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Proposal for a

COUNCIL DECISION

adopting a multiannual framework programme for actions in the energy sector

(1998-2002) and

CONNECTED MEASURES

(presented by the Commission)

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PROPOSAL FOR A COUNCIL DECISION

adopting
a multiannual framework programme for actions in the energy sector
(1998 - 2002)
and connected measures

EXPLANATORY MEMORANDUM

INTRODUCTION

Calls for the establishment of a framework programme for actions undertaken as part of energy policy have been heard in the institutions on numerous occasions during discussions on this sector, culminating in a formal request by the Council.¹ On the occasion of their examination of the Commission communication on "An overall view of energy policy and actions",² the European Parliament³ and the Economic and Social Committee⁴ expressed the same sentiment.

Developments related to energy - a vital sector for the economy of the Union and the well-being of the European citizen - require a response with a suitable energy strategy: The decision taken at the Denver Summit to convene a **G8 meeting** in Moscow in the spring of 1998 which is **entirely devoted to energy** confirms, if there were any doubt, the importance that has to be attached to this sector and all the questions relating thereto.

The communication of 23 April 1997 on "An overall view of energy policy and actions", drawn up at the express request of the Council, clearly outlined the following situation:

- I. The Union is, and will increasingly be, confronted with **major challenges** in terms of energy strategy:
 - a) By 2020, the degree of external **dependency for energy supplies**, currently standing at 50%, could reach, if current trends continue and no measures are taken, 80% for coal, 70% for natural gas and 90% for oil, the latter two

¹ Council Resolution of 8 July 1996 on the White Paper "*An energy policy for the European Union*" (OJ No C 224, 1.8.1996) and Council Regulation (EC) No 701/97 adopting the SYNERGY programme (OJ No L 104, 22.4.1997).

² COM(97)167 final of 23.4.1997.

³ EP reference ...

⁴ EC reference ...

remaining the two main sources of energy used in Europe for the foreseeable future; moreover, this dependency has to be seen in a geopolitical context whose development is very difficult to predict and it should be noted in this connection that the analysis and planning group of the Council (COPLA) has been instructed by the Political Committee of the CFSP to devote its work in the second half of 1997 to the importance of the new geopolitical energy situation for the European Union. A security of supply strategy based on diversification of sources, the promotion of renewable energy sources indigenous to the Union, combined with rational use of energy is required, supported by greater international co-operation and the development of trans-European energy network infrastructures connecting the Union to external supplies.

- b) The need for vigorous action to improve the **competitiveness** of Union businesses, which are too often handicapped by energy costs higher than those borne by their non-European counterparts, particularly American companies (for instance, it is estimated that in the chemical sector European companies pay up to 45% more than their US counterparts).
- c) The need to ensure that the development of the energy market is compatible with environmental objectives, given the concerns expressed by European citizens and the international commitments of the Community. The alarming level of pollution at the very heart of European cities and the impact of climate change on the environment and public health give a sharp reminder to governments and citizens about the urgent and far-reaching measures to be taken in the field of energy choices. The current discussions in the context of the Climate Change Convention and the measures which will have to be taken after the Kyoto Conference put a particular stress on this necessity. These decisions imply a profound change in consumer culture to be brought about through a voluntarist policy on supply and demand.

II. The Community is pursuing **numerous actions** in the energy field, **but these are scattered**:

- a) either **between different energy policy programmes** set up at different times and in different circumstances;⁵
- b) or **over various Community policies**, such as environment, taxation, external relations,⁶ internal market, structural policies, research or even agricultural policy.

This situation has arisen from the gradual development of the approach to energy questions within the Community and the desire to deal with all aspects of this complex question. The instruments established to this end have demonstrated their ability to

⁵ SAVE, , ALTENER, SYNERGY,

⁶ Including the energy parts of the PHARE and TACIS programmes.

respond and overall their operations may be considered satisfactory. Such a scattering of actions does however have the following consequences:

- some lack of transparency for the parties involved;
- the risk of duplication;
- a danger of inconsistency between the various actions;
- management difficulties;
- use of resources which is not always optimum;
- missed opportunities for synergistic effects and for maximising complementarity of actions.

In order to respond effectively to the challenges and difficulties that have to be faced, Community energy policy should be both more **focused** and more integrated. The establishment of the internal market in gas and electricity in accordance with the principle of competing, open markets is a key element in this respect.

At the level of the actions undertaken by the Community, the **concentration of operations** is the primary condition for an effective policy. In the case of energy, it means that efforts must be focused on the following three **priority objectives**:

- **security of supply**;
- **competitiveness**;
- **environmental protection**.

Every energy related action, whether taken under the energy policy as such or under another Community policy, will have to contribute to these objectives.

However, if each of these objectives is pursued in a purely "operational" way, the limits would soon be reached and the objectives could even prove incompatible with each other. The complexity of the situation in which energy policy operates makes it necessary, perhaps more than in other fields, to strive for a satisfactory balance between the various political, economic and social factors in play. Only a **genuinely integrated approach** can take adequate account of all aspects of the problems to be solved, as has been shown for instance by the strategy adopted for the implementation of the "auto oil" programme.

It is also particularly significant that **Agenda 2000** mentions that "*The external dimension of Community policies- on the environment or energy, for instance - will more than before become an integral component of its external policy*".

Energy policy needs to be given higher priority. In order to maximise the benefit from the support given by the Union, actions relating to energy policy will have to be implemented in accordance with the following guidelines;

- every Community action must contribute directly to the achievement of one or more of the abovementioned priority objectives;
- significant improvement in co-ordination between all actions with an energy component;
- greater co-operation between the various interested parties within the Community institutions and in the Member States, in full accordance with the principle of subsidiarity;
- ability to respond quickly to developments;
- clarification and simplification of procedures;
- strengthening of actions on the basis of priorities and needs.

Finally, it is essential that this principle of coherence and co-ordination be applied at all levels:

- in Community energy policy itself: the “energy” framework programme has been established with this in view (cf. Chapter 1);
- between the energy components found in a number of other Community policies which will be ensured by the establishment of an appropriate structure within the Commission (cf. Chapter 2); and the reinforcement of existing co-ordination.
- with the Member States and the interested parties.⁷

Care will also be taken to ensure that the external image of the framework programme is a coherent and integrated one. To this end, the Commission will identify key messages and target groups for all the information and communication actions organised under the programme. Actions aimed at the general public will also be organised, exploiting the information networks available in the Member States.

⁷ Co-operation with the Member States and interested parties is set to develop in the appropriate bodies provided for firstly by Commission Decision 96/642 of 8 November 1996 setting up an Energy Consultative Committee and secondly by the proposal for a Council Decision COM(97)436 concerning the organisation of co-operation around agreed Community energy objectives.

1. IMPROVING THE COHERENCE AND EFFECTIVENESS OF ENERGY POLICY

1.1 General logic

The main aim of an Energy framework programme is to **ensure the coherence and effectiveness** of actions undertaken under energy policy; it will, then, be the effective instrument for rationalising the programmes stemming directly from that policy and obtaining the maximum benefit. As mentioned above, these programmes were drawn up and implemented at different times and in different circumstances: they now have to be incorporated into a more **integrated, transparent and effective approach**, established for a period of five years.

The logic of this approach will be based on the links between **horizontal actions and thematic actions or programmes**. These two categories of actions, described in greater detail in Section 1.3 below, will be complementary and organised so as to focus on the priority objectives which will remain the constant point of reference for any operation carried out.

In terms of resources (cf. Section 1.5), the amounts allocated are determined by present financial perspectives. Beyond that period, reassessments and/or increases will have to be made on the basis of political requirements and priorities.

1.1.1 Horizontal actions

By their nature, these actions go beyond any specific programme, making a global contribution to the priority objectives. While they have their own purpose, they will also ensure that actions taken under the thematic programmes in the framework programme are co-ordinated and will contribute towards coherence with other Community policies. They cover:

- Prospective analyses and market monitoring
- International energy co-operation

1.1.2 Thematic programmes

These programmes correspond to specific priority themes under the Union's energy policy and are justified because they contribute to priority energy policy objectives, with a particular emphasis on the promotion of environmentally friendly technologies and sustainable development:

- 1) Promotion of renewable energy sources and implementation of a Community strategy and action plan until 2010
- 2) Promotion of energy efficiency and energy saving
- 3) Promotion of clean and efficient solid fuels technologies

- 4) Nuclear sector co-operation on safety, industrial co-operation with NIS, transport of radioactive materials, including measures to combat illegal trafficking

1.1.3 Co-ordination of energy components under other Community programmes and policies

This particularly concerns two types of action which are very important for the energy sector, in terms of both content and the scale of the resources employed, but which fall within a specific procedural framework and are not therefore included as such in this framework programme :

- Support for research and technological development (RTD)
- Trans-European energy networks

Attention will also be paid to improved co-ordination between all other policies or programmes whose area of activity include energy components, such as external relations (PHARE, TACIS, MEDA), structural funds or investment support.

1.2 Structure of the framework programme

1.2.1 Legislative basis

The implementation of the framework programme will be based on

- a **basic decision** setting out the **general framework**, its **duration**, its **main financial elements** and the **implementing bodies**; the annex to this decision sets out on an indicative basis the spreading of resources between the different specific actions
- where necessary, **specific measures** designed to specify the objectives, contents and details of each of the actions in question and which, where appropriate, will **replace the corresponding acts** currently in force or in the course of being adopted (cf. Annexes II to VII).

The decision relating to the framework-programme itself will be based on Article 235 EC. Those specific actions whose particular focus is the promotion of environmental friendly technologies will be based on Article 130s, § 1, and the other ones will be based on Article 235. In order to maximise transparency and to ensure the degree of coherence necessary for the definition and implementation of the approach, it is important that these texts should be considered as a **package**.

1.2.2 Bodies

The guiding principle in the search for greater coherence is that particular care should be paid to the **effectiveness of the decision-making process**,

which itself is based on improved co-ordination, flexibility and availability of information.

The approach will be based on the setting-up of a **single committee, consultative in nature**, for the Energy framework programme (horizontal actions and thematic programmes). **This single committee** will cooperate with all the bodies involved, including the various committees mentioned below. It will actively contribute towards the co-ordination between energy measures undertaken under the various Community policies, and will examine the report drawn up periodically by the Commission on the co-ordination between actions.

However, given the wide range of questions to be dealt with, and their technical complexity, **the working methods and organisation must be as flexible as possible** to ensure access to all the specialist skills required. It will be for the single committee to organise its working procedures accordingly.

The establishment of this committee does not affect some of the bodies set up for a very specific purpose which will continue their work. This applies to, among others:

- the Consultative Committee on Energy;⁸
- the Committee for co-operation around agreed Community objectives;⁹
- the Guidelines Committee (trans-European energy networks);
- RTD management bodies set up in accordance with the procedures of the 4th and 5th RTD framework programmes.

1.2.3 Management and control

By among other things avoiding duplication of effort, integration of the approach, instruments and bodies will ensure:

- **optimum management** of resources, also guaranteed by recourse to cost/benefit analyses;
- **complete transparency** for all the parties involved (institutions, Member States, companies).

Systematic evaluation of the actions will be carried out at regular intervals. Every year, the Commission will review the implementation of the framework

⁸ Commission Decision 96/ 642 of 8 November 1996 setting up an Energy Consultative Committee, OJ No L 292, 15.11.1996.

⁹ Proposal for a Council Decision COM(97)436 concerning the organisation of co-operation around agreed Community energy objectives.

programme and its specific parts, and make the appropriate changes in the implementation. In the third year of the framework programme and, in any event, before presenting its proposals modifying this framework programme or proposing subsequent programmes, the Commission will ask independent experts to carry out an overall external evaluation of the Community actions carried out under the Energy framework programme.

1.3 Actions and programmes

The implementation of the framework programme will **rationalise** to a significant extent all the actions and programmes referred to in points 1.1.1 and 1.1.2 above and provide a further benefit in the shape of greater synergy and complementarity between these actions and programmes. The objective of this section is to describe these actions and/or programmes and identify **developments** or **improvements** which might be decided upon as policy requirements and priorities evolve. In accordance with the Commission's recommendations on reinforcing the pre-accession strategy as mentioned in Agenda 2000, candidate countries will be given the opportunity to participate in all the actions and programmes undertaken under this framework programme.

Horizontal actions

1.3.1 Prospective analyses and market monitoring (cf. Annex II)

More than any other, energy policy cannot be conceived without taking account of the medium and long-term prospects. This need, underlined by the Commission in its Energy White Paper,¹⁰ was endorsed by the Council and the European Parliament in their examination of this document.

The studies, analyses, forecasts and connected work (dissemination and discussion of results) already form part of the Commission's activities concerned with the formulation of energy policy. To do this, the Commission relies on the expertise that it has promoted at the most distinguished European centres in this field. This makes it possible to avoid duplication of effort and exploit at the lowest cost the results of the work and the knowledge gained, funded by the various departments of the Commission and/or the Member States.

However, **progress has to be made in the area of shared analyses**: analysis in the energy field is currently in a transitional phase which makes it more difficult to carry out. The situation is changing in economic terms, given **the gradual opening up** of energy markets, the increasing importance of environmental constraints, and technological prospects calling for the development and application of new concepts and different methods taking into account work undertaken under the RTD Programme. As regards the framework programme, the new analysis must therefore go further,

¹⁰ "An energy policy for the EU" COM(95)682 final, 13.12.1995.

strengthening co-operation between the Commission and the Member States on the forecasts and involving firms, academic circles and other sources of knowledge or experience in the work. The fundamental aim of this programme and of the actions proposed in response to this requirement is to ensure that decisions at national and Community level on energy matters can be taken on common analytical bases. The objective is clearly not to achieve standardisation but to align points of view so that those taking decisions have **identical reference bases** in terms of:

- economic studies and analyses;
- energy forecasts;
- the dynamics of energy systems.

In this context, particular attention should be paid to the effects of the implementation of the Single Currency, considering the positive impact on competitiveness which can be expected from "EURO-pricing" of oil.

This action, aimed at greater co-ordination of the factors to be taken into account, will be based on the development of an effective partnership between the Commission, the Member States and the other parties involved in the energy field and will find expression in a work programme covering the energy sector in the widest sense. The introduction of coherent analysis procedures will make it easier to **identify the main questions arising in connection with the priority objectives** of security of supply, competitiveness and environmental protection.

In this connection, the main areas for actions covered by this programme are:

- (a) identification, at European level, of the major problems concerning future energy demand and production as well as energy policy, with special emphasis on:
 - strategies for responding to the challenge of **climate change** in energy terms and more general questions relating to the environment (including an evaluation of the cost of possible responses);
 - the dynamics of **the opening up of energy markets** and corresponding structures, particularly in terms of consequences for the future and behaviour of firms;
 - world energy market trends and their influence on the external dependency of the European Union (in particular the anticipated significant increase in energy demand in Asia and Latin America);
- (b) improved analytical capability so as to be able to identify energy trends and possible scenarios on a comparable basis in all Member States, having regard in particular to the evolution of market structures and the challenge posed by climate change.

The need for action in this area is clearly in line with the priority objectives on energy matters, particularly as regards the **environmental aspects** (underlined again by the Council at its meeting on 27 May 1997) and the completion of the **internal energy market**, a key element for the competitiveness of European firms.

The action will reinforce the achievement of the energy policy objectives as outlined in the White Paper and will build on the efforts already underway. The annual appropriations necessary to implement these actions are indicated in the financial statement in Annexe II.

1.3.2 International energy co-operation (cf. Annex III)

The international dimension is assuming increasing importance in energy questions affecting the Union.

The increasing **dependency** of the Union on its external suppliers above all raises the question of security of supply. The situation is moreover complicated by **the emergence of energy-hungry markets** in the developing countries, whereas the European market is expanding only slowly. The **competitiveness** of European businesses in the face of these new markets is also of paramount importance. The fact that the **major environmental problems** connected with energy consumption now affect the whole planet requires global co-operation which takes account of the circumstances of all the parties involved, including the role of energy as a key element of sustainable economic development. Finally, steps should be taken now to prepare for the changes that **enlargement** will inevitably bring for Union energy policy.

SYNERGY represents the main external element of the Energy framework programme. It constitutes the link between an internal policy and the external actions of the Community and is one of the main supports for penetration by Community firms of the major external markets. It is important in this connection to emphasise that with the technologies associated with renewable energy sources and the improvement in energy efficiency, the Union has significant industrial and employment potential which would be further strengthened if new outlets in third countries were opened up to trade with the Member States.

Compared with other Community instruments which might be involved in external actions in the energy sector, SYNERGY will concentrate on the achievement at international level of the three objectives of the framework programme: global competitiveness, security of supply and environmental protection. Moreover, SYNERGY will seek to improve co-ordination, in the interests of greater efficiency, of the various international actions carried out by the Community in the energy field and ensure greater coherence with the work of international organisations in the sector.

Within a framework which takes greater account of all energy aspects on the one hand and medium term strategy on the other SYNERGY will help to

fund co-operation on the formulation, preparation and implementation of energy policy in areas of mutual interest. However, SYNERGY does not fund actions relating to research and technological development, demonstration projects or energy infrastructure investment. Projects of this type can be financed under other Community instruments. Similarly, SYNERGY is not an instrument for assistance to or economic co-operation with third countries. SYNERGY actions mainly concern third countries facing energy challenges, mainly those in Central and Eastern Europe, the New Independent States, non-member countries in the Mediterranean basin, Latin America and Asia and the African, Caribbean and Pacific signatories to the Lomé Convention. SYNERGY can also cooperate with international organisations engaged in this sector (e.g. International Energy Agency, the Latin American Energy Organisation), international financial institutions (EIB, World Bank, EBRD) or developed countries (USA, Japan, Norway etc.) to initiate actions of mutual benefit in third countries. The programme will be more clearly slanted in favour of Community interests. It will therefore be possible for most actions to be initiated by the Union alone, including those in the field of energy supply as well as demand.

On the basis of these guidelines, a multiannual programme of actions to be initiated and a list of beneficiary countries are annexed to the decision adopting the SYNERGY programme. Under this multiannual programme specific action plans will then be established each year on the basis of:

- other Community programmes and instruments;
- actions carried out in certain third countries by the Member States;
- needs expressed by the national industries of the Member States;
- needs expressed by beneficiary countries.

To take account of the various complementary elements, these plans will be drawn up in a process of consultation of the departments concerned within the Commission then submitted to the single committee set up by the Council Decision establishing the Energy framework programme. This committee will also receive periodic reports on the implementation of the various programmes.

The co-operation will take the form of:

- advice on energy policy;
- visits by experts to bodies in third countries;
- energy studies and forecasts;
- assistance for international networks discussing and advising on energy policy;
- training actions (courses, seminars, technical missions);

- co-ordination of the various Community instruments involved in international actions in the energy sector;
- dissemination of information, (brochures, newsletter);
- promotion of dialogue and exchanges of information and experience through conferences, seminars, etc.

