strategy measures: survey on action plan progress: Monitoring mechanisms have to be built up on a progressive basis based on national institutions (Energy agencies) for which the cost could be estimated at ECU 200 000-300 000 per year. Surveys are calculated on a ECU 10 000 per country and year basis.

Support of initiatives under the Action Plan: The costs are calculated on average ECU 15 000 per country per year, with a coordinating organizational cost of ECU 25 000 per year.

Monitoring progress in the Community and in Member States with regard to the development of RES: Surveys for statistical purposes have been calculated by the Statistical Office on a ECU 20 000 per country and year basis.

Ongoing evaluation and follow-up of the programme: The costs are calculated on average ECU 15 000 per country per year, with a coordinating organizational cost of ECU 25 000 per year.

Breakdown	1998	1999	2000	2001	2002
<b>Article 2(f) Implementing Community strategy and action plan for the development of RES</b>					
* Monitoring of Member States and Community strategy measures; survey on action plan progress	500 000	500 000	p.m.	p.m.	p.m.
* Support of initiatives taken to implement the Action Plan particularly with a view to promoting greater synergy between actions.	250 000	450 000	p.m.	p.m.	p.m.
* Monitoring progress on RES in the Community, in Member States and associated countries; statistics	300 000	300 000	p.m.	p.m.	p.m.
* Ongoing evaluation and follow-up of the programme	250 000	250 000	p.m.	p.m.	p.m.

## 7.2. Breakdown by elements of the action

Table II Indicative amounts in ECU

Breakdown	1998		1999	
Article2(a) Implementing and complementing Community measures taken to develop the potential of RES		2 000 000		2 000 000
Article2(b) Actions on infrastructures and instruments for the development of RES		4 500 000		4 900 000
Article2(c) Dissemination of information		1 500 000		1 500 000
Article2(d) Co-financed dissemination of information		1 500 000		1 300 000
Article2(e) Targeted actions for the penetration of RES aimed at speeding up investment through leverage effect		3 600 000		4 400 000
Article2(f) - Monitoring of Member States and Community strategy and action plan for the development of RES and Survey of progress	500 000		500 000	
-Support of initiatives taken to implement the Action Plan	250 000		450 000	
- Monitoring progress in the Community and in Member States with regard to the development of RES	300 000		300 000	
- Ongoing evaluation and follow-up of the programme	250 000		250 000	
<b>Subtotal Article 2(f)</b>		1 300 000		1 500 000
<b>Total</b>		14 400 000		15 600 000

## 7.3. Operating expenses for studies, experts, meetings, etc. included in part B

Table III

Ventilation	in million ECU	
	Budget	
- Studies (specified actions under Article 2(a))	*)	./.
- Expert meeting and evaluators (for actions under Article 2(a), (b), (e) and (f))	1.4	
- Conferences and congresses (specified actions under Article 2(c) and (d))	*)	./.
- Information and publication (specified action under Article 2(c) and (d))	*)	./.
<b>TOTAL</b>		1.4

\*) Included in the budget of the programme.

## **8. ANTI-FRAUD MEASURES FORESEEN (AND THE RESULT OF THEIR OPERATION)**

The contracts undertaken are paid on the basis of real expenditure (except for study expenses which are flat-rate and paid on the basis of the accepted results). The larger share of the costs associated with the Altener projects are not associated with investments, therefore in most cases are paid on the basis of the accepted results.

## **9. ELEMENTS OF A COST-BENEFIT ANALYSIS**

### **9.1 Specific objectives of the action to be taken under Altener II and target population**

The Community shall implement a five-year programme of measures and actions to promote renewable energy sources in the Community. The objectives of this programme shall be to:



Specific Objectives	Means	Target Population
Implement and complement Community measures to develop the potential of RES	Sectoral market strategies	Decision makers, industry, promoters
Harmonization in the RES market	Development of norms and standards and harmonization of legal, socio-economic and administrative conditions	Industry, producers, users
Increasing confidence and RES market penetration and improving the sectors global maturity and competitiveness by supporting infrastructures	National, regional and local planning	National, regional and local authorities, decision makers
	Development of planning, design, assessment and evaluation tools and methodologies	Decision makers, promoters, industry, producers
	Development of new financial and market instruments (TPF-guarantee of results)	Financial institutions, promoters, investors, producers, users
	Information infrastructures	Decision makers, users
	Education and training infrastructures.	University and technical students, retraining courses for workers, technicians, architects, engineers, schools, users
	Community, national and regional events and publications	Decision makers, industry, promoters, developers, producers, users
	Temporary and specific networks for exchanging know-how	Promoters, developers
	Centralized system for collecting and circulating information	International, national, regional and local authorities, policy and decision makers, industry, promoters, developers, producers, users
	Support to existing networks	Industry, producers and users associations
	Financial support for the assistance to projects in order to reduce peripheral and service costs	Public and private promoters, investors, producers and users
Accelerate investment by increasing operational capacity for the production of energy from RES		
Implement Community RES strategy	Assesment of Member States and Community strategy measures and surveys on action plan progress - Implementation of the Action Plan, particularly with a view to promoting synergy with other Community and Member States actions. - Monitoring of progress in the Community and Member States	Community institutions, Member States authorities, policy and decision makers, industry, promoters, producers and users

## 9.2 Justification of the action

### Costs

If we were to achieve a significant improvement in the share of RES in the gross internal energy consumption, the supplementary investments necessary as estimated in the TERES II report could be ECU 80 billion up to 2020. Financing of such a volume from the budgets of the European Union and from the Member States is excluded. The only possibility is independent financing by all the economic operators acting in a Community framework. The Commission intervenes by creating harmonized marked conditions and supporting actions where the additional, multiplier effect is demonstrated objectively.