The funding provided by SYNERGY could cover the total requirement of a particular project where it is in the interests of the Community alone or take the form of cofunding with another partner.

The total budget for this programme must be sufficient to contribute effectively to an improvement in the coherence and complementarity of the internal and external dimensions of Union policies, as stressed by the Commission in Agenda 2000.¹¹ The breakdown of the required funding is indicated in the Financial Statement in Annex III.

Thematic programmes

1.3.3 Promotion of renewable energy sources and implementation of a strategy and Community action plan in this area (cf. Annex IV)

Renewable energy sources (RES) help to protect the environment and ensure security of supply through diversification of sources. Their increased use will also help to achieve other Community objectives of major importance such as regional development, economic and social cohesion, employment and competitiveness.

The aim of this action, which adopts the main elements of the proposal already presented by the Commission concerning the ALTENER II programme,¹² is to help **increase use of renewable energies** and hence of their share in the Community's energy balance, including by facilitating the legal, socio-economic and administrative conditions required for the **implementation of the White Paper and action plan** for renewable energy sources up to 2010¹³ being adopted by the Commission following the wide ranging discussions on the 1996 Green Paper.¹⁴

Once these conditions have been determined, it will be easier to **encourage private and public investment** in the production and use of energy from renewable sources. The economic penetration of renewable energy sources

¹¹ Agenda 2000, Vol. 1, Part 1, Section IV.2 "A strong and coherent Europe".

¹² COM(97) 87 final of 12.3.1997.

¹³ COM(97)...

¹⁴ "Energy for the future: renewable energy sources. Green Paper for a Community strategy", COM(96) 576 final of 20.11.1996.

will be helped by targeted actions aimed at increasing operator confidence through assistance with the preparation and presentation of projects and through the development of new funding possibilities (such as third party financing).

Specific actions eligible for funding, which will involve the promotion of market penetration of innovative environmentally friendly technologies, which have proved their value and effectiveness will cover among other things:

- monitoring of the implementation of the strategy and action plan regarding RES, and evaluation of the measures to be taken under this programme;
- market penetration of RES by facilitating, among other things, access to specialist advice, analysis of market prospects, choice of location of projects, drawing up of funding plans; the projects will cover, among other things, biomass and waste, photovoltaic and thermal solar systems, solar power in buildings, small-scale hydroelectric projects, wind power and geothermal energy;
- promotion of product and equipment standardisation;
- extension of infrastructures for the development of RES in local and regional planning, design and evaluation, information, education and training;
- circulation of information with a view to improved co-ordination between international, Community, national, regional and local activities, as well as the pooling of experience and know-how;
- studies or other work aimed at implementing or complementing Community measures taken to develop the potential of the various renewable energy sources.

The contribution of the renewable energies to the primary energy requirements of the European Community is currently slightly below 6% and represents some 70 million tpe. In its abovementioned Green Paper, the Commission proposed a significant increase in the use of renewable energy sources by the year 2010. The proposed indicative target of a doubling of the share of renewable energies by 2010 has been confirmed during the consultation process and integrated in the White Paper.

This programme is a fundamental element of the implementation of the strategy and action plan for renewable energy sources which will give effect to the Paper. The budget available for the actions must be sufficient to make a significant contribution to the achievement of this Community objective. Details are outlined in the Financial Statement in Annexe IV. The increase proposed from 2000 onwards is aimed at taking full advantage, with the new financial perspectives, of the White Paper and the action plan. It should also be emphasised that the increased use of renewable energies will contribute to economic and social cohesion, particularly through the exploitation of local energy sources.

1.3.4 Encouragement of energy efficiency (see Annex V)

In the medium and long term, prudent and rational end use of energy resources is, in terms of cost effectiveness, the best available solution for reducing CO₂ emissions.

The programme SAVE II, adopted by the Council in December 1996,¹⁵ has proved its effectiveness as a non-technological programme in promoting the rational use of energy in all consumer sectors. The previous programme (SAVE I) had already made an important contribution towards the Community's energy objectives, implementing a wide range of measures such as legislative acts, practical pilot projects, studies, monitoring and evaluation of progress on energy efficiency, dissemination of information and innovative mechanisms for funding and awarding contracts.

In connection with SAVE, the Council and the Commission have adopted nine directives on energy efficiency in domestic appliances, buildings and industry. This programme of legislation, as well as the other measures, will have to be continued.

Electricity is of particular importance in the energy sector, since its production accounts for around 35% of primary energy consumption and 30% of CO₂ emissions. The end use of energy offers great potential for improving efficiency in all sectors of activity (domestic and industrial). The old PACE programme, a Community action programme to improve the efficiency of electricity use, adopted in 1989 by the Council, has been integrated in full into SAVE II. PACE provided for a range of measures to improve the energy efficiency of various types of equipment (domestic appliances, electric motors), to promote information for consumers on the purchase and use of efficient electrical equipment etc. ... These actions, which make a significant contribution to reducing CO₂ emissions will have to be pursued under the new Energy framework programme. In this connection, particular attention could be paid to actions to promote energy management at regional and local level which could usefully be developed in conjunction with the City of the Future project.

In the context of enlargement, the benefits of measures linked to energy efficiency will take on a new dimension when the pricing policies and metering practices used in the applicant countries are more in line with market-oriented mechanisms.

If these objectives, which are particularly important given the priority accorded to environmental considerations, are to be achieved, the funds allocated for the SAVE II programme (whose period of application as currently fixed by the Decision of 16 December 1996 will be aligned with that of the Energy framework programme) will have to be increased accordingly

¹⁵ Council Decision of 16 December 1996 concerning a *pluriannual programme for the promotion of energy efficiency in the Community* (SAVE II), OJ No L 335 of 24.12.1996.

in line with the new financial perspectives. Details of the estimated financial requirements are given in the Financial Statement in Annex V.

1.3.5 Promotion of clean and efficient use of solid fuels (cf. Annex VI)

Solid fuels play a considerable part in the energy balance of the Union, and account for 30% of electricity generation. They play a major role in security of supply and, as a key element in the establishment of the internal market, effectively regulate the prices of other fuels such as natural gas. Maintaining diversification of the energy balance and access to all sources is crucial to security of supply but also to a balanced approach to the three priority objectives of Union energy policy. However, a prerequisite to this is the increased penetration of cleaner and more efficient technologies for solid fuels, in order to reduce pollutant emissions.

Clean and efficient solid fuel combustion technologies are rich in potential in terms of reducing emissions not only of CO₂ but also SO₂ and NO_x, which cause acidification. The action proposed under the Energy framework programme (CARNOT) is intended to help achieve this objective. The Community must play a role in promoting the **market penetration** of these technologies, encouraging the companies in this sector to establish the necessary long term strategies with a view to replacing the thermal power stations currently in operation.

Encouraging the clean and efficient use of solid fuels is particularly urgent with the prospect of enlargement. Most of the applicant countries are large scale producers and consumers of solid fuels: in Poland, coal and lignite account for 76% of primary energy consumption and 94% of electricity generation. The corresponding figures for the Czech Republic are 62% and 76% respectively, and 19 and 27.5% for Hungary. In spite of the reforms carried out by these countries with a view to greater diversification, it is likely that a significant proportion of their production of solid fuels will continue. Conversion of the plants using these fuels is of mutual interest to the applicant countries and the Union in both economic and environmental terms. The experience of converting plants burning lignite in the new German Länder provides a good example of the potential contribution of lignite from the countries of Central and Eastern Europe to the energy supplies of an enlarged Europe. Technological co-operation on "clean coal" will help to integrate those countries into the European Union.

The year 2002 will see the **expiry of the ECSC Treaty** which has made a major contribution to economic and social expansion in Europe. The experience gained with the ECSC Treaty is an asset that the Community must exploit to the full. It is particularly important to ensure that the results of research already financed or currently under way under the ECSC are sufficiently exploited. This proposed action aims to bring new more environmentally friendly solid fuel technologies closer to the market.

Actions to promote the clean and efficient use of solid fuels are in line with the conclusions of the Amsterdam European Council on growth and

employment, which approved allocating financial resources from its reserves to 'coal' and 'steel' research on expiry of the ECSC Treaty. The proposed CARNOT action under the Energy framework programme will complement this future research activity.

Finally, for the technologies in question, **the growth prospects on external markets** such as China, ASEAN, India etc. are rich in potential for European companies, while at the same time helping to reduce greenhouse gas emissions, a problem affecting the whole world.

Details of the financing required for this programme are given in the Financial Statement in Annex VI.

1.3.6 Co-operation in the nuclear sector on safety, industrial collaboration with Russia and the New Independent States, and the transport of radioactive materials, including the fight against illicit trafficking (cf. Annex VII)

The nuclear sector is the subject of a number of Commission action programmes, mainly in the areas of research, technological development and education, nuclear safety, health protection, technical assistance and co-operation with the countries of Central and Eastern Europe and the New Independent States, the transport of radioactive materials and the implementation of safeguards. Although most of these operations do not fall under energy policy in the strict sense, three actions (**co-operation on safeguards, industrial collaboration with the New Independent States and the transport of radioactive materials, including the fight against illicit trafficking**) come directly under that policy and should therefore constitute a specific part of the Energy framework programme.

Given the existing provisions in the Euratom Treaty, the implementation of **such action does not require the adoption of specific formal acts**. However, continued funding should be provided for these actions, the need for which is beyond question.

Co-operation in relation to the accounting and monitoring of nuclear materials (safeguards) as part of technical assistance to the New Independent States and Mongolia

The aim of these measures is to help to improve and computerise the system of accounting and safeguards at all levels: installation (site), regional centres, company headquarters and national systems.

In 1993, the Euratom Safeguards Directorate began to collaborate with Russian officials with responsibility in this area and, since 1994, specific projects have been drawn up. The results of this co-operation are certainly encouraging but it will have to be pursued for some time still to achieve the desired objectives. As regard Russian participation, apart from training and familiarisation, seven inspections and two measurement workshops have been organised. From these it emerges that the technical knowledge and experience of Russians working in the field of nuclear technology is

considerable but the training requirements in relation to modern methods of organisation, evaluation and logistics are still great. As regards systems design, seven Russian experts worked for a period of eight weeks each in Luxembourg from October 1993 to March 1994. Each period was followed by an examination and evaluation of their contributions and conclusions. Two seminars were organised within the European Union and a conference on nuclear safeguards in St Petersburg.

It is then useful to pursue measures relating to **training** and familiarisation in the techniques, methods, logistics and evaluation of modern nuclear safety. Co-operation should therefore continue between Russia and Euratom in this sector, particularly with a view to combating the **illicit trafficking** of radioactive materials. With the entry into force of the partnership and co-operation agreements with the New Independent States, these activities will be further extended.

In budget terms, the actions in question are funded under TACIS, but as the Commission has decided¹⁶ that their management should be the responsibility of the services in charge of energy policy, it is proposed to examine transferring the corresponding appropriations to a budget heading specifically relating to energy policy.

Industrial co-operation with Russia and the NIS:

Nuclear energy now provides, with the required degree of security, a significant proportion of the electricity requirements of the Community, with significant environmental implications. The use of nuclear energy is however conceivable only if appropriate safety and industrial viability criteria are met. This is the case today in the Community, but it is reasonable to take a critical look at the situation in certain neighbouring countries, particularly Russia, the Ukraine and a number of others which have applied for membership, which may wish to expand their use of nuclear energy as their economies develop. It is therefore important to go beyond specific short term measures to improve the safety of nuclear plants in operation and examine ways of ensuring that in the longer term the use of nuclear energy is accompanied by all the necessary safety guarantees comparable to those used in the Union.

For some years the Commission has been carrying out studies and conducting working groups with experts in the European nuclear industry, focusing **mainly on Russia** at this stage, in order to gain a better knowledge of the present state of the local nuclear industry and define a possible approach to achieve a fundamental improvement in safety. This approach is based on the concept of transferring the culture of safety through industrial co-operation, which is particularly attractive for a country which wishes to expand its use of nuclear energy. The Commission is currently studying with the Russian authorities the technical, financial and legal barriers to the establishment of co-operation schemes between businesses. This process should lead by the

¹⁶ Commission Decision C(97)2879 of 24.9.1997 on the *funding of Euratom nuclear safeguards*.

beginning of 1998 to the definition of courses of action and proposals which it would be unwise not to pursue. This requires funding of more detailed studies of particular problems (e.g. the conditions required for investment, specific legal difficulties, etc.) and providing the means to solve generic problems. The objective for the Commission is to help establish industrial co-operation on the largest possible scale without becoming involved in carrying out specific projects which is a matter for the operators concerned.

Transport of radioactive materials

The production of electricity by means of nuclear power and the increasing use of radioactive materials in the health sector, industry or research requires such materials to be transported under conditions which guarantee the safety of the general population and workers in the industry; in order to take account of developments in the transport of radioactive materials, progress of technology and know-how and ever stricter obligations concerning radiological protection, international, Community and national laws will have to adapt to the new circumstances and requirements.

At the request of the European Parliament, the Commission set up in 1982 a standing group of experts in the field of the transport of radioactive materials to advise it on the studies and experiments to be carried out and the legislation to be drawn up in this sector. The most recent recommendation of this groups calls for the implementation of a five-year multiannual programme with appropriate funding. This programme should revolve around six fields of activity which would benefit from action at Community level:

- facilitating the functioning of the internal market by identifying the harmonisation measures that are required;
- contributing to the subsequent evolution of legislation through the development of experimentation and know-how;
- evaluating incidents occurring during transport and learning the lessons for the future;
- improving the coherence of emergency measures and the training of those involved;
- co-operating with the countries of Central and Eastern Europe and the New Independent States to help them to improve the safety of transport in those countries;
- improving the public's knowledge, understanding and perception in this field.

The appropriation proposed for the various categories of nuclear action as described above for the period in question is outlined in the Financial Statement in Annex VII.

1.4 Co-ordination with energy components of other Community programmes and policies

1.4.1 *Support for research and technological development*

Research and technological development, including demonstration, play an essential role in the elaboration of methods which offer high energy efficiency and new techniques for the exploitation of fossil, nuclear or renewable sources. In this connection, the Fourth Framework Programme for research and technological development, established by Articles 130f to 130p of the Treaty, includes for non-nuclear energies a research and energy development section (JOULE) and a "demonstration" section (THERMIE). These enable major projects in the field of new energy technologies to be carried out in conjunction with industry, research centres and universities in the Member States. An RTD programme in the field of nuclear safety and controlled thermonuclear fusion based on the Euratom Treaty has also been implemented with the participation of the Joint Research Centre. Given the context and specific structures in which these actions take place, their operating methods, bodies and implementing instruments will remain unchanged. It is however clear that there is a close link between energy RTD activities and the more market-oriented actions carried out under this framework programme. A special effort will therefore have to be made to improve co-ordination at the appropriate level between the Commission's departments and between the other parties involved. More specifically, a more formalised approach will be followed for increased co-operation and co-ordination between the Single Energy Committee and the equivalent structure which will be set up in the context of the Fifth RTD Framework Programme.

1.4.2 *Trans-European energy networks*

The trans-European networks are vital arteries for economic development, the working of the internal market and greater Community cohesion. Under the Treaty (Article 129b, c, d), the European Community has given itself powers relating to networks and, in the energy field, it has pursued a policy of developing these infrastructures in the electricity and natural gas sectors, on account also of the positive effects on security of Community energy supply and international co-operation. As regards Community cohesion in particular, the Commission is devoting a great deal of its attention to the energy problems arising from the special situation of the islands, archipelagos and extremely remote areas of the Community.¹⁷

Given the context and specific structures in which this action is being carried out, its methods of operation, bodies and implementing instruments will remain unchanged, as with research. A special effort is underway to further

¹⁷ Cf. for example the Report presented by the Commission on the progress achieved in implementing POSEIMA. COM(94)476 final of 09.12.1994.

improve co-ordination at the appropriate level between the Commission's departments and between the other parties involved.

1.4.3 Other policies or programmes

Some other policies, such as external relations (for instance in the context of the PHARE, TACIS or MEDA programmes), structural funds or investment support include in their area of activity important energy components. Special attention will then also be paid to improving co-operation and co-ordination between the Commission's departments in charge.

1.5 General financial elements

In absolute terms, the budget for energy policy as such is not large, not only in comparison with other chapters under heading 3 but also in relation to the sums set aside for energy measures undertaken under certain Community policies.

The main purpose of developing an integrated approach to energy policy is the rationalisation and improved co-ordination of actions. The establishment of the multiannual framework programme focusing on the three major priority objectives will facilitate the management and **more transparent and rigorous use of resources** thus resulting in more effective actions on the existing financial bases.

It is however essential that the Union should provide itself with sufficient resources to implement its **policy priorities** in the energy sector and that **provision** should therefore be made for certain increases in anticipation of the forthcoming financial perspective. This is moreover in line with the financial framework set out by the Commission in its memorandum on **Agenda 2000**,¹⁸ which in Part 3 makes express provision for the development of a number of internal policies intended to serve priority objectives shared by all the Member States and where there is an obvious added value and refers in this connection to certain priority programmes, particularly ones linked with enlargement, innovation and the introduction of environment-friendly technologies whose allocations may be increased faster than GNP growth.

Given their potential not only in terms of **environmental protection**, of course, but also **job creation**, it is proposed to place particular emphasis on actions to promote renewable energies (ALTENER) and encourage energy efficiency (SAVE).

The table below gives an indicative breakdown in million ECU, without prejudice to any priorities which may be adopted, between the various actions and programmes. The estimated budgets, are outlined in detail in the Financial Statements in the Annex:

¹⁸ Agenda 2000, Vol. I, "The new financial framework".

	1998	1999	2000	2001	2002	Total
Energy markets analyses and monitoring	1.50	1.53	1.56	1.59	1.62	7.8
International co-operation in the energy sector	7.00	7.14	7.28	7.42	7.57	36.4
Renewable energy sources	14.4	15.6	17	17	17.1	81.1
Energy efficiency	12.5	12.8	13.9	14.6	14.6	68.4
Solid fuels sector	0.80	0.81	0.82	0.83	0.84	4.1
Nuclear security	0.5	0.51	0.52	0.53	0.54	2.6
Total	36.7	38.39	41.08	41.97	42.47	200.4
Nuclear security B7-535	2.5	2.5	2.5	2.5	2.5	12.5

2. IMPROVING THE CO-ORDINATION OF THE ENERGY COMPONENTS OF THE VARIOUS COMMUNITY POLICIES

As stated in the introduction, the April 1997 communication on an overall view of energy policy and actions underlined the importance, including in terms of funding, of the energy component in a number of major Community policies. Co-ordination mechanisms already operate for example in relation to structural policies. Effective integration is not however possible without special attention being paid, to improving co-ordination between all the parties involved and the coherence of all actions, particularly within the Commission and its departments.

- 1) In accordance with its internal procedures, the Commission has formally decided to set up a **network of the Directors-General concerned** which will have the task of ensuring that:
 - the policy or operational **guidelines** involving an energy dimension will be drawn up in accordance with the **principles** of consultation and **transparency**;
 - the **actions** implementing these guidelines and the allocation of resources relating thereto will be co-ordinated on a constant basis and assessed in the light of their **contribution to the priority objectives** of energy policy.
- 2) Each year, the network of Directors-General will draw up a **summary of all the energy actions** undertaken under the various Community policies. This report will be transmitted to the committee established under the Energy framework programme for its consideration, as well as to other interested committees, and

will be made public thereafter. This will also ensure that the other European Institutions are kept informed.

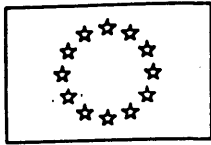
A more formalised approach will be followed for increased co-operation and co-ordination between all committees which deal with programmes and policies which have an energy component. Automatic information exchange mechanisms will also be introduced.

It is expected that the establishment of a single committee for energy actions and programmes falling within the scope of this framework programme, will facilitate the co-ordination and coherence of actions undertaken at Community level. It would be important for Member States to undertake their own internal reviews of their system, in order to improve the links between national and Community bodies.

CONCLUSIONS

The Commission communication on an overall view of energy policy and actions represented a first step in response to the requests expressly made by the Council and the Member States for an integrated approach to Community energy policy.

Given the vital importance of the sector for the economic and social development of the Union and the high priority that should be attached to defining a coherent, transparent and effective European energy policy, the Commission considers that the introduction of the multiannual Energy framework programme along the lines proposed will give practical effect to this approach and provide an appropriate response at operational level to the requirements ascertained by the institutions and the Member States.



EUROPEAN COMMISSION

PROPOSAL FOR A COUNCIL DECISION

adopting a

**MULTIANNUAL FRAMEWORK PROGRAMME FOR
ACTIONS IN THE ENERGY SECTOR**

(1998-2002)

**PROPOSAL FOR A COUNCIL DECISION ADOPTING A MULTIANNUAL
FRAMEWORK PROGRAMME FOR ACTIONS IN THE ENERGY SECTOR
(1998-2002)**

97/0302 (CNS)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, in particular Article 235 thereof,

Having regard to the proposal from the Commission,¹

Having regard to the opinion of the European Parliament,²

Having regard to the opinion of the Economic and Social Committee,³

Having regard to the opinion of the Committee of the Regions,⁴

Whereas the Commission communicated its views on the future of Community energy policy to the Council in its White Paper "*An energy policy for the European Union*" of 13 December 1995;⁵

Whereas the Commission communicated to the Council in its White Paper of 1997 its views on the implementation and monitoring of a Community strategy and action plan for renewable energy sources to the year 2010 with the aid of new technologies;⁶

Whereas the Council adopted the SAVE II programme on 16 December 1996⁷ to boost energy efficiency initiatives in the Community with a view to reducing CO₂ emissions;

Whereas the Council and the European Parliament adopted a decision on 26 April 1994 concerning the fourth framework programme of European Community activities in the field of research, technological development and demonstration (1994-1998)⁸ and a

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5 COM(95) 682, 13.12.1995.

6 COM(97)

7 Decision 737/96/EC, OJ No L 335, 24.12.1996.

8 Council and Parliament Decision 1110/94/EC, OJ No L 115, 6.5.1994, page 31.

decision of the same date concerning a framework programme of Community activities in the field of research and training for the European Atomic Energy Community;⁹ whereas the Commission adopted a proposal on the 5th framework programme of research and technological development on 30 April 1997;¹⁰

Whereas the Commission adopted and transmitted to the Council a communication on the energy dimension of climate change on 14 May 1997;¹¹

Whereas the use of cleaner technologies contributes to the objectives of the Community strategy to combat acidification;¹²

Whereas energy is a vital factor in the economic and social development of the Community;

Whereas the Community's dependence on external energy supplies is set to increase significantly in the years to come;

Whereas the competitiveness of European business is heavily influenced by the level of energy costs;

Whereas it is necessary to the quality of life of citizens to ensure that the development of energy production and consumption is compatible with environmental protection objectives;

Whereas CO₂ emissions must be reduced;

Whereas, particularly in view of the political uncertainties involved in the external supply markets, the Community must implement a coherent, effective energy policy geared to the medium and long-term prospects for economic development;

Whereas the actions taken under the energy policy should therefore be focused on specific priority objectives;

Whereas, in view of the strategic challenges facing the Community, these objectives should focus in particular on ensuring the security of supplies, completing the integration of the energy markets, enhancing the competitiveness of European business and the quest for environmentally sustainable economic development;

Whereas the balanced achievement of these objectives requires particular attention to be devoted to the transparency, coherence and coordination of all of the energy actions taken at Community level;

⁹ Council Decision 268/94(Euratom), OJ No L 115, 6.5.1994, page 31.

¹⁰ COM(97)142 final.

¹¹ COM(97)196 final.

¹² COM(97)88 final of 12.3.1997.

Whereas the Council stressed this need in its Resolution of 8 July 1996¹³ on the White Paper "*An energy policy for the European Union*";

Whereas the Council, when it adopted the Regulation adopting a programme to promote international cooperation in the energy sector,¹⁴ considered that it would be opportune for the Commission to present a communication on all the Community programmes with an energy component, which could be followed by a proposal on the establishment of a framework programme for energy;

Whereas the Commission presented a communication: "An overall view of energy policy and actions",¹⁵ from which it emerges that the Community is pursuing a great many actions, but that these are scattered either between different energy policy programmes or various Community policies;

Whereas it is necessary to ensure the management, complementarity and optimum use of budget resources;

Whereas only a truly integrated approach will enable proper account to be taken of all the aspects of the problems to be resolved;

Whereas this coherent, coordinated approach must apply both to energy policy as such and to the energy components of other Community policies;

Whereas it is therefore necessary to define and establish a multiannual framework programme for the actions taken under the Community's energy policy;

Whereas this framework programme should be implemented in the form of horizontal actions and thematic programmes;

Whereas the horizontal actions cover forward analyses, market monitoring and international energy cooperation;

Whereas the thematic programmes concern the promotion of renewable energy sources and the implementation of a Community strategy in this area, the promotion of energy efficiency, promotion of solid fuels and the safe use of nuclear energy;

Whereas, in view of the context and the specific structures within which energy actions relating to trans-European networks are conducted, the structures and the manner in which such actions are implemented must be maintained in the appropriate framework;

Whereas in view of the context and the specific structures within which energy actions relating to RTD are conducted, the structures and the manner in which such actions are implemented will continue to conform with the arrangements and procedures of the RTD

¹³ OJ No C 224, 1.8.1996.

¹⁴ Council Regulation (EC) No 701/97, OJ No L 104, 22.4.1997.

¹⁵ COM(97)167 final, 23.4.1997.

framework programme; whereas, however, cooperation and coordination with the other structures must be enhanced;

Whereas the actions or programmes referred to above should be implemented where necessary by means of specific measures which, where appropriate, would replace the corresponding instruments currently in force;

Whereas the principle of seeking the greatest possible coherence calls for the setting up of a single committee of an advisory nature for the whole of the framework programme and its constituent actions;

Whereas, in view of the variety and technical complexity of the questions to be addressed, the single committee and the Commission should seek the assistance of appropriate experts where necessary;

Whereas the single committee will assist the Commission in ensuring the greatest possible transparency and the dissemination of information between all the parties concerned and ensure greater consistency of the energy actions taken under the various Community policies;

Whereas, notwithstanding a systematic, regular evaluation of the actions, the "energy" framework programme and its specific programmes should be the subject of a mid-term review by independent experts;

Whereas focusing the actions on the three major priority objectives of security of supply, competitiveness and protection of the environment will facilitate a more transparent and more efficient use of resources;

Whereas some additional funding could be decided in the light of the political choices and priorities adopted;

Whereas the funding of actions carried out in the priority areas of promotion of renewables (ALTENER programme) and energy efficiency (SAVE programme) in particular could be reviewed when the next financial perspective is drawn up;

Whereas, in keeping with the subsidiarity principle and the principle of proportionality pursuant to Article 3b of the Treaty, the above priority objectives of energy policy and the boosting and coordination of energy actions carried out under the energy policy proper and in the framework of other Community policies should, by their nature, be implemented at Community level; whereas this Decision is confined to the minimum required to achieve these goals;

Whereas the Treaty does not provide powers for the adoption of this Decision, the purpose of which is the coordination of all aspects of energy policy, other than those in Article 235; whereas the specific programmes which will implement this framework programme will each be adopted on the appropriate legal basis, in particular where their objective is the prudent and rational utilisation of natural resources referred to in Article 130r of the Treaty,

HAS DECIDED AS FOLLOWS:

Article 1

- (1) A multiannual framework programme for Community actions in the field of energy, hereinafter referred to as the "framework programme", is hereby adopted for the period 1998-2002.
- (2) The framework programme shall primarily contribute to the pursuit of the following priority objectives:
 - to guarantee the security of energy supplies;
 - to ensure competitiveness;
 - to promote the compatibility of the development of the energy market with environmental protection objectives.
- (3) The framework programme shall also contribute to greater transparency, coherence and coordination of all the Community's energy actions in the field of energy policy and ensure that they mesh effectively with the actions taken in the framework of other Community policies.

Article 2

- (1) Notwithstanding the actions relating to energy conducted in the framework of research policy or trans-European networks respectively, the framework programme shall be implemented through six specific programmes of a horizontal or thematic nature corresponding to the following actions:
 - (a) development, in cooperation with the Member States, of a programme for regular monitoring of the evolution of the energy markets and trends, so that political decisions relating to energy can be taken on the basis of a joint analysis;
 - (b) reinforcement, within the area of competence of the framework programme, of international cooperation in the energy field in order to encourage, firstly, greater diversification of energy sources and, secondly, greater transparency and stability of the international gas and oil markets in particular;
 - (c) promotion of new and renewable energy sources and implementation of a Community strategy and action plan for renewable energy sources to the year 2010;
 - (d) encouragement of rational and efficient use of energy resources;
 - (e) regeneration of the coal sector, notably through the use of environmentally compatible technologies;

- (f) safer use of nuclear energy.
- (2) Each specific programme, the duration of which will coincide with the period of application of this framework programme, shall set out the arrangements for its implementation.
- (3) Implementation of the framework programme may give rise, within its area of competence, to additional programmes and Community participation in programmes undertaken by several Member States. It may also lead to cooperation with third countries or international organizations.

Article 3

- (1) The annual appropriations shall be authorized by the budgetary authority within the constraints of the financial perspective.
- (2) The detailed rules for financial participation by the Community in actions taken under the framework programme shall be laid down in accordance with the provisions of the Financial Regulation applicable to the general budget of the European Communities.

Article 4

- (1) The Commission shall be responsible for the implementation of the framework programme and for drafting guidelines applicable to the actions and measures to be taken under each of the specific programmes.
- (2) The Commission shall be assisted in the management of the framework programme by a committee of an advisory nature 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 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 5

- (1) The Commission shall examine each year the state of implementation of the framework programme and its specific programmes. It shall assess the overall effectiveness of the framework programme and its contribution to the objectives of Community policy. It shall also assess whether the objectives, priorities and financial resources are still appropriate to the changing situation. If necessary, it

shall submit proposals to adapt or supplement the framework programme and/or the specific programmes.

- (2) In the third year of the period of application of this framework programme and at all events before submitting its proposals for the establishment of a subsequent framework programme, the Commission shall have an external assessment conducted by independent experts of the overall implementation of the Community actions carried out under the framework programme. The Commission shall communicate the conclusions thereof, together with its comments, to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.
- (3) The independent experts referred to in the preceding paragraph shall be chosen by the Commission in a balanced fashion.

Article 6

This Decision is addressed to the Member States.

Done at Brussels,

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Proposal for a Decision defining and establishing a multiannual framework programme for actions in the energy sector (1998-2002).

2. BUDGET HEADING INVOLVED

B4-1 and B7-535 in part.

3. LEGAL BASIS

Article 130s or 235 of the EC Treaty (see individual decisions).

4. DESCRIPTION OF OPERATION

4.1 General objective

Energy is a decisive factor in economic and social development. At present, the Community's energy actions are scattered between different programmes established at different times and in different contexts and between different Community policies, such as external relations, structural policies or research. This results in a lack of transparency and the risk of duplication or inconsistency of the actions.

The development of an **integrated approach**, and in particular the establishment of a multiannual framework programme for actions by the Community in the energy sector, is designed to meet the need identified by Member States and within the Commission to improve the **transparency, coordination and effectiveness** of these actions. It will also be easier to **identify the additional measures** needed with regard to the priority objectives of **security of supply, competitiveness and environmental protection**.

The framework programme will be the umbrella for the programmes and actions for which the Directorate-General for Energy is currently responsible. In legislative terms, it will take the form of a basic instrument setting out the general framework and specific instruments defining the content of and implementing the specific actions (see Annexes II to VII to this proposal and the corresponding financial statements). Furthermore, in order to ensure the necessary coherence between the energy components of the various Community policies, the Commission will set up a network of the Directorates-General concerned.

4.2 Period covered

1998-2002.

The arrangements for renewal of the action are indicated in Article 5 of the proposal for a decision.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 Non-compulsory expenditure

5.2 Differentiated appropriations

5.3 Type of revenue involved

Some associated countries will be able to contribute to the funding of the thematic programmes under the arrangements provided for in these programmes (see individual financial statements).

6. TYPE OF EXPENDITURE

Apart from its participation in the energy-related activities carried out in the context of Community policies in the field of RTD, trans-European networks, etc., the European Community participates in the funding of activities concerning:

- forward studies and monitoring of the energy markets;
- international energy cooperation;
- promotion of renewable energy sources and implementation of a Community strategy and action plan in this area;
- promotion of energy efficiency;
- promotion of the clean and efficient use of solid fuels;
- nuclear sector (cooperation on safety, industrial cooperation with the NIS, transport of radioactive materials, including action to combat illegal trafficking).

The arrangements for and rates of Community financial participation are described in detail in the financial statements for the individual actions.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation

The “energy” framework programme sets the maximum overall amount and its distribution between the various horizontal actions and thematic programmes. These amounts cover the funding of the actions as such and personnel and administrative expenses.

7.2 Itemised breakdown in heading 3 (in million ECU)

Analyses and monitoring of the energy markets	7.8
International energy cooperation	36.4
Promotion of renewables	81.1
Encouragement of energy efficiency	68.4
Penetration of clean technologies for solid fuels	4.1
Nuclear safety	2.6
TOTAL	200.4

7.3 Indicative schedule of appropriations

The effective implementation of the framework programme requires resources to be planned for the whole of the period covered.

The development of an integrated approach to energy policy is primarily intended to streamline and improve the coordination of the measures. The establishment of the multiannual framework programme and its focus on three major priority objectives will facilitate the management and the more transparent, **more rigorous use of resources**, which in turn will contribute to greater **efficiency of the actions** on the basis of the available budget.

However, the Union must procure the resources necessary to implement its **political priorities** in the energy sector and already make provision for certain **increases** when the next financial perspective is drawn up. This would be in line with the financial framework defined by the Commission in its communication **Agenda 2000**,¹⁶ which explicitly provides in heading 3 for the development of a number of internal policies intended to serve objectives shared by all the Member States and where there is an obvious added value, and cites in this connection certain priority programmes related in particular to enlargement, innovation and the application of environment-friendly technologies which should see their allocation rise more rapidly than GNP.

In view of their potential in particular as regards **environmental protection and job creation**, it is proposed to place particular emphasis on actions to

¹⁶ Agenda 2000, Volume I, "The new financial framework".

promote renewable energy sources (ALTENER programme) and encourage energy efficiency (SAVE programme).

	1998	1999	2000	2001	2002	Total
Analyses and monitoring of the energy markets	1.50	1.53	1.56	1.59	1.62	7.8
International energy cooperation	7.00	7.14	7.28	7.42	7.57	36.4
Renewable energy sources	14.4	15.6	17	17	17.1	81.1
Energy efficiency	12.5	12.8	13.9	14.6	14.6	68.4
Solid fuels sector	0.80	0.81	0.82	0.83	0.84	4.1
Nuclear safety	0.5	0.51	0.52	0.53	0.54	7.6
Total	36.7	38.9	41.08	41.97	42.27	200.4

Nuclear safety B7-535	2.5	2.5	2.5	2.5	2.5	12.5
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8. FRAUD PREVENTION MEASURES

Several financial and administrative fraud prevention measures are planned which are adapted to the specific nature of the individual actions. They operate throughout the process and include:

Before contract signature:

- qualitative and financial analysis of the bids, proposals or grant applications;
- involvement of the other Commission services concerned with a view to avoiding any duplication of effort.

After contract signature:

- examination of the schedules of expenditure before payment, on several levels (financial management, officials technically responsible) and consultation of the Commission departments concerned on the results;

- payment of the work after acceptance on the basis of a percentage estimated before contract award, and in the light of a final financial report on the action. Supporting documentation may be required for travel and subsistence expenses;
- internal audit by the financial controller;
- local inspection to detect errors or other irregularities by examination of the supporting documentation.

The single committee for the "energy" framework programme and the other bodies concerned will be fully informed of the results of the work.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Objectives and target population

The Union is increasingly facing major challenges in terms of energy strategy:

- increasing **dependence** on external supplies, in a geopolitical context whose development is unpredictable;
- need to support the **competitiveness** of European industries;
- need to ensure that the development of the energy market is compatible with the **environmental protection** objectives.

At present, the Community's energy actions are **scattered**:

- **between different Community policies**;
- or, in the case of the energy policy itself, **between different programmes** established at different times and in different contexts.

This dispersal of effort results in a lack of transparency, the risk of duplication and/or inconsistency of the various actions, management difficulties and a risk of non-optimum use of resources.

The establishment of a multiannual framework programme in the energy sector is designed to:

- improve the situation in order to provide a sound basis for responding to the problems and challenges facing Community energy policy;
- reinforce and consolidate the action needed to implement a successful energy policy in the Union.

These actions will be implemented in accordance with the following guidelines:

- each Community action should contribute to the achievement of the **priority objectives** of security of supply, competitiveness and environmental protection;
- significant improvement in the **coordination** of all the actions with an energy component;
- promotion of **cooperation** between the various actors in the Community institutions and the Member States;
- clarification and simplification of procedures.