The expected results are:

- Improvement in the quality of RES in the market;
- Increase in confidence of promoters and investors in RES;
- Increase in confidence in RES for users and consumers;
- Appropriate solutions related to specific conditions and adequate infrastructures;
- Adequate access to RES in the market;
- Implementation on large-scale RES projects;
- Effective monitoring of RES strategies in place;
- Better complementarity between actions.

## 9.3 Monitoring and evaluation of the action

For the evaluation and the establishment of the criteria of selection of the projects, the Commission will be assisted by an Advisory Committee composed of representatives of the Member States and national experts. For the actions under Article 2(e) a technical group arising from the Advisory Committee will meet annually.

Selected performance indicators:

Global indicators:

- the reduction of CO<sub>2</sub> emissions;
- the increase of the share of renewable energies in the gross internal consumption of the Community;
- the increase of the energy production capacity from renewable energies;
- the progress on the implementation of the Community RES strategy and action plan in the EC and in Member States.

Specific indicators:

- the number of norms and standards developed (Article 2a);
- the number and extent of financial and market instruments that increase confidence (Article 2(a) and (b));
- the number and extent of dissemination products and activities that increase confidence (Article 2(c) and (d));
- the number and type of infrastructures operating (Article 2(b)) (by survey);
- the number and extent of local, regional and national plans (Article 2(b)).

- the extent and target groups attained by the promotion campaigns or information activities (Article 2(c) and (d)) (by survey);
- the new capacities installed (Article 2(e)) (see Table IV);
- the rate of success in targeted projects (Article 2(e));
- the rate of SMEs involved in the projects (Article 2(e));
- the measures implemented in Member States (Article 2(f));

A monitoring system will be designed which will indicate how data on the listed indicators will be gathered and how the results will be reported.

Table IV

Type of RES	Total estimated cost per unit new capacity	Estimated new Capacity	Total Investment Needed	Estimated Peripheral Cost
	ECU/KW	MW	million ECU	million ECU
Biomass	500	360	180	18
Solar PV	6 000	5	30	6
Solar Thermo-eleect	1 600	3.1	5	1
Solar thermal	200	350	70	7
Solar buildings	100	400	40	8
SHP	1 200	13.3	16	4
Wind	800	33.3	25	4
Geothermal	1 000	20	20	2
Total		1 184.7	386	50

Methods and periodicity of the evaluation envisaged.

The Commission continuously assesses the development of renewable energy in the Member States and submits a report periodically to Council and Parliament.

In addition, the Commission will make continuous reports to the Altener Advisory Committee which is made up of representatives of the Member States and which meets four times a year.

The Commission engaged a team of independent consultants to carry out an evaluation of the Altener I programme. The new Altener II programme comprises a large number of the recommendations proposed by this group of experts. The Commission also established a report on the results achieved at the end of the third year of the Altener programme. This report will be forwarded to the Council and to the European Parliament, in accordance with Article 8 of the Council Decision of 13 September 1993 (93/500/EEC).

During the second year of Altener II, an evaluation on the programme will be initiated so that an interim report on the results achieved can be presented before a new budgetary framework is proposed.

## 10. ADMINISTRATIVE INCIDENCE

The effective mobilization of the necessary administrative resources will result from the annual Commission Decision pertaining to the allocation of resources, taking account of, in particular, manpower and the additional amounts which will have been granted by the Budgetary Authority.

### 10.1 Impact on staff requirement

Table V

Types of post		Manpower to be assigned to the management of the action		of which		duration
		Permanent posts	Temporary posts	by the use of the existing resources within the DG	by recourse to additional resources or within the DG	
Officials or temporary staff	A	8		4	4	
	B	2		0	2	
	C	4		1	3	
Other resources			5 experts extra muros			5 years

#### **IV. IMPACT REPORT ON THE SMEs AND EMPLOYMENT**

1. Administrative obligations arising from the application of legislation to companies

There will be an application procedure to obtain financial support.

2. Advantages for companies

Yes.

- The renewable energy sources developed by the companies, bodies and the agencies of the Member States, are indigenous resources and are not affected by price fluctuations on imported fuels; they provide a stabilising effect on energy cost. In many cases this leads to a reduction in production costs and a consequent increase in industrial competitiveness. Where the use of renewables requires limited financial resources SMEs could benefit additionally.
- The proposed measures provide additional support to the initiatives which have been developed by the research, development and demonstration programmes of the European Community and by the national programmes of the Member States.
- Strong international cooperation with third countries is stimulated. The programme will be open to EEA and the Associated CEECs, Cyprus and Malta.
- Most of Altener contractors are SMEs and will benefit from the programme.

3. Effects on employment

Positive, owing to the fact that an increased production of indigenous energy by renewables will correspondingly decrease imports of fossil fuels from third countries and consequently create new jobs in the Community. Renewable energy sources favour mainly small and medium-sized industry and skilled workers as in the same time create and/or secure jobs.

Investments in renewables can produce targeted benefits of income and employment to rural areas.

4. Was there a preliminary cooperation with the social partners?

No.

5. Is there a less restrictive alternative approach?

No.

The only alternative would be to have no programme or only a recommendation without financial support, which at a period when the level of energy prices does not constitute an incentive for the development of renewables, would not lead to actions which would benefit SMEs and reduce CO<sub>2</sub> emissions. No Community initiative would only handicap the SMEs and result in a lack of action.

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