This general improvement will benefit all the actors, from institutions and national and local administrations to businesses in the sector, many of whom are SMEs.

9.2 Grounds for the operation

The assessments carried out in 1997 of all the energy programmes found that they had largely met their objectives. The aim of establishing the multiannual "energy" framework programme is to improve the coherence and effectiveness of the actions in view of the strategic importance of the challenges facing the Union in the energy sector, more particularly as regards environmental concerns. The follow-up to the Kyoto Conference on climate change and the implementation of the Community strategy and action plan for renewable energy sources to the year 2010 will be decisive in this respect.

9.3 Monitoring and evaluation of the operation

The actions will be **systematically reviewed**. Each year the Commission will examine progress in implementing the framework programme and its specific programmes. Depending on the evolution of priorities, proposals may be presented to adjust or supplement the framework programme and/or the specific programmes. During the third year of application of the framework programme and, at all events, before presenting proposals on the establishment of a subsequent framework programme, the Commission will have independent experts carry out an overall external evaluation of progress in implementing the Community actions carried out under the framework programme.

10. ADMINISTRATIVE EXPENDITURE

(for details, please refer to the financial statements for each part of the programme)

10.1 Impact on the number of staff

Type of post		Staff to be assigned to management of the action		of whom		duration
		<u>permanent staff</u>	<u>temporary staff</u>	existing resources within the DG or service concerned	additional resources	
Officials or temporary agents	A	30.5		22	8.54	
	B	10		7.5	2.5	
	C	15		10	5	
Other resources			Seconded national exp: 7 Exp: 6 Temp: 3	5 2 2	2 4 1.5	5 years
Total		55.5	16	48.5	16	

Indicate when the additional resources will be required.

- The necessary human and administrative resources will be mobilised on the basis of the annual Commission decision on the allocation of resources, in particular in the light of the staff and additional amounts to be granted by the budgetary authority.
- One category A post has been entered in the preliminary draft budget for 1998.

10.2 Overall financial impact of the additional human resources

(ecus)

	Amounts	Calculation method
Officials	1 648 000	103 000 ecus x 16
Temporary agents		Sec. nat. exp.= 40 000 x 2
Other resources (state budget heading)		Service providers = 120 000 x 4
OA 1520 sec. nat. exp.	80 000	Temporary = 80 000 x 3
OA 1178 service providers	480 000	
OA 1175 temporary	240 000	
Total	2 448 000	

The amounts show the total cost of additional posts for the entire duration of the action where it is specified and for 12 months where it is indeterminate.

10.3 Increase in other operating expenditure resulting from the operation

(ecus)

Budget heading (No and title)	Amounts	Calculation method
OA 1300 Missions	420 000	based on available statistics in 1996 and 1997
OA 25 committees, groups, invitation of experts	366 200	
Total	786 200	

The amounts correspond to the total expenditure for the operation if its duration is fixed or to the expenditure for 12 months if its duration is indeterminate.

	Post			Existing			New			
	A	B	C	A	B	C	A	B	C	
Observatory	2	1	1	2	1	1	0	0	0	1 sec nat exp
Synergy	6	1	4	6	1	4	0	0	0	1 sec nat exp
Altener	11	3	5	6	1.5	2	2.5	1	1.5	2 sec nat exp
Save	10	3	5	6.5	2	3	1.5	1	1	3 sec nat exp
Solid fuels	1	0.5	0	1	0.5	0	0	0	0	
Nuclear	0.5	1.5	0	0.5	1.5	0	0	0	0	
Total	30.5	10	15	22	7.5	10	4	2	2.5	

external

1178 2 experts (Alt)

1175 1 temporary (Alt)

2 experts (SAVE)

1.5 temporary (SAVE) + 1.5 seconded nat. experts

Missions	0A 1B00	Committees
Observatory	50 000	20 000
Synergy	120 000	46 200
Altener	130 000	108 000
Save	100 000	216 000
Solid fuels	10 000	0
Nuclear	10 000	0
	420 000	390 200



EUROPEAN COMMISSION

ANNEX II

Establishment of a

**MULTIANNUAL PROGRAMME OF STUDIES,
ANALYSES, FORECASTS AND OTHER
RELATED WORK IN THE ENERGY SECTOR**

(1998-2002)

FINANCIAL STATEMENT

1. TITLE OF OPERATION

"European Energy Observatory" - Forward analysis, forecasting and observation of markets

2. BUDGET HEADING INVOLVED

Item B4-1040

3. LEGAL BASIS

Operation for which the amount is not significant.

4. DESCRIPTION OF OPERATION

4.1 General objective

To develop, in cooperation with the Member States, a programme of regular monitoring of market developments and energy trends in order that energy policy decisions can be taken on the basis of a shared analysis.

As an indication, the following are among the main areas covered:

1. identification and analysis of the main European problems as regards future energy demand and production and energy policy, focusing on:
 - (a) strategies for meeting the energy challenge posed by climate change and respect for the environment;
 - (b) the dynamics of the opening-up of the energy markets and the corresponding structures, particularly in terms of its consequences for the future and the behaviour of firms in the context of completion of the internal energy market, which requires an effective mechanism for observing and monitoring the markets;
 - (c) world energy market trends influencing external dependence (particularly the considerable growth of energy demand expected in Asia and South America);
2. improvement of the analysis capability in order to be able to make comparative forecasts of energy trends and scenarios in all the Member States in the light of changes in market structures and of the challenge posed by climate change and the environmental imperatives.

The action is intended to promote the formulation of new energy choices on the basis of medium and long-term forecasting analysis models with the aim of developing a Community Analysis Method which would better serve the European Union's information exchanges and analytical needs. The emphasis will be on:

- cooperation between the Commission and the Member States and on the involvement of the circles concerned, enterprises, academic circles and other sources of knowledge and experience;
- complementarity of the work with similar work carried out by the Member States or international organisations such as the International Energy Agency.

Particular attention will be given to consolidation of the internal energy market, security of supply, protection of the environment and the economic development of the energy industry.

The analyses and forecasts concerning the Member States in the field of energy also cover the Central and Eastern European Countries that are in the process of joining.

4.2 Period covered and arrangements for renewal or extension

Selective programme of study and related work with the aim of developing a Community-level capability for analysis and forecasting of activities and problems in the field of energy, incorporated in the energy framework programme (1998-2002).

5. CLASSIFICATION OF EXPENDITURE

NCE/DA

6. TYPE OF EXPENDITURE

- Financing, part financing or subsidy of studies concerning the analysis of markets and their development, evaluation of the operation and new guidelines (the subsidised bodies may also purchase results of studies, surveys and analyses as well as software, including its development costs, etc.).
- Financing, part financing or subsidy of expenditure on information and dissemination (conferences, seminars, publications including printing and translation costs, etc.).
- Financing, part financing or subsidy of expenditure on informatics connected with the data necessary for carrying out additional energy analyses (in particular collection, database storage, statistical processing and presentation).

7. FINANCIAL IMPACT

7.1 Method of calculating the total cost of the operation (link between the costs of its individual components and the total cost). The nature of the work does not change from one year to the next. The studies are specified in accordance with the Commission's objectives in order to answer the policy questions put by the Member States, the Council and Parliament.

- Analyses of European energy markets
studies costing an average of ECU 50 000 x 11 x 5 years,
including:
studies and multi-client forecasts costing ECU 10 000-20 000,
sectoral subject-related and/or fuel-related studies, ECU 40 000-300 000,
e.g. liberalisation of gas and/or electricity, refining, prices and taxation;
- World market analyses
studies costing an average of ECU 50 000 x 10 x 5 years,
including:
studies and multi-client forecasts by region costing ECU 10 000-20 000,
sectoral subject-related and fuel-related studies by region, ECU 40 000-300 000,
e.g. security of supply, geopolitical strategy, consumer-producer dialogue;
- Financial support for economic analysis networks
participation expenses averaging ECU 66 000 x 3 x 5 years,
including:
energy policy research centres,
collaboration with industry at the European level (Eurogas, Eurelectric, Europaia);
- Other operational expenditure
seminars or workshops costing ECU 80 000 x 1 x 5 years,
conferences costing ECU 120 000 x 1 x 5 years,
information and publications costing an average of ECU 50 000 x 2 x 5 years,
including publication of the "Annual Energy Review".

7.2 Breakdown of the operation by individual components (in million ECU)

Breakdown	1998	1999	2000	2001	2002	Total
Analyses of European energy markets	0.5	0.53	0.56	0.59	0.62	2.8
World market analyses	0.5	0.5	0.5	0.5	0.5	2.5
Financial support for economic analysis networks	0.2	0.2	0.2	0.2	0.2	1.0
Other operational expenditure including overall evaluation of the framework programme	0.3	0.3	0.3	0.3	0.3	1.5
TOTAL	1.5	1.53	1.56	1.59	1.62	7.8

Comments:

The nature of the work does not change so the budget resources are stable between 1999 and 2002.

7.3 Operational expenditure on studies, experts, etc., entered in part B of the budget

EC in million ECU (current prices)

	1998	1999	2000	2001	2002	Total
Conferences, workshops, information and publications	0.3	0.3	0.3	0.3	0.3	1.5

7.4 Schedule of commitment appropriations

	1998	1999	2000	2001	2002	Total
Commitment appropriations	1.5	1.53	1.56	1.59	1.62	7.8

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

Before signing of contracts:

- qualitative and financial analysis of tenders, proposals or requests for subsidies;
- involvement of other Commission departments concerned in order to avoid any duplication of effort.

After signing of contracts:

- examination of expenditure records before payment, at several levels (financial manager, technical managers), and consultation of Commission departments concerned on the results;
- internal audit by the financial controller;
- on-the-spot checks making it possible to find mistakes or irregularities by examining supporting documents;
- notification of the committee referred to in Article 4 of the Decision adopting the multiannual framework programme on energy and of the Energy Consultative Committee set up by Commission Decision 96/642/EC of 8 November 1996.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

Links with general objective

The operation is designed to improve the European Union's energy balance, first of all by analysing the energy situation and preparing energy policy guidelines, particularly those responding to the challenges of climatic change and respect for the environment.

Secondly the operation aims to improve forecasting of how the European Union's energy economy is going to develop in its international context. It will thus help to consolidate the internal energy market, manage the relationship between energy and the environment and develop cooperation on energy matters with third countries. By aggregation of the results obtained, the operation will give added value to the complementary analysis work being done in the Member States.

Target population

For observation of the energy markets: decision-making bodies at the Commission and in the Member States. As regards the production, transport

and consumption of energy: the whole population of the Community, the OECD and the world in general.

9.2 Grounds for the operation

Section 86 of the Green Paper (COM(94) 659 final of 11 January 1995) says that convergence must start at the level of economic analysis. The *sine qua non* of an energy policy is the ability to accommodate market trends and to adapt immediately to any new developments. But these developments on the Community's internal market will be increasingly dependent on global trends in consumption, in production and in transport conditions. These analyses are made by companies and international organisations. Without duplicating this work and by using its results, it seems necessary to have at the Community level means of analysis which would enlighten the Community decision-making process. It is obvious that the application of the rules of operation of the internal market and the adjustment of priorities as regards research, environment, international cooperation, networks and economic and social cohesion have to rest on a consensual analysis of the problems and market trends. Involvement of academic circles, industries, consumers and the administrations in an open and transparent way would guarantee a coherent analysis on which to base the development of an energy policy.

Point 6 of the Council Resolution (No 7802/95) on the Green Paper, of 1 June 1995:

“Considers that the operation of the internal market requires the strengthening of consultation and cooperation between the Member States within the Community and the development of Community methods of analysis, in particular with respect to the functioning of the market mechanisms, which could enlighten the Community decision-making process”.

The White Paper (COM(95) 682 final of 20 December 1995) recommends, in section 134:

“In terms of immediate action the Commission intends to take the following initiatives in 1996 without prejudging the results of the forthcoming Inter-Governmental Conference: the establishment of a programme to monitor energy trends, in cooperation with Member States, industry and other bodies, in order that political decisions related to energy can be made on the basis of a shared analysis”.

This proposal, based on the existing treaties, is necessary to meet the need for a more cooperative and transparent policy-making procedure.

The operation is also justified by the fact that the analysis methods contribute:

to managing Community policies in such a way as to help in achieving common goals, in particular completion of the internal energy market, improvement of the quality of the environment, and security of supply;

to the convergence of European policy by a better knowledge of the long-term development prospects of the world market;

to securing added value for the studies and expert assessments carried out in the Member States by putting them into a common perspective.

Carrying out studies and surveys of the energy market will make it possible to measure how far national policies and Community objectives coincide and to open up discussion of the long-term prospects.

At the Community level the Commission will be undertaking additional analysis work to complement that being done in the Member States and aggregating the results obtained.

Choice of instruments

Depending on the nature of the activities planned or appearing to be in need of action, recourse will be had to calls for tender, calls for proposals or subsidies. Collaborative efforts will be strongly encouraged not only in order to take advantage of the complementarity, the multidisciplinary nature of expert studies and the resulting creativity, but also to foster a common approach and a common understanding.

9.3 Monitoring and evaluation of the operation

The committee of the energy framework programme and the Energy Consultative Committee set up by Council Decision No 96/642/EC of 8 November 1996 will be kept regularly informed of the results of the work.

The two main recommendations of the recent evaluation of heading B4-1040 for the period 1993-1995 are as follows:

More use should be made of frame-contracts for recurring tasks such as data modelling and conference organisation.

The Member States' energy ministries are currently playing a relatively passive role in European analysis and forecasting. To make full use of the added value at Community level, Member States should be encouraged to work more closely together, perhaps in small groups, to take on common sectoral problems. There should be more pooling and sharing of modelling and analysis of competence.

10. COMPONENTS OF ADMINISTRATIVE EXPENDITURE

Effective mobilisation of the necessary administrative resources will result from the Commission's annual decision on the allocation of resources, taking account in particular of the additional human and financial resources granted by the budgetary authority.

10.1 Impact on the number of jobs

Job type	Staff needed for managing the operation		of whom		Duration
	permanent jobs	temporary jobs	by using existing resources in DG or department concerned	by using additional resources	
Officials A	2		2		5 years
or temporary B	1		1		
staff C	1		1		
Other resources		1 seconded national expert	1 seconded national expert		5 years
Total	4	1	5		

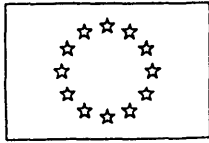
10.2 Overall financial impact of additional human resources

None.

10.3 Other annual operating expenditure arising out of the operation

Budget heading (number and title)	Amounts	Calculation method
A-1300 Mission expenses, travel expenses and incidental expenditure	50 000	Missions connected with financial support, conferences and workshops on basis of financial year 1996
A-2500 Expenses of experts in the Framework Programme Committee	20 000	One meeting of 15 experts from the Member States + 5 from outside
Total	70 000	

The appropriations shown are financed from within the existing allocations of the departments managing the programme.



EUROPEAN COMMISSION

ANNEX III

PROPOSAL FOR A COUNCIL REGULATION

adopting a

**MULTIANNUAL PROGRAMME TO PROMOTE
INTERNATIONAL COOPERATION IN THE ENERGY SECTOR**

(1998-2002)

PROPOSAL FOR A COUNCIL REGULATION ADOPTING A MULTIANNUAL PROGRAMME TO PROMOTE INTERNATIONAL COOPERATION IN THE ENERGY SECTOR (SYNERGY PROGRAMME) (1998-2002)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas, for reasons of the competitiveness of the Community's industries, security of supply and protection of the environment, energy matters must be an important element in the Community's international activities;

Whereas a multiannual framework programme for actions in the energy sector is being implemented;

Whereas the Community's accession to the Energy Charter Treaty and the Convention on Climate Change commits it to continue with international cooperation in the energy field;

Whereas the conclusions of the Council of Ministers for Development and Cooperation of 18 November 1992 on the guidelines for cooperation with the developing countries for clean and efficient energy technology stressed that an essential objective of energy cooperation with all developing countries was the implementation of effective energy policies;

Whereas, as stressed in the Council resolution of 8 July 1996 on the White Paper "An energy policy for the European Union", energy developments in the Community are increasingly influenced by external developments and efforts must therefore be made to ensure that the Community develops a coherent and consistent approach to energy matters with third countries;

Whereas the Community is engaged in international energy activities under various programmes; whereas, to ensure that these activities are consistent, they should be coordinated more closely;

Whereas coordination of the Community's other measures in the energy sector is necessary; whereas there must therefore be no duplication with other programmes of the Community, of the Member States or of third countries or international organisations in the field of energy policy;

1

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Whereas, by reason of their wide-ranging nature, the principal objectives of the programme, particularly the coordination of the various programmes of international measures, can be attained best at Community level;

Whereas it is necessary to establish a specific legal instrument for the Community's international cooperation activities in the field of energy policy;

Whereas according to the Council resolution on the White Paper "An energy policy for the European Union", political and trade relations are essential components of energy policy and, accordingly, the Community's international energy cooperation measures should be integrated more effectively in its external policy as a whole;

Whereas the objectives of energy cooperation pursuant to the programme should be to improve the competitiveness of Community industries, to enhance security of supply, to promote sustainable development and to improve energy efficiency; whereas such cooperation may be put into effect by cooperating in and co-financing projects;

Whereas such cooperation should be anchored in an indicative programme and may be the subject of agreements with the States concerned or with international networks of study and research centres;

Whereas, since the cooperation in question is external cooperation, it is governed by the special provisions laid down in Title IX of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities,

HAS ADOPTED THIS REGULATION:

Article 1

Within the framework programme for actions in the energy sector, a specific programme of cooperation with third countries in fields of mutual benefit, hereinafter referred to as "SYNERGY", shall be implemented by the Community.

This programme shall concern:

- aid with the definition, formulation and implementation of energy policy for third countries;
- promotion of industrial cooperation between the Community and third countries in the energy sector;
- closer coordination of the Community's external activities in the energy field.

Article 2

SYNERGY shall be addressed to all States which are not members of the Community and first and foremost those countries and regions considered priorities in the Community's external relations in terms of its political and economic interests and security of energy supply.

Article 3

1. Implementation of the SYNERGY programme shall start on 1 January 1998 and end on 31 December 2002.

2. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspectives.

Article 4

1. The programme shall help achieve the Community's main energy objectives as described in the White Paper "An energy policy for the European Union". To the same end, the Community may also maintain relations with international energy organisations. The measures to implement the programme shall be adopted in accordance with the rules set out in Article 4 of the Decision adopting the multiannual framework programme for actions in the energy sector. No funding may be granted to research, development and demonstration projects.
2. In order to achieve these objectives, the Community shall contribute, in particular, to the financing of activities concerning:
 - energy policy advice and training;
 - energy analyses and forecasting;
 - closer dialogue and exchanges of information on energy policy, notably by means of organisation of conferences and seminars;
 - support to regional transboundary cooperation;
 - improving the framework for industrial cooperation on energy;
 - coordination of the Community instruments for international action in the energy sector and other similar international programmes.
3. The cooperation shall also cover costs related to the preparation, implementation, monitoring and evaluation of performance of these operations, as well as costs concerning information.

Article 5

1. Community contributions may take the form of grants which shall be released in tranches as projects materialise.
2. SYNERGY programme funding shall be granted only after verification that the activities cannot qualify for financing from other programmes.
3. Financing decisions and any contracts resulting therefrom shall expressly provide, inter alia, for acceptance by the beneficiaries of supervision by the Commission and the Court of Auditors, which may be carried out on the spot if necessary.

Article 6

1. An indicative programme covering the period referred to in Article 3 is established in the Annex. This programme defines the principal objectives, guidelines and priorities of Community cooperation in the indicative areas referred to in Article 4.
2. An action programme based on the indicative programme referred to in paragraph 1 shall be adopted in accordance with the procedure provided for in Article 4 of the Council Decision adopting a framework programme for actions in the energy sector. This action programme shall include a list of the main projects to be

financed within the indicative areas referred to in Article 4. The content of the programme shall be determined so as to provide Member States with the relevant information to enable the committee set up under the abovementioned procedure to give its opinion.

3. Specific agreements may be concluded with third countries and international organisations, in the framework and for the duration of the indicative programme referred to in paragraph 1, in order to define the main lines of cooperation with the countries concerned and the consultation procedures regarding implementation of the programme.
4. Contracts may also be concluded within the framework of the indicative programme referred to in paragraph 1 with international networks of study and research centres in order to define the contribution of these networks to achievement of the objectives described in the abovementioned indicative programme.

Article 7

1. The Commission shall implement operations in accordance with the action programme referred to in Article 6(2).
2. Service contracts shall, as a general rule, be awarded by restricted invitations to tender in conformity with Article 118 of the Financial Regulation applicable to the general budget of the European Communities.

Negotiated contracts may be awarded for operations involving an amount below ECU 50 000.

Supply contracts, where needed to supplement service contracts and limited to the objectives of SYNERGY, shall be awarded by means of open invitations to tender, except in the cases provided for in Article 116 of the Financial Regulation.

Participation in invitations to tender and contracts shall be open on equal terms to all natural and legal persons in the Member States and in the beneficiary States.

Participation by natural and legal persons from other countries may be authorised by the Commission on a case-by-case basis if the programmes or projects concerned require specific forms of assistance specifically available in these countries.

3. Taxes, duties and the purchase of immovable property shall not be funded by the Community.
4. In the case of co-financing, the participation of enterprises from the third countries concerned in invitations to tender and contracts may be authorised by the Commission on a case-by-case basis. The Commission shall render account thereof in the report referred to in Article 9.

Article 8

1. The Commission shall, together with the Member States, ensure effective coordination of the expert assistance provided in the beneficiary States by the Community and individual Member States on the basis of the information supplied by the Member States.
2. Coordination and cooperation with the international financial institutions and other sources of funds shall be encouraged.
3. The Commission shall examine ways of promoting co-financing by the SYNERGY programme, bilateral cooperation from the Member States, the programmes of other international organisations and other Community programmes. It shall, in particular, contribute to closer coordination and complementarity between the contributions made by SYNERGY and the other Community instruments for international energy cooperation in order to avoid duplication. It shall also ensure that duplication is avoided between the SYNERGY programme and any other programme or action of other international organisations in the field of energy.

Article 9

1. The Commission shall present a report by 31 December 2000 on the implementation of the specific programme in the two previous financial years, based on an external assessment by independent experts.
2. The Commission shall present a report by 31 December 2002 on the implementation of the programme and the results obtained in third countries and Member States, accompanied by the external assessment by independent experts on which it is based.
3. Each year the Commission shall present a report on the implementation of the external energy activities under the various Community instruments.
4. These reports shall be addressed to the European Parliament and the Council.

Article 10

This Regulation annuls and replaces Council Regulation (EC) No...../.....

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

INDICATIVE ACTION PROGRAMME

For the purposes of implementing the SYNERGY programme and drawing up the action programme the following guidelines shall be taken into account.

The tasks of SYNERGY are to help achieve the Community's energy objectives as set out in the Council's resolution on the White Paper "An energy policy for the European Union":

- overall competitiveness,
- security of supply,
- environmental protection.

Each of these objectives has a sizeable external component, as is made clear in the White Paper. SYNERGY will implement action in line with its objectives and ensure closer coordination of international cooperation activities in the field of energy policy being conducted elsewhere in the Community.

The SYNERGY guidelines have been drawn up on that basis.

I. AREAS OF COOPERATION LINKED TO THE COMMUNITY'S ENERGY OBJECTIVES

A) Activities pursuant to all three objectives:

- advise third countries on energy policy;
- encourage energy efficiency in third countries;
- develop local and, in particular, renewable energy sources;
- encourage regional energy integration;
- promote consistency in the implementation of Community programmes in specific regions (e.g. the Black Sea, the Mediterranean and the Gulf).

B) Overall competitiveness:

- support the development of cooperation designed to strengthen the presence of European players on key markets in the energy sector, in particular Asia and Latin America;
- advise third countries on organisation of the energy sector;
- support liberalisation and opening-up of the energy sector, helping third countries to draw up energy policies in this new situation, in particular in conformity with the Energy Charter Treaty;
- favour greater investment by European undertakings in the energy sector in third countries.

C) Security of supply:

- dialogue with energy-producing and exporting countries: Gulf, Russia, producer countries in America, Asia and Africa;
- encouraging dialogue between the European Community and the countries which have signed the Energy Charter Treaty, in particular with the transit and energy-producing transit countries, by helping to implement the provisions of the Energy Charter Treaty;
- participation in and support for the work of international bodies in this sector: ministerial and producer/consumer conferences, International Energy Agency;
- support in creating a favourable environment for investment in third countries in the production and transit of energy, in conformity with international law, particularly the Energy Charter Treaty and the disciplines agreed within the WTO.

D) Environment:

- training decision-makers and staff in the energy industry in third countries in environmental awareness;
- disseminating the Community's experience and information on energy and the environment;
- encouraging use of clean technology, in particular for the combustion of coal in major consumers like China, taking the implications for energy policy into account;
- strengthening and supporting efforts to have environmental aspects taken into account in third countries' energy policy and planning;
- encouraging and helping third countries to plan and implement national energy supply and use policies in keeping with each different environmental situation.

II. GEOGRAPHICAL PRIORITIES AND CONSISTENCY WITH THE COMMUNITY'S INTERNATIONAL COOPERATION PROGRAMMES

A) Role and priorities:

In international relations in the energy field SYNERGY:

- will promote energy cooperation vis-à-vis third countries;
- will aim at having its objectives taken into account in the external cooperation activities carried out by other Community programmes;
- will facilitate the emergence of energy projects financed by other Community cooperation instruments.

B) Geographical priority areas

SYNERGY will concentrate on the geographical priorities in the Community's external relations and will help achieve certain of those priorities.

The areas given priority by SYNERGY are:

- **Central and Eastern Europe;**
- **New Independent States (NIS);**
- **Mediterranean third countries;**
- **Latin America: emphasis will be placed on Mercosur, Chile, Mexico and Venezuela;**
- **Asia: China, India and the Asean countries;**
- **Africa.**

FINANCIAL STATEMENT

ITEM B4-1041

1. TITLE OF OPERATION

Promotion of international cooperation in the energy sector - SYNERGY programme.

2. BUDGET HEADING INVOLVED

B4-1041

3. LEGAL BASIS

Council Regulation (EC) No 701/97 of 14 April 1997 adopting a programme to promote international cooperation in the energy sector - SYNERGY programme (OJ No L 104, 22.4.1997, p. 1).

Proposal for a Council Regulation (EC) extending the programme to promote international cooperation in the energy sector - SYNERGY programme - as established by Council Regulation (EC) No 701/97 of 14 April 1997.

Proposal for a Council Decision adopting a framework programme for actions in the energy sector (1998-2002).

4. DESCRIPTION OF OPERATION

4.1 General objective

The need for an international cooperation programme at European level to complement the internal policies in this sector has been heightened by developments on the world energy scene in recent years:

- Europe's growing dependence on outside energy sources;
- extremely sharp increase in demand for energy in developing countries;
- growing impact of environmental problems, particularly greenhouse gas emissions, on energy choices.

The objective is to promote cooperation in the field of formulation and implementation of energy policy in third countries to help achieve the objectives of the European Union's energy strategy, namely:

- overall competitiveness;
- security of energy supply for Europe;
- environmental protection.

This operation should help to attain these objectives by launching schemes aiming, in particular, at:

- improving energy efficiency in third countries;
- promoting use of clean technologies;
- encouraging use of local and, in particular, renewable energy sources;
- providing support for regional integration and opening-up of the energy sector in third countries;
- fostering dialogue and contacts between Europe, third countries and, in particular, producer countries and international organisations in the energy field;
- supporting penetration by European energy undertakings in third countries;
- strengthening ties between experts and decision-makers in the energy sector within the Community and between the Community and third countries.

The operation also provides support for the European Union's external relations policy and helps to establish frameworks for steering and preparing energy projects and to pave the way for the accession of Central and Eastern European countries.

Formulation of the annual programme, in collaboration with other Commission departments and representatives of the Member States, will provide an opportunity to target SYNERGY on the priority issues, taking account of the annex to the Regulation, as proposed by the European Parliament.

4.2 Period covered

Five years, from 1 January 1998 to 31 December 2002.

5. CLASSIFICATION OF EXPENDITURE

Non-compulsory expenditure/differentiated appropriations.

6. TYPE OF EXPENDITURE OR REVENUE

EXPENDITURE

Financing of studies, technical assistance and advice through the possible intermediary of experts, training and promotion activities, dissemination of information, organisation of conferences, seminars, workshops, technical and educational visits, support for energy cooperation or energy policy institutions and other activities in support of energy policy.

Expenditure on promotion of the programme, dissemination of the results and evaluation of the programme by outside experts and operating expenditure of bodies supporting cooperation in the energy field.

Normally the Community will contribute not more than 50% of the total cost of the project and will fund projects jointly with third countries, the Member States or international organisations.

In certain cases, however, the Community can contribute up to 100%: to finance experts seconded full time to the authorities in third countries or action solely in the interest of the Community (preliminary studies, reconnaissance missions, European energy centres, project evaluation, etc.).

REVENUE

Any revenue from repayments by States participating in the European Energy Charter is available for re-use in accordance with Article 27(2)(b) of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities (OJ No L 356, 31.12.1977, p. 1), as last amended by Regulation (EC, Euratom, ECSC) No 2335/95 (OJ No L 240, 7.10.1995, p. 12).

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (link between unit costs and total cost)

- **Horizontal measures**

Short-term missions by experts from Europe or third countries:

transport, fees and daily allowances: 240 missions costing ECU 10 000 each .

One interim evaluation and one final evaluation of the programme costing an average of ECU 150 000 = ECU 300 000.

- **Energy analyses**

Studies costing an average of ECU 100 000 x 64

- **Cooperation in formulating energy policy in third countries**

Long-term (six-month) missions by experts costing an average of ECU 100 000 per mission x 63

- **Financial support for energy institutions**

Long-term (one-year) missions by experts costing an average of ECU 200 000 per mission x 30

Technical visits and training in Europe for 25 citizens from third countries costing an average of ECU 20 000 x 150 visits

- **Support for industrial cooperation**

Seminars costing an average of ECU 100 000 x 10

Visits by European delegations to third countries costing an average of ECU 74 000 x 10

- **Seminars, conferences and workshops**

Seminars or workshops costing an average of ECU 100 000 x 20

Conferences costing an average of ECU 200 000 x 15

- **Information and training**

(Grants and scholarships)

7.2 Itemised breakdown of cost in ECU million

Breakdown	1998	1999	2000	2001	2002	Total
Horizontal measures	0.5	0.5	0.58	0.5	0.62	2.7
Energy analyses	1.2	1.3	1.3	1.3	1.3	6.4
Cooperation in formulating energy policy in third countries	1.2	1.2	1.3	1.3	1.3	6.3
Support for industrial cooperation	0.3	0.34	0.3	0.4	0.4	1.74
Financial support for energy institutions	1.8	1.8	1.8	1.8	1.8	9
Seminars, conferences and workshops	1	1	1	1	1	5
Information and training	1	1	1	1.12	1.15	5.27
TOTAL=	7.00	7.14	7.28	7.42	7.57	36.4

Comments:

The increase in budgetary resources from 2000 on will be allocated to three types of action:

- support for industrial cooperation to help European undertakings in this sector to penetrate markets in third countries;
- cooperation in formulating energy policy so that third countries take account of the Community's energy objectives;
- increased expenditure on evaluation and monitoring of the action envisaged (under "Horizontal measures").

7.3 Operating expenditure on studies, experts, etc. entered in Part B of the budget

EC in ECU million (current prices)

	1998	1999	2000	2001	2002	Total
Information and publications	0.2	0.2	0.2	0.2	0.2	1

7.4 Indicative schedule of commitments and payments

The amount will be set annually by the budgetary authority.

The indicative commitment and payment appropriations (in ECU million) will be as follows:

	1998	1999	2000	2001	2002	Total
Commitment appropriations	7	7.14	7.28	7.42	7.57	36.4
Payment appropriations						
1997	6					6
1998	1	6				7
1999		1.14	6			7.14
2000			1.28	6		7.28
2001				1.42	6.5	7.92
2002					1.07	1.07
2003						
Total	7	7.14	7.28	7.42	7.57	36.4

Financial support for energy institutions in third countries should decrease as the institutions become self-sufficient.

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

The work is paid after its acceptance on the basis of a contribution rate set before award of the contract, and in the light of a final financial report on the operation. Documentary proof of travel and subsistence expenses may be required. Checks on the documents and on-the-spot inspections may be carried out.

9. ELEMENTS OF COST-EFFECTIVENESS

9.1 Specific objectives

A distinction can be drawn between:

- the specific objectives to which SYNERGY contributes without bearing sole responsibility for the results;

- the direct objectives of the SYNERGY schemes.

9.1.1 Objectives of the programme

- To reduce the predicted increase in greenhouse gas emissions worldwide by means of measures to encourage energy efficiency, new technologies, renewable sources and energy planning.
- To increase energy investment and exports by European undertakings in third countries.
- To facilitate interconnection of the energy networks in third countries and between third countries and Europe.
- To prepare for accession of the associated countries by helping to bring their energy policies closer to EU energy policy.
- To maintain or increase the capacity for exporting energy from third countries to Europe, despite the growing demand in third countries.

9.1.2 Specific objectives of the schemes

In the case of seminars, conferences, workshops and financial support for cooperation bodies:

- to strengthen ties between decision-makers in the public or private sectors in Europe and in third countries;
- to foster contacts between the authorities responsible in third countries;
- to help to implement other cooperation schemes between the Community and third countries;
- to disseminate information on the energy situation in Europe.

In the case of cooperation in formulating energy policy in third countries and energy analyses:

- to make a European contribution to formulation of energy plans and regulations in third countries.

In the case of training and information:

- to train members of the profession in third countries and make them aware of European points of view.

Target population

States, public energy services, businesses, individuals from third countries and from the European Community.

9.2 Grounds for the operation

Action at Community level is justified for the following reasons:

- only the Community can support European interests and undertakings without favouring any particular Member State;
- the Community as such is designated as the intermediary with third countries in contexts such as the G-24 or agreements concluded with some third countries which explicitly include energy in their scope;
- action at Community level will make it possible to complete the measures taken at the level of Member States and to strengthen their impact;
- the European Community can represent better the interests of the Member States as a whole;
- action at European Community level will make it possible to use expertise scattered between several Member States.

Compared with the Community's other international cooperation programmes, SYNERGY provides a means of taking account of the Community's energy interests with the aim of closer coordination of the programmes covering different regions of the world.

9.3 Monitoring and evaluation of the operation

First, the officials responsible for each geographical region already manage, monitor and evaluate, at their level, each project of which they are in charge.

Performance indicators selected

As SYNERGY is a programme of cooperation in formulating energy policies, it is difficult to determine quantitative indicators of its impact.

Furthermore, action relating to energy policy influences production or consumption figures only in the medium or long term.

Nevertheless, it is possible to apply indicators corresponding to the two types of objective mentioned in Section 9.1.

In the case of the general objectives:

- comparison of greenhouse gas emission levels with forecasts;
- country-by-country trends in the energy efficiency index;
- increase in local production, particularly the share taken by renewable sources;
- amount of European energy investment and exports;

- growth in energy exports from third countries, in relation to their domestic demand trends;
- investments in interconnections between third countries and between Europe and third countries.

In the case of the specific objectives of the schemes:

- number of participants at conferences or meetings organised by SYNERGY plus, possibly, number of business contacts made and of measures taken to follow up such meetings;
- number of countries drawing on European experience to formulate their energy policy;
- number of members of the profession trained;
- number of people informed about the projects;
- cooperation schemes to follow up a SYNERGY project.

Details and frequency of planned evaluations

The proposal for a Council Regulation provides for two reports, based on an assessment by independent experts.

The first, after two years' activity, will focus primarily on implementation of the programme.

The second, at the end of the programme, will also examine the results of the programme in the countries concerned.

The projects funded will also be audited by independent experts.

9.3 Elements for evaluation of cost-effectiveness

To compare the figures with other programmes, allowance must be made for the fact that the projects are managed and monitored directly by officials from the Unit and that these tasks are not farmed out. Moreover, SYNERGY takes the form of Community initiatives and action (such as the Euro-Mediterranean Forum) which provide results that can be used by other programmes. This calls for greater involvement by officials for identification and negotiation of the projects.

10. ADMINISTRATIVE EXPENDITURE

The annual decisions taken by the Commission on allocation of resources will make sure that the administrative resources required are effectively made available,

taking account, in particular, of any extra staff and funds granted by the budgetary authority.

10.1 Impact on the number of staff

Post		Staff to be assigned to management of the operation		of whom		duration
		<u>permanent staff</u>	<u>temporary staff</u>	existing resources within the DG or department concerned	additional resources	
Officials or temporary staff	A	2.5	0.5	3		
	B	1		1		
	C	2		2		
Other resources			1 seconded national expert	1 seconded national expert		
Total		5.5	1.5	7		

10.2 Total financial impact of the human resources

The total annual cost of administration of the programme can therefore be estimated at 7 x ECU 103 000 = ECU 721 000.

10.3 Other operating expenditure

Budget heading	Amount	Method of calculation
A-130 Mission expenses, travel expenses and incidental expenditure	120 000	Estimate based on expenditure in the first nine months of 1997.
A-2510 Meeting specifically on international cooperation within the Framework Programme Committee	46 200	Two meetings per year with two representatives per Member State, based on an average cost of ECU 770. These meetings should be held in common with the meetings on the other specific programmes.
Total	166 200	

The appropriations indicated are funded from the existing amount allocated to the departments running the programme.



EUROPEAN COMMISSION

ANNEX IV

PROPOSAL FOR A COUNCIL DECISION

adopting a

**multiannual programme for
the promotion of renewable energy sources
in the Community**

(1998-2002)

PROPOSAL FOR A COUNCIL DECISION ADOPTING A MULTIANNUAL
PROGRAMME FOR THE PROMOTION OF RENEWABLE ENERGY SOURCES
IN THE COMMUNITY - ALTENER II

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,¹

Having regard to the opinion of the Economic and Social Committee,²

Having regard to the opinion of the Committee of the Regions,³

Acting in accordance with the procedure laid down in Article 189c of the Treaty, in cooperation with the European Parliament,⁴

Whereas Article 130r of the Treaty lays down that one of the objectives of Community action is to ensure prudent and rational utilization of natural resources;

Whereas Article 129 of the Treaty lays down that health protection requirements shall form a constituent part of the Community's other policies; whereas this programme contributes to health protection;

Whereas, at its meeting on 29 October 1990, the Council announced its objective of stabilising total CO2 emissions by 2000 at the 1990 level in the Community as a whole; whereas at its meetings in March and June 1997, the Council adopted as a negotiating position for the Kyoto meeting under the Convention on Climate Change a reduction in greenhouse gas emissions of 7.5% by 2005 and 15% by 2010 compared with 1990 levels;

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Whereas to achieve significant reductions in CO₂ emissions in the Community greater efforts are required, particularly in view of the fact that CO₂ emissions from energy consumption in the Community are likely to increase by between 5 and 8% between 1995 and 2000, assuming normal economic growth; whereas it is, therefore, essential to adopt additional measures;

Whereas a mechanism for monitoring CO₂ and other greenhouse gas emissions was established by Council Decision 93/398/EEC of 24 June 1993;⁵

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 (SARIPCC) 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;

Whereas with the Green Paper of 11 January 1995⁶ and the White Paper of 13 December 1995⁷ 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;

Whereas in its resolution of 4 July 1996⁸ the European Parliament calls on the Commission to implement a Community action plan to promote renewable energy sources;

Whereas with the Green Paper of 20 November 1996,⁹ Energy for the Future: Renewable sources of energy, the Commission started the process of the development and subsequent implementation of a Community strategy and an action plan on renewable energy sources (RES);

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;

⁵ OJ No L 167, 9. 7. 1993, p. 31.

⁶ COM(94)649 of 11.01.1995.

⁷ COM(95)682 of 13.12.1995.

⁸ A4-0188/96 - EP 251.039.

⁹ COM(96)576 final of 20.11.1996.

Whereas by Decision 93/500/EEC of 13 September 1994¹⁰ the Council adopted a Community programme for the promotion of renewable energy sources (ALTENER) aimed at reducing CO₂ emissions by increasing the market share of renewable energy sources and their contribution to overall primary energy production in the Community; whereas that programme ends on 31 December 1997;

Whereas the Community has recognised that the ALTENER programme represents an important element of the Community strategy for reducing CO₂ emissions;

Whereas the Commission has presented a proposal¹¹ for a Council Decision adopting a multiannual programme for the promotion of renewable energy sources in the Community (ALTENER II);

Whereas a multiannual framework programme for actions in the energy sector has been implemented;

Whereas European Parliament and Council Decision No 1110/94/EC of 26 April 1994¹² 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;

Whereas the Commission has presented to the Council and the European Parliament its proposals relating to the 5th RTD Framework Programme;¹³

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;

Whereas a strengthened ALTENER II programme represents an essential instrument for developing the potential of renewable energy sources;

Whereas in implementing the programme, there should be close cooperation with other Community actions and programmes also concerned with promoting renewable energy sources;

Whereas it is politically and economically desirable to open the ALTENER II programme to the associated Central and East European countries in accordance with the conclusions of the European Council meeting in Copenhagen in June 1994,¹⁴ and

¹⁰ OJ No L 235, 18.09.1993.

¹¹ COM(97)87 final of 12.03.1997.

¹² OJ No L 126, 18.05.1994.

¹³

¹⁴

as outlined in the communication on this subject presented to the Council by the Commission in May 1994,¹⁵ 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', shall be implemented.

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, socioeconomic and administrative conditions, and to
- (b) encourage private and public investments in the production and use of energy from renewable sources.

These two objectives contribute to achieving the overall Community objectives and concerns of limiting CO₂ 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 of this Decision.
3. The ALTENER II programme shall begin on 1 January 1998 and end on 31 December 2002.
4. The annual appropriations for the implementation of the programme shall be authorized by the budgetary authority within the limits of the financial perspectives.

Article 2

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, socioeconomic and administrative conditions which are more favourable to the

¹⁵ COM

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 centralised system for collecting 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, presentation and implementation of projects.

The aim of these targeted actions 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 services 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 tender, 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,¹⁶ liquid biofuels and biogas,
- thermal and photovoltaic solar systems,
- passive and active solar systems in buildings,

¹⁶ Communication from the Commission on the review of the Community strategy for waste management, COM(96)399 final of 30.07.1996.

- small scale (<10 MW) hydroelectric projects
 - wind power
 - geothermal energy.
- (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.

Article 3

1. All costs relating to the actions and measures referred to in points (a), (c) and (f) of Article 2 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 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 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 CO₂ emissions;

- (c) for the actions referred to in point (e) of Article 2, 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.

Article 5

The Commission shall be assisted by the committee referred to in Article 4 of the Council Decision adopting a multiannual framework programme for actions in the energy sector.

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 cancels and replaces Council Decision (EC) No

Article 9

This Decision is addressed to the Member States.

Done at Brussels,

For the Council

The President

FINANCIAL STATEMENT

1. TITLE OF THE OPERATION

Energy framework programme (1998-2002)

ALTENER II. Multiannual programme for the promotion of renewable energy sources in the Community

2. BUDGET HEADING

B4.1030

3. LEGAL BASIS

Council Decision 93/500/CEE of 13 September 1993 (OJ No. L 235 of 18.9.93, p. 41). ALTENER I Programme.

Proposal for a Council Decision, presented on 22 May 1997, concerning a multiannual programme for the promotion of renewable energy sources in the Community (ALTENER II) (OJ No C 192, 24.06.1997, p. 16).

Proposal for a Council Decision adopting a framework programme for actions in the energy sector (1998-2002).

4. DESCRIPTION OF THE OPERATION

4.1. General objective

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 CO₂ 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. An indicative target of a doubling of the share of renewable energies by 2010 was settled upon during the process of adopting the Green Paper. The Commission is preparing a proposal for a Communication on the White Paper. "Community strategy for renewable energy sources up to 2010", together with an action plan. ALTENER II has an important role to play in the implementation and follow-up of this strategy and its action plan.

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 valorisation 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 considerations 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 and arrangements for renewal or extension

The action covers a period of five years from 1 January 1998 to 31 December 2002.

5. CLASSIFICATION OF EXPENDITURE

NCE/DA

6. TYPE OF EXPENDITURE OR REVENUE

The budget proposed for ALTENER II is ECU 81.1 million.

The budget for ALTENER I was originally ECU 40 million but the allocation was increased by the end of the programme to some ECU 46.4 million. 72% 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 18.09.1993 - and in 1997 the budget available is ECU 8.2 million.

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 centralised 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, liquid biofuels and biogas,
- thermal and photovoltaic solar systems,
- passive and active solar systems in buildings,
- small scale hydroelectric projects,
- wind power,
- geothermal energy.

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 the various actions under Article 2(e) will be defined annually.

The actions selected will be entered 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 IMPACT

The annual appropriations for the implementation of the programme will be established by the budgetary authority within the limits of the financial perspectives. The amount will be fixed annually by the budgetary authority (see Table 7.2).

The proposed indicative budget is ECU 81 100 000.

The amounts proposed are subject to the limits of the financial perspectives currently in force. When the next financial perspectives are drawn up, the funding of priority actions to promote renewable energy sources could be reconsidered.

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 Art. 2a) Implementing and complementing Community measures taken to develop the potential of RES

Sectoral studies: the past average cost has been taken as the basis considering, however, that all the studies have now to include all 15 Member States and the CEECs. (As regards the Member States, the studies were carried out on the basis of EUR-12 and have now to be extended to EUR-15).

Harmonisation: same approach as for sectoral studies. The harmonisation of, among other things, authorisation procedures and conditions for connection to the grid as well as measures in force in the Member States is analysed on the basis of the projects in implementation of the strategy.

Standards: the past average cost ~ ECU 500.000/mandate.

in kECU

Breakdown	1998	1999	2000	2001	2002	Total
Art. 2a) Implementing and complementing Community measures taken to develop the potential of RES						
* Studies on sectoral and market strategies	500	500	1 000	1 000	1 000	4 000
* Background for harmonisation	1 000	500	1 500	1 500	1 500	6 000
* Development of norms and standards	500	1 000	1 500	1 500	1 500	6 000
Subtotal Art. 2a	2 000	2 000	2 000	2 000	2 000	10 000

Actions under Art. 2b) Infrastructures and instruments for the development of RES

Infrastructures and planning: At least one project per year for 10 countries and 2 for 5 countries in the three types of infrastructures. Local and regional planning and training and information infrastructures must be improved.

in kECU

Breakdown	1998	1999	2000	2001	2002	Total
Art. 2b) Actions on infrastructures and instruments for the development of RES						
* Projects relating to planning and tools	1 500	1 600	1 900	1 900	1 900	8 800
* Projects developing tools for design, assessment and evaluation	1 000	1 100	1 000	1 000	1 000	5 100
* Projects on new financial and market instruments	1 000	1 100	1 000	1 000	1 000	5 100
* Infrastructures for information, education and training	1 000	1 100	1 100	1 100	1 100	5 400
Subtotal Art. 2b	4 500	4 900	5 000	5 000	5 000	24 400

Actions under Art 2c) and Art. 2d) Dissemination of information

Community events and publications: Four contractors' meetings on infrastructures and four on sectoral items. Promotional expenses, fact-sheets, brochures, etc. Promotion of the "campaign for take-off".

Temporary networks for specific tasks: In ALTENER I the three biomass networks were financed at only 30% and the cost was ECU 1.2 million in 95 and ECU 1 million in 96. The action has to be extended to other energy sources and the rate of funding increased.

Centralised system for collecting and circulating information (creation of "Agores" virtual centre): 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, and extrapolating, taking into account the increased number of countries, tasks and items to be included. The action will gradually be developed and extended to other targeted countries and activities.

Support to national, regional and local information actions in collaboration with Member States local authorities. etc.: Support to at least two national events per year (max. 50% funding).

Support to existing networks, associations and other parties: Almost all sectoral associations or federations hold one event per year and, for some of them, a world event every two years. Financial support could be from 30.000 to 100.000. Support to newsletters or information actions could also be given.

in kECU

Breakdown	1998	1999	2000	2001	2002	Total
Art. 2c) + 2d) Dissemination of information, including co-financed actions						
* Community events and publications, promotion of "campaign for take-off"	500	400	500	500	500	2 400
* Temporary networks for specific tasks on biomass, waste, liquid, biofuels, solar thermal, solar PV, buildings, etc.	750	750	750	750	750	3 750
* Centralised system for collecting and circulating information	750	750	750	750	750	3 750
* Support to national, regional and local information actions in collaboration with Member States, local authorities, including EEA, CEECs, Cyprus	500	500	500	500	500	2 500
* Support to existing networks, association and other parties	500	400	500	500	500	2 400
Subtotal Art. 2c) and 2d)	3 000	2 800	3 000	3 000	3 000	14 800

Actions under Art. 2e) Targeted actions promoting the penetration of RES and encouraging investment

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 the calculations provided by industry taking into account projections of development of the various sectors and estimates of the varying peripheral costs from industry. The contribution from this programme to these peripheral costs will be defined by the Commission during the call for tenders. This action has a very important role to play in the implementation of a "campaign for take-off" that the Commission is planning under the White Paper on renewables, one aim of which is to fill the gaps after the demonstration projects and encourage investment.

in kECU

Breakdown	1998	1999	2000	2001	2002	Total
Art. 2e) Targeted actions promoting the penetration of RES						
* Launching annual calls for tender/proposals and modifications or reorientations	100	100	100	100	100	500
* Targeted actions:						
-Area 1: biomass, biogas, biofuels	1 000	1 000	1 500	1 500	1 500	6 500
	750	1 000	1 500	1 500	1 500	6 250
-Area 2: solar thermal and PV	500	1 000	1 100	1 100	1 200	4 900
	500	500	500	500	500	2 500
-Area 3: solar in buildings	500	500	500	500	500	2 500
-Area 4: small hydroelectric	250	300	300	300	300	1 450
-Area 5: wind						
-Area 6: geothermal						
Subtotal Art. 2e)	3 600	4 400	5 500	5 500	5 600	24 600

in kECU

Breakdown	1998	1999	2000	2001	2002	Total
Art. 2f) Implementing Community strategy and action plan for the development of RES						
* Monitoring of Member States and Community strategy measures; survey on action plan progress	500	500	500	500	500	2 500
* Support for initiatives taken to implement the Action Plan	250	450	450	450	450	2 050
* Monitoring progress on RES in the Community, in Member States and associated countries; statistics	300	300	300	300	300	1 500
* Ongoing evaluation and follow-up of the programme	250	250	250	250	250	1 250
TOTAL	1 300	1 500	1 500	1 500	1 500	7 300

7.2. Itemised breakdown (commitment appropriations)

in kECU

Breakdown	1998	1999	2000	2001	2002	Total
art.2 a) Implementing and complementing Community measures taken to develop the potential of RES	2 000	2 000	2 000	2 000	2 000	10 000
art.2 b) Actions on infrastructures and instruments for the development of RES	4 500	4 900	5 000	5 000	5 000	24 400
art.2 c) and d) Dissemination of information	3 000	2 800	3 000	3 000	3 000	14 800
art.2 e) Targeted actions facilitating penetration of RES and encouraging investment	3 600	4 400	5 500	5 500	5 600	24 600
art.2 f) - Monitoring of strategy and progress; evaluation and follow-up of the programme and actions	1 300	1 500	1 500	1 500	1 500	7 300
Total	14 400	15 600	17 000	17 000	17 100	81 100

Comparison investment/peripheral costs

RES	Overall unit cost	Peripheral costs as %	Peripheral costs in ECU	Estimate of eligible peripheral costs on basis of planned resources	Estimate of (non-eligible) investments	Installed capacity
	ECU/kW	%	ECU/kW	MECU	MECU	MW
Biomass	800	10	80	18	180	225
Solar PV	4 000	20	800	6	30	7.5
Solar thermal	250/m ²	10	25/m ²	8	80	320 mio m ²
Solar in buildings	1 100	25	275	4	14	400
Small hyrdo	800	15	120	4	26.5	14.5
Wind	2 000	10	200	2	20	33.5
Geotherm al						10
TOTAL				50	392.5	

Actions under Art 2f) 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 an average ECU 15.000 per country and year basis. Gradual extension to CEECs.

Support of initiatives under the action plan: The costs are calculated on average ECU 15,000 per country per year, plus ECU 25,000 for coordination. Gradual extension to CEECs.

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. Gradual extension to CEECs and to other sectors: employment, training, etc.

Ongoing evaluation and follow-up of the programme: The costs are calculated on average ECU 15.000 per country per year, plus ECU 25.000 for coordination. Gradual extension to CEECs and increase as the programme and strategy progress.

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

in kECU	
Breakdown	Budget
- Studies	50 000
- Experts and evaluators meetings	25 000
- Conferences and congresses	25 000
- Information and publication	150 000
TOTAL	250 000

7.4. Schedule of commitment appropriations

	1998	1999	2000	2001	2002	TOTAL
Commitment appropriations	14 400	15 600	17 000	17 000	17 100	81 100

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

The contracts awarded are paid on the basis of actual expenditure (except for study expenses which are flat-rate and paid on the basis of the accepted results). Most of the costs associated with the ALTENER projects are not linked to investments, so in most cases they are paid on the basis of accepted results.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific objectives of the action to be taken under ALTENER II

The Community will implement a five-year programme of measures and actions to promote renewable energy sources in the Community. The objectives of this programme will 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
Harmonise the RES market	Development of norms and standards and harmonisation of legal, socio-economic and administrative conditions	Industry, producers, users
Increase confidence and RES market penetration, and improve the sectors global maturity and competitiveness by supporting infrastructures	National, regional and local planning ----- Development of planning, design, assessment and evaluation tools and methodologies	National, regional and local authorities, decision makers ----- Decision makers, promoters, industry, producers

<p>----- Increase confidence and RES market penetration by improving dissemination and co-ordination between international, Community, national, regional and local experiences and activities -----</p>	<p>----- Development of new financial and market instruments ----- Information infrastructures ----- Education and training infrastructures. ----- Community, national and regional events and publications ----- Temporary and specific networks for exchanging know-how ----- Centralised system for collecting and circulating information -----</p>	<p>----- Financial institutions, promoters, investors, producers, users ----- Decision makers, users ----- University and technical students, retraining courses for workers, technicians, architects, engineers, schools, users ----- Decision makers, industry, promoters, developers, producers, users ----- Promoters, developers -----</p>
<p>----- Accelerate investment by increasing operational capacity for the production of energy from RES -----</p>	<p>----- Support to existing networks -----</p>	<p>----- International, national, regional and local authorities, policy and decision makers, industry, promoters, developers, producers, users ----- Industry, producers and users associations -----</p>
<p>----- Implement Community RES strategy -----</p>	<p>----- Financial support for projects in order to reduce peripheral and service costs ----- - Assessment 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 on RES in the Community and Member States -----</p>	<p>----- Public and private promoters, investors, producers and users ----- Community institutions, Member States authorities, policy and decision makers ----- Community institutions, Member States authorities ----- Member States authorities, policy and decision makers, industry, promoters, producers and users -----</p>

9.2. Grounds for the operation

Costs

If we are to achieve a significant improvement in the share of RES in gross internal energy consumption, the supplementary investments necessary as estimated in the TERES II report could be ECU 180 billion up to 2020. Financing of such levels 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 market conditions and supporting actions where additionality is clearly established or which have a multiplier effect.

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

Selected performance indicators:

Global indicators:

- reduction of CO₂ emissions;
- increase in the share of renewable energies in the gross domestic consumption of the Community
- increase in energy production capacity from renewable sources
- progress on the implementation of the Community RES strategy and action plan in the EC and in Member States.

Specific indicators:

- number of norms and standards developed (art. 2a)
- number and scope of financial and market instruments that increase confidence (art 2a and b)
- number and scope of dissemination products and activities that increase confidence (art. 2c and d)
- number and type of infrastructures operating (art. 2b) (by survey)
- number and scope of local, regional and national plans (art. 2b)
- scope and groups targeted by promotion campaigns or information activities (art 2c and d) (by survey)
- new capacities established (art 2e) (see point 7.1 art. 2e)
- success rate of targeted projects (art. 2e).
- rates of SMEs involved in the projects (art. 2e)
- measures implemented in Member States (art 2f).

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

* The peripheral costs vary according to the technologies. The level of Community support for eligible costs connected with targeted actions (art. 2) is determined annually for each technology in accordance with art. 3.3 and 4.2.

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 regular reports to the ALTENER Advisory Committee which is made up of representatives of the Member States and which meets three or 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 incorporates a large number of the recommendations put forward 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 of 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 IMPACT

The effective mobilisation of the necessary administrative resources will result from the annual Commission decision on the allocation of resources, taking into account in particular manpower and the additional amounts which will be granted by the budgetary authority.

10.1 Impact on staff requirements

The ALTENER programme develops Community strategy for renewable energy sources and is the only Community programme dedicated solely to promoting the penetration of renewable energy sources. The administrators responsible for the technical management of the contracts concerning pilot projects, studies, standards, dissemination of information and monitoring of specific networks are at the same time in charge of preparing Commission communications, legislative proposals to promote the penetration of renewable energy sources and the preparation, follow up and monitoring of Community strategy and the action plan. The procedures and discussions leading to the legislative proposals presented to the other institutions of the Union may be seen as a laborious exercise taking up around 30% of staff working time. The remaining 70% is spent on the technical management of projects funded under the ALTENER programme (in October 1997, the number of contracts under way was around 190). ALTENER activities concern seven major energy sectors - biomass, small

hydroelectric, wind power, solar thermal, solar PV, passive solar in buildings and geothermal - and four areas for pilot projects - local and regional planning, infrastructures for information, education and training, new financial and market instruments and the development of tools for the design and follow up of the evaluation.

For the sound management of the ALTENER programme, it is essential that at least one person should be responsible for each sector in order to be able to develop sectoral strategies properly and have an overview of all activities.

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	8.5		6	2.5	
	B	2.5		1.5	1	
	C	4.5		2	1.5	
Other resources			2 END 2 experts 2 interim	2 interim	2 END 2 experts	5 years

10.2 Overall financial impact of the additional human resources

The additional overall cost for administering the programme may therefore be estimated at:

Officials:

5 x 5 years x ECU 103 000 x 0.70 (see point 10.1) = ECU 1 802 500

Experts: (AO-1178)

2 x 5 years x ECU 120 000 = ECU 1 200 000

END: (AO-1520)

2 x 5 years x ECU 40 000 = ECU 400 000

TOTAL = ECU 3 402 500

10.3 Other operating expenditure arising from the action

Budget heading (no title)	Annual amounts	Method of calculation
A-1300 Mission expenses, travel expenses and incidental expenditure	ECU 130 000	Meetings of contractors for each part of the actions, follow-up of projects
A-2510 Specific meetings for renewal of members of framework programme committee (four times a year)	ECU 108 000	ECU 900 x 30 persons x four meetings
Total	ECU 238 000	

The total cost for the entire duration of the programme will be 238 000 x 5 = ECU 1 190 000.

The appropriations indicated are financed from the existing allocations for the departments administering the programme.



EUROPEAN COMMISSION

ANNEX V

PROPOSAL FOR A COUNCIL DECISION

adopting a

**MULTIANNUAL PROGRAMME
FOR THE PROMOTION OF
ENERGY EFFICIENCY**

(1998-2002)

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,¹

Having regard to the opinion of the Economic and Social Committee,²

Having regard to the opinion of the Committee of the Regions,³

Acting in accordance with the procedure laid down in Article 189c of the Treaty,⁴ in cooperation with the European Parliament,

Whereas Article 130r of the Treaty states that one objective of the Community policy on the environment shall be to ensure a prudent and rational utilisation of natural resources;

Having regard to Council Decision No. 736/97 of 16 December 1996 concerning a multiannual programme for the promotion of energy efficiency in the Community - SAVE II;⁵

Whereas at its meeting on 29 October 1990 the Council set an objective of stabilising total CO₂ emissions by the year 2000 at the 1990 level in the Community as a whole; whereas at its meetings in March and June 1997 the Council adopted as its negotiating position for the Kyoto meeting under the Convention on Climate Change a 7.5% reduction in greenhouse gas emissions by 2005 and a 15% reduction by 2010 in relation to 1990 levels;

Whereas to achieve significant reductions in Community CO₂ emissions further efforts will have to be made, particularly since CO₂ emissions due to energy consumption are expected to increase by 5 to 8% between 1995 and 2000, assuming normal economic growth; whereas, therefore, additional measures are indispensable;

Whereas Decision 93/389/EEC⁶ established a monitoring mechanism of Community CO₂ and other greenhouse gas emissions;

Whereas the Commission, in its communication of 8 February 1990 on energy and the environment, highlighted energy efficiency as the cornerstone of future efforts to reduce the negative impact of energy on the environment;

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⁵ OJL 335, 24.12.1996

⁶ OJL 167, 9.7.1993, p.31.

Whereas improvement in the management of energy is urgently needed in order to contribute to the protection of the environment, to a better security of energy supply and to sustainable development;

Whereas the Commission has communicated to the Council and the European Parliament, by means of the Green paper of 11 January 1995 and the White Paper of 13 December 1995, its views on the future of energy policy in the Community, and the role of energy-saving and energy efficiency measures;

Whereas Article 130a of the Treaty provides that the Community should develop and pursue its actions leading to the strengthening of its economic and social cohesion, and that it should, in particular, reduce disparities between the levels of development of the various regions and the backwardness of the least-favoured regions; whereas energy should be integrated into that effort;

Whereas, by Decision 91/565/EEC,⁷ the Council adopted a Community energy efficiency programme (SAVE) aimed at strengthening energy efficiency infrastructures within the Community; whereas that programme expired on 31 December 1995;

Whereas the Community recognised the SAVE programme as an important element of the Community's CO₂ reduction strategy; whereas the communication of the Commission of 8 May 1991 on the European Community's energy programming activities at regional level, the conclusion of the Council on this communication, and the Resolution of the European Parliament of 16 July 1993 stated that those activities should be pursued, amplified and utilised as a support for the energy strategy of the Community; whereas this initiative for regional actions should now be totally incorporated into a new SAVE II programme;

Whereas, by Decision No 1110/94/EC of the European Parliament and of the Council,⁸ a fourth framework programme for actions in technological research, development and demonstration was established; whereas energy efficiency policy constitutes an important instrument for the use and promotion of the new energy technologies that the framework programme will establish; whereas the SAVE II programme represents a policy instrument which complements this programme;

Whereas the Commission has presented to the European Parliament and the Council its proposals for the 5th RTD Framework Programme;⁹

Whereas the SAVE II programme aims at improving energy intensity of final consumption by a further one percentage point per annum over that which would have been otherwise attained;

Whereas at its meeting on 15 on 16 December 1994 the Council stated that the target of stabilising CO₂ emissions can only be achieved by a co-ordinated package of measures to import 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

⁷ OJ L 307, 8.11.1991, p.34.

⁸ OJ L 126, 18.5.1994, p.1

⁹ COM(97)

exploit renewable energies, and that local energy management programmes are amongst these measures;

Whereas, in its opinion on the Commission's Green Paper on energy policy, the European Parliament called for the formulation of objectives and a common programme for energy efficiency and savings compatible with the objectives concerning the emissions of greenhouse gases as agreed in Rio de Janeiro (1992) and Berlin (1995), called for a SAVE II programme and requested that the Commission clarify the role which it intends to play in energy savings and efficiency by creating practical projects;

Whereas improved energy efficiency will have a positive impact on both the environment and the security of energy supplies which are global in nature; whereas a high level of international cooperation is needed to produce the most positive results;

Whereas between 180 and 200 million tonnes of CO₂ emissions could be avoided by the year 2000 by an improvement of 5 % in the energy intensity of final demand additional to the conventional expectations;

Whereas the SAVE II programme is an important and necessary instrument for promoting increased energy efficiency;

Whereas in order to prevent duplication and to achieve synergy, care should be taken in implementing the programme to ensure close cooperation with other Community programmes linked directly with energy efficiency promotion;

Whereas it is politically and economically desirable to open the SAVE II programme to the associated Central and Eastern European Countries in accordance with the conclusions of the European Council meeting in Copenhagen in June 1994 and as outlined in the Commission communication to the Council on the subject in May 1994, and to the associated Mediterranean Countries and Cyprus;

Whereas, in order to ensure that Community aid is used efficiently, the Commission must ensure that projects are subject to thorough prior appraisal and shall systematically monitor and evaluate the progress and results of supported projects;

Whereas a multiannual programme of action in the energy sector is being implemented,

HAS ADOPTED THIS DECISION:

Article 1

1. The Community shall implement, within the Energy Framework Programme, a multiannual specific programme for the preparation and implementation of schemes and measures in a cost-effective manner in order to promote energy efficiency within the Community. The general overall objectives of this programme shall be:

- (a) to stimulate energy efficiency measures in all sectors;
- (b) to encourage investments in energy conservation by private and public consumers and by industry;
- (c) to create the conditions for improving the energy intensity of final consumption.

2. Community financing shall be provided under the 'SAVE II programme to promote energy efficiency in the Community', hereafter referred to as 'the programme', for actions which fall within the objectives of this Decision.

Article 2

Under the programme, financing shall be provided for the following categories of energy efficiency schemes and measures:

- (a) studies and other related measures designed to implement and supplement Community schemes (such as voluntary agreements, mandates to standardisation bodies, cooperative procurements and legislation) for improving energy efficiency, studies concerning the effects of energy pricing on energy efficiency, and studies with a view to establishing energy efficiency as a criterion within Community programmes;
- (b) targeted sectoral pilot schemes aimed at speeding up investment in energy efficiency and/or improving energy use patterns, to be carried out by public and private firms or organisations and by existing Community-wide networks or temporary Community-wide groupings of organisations and/or firms set up to carry out these schemes;
- (c) measures proposed by the Commission for fostering exchanges of experience aimed at improving coordination between international, Community, national, regional and local activities, using appropriate means of disseminating information;
- (d) measures such as those described in (c) above but proposed by entities other than the Commission;
- (e) monitoring energy efficiency progress in the Community and in each Member State; ongoing evaluation and monitoring of the schemes and measures carried out under the Programme;
- (f) specific measures to improve energy management at regional and urban level with a view to achieving greater cohesion between Member States and regions in the field of energy efficiency.

Article 3

- 1. All the costs relating to the schemes and measures referred to in Article 2 (a), (c) and (e) shall be borne by the general budget of the European Communities.
- 2. The level of funding for the schemes and measures referred to in Article 2 (b), (d) and (f) shall be set at a maximum of 50 % of their total cost.
- 3. The balance of the funding of the schemes and measures referred to in Article 2 (b), (d) and (f) may be made up from either public or private sources or from a combination of the two.

Article 4

- 1. Implementation of the programme shall begin on 1 January 1998 and terminate on 31 December 2002.

2. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspectives.

Article 5

1. The Commission shall be responsible for the financial execution and implementation of the programme. The Commission shall also ensure that action under this programme is subject to prior appraisal, monitoring and subsequent evaluation, which, on completion of the project, shall include assessment of impact, implementation and whether their original objectives have been achieved.
2. The selected beneficiaries shall submit reports to the Commission on a six-monthly basis and on completion.
3. The conditions and guidelines to be applied for the support of all actions and measures referred to in Article 2 shall be defined each year taking into account:
 - the cost effectiveness criteria, the savings potential and environmental impact, in particular the reduction of CO₂ emissions,
 - the list of priorities referred to in Article 7,
 - the cohesion of Member States in the field of energy efficiency.

The Committee referred to in Article 6 shall assist the Commission in defining these conditions and guidelines.

Article 6

The Commission shall be assisted, for the purposes of implementing the programme, by the Committee referred to in Article 4 of the Council Decision concerning a multiannual framework programme for action in the energy sector.

Article 7

The Commission shall draw up annually a list of priorities for funding under the programme. This list shall take into account complementarity between the SAVE II programme and the national programmes on the basis of annual information in a summary form supplied by each Member State. Priority shall be given to those areas where such complementarity is greatest.

The committee referred to in Article 6 shall assist the Commission in defining the list of priorities.

Article 8

1. After each year of the programme, the Commission shall present to the European Parliament and to the Council a progress report together with proposals concerning any changes in the guidelines, defined in accordance with Article 5(3), which may prove necessary in the light of the previous year's results.
2. After the third year of the programme, the Commission shall present a report to the European Parliament and to the Council on the energy efficiency measures taken at Community and Member State level and on the results achieved, with particular reference

to the objectives outlined in Article 1. The report shall be accompanied by proposals for any amendments to the programme which may prove necessary in the light of those results.

3. On expiry of the programme, the Commission shall make an overall assessment of the results achieved by applying this Decision, and of the coherence between national and Community measures. It shall present a report thereon to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, stating in particular how far the objective outlined in Article 1 has been achieved.

Article 9

The programme shall be open to the participation of associated Central and Eastern European countries in accordance with the conditions, including financial arrangements, agreed to in the Additional Protocols to the association Agreements, concerning participation in Community programmes. This programme shall be open to the participation of Cyprus on the basis of additional appropriations in accordance with the same rules as apply to the EFTA countries following procedures to be agreed with the countries in question.

Article 10

This Decision cancels and replaces Council Decision (EC) No. 736/97 of 16 December 1996.

Article 11

This Decision is addressed to the Member States,

Done at Brussels,

For the Council

The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Energy Efficiency SAVE - Renewed efforts to achieve greater energy efficiency in the European Union.

2. BUDGET HEADING INVOLVED

B4.1031

3. LEGAL BASIS

Article 130s(1) of the EC Treaty.

Council Decision 91/565/EC of 29 October 1991 (OJ L 307, 8/11/1991, p.34).
SAVE I Programme.

Council Decision 96/737/EC of 16 December 1996 (OJ L 335, 24/12/1996, p.50).
SAVE II Programme.

Proposal for a Council Decision concerning a framework programme for action in the energy sector (1998-2002).

4. DESCRIPTION OF OPERATION

4.1 General objective

The general objective is to give added force to the Member States' energy efficiency schemes with a view to achieving - by 2010 - final energy savings of 100 Mtoe/year. In relation to the 1990 figures, this represents a reduction of 12% in final energy consumption and of more than 15% in CO₂ emissions. In the absence of an appropriate fiscal measure adopted at EU level, the Energy Efficiency SAVE Programme (part of the Framework Programme) remains one of the few Community instruments which can still significantly help cut CO₂ emissions by 2010. Its contribution will depend directly on the vigour with which the programme is implemented. As, moreover, the regulations introduced under the SAVE Programme will be kept to an essential minimum, other types of measure under the Programme will have to be given added force. For these reasons, and in view of the EU's forthcoming enlargement, a significantly greater budget must be allocated to achieving the Programme's objectives.

Implementation of SAVE I and II has shown that the effectiveness of these measures increased with their proximity to the consumer.

4.2 Period covered

Five years, from 1 January 1998 to 31 December 2002.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

DNO/CD

6. TYPE OF EXPENDITURE OR REVENUE

The programme will consist of six types of measure:

- (a) studies and other related measures designed to implement and supplement Community schemes (such as voluntary agreements, mandates given to standardisation bodies, cooperative procurements and legislation) for improving energy efficiency; studies concerning the effects of energy pricing on energy efficiency; studies with a view to establishing energy efficiency as a criterion within Community programmes;
- (b) targeted sectoral pilot schemes aimed at speeding up investment in energy efficiency and/or improving energy use patterns, to be carried out by public and private firms or organisations and by existing Community-wide networks or temporary Community-wide groupings of organisations and/or firms set up to carry out these schemes;
- (c) measures proposed by the Commission for fostering exchanges of experience aimed at improving coordination between international, Community, national, regional and local activities, using appropriate means of disseminating information;
- (d) measures such as those described in (c) above but proposed by entities other than the Commission, e.g. universities, public and private bodies, energy agencies, consultants, etc.;
- (e) monitoring energy efficiency progress in the Community and in each Member State; ongoing evaluation and monitoring of the schemes and measures carried out under the Programme;
- (f) specific measures to improve energy management at regional and urban level with a view to achieving greater cohesion between Member States and regions in the field of energy efficiency.

100% subsidies for the costs of the measures described in paragraphs 4(a), (c) and (e).

Cofinancing contributions ranging from 30% to 50% for measures to support the Member States as described in paragraphs 4(b), (d) and (f).

The measures concerned will be covered by a multiannual indicative programme under which priorities and action plans will be decided annually.

The plans will be submitted to an advisory committee made up of representatives of the Member States.

All financing will be the subject of a contract between the Commission and the coordinator or person responsible for the measure being financed.

7. FINANCIAL IMPACT

The proposed amounts will be subject to the limits set by the financial perspective currently in force. When the next financial perspective is drawn up, the financing of priority measures to promote energy efficiency might be reconsidered.

The proposed indicative budget is 68.4 MECU.

7.1 Method used to calculate the cost of the measure

Global climate change poses a major challenge to us all. In preparation for the 3rd Conference of the Parties in Framework Convention of the United Nations on Climate Change in Kyoto in December 1997, the Council adopted a negotiating position for industrialised countries for a 15% reduction in emissions of the principal greenhouse gases by the year 2010 and at least 7.5% by the year 2005 compared with 1990 levels. The present trend in emissions, based on the application of current policies and measures, indicates an increase in CO₂ emissions of approximately 8% by 2010, which means that a reduction in real terms of 23 % may well be required. Major effort in several policy areas will be needed, in particular as regards energy production and use, as outlined in a recent Commission Communication on Climate Change - The EU Approach for Kyoto. SAVE II stands for *Specific Actions for Vigorous Energy Efficiency*. It was approved by the European Council on December 16, 1996 (96/737/EEC) as one of the three main Union-wide programmes to promote energy efficiency. The other two programmes, JOULE and THERMIE, are technology-oriented, representing the spectrum from research through to demonstration and dissemination of energy technologies, of which energy efficiency is but one of the technology areas promoted. SAVE is the *only* Community programme solely dedicated to improving energy efficiency.

- 7.1.1. Studies and other related measures designed to implement and supplement Community schemes (such as voluntary agreements, mandates to standardisation bodies, cooperative procurements and legislation) for improving energy efficiency, studies concerning the effects of energy pricing on energy efficiency, and studies with a view to establishing energy efficiency as a criterion within Community programmes.

Studies are required to prepare the technical dossiers which are necessary for developing effective energy efficiency standards and legislative activity, if appropriate. A certain amount of ongoing work in the area of labelling and equipment standards has been completed but the effort should be continued. The savings arising from the Boiler Directive (92/42/EEC) alone could be as much as ECU 1 billion per year (with annual energy savings of over 11 million tonnes of oil equivalent to the year 2010 for the twelve Member States). The budget amounts given in the table below are estimations based on the experience of recent years. It is estimated that 30 studies, each costing ECU 200 000 on average, are needed to continue SAVE activities in the following areas:

- Buildings, Transport, Demand side Management
- Combined Heat and Power
- Appliance labelling and European Community energy end-use efficiency standards.
- Voluntary Agreements .
- International energy end-use efficiency standards .
- Studies leading to other legislative measures
- Measures aimed at establishing energy efficiency as a criterion within existing EU strategic programmes.

This is an activity which has evolved as the Community's programmes have evolved. Programmes such as VALOREN (now included within INTERREG) which was funded by the European Development Fund have an enormous potential of energy efficiency as an engine for regional development. This very positive experience should be built upon.

7.1.2. Targeted sectoral pilot schemes.

By the end of 1997, SAVE will have supported approximately 350 sectoral pilot schemes. The main areas of interest were education and training, information, integrated resource planning, transport, buildings, cogeneration and monitoring and targeting. This activity will include more international projects where several Member States will be involved. As the annual budget of SAVE is limited, experience shows that despite their good quality only 20% of the proposals are likely to be approved each year. The average cost of a pilot scheme, based on the experience of the last six years, is ECU 100 000. For targeted schemes in which more than one Member State participates, this cost will be increased: the average cost of each project is expected to be ECU 200 000. For a total five-year budget of ECU 28 million, 140 schemes may be supported in all Member States or 9 pilot schemes per Member State.

7.1.3. Dissemination of information.

Information to the consumer is an important element in raising awareness of improvements in energy consumption behaviour. Although most SAVE projects are included to the CORDIS database which is open, free of charge, through the world wide web to the general public, more information activities should be undertaken to improve dissemination of the results of programme activities and to make Member States more aware of energy efficiency issues. This action would be closely co-ordinated with the results of all the initiatives developed under the SAVE programme. In the light of the experience gained in previous years and the need for dissemination and information activities in all Member States, the estimated budget is ECU 9.1 million, of which roughly 45% is for activities proposed by the Commission (conferences, web sites, databases, contractors meetings, publications etc.) and 55% for information activities proposed

and co-financed by third parties such as national energy agencies, consultants, universities etc.

- 7.1.4. Monitoring energy efficiency progress at national and EU level and ongoing evaluation and monitoring of the schemes and measures carried out under the programme.

A number of important analytical tools have been developed under SAVE . These include energy indicators (useful for comparing the Member States' energy efficiency in different sectors), the extension of the MURE II model to policy measures in the field of energy efficiency, a database on the SAVE and Member State initiatives and a user-friendly method of disaggregating energy intensity information in such a way as to highlight the advances attributable to energy efficiency alone. All these activities should be continued and expanded to include the Central and Eastern European countries and Cyprus with a view to monitoring the progress of energy efficiency in Europe. This will be very important in the context of the EU's environmental commitments. The evaluation of SAVE pilot schemes and of the programme as a whole must be given priority over the next few years in order to satisfy requirements of the other EU bodies. Further development and updating of the above tools will cost about ECU 200 000 per year, to which should be added the cost of monitoring energy efficiency progress in the third countries awaiting accession. This monitoring of energy efficiency progress together with the evaluation of all SAVE activities is expected to cost ECU 2.5 million over the next five years.

- 7.1.5. Specific measures to improve energy management at regional and urban level and to promote greater cohesion between Member States and regions in the field of energy efficiency.

This scheme is designed to assist local authorities in regions, islands and urban areas in setting up energy management agencies whose main role will be to implement regional and local policies for optimum energy use. The programme thus helps integrate energy policy into local plans for sustainable development and contributes to local and regional environmental efforts. Action to set up local energy agencies and to improve collaboration between local, regional and national authorities on energy issues should be continued in order to make local authorities more aware of these issues and to improve the link between energy efficiency and environmental protection. Experience in previous years indicates that it will cost about ECU 175 000 to maintain a local energy agency for three years. This means that, with a budget of ECU 22.8 million, 130 new local agencies will be created - an average of 9 local agencies per Member State. There is potential in the European Union for setting up 1 600 local energy management agencies in administrative units with a population of over 100 000. To date the Commission has contributed to the creation of 140 such agencies. This phase should be considered as a pilot phase: the local benefits are already starting to be acknowledged, and increasing numbers of local authorities are keen to set up their own local energy management agency.

7.2 Breakdown of the costs (ECU million)

The amount will be fixed annually by the budgetary authority.

	Art. 2 activities	1998	1999	2000	2001	2002	Total
1	studies and other measures designed to implement and supplement Community schemes for improving efficiency	1.0	1.0	1.4	1.3	1.3	6.0
2	targeted sectoral pilot schemes	5.0	5.0	5.5	6.2	6.3	28.0
3	dissemination of information (proposed by the Commission)	1.0	1.0	1.0	0.6	0.5	4.1
4	dissemination of information (proposed by third parties)	1.0	1.0	1.0	1.0	1.0	5.0
5	monitoring energy efficiency progress in the Community and in each Member State; ongoing monitoring and evaluation of the schemes and measures carried out under the Programme	0.5	0.5	0.5	0.5	0.5	2.5
6	specific measures to improve energy management at regional and urban level with a view to achieving greater coherence between Member States and regions in the field of energy efficiency	4.0	4.3	4.5	5.0	5.0	22.8
7	Total	12 .,5	12.8	13.9	14.6	14.6	68.4

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

ECU million

Breakdown	Budget
- Studies (specified in Article 2(a))*	0.050
- Meetings of experts and assessors (for all measures under Article 2)	0.025
- Conferences and seminars (measures specified by...)	0.150
- Information and publications	
TOTAL	0.250

7.4. Schedule of appropriations for commitments

ECU million

1998	1999	2000	2001	20002	TOTAL
12.5	12.8	13.9	14.6	14.6	68.4

8. ANTI-FRAUD MEASURES PROVIDED FOR (AND RESULTS OF THEIR IMPLEMENTATION)

The contracts awarded are paid for on the basis of actual expenditure and after verification (except for study fees, where a fixed amount is paid on the basis of the accepted results).

9. COST-EFFECTIVENESS ANALYSIS

9.1 Specific aims of the action to be taken under the Energy Framework Programme (1998-2002) : Energy efficiency SAVE

The SAVE Programme aims at improving energy intensity of final consumption in the EU by a further one percentage point per annum over that which would have been otherwise attained;

Who is affected by this action

Public and private bodies; universities; national, regional and urban agencies and bodies for promoting energy efficiency; all sectors involved in promoting energy efficiency (e.g. consultants, manufacturers of household electrical appliances, central heating suppliers, architects) and, by extension, the entire population of the EU.

9.2 Justification for the action

Costs

In order to achieve permanent annual energy savings of 1 tonne oil equivalent (toe) an average capital outlay of ECU 1 000 is required. To save 100 Mtoe/year will thus require an investment of ECU 100 billion. Financing such an amount from the budget of the EU and its Member States is out of the question. The only solution is joint financing by all the economic operators acting within a Community framework. The Commission will cofinance only those schemes which clearly show evidence of additionality.

Derived effects

To be supported by SAVE, projects must:

- help improve energy intensity;
- make a significant contribution to protecting the environment and combating the greenhouse effect;
- have a stabilising effect on world energy prices;
- improve the EU's balance of payments;
- make EU industry more competitive on the world market;
- improve the EU's security of supply and reduce its vulnerability to energy market disturbances;

- help complete the internal market and increase economic and social cohesion.

Furthermore, the availability of highly energy-efficient technologies means this technology can be transferred to third countries, thus helping improve the management of resources and provide better protection for the world environment.

The legislative and regulatory approach yields the greatest multiplier effect. A large multiplier effect is also achieved by the introduction of performance standards. In the case of other jointly financed measures, the multiplier effect is at least 2 or 3.

9.3 Monitoring and evaluation

Selected performance indicators

Reduction in CO₂ emissions,

Improved energy intensity in the Community,

The number of measures proposed, accepted and translated into action at national level,

The number of man days per year allocated to training,

The number of software packages and data bases pooled,

The number of conferences, seminars, newsletters and other publications.

Assessment procedures and schedule

The Commission will constantly monitor the changes in energy intensity in the Member States and report regularly to the Council.

The Commission will also refer constantly to the SAVE Advisory Committee, which will be made up of representatives of the Member States and meet three or four times a year.

The Commission will have an assessment drawn up by a team of outside experts. Their report will be sent to the Council and European Parliament, in accordance with Article 7 of the attached proposal for a Council Decision.

The assessment must also consider:

- the past and present Programme guidelines, with a view to identifying any scope for improvement;
- the relationships between the means deployed and the results obtained;

- the actual and potential complementarities between these programmes and the other instruments available.

10. ADMINISTRATIVE EXPENDITURE

The actual mobilisation of the necessary administrative resources will be triggered by the annual Commission Decision on the allocation of resources, taking account of such factors as staffing levels and any additional financing granted by the budgetary authority.

10.1 Impact on the number of jobs

SAVE is a programme dealing with the EU's energy efficiency strategy, and it is the only Community programme solely dedicated to improving energy efficiency. Officials handling contracts for pilot schemes or studies will, at the same time, be drafting communications and legislative proposals concerning the energy efficiency of household appliances and boilers, Integrated Resource Planning, Combined Heat and Power etc. These procedures and the discussion of legislative proposals within all EU institutions take time: it is estimated that 30% of the time is spent on drafting and following up the above measures, while the remaining 70% is spent managing SAVE contracts (in October 1997 there were 162 current contracts).

SAVE has activities in ten sectors: buildings, transport, industry, information, training, Demand Side Management, Third Party Financing, household appliances, Combined Heat and Power and energy efficiency policy. There should be one person dealing with each sector and responsible for energy efficiency strategy and for following up the related activities.

Type of post	Staff to be employed in managing the measure		of which		Duration
	<u>permanent posts</u>	<u>temporary posts</u>	using the existing resources of the DG/department concerned	using additional resources	
Officials or temporary staff	A B C	8.0 3.0 4.0	6.5 2.0 3.0	1.5 1.0 1.0	5 years
Other resources		3.0 seconded nat. experts 2.0 experts 3.0 temp.	3.0 seconded national experts 1.5 temp.	2.0 experts 1.5 temp.	5 years

10.2 Overall financial impact of additional human resources

The total additional cost of administering the Programme would thus be:

	ECU
Officials: 3.5 x 5 years x ECU 103 000 x 0,70 (see par. 10.1) =	1 261 750
Experts (A0-1178): 2 x 5 years x ECU 120 000 =	1 200 000
Temp.(A0-1175): 1.5 x 5 years x ECU 80 000 =	600 000
Total	3 061 750

10.3 Other operational expenses arising from the measure

Budget heading (N° and title)	Amounts per year (ECU million)	Method of calculation
A-1300 Mission and travel expenses and other incidental expenditure	0.100	Following up contracts*, local agencies**, contractors' meetings, participation in information activities organised by SAVE etc.***
A-2510 Special meetings on "energy efficiency" (four times a year) and meetings of the "labelling" committee (four times a year) within the Framework Programme Committee	0.216	ECU 900 per person x 30 persons x 8 meetings
Total	0.316 MECU	

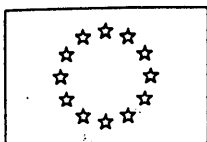
* In October 1997 there were 162 current SAVE contracts.

** Up to October 1997, 140 local agencies were subsidised by SAVE

*** SAVE must inform interested parties as to the legislative measures adopted concerning energy efficiency (Directives on labelling, the energy efficiency of household appliances, the new strategy on CHP, etc.)

The total cost for the entire duration of the Programme will be $0.316 \times 5 \text{ yrs} =$
ECU 1.58 million

The amounts indicated are to be financed from the budget already allocated to the departments managing the programme.



EUROPEAN COMMISSION

ANNEX VI

PROPOSAL FOR A COUNCIL DECISION

adopting a

**MULTIANNUAL PROGRAMME OF
TECHNOLOGICAL ACTIONS PROMOTING THE
CLEAN AND EFFICIENT USE
OF SOLID FUELS
(1998-2002)**

THE COUNCIL OF THE EUROPEAN UNION

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof;

Having regard to the proposal from the Commission¹;

Having regard to the opinion of the European Parliament²

Having regard to the opinion of the Economic and Social Committee;

Having regard to the opinion of the European Coal and Steel Community Consultative Committee;

Having regard to the opinion of the Committee of the Regions;

Having regard to the White Paper on Energy indicating the energy policy objectives of economic competitiveness, environmental control, security of supply and maintenance of employment;

Whereas solid fuels are available in the Community and the ready, abundant, diverse sources of hard coal traded world-wide ensure that such fuels are and will remain a low-cost energy source;

Whereas the promotion of clean and efficient technologies for solid fuels contributes to the diversification of primary energy resources and to the balance of Community energy policy objectives;

Whereas solid fuels will be increasingly utilised both in developed and emerging areas of the world, thereby contributing to emissions of pollutants and CO₂; whereas every effort should be made to ameliorate such emissions by the promotion of clean and efficient technologies and the application of BAT (Best Available Technologies) to existing and new plant using solid fuels;

Whereas the manufacture and supply of equipment for the clean utilisation of coal, lignite and other forms of solid fuels, for use both within and outside the European Community, can contribute to the maintenance of employment;

Whereas, pursuant to Article 130r of the Treaty on the European Union, action by the Community relating to the environment should improve the quality of the environment and ensure a prudent and rational utilization of natural resources, objectives which are furthered by the implementation of clean coal technologies;

Whereas the promotion of more efficient clean solid fuel technologies can make a significant contribution to the reduction of polluting emissions arising from the traditional use of fossil fuels at European Union level; whereas use of cleaner technologies contributes to the objectives of the Community strategy to combat acidification ;³

¹ OJ No

² OJ No

³ COM(97)88 final, 12.3.97

Whereas the promotion of more efficient clean solid fuel technologies will contribute to the reduction of greenhouse gases and the danger of global climate change; whereas wide-ranging co-operation is therefore desirable in order to obtain significant results;

Whereas, since the Treaty establishing the European Economic Community does not provide for other powers to cover the energy aspects of the programme referred to in Article 2 below, Article 235 of the Treaty should be invoked;

Whereas Council has adopted a White Paper defining the main lines of new Community energy policy objectives for coherence and convergence of the policies of the Member States; whereas this White Paper states that the contribution of new clean solid fuel technologies can enhance the use of a wide variety of fuels, so that they can continue to play a significant part in the overall energy balance sheet but with an improved environmental image;

Whereas the promotion and exploitation of clean solid fuel technologies offers economic advantages in terms of employment opportunities with companies in the Union operating on a world-wide basis;

Whereas to sustain a cleaner environment, advanced clean solid fuel technologies should be developed to achieve improved BAT (Best Available Technologies) at costs which can be afforded;

Whereas certain countries which are expected to become members of the European Union in the coming years are very strongly dependent on the production and use of solid fuels to meet their energy requirements; whereas those countries will need to modernise and improve their energy technologies in order to comply with European Union legislation relating to the protection of the environment;

Whereas a number of Member States have their own clean solid fuel technology programmes; whereas there should be an opportunity for those programmes to co-ordinate with each other and with the relevant European Union programmes;

Whereas it is also important to promote the uptake of technologies developed with financing from the specific Research and Technical Development non-nuclear energy programme;

Whereas a multiannual Framework Programme for Actions in the energy field has been established;

Whereas the European Parliament and EU industry have indicated their keen interest in pursuing a policy of developing clean coal technologies for use in the Union and elsewhere in the world;

Whereas the Amsterdam European Council highlighted the importance of solid fuel Research and Development by its request that the research in that field currently supported under the Treaty establishing the European Coal and Steel Community should be continued after the expiry of the Treaty in 2002;

Whereas there is a need to transfer to the industry the results of the research funded under the European Coal and Steel Community, the need for whose continuation has been acknowledged by the Amsterdam European Council;

⁴ The term 'solid fuels' covers anthracite, coal, lignite, peat, emulsion and the heavy fraction of petroleum products.

Whereas the promotion, demonstration and exploitation of clean solid fuel technologies throughout the Community are likely to strengthen its economic and social cohesion, as called for by Article 130a of the Treaty;

Whereas, to this end, it is appropriate to take account of the Community's indicative objectives and make provision for resources to further the attainment of those objectives, taking into consideration the particular conditions in each Member State;

Whereas provision should be made for a five-year programme;

HAS ADOPTED THIS DECISION:

Article 1

Member States shall endeavour to contribute in their energy policies to the promotion of clean solid fuel technologies, where appropriate, so as to ensure that the best available technologies (BAT) are used in order to limit emissions from solid fuel use, including carbon dioxide emissions. Account shall be taken of the Community's indicative objectives relating to clean coal technologies. These objectives are to be reviewed with the Energy Committee (see Article 7.2) on a year by year basis.

Article 2

Within the Framework Programme for Energy, the Community shall support a series of actions to promote the exploitation of clean solid fuel technologies within the context of the specific programme CARNOT (actions for greater penetration and exploitation of clean solid fuel technologies), hereinafter referred to as 'the programme'

The programme shall last for five years, from 1 January 1998 to 31 December 2002

The annual appropriations are authorised by the budgetary authority within the ceiling of the financial perspectives.

Article 3

Two categories of actions on clean solid fuel technologies shall be financed under the programme, namely:

a) Measures to foster the creation of an information network aimed at promoting better market and technical information between national, Community and international activities through the establishment of appropriate means for exchanging information, helping to remove barriers and evaluating the impact of the various actions provided for in this article:

b) Measures to foster industrial strategic cooperation, such as business workshops and seminars, industrial on-site visits, studies, evaluations and concertation groupings, aimed at promoting the

industrial exploitation of clean technologies for energy purposes, in particular heat and power production. This will include the promotion of exports of European clean solid fuel technology.

Article 4

All costs relating to the actions referred to in Article 3 a) shall be borne by the Community.

The level of funding for the actions referred to in Article 3 b) shall be between 30 and 50% of their total cost.

The balance of the funding of the actions referred to in Article 3 b) may be made up from either public or private sources or from a combination of the two.

Article 5

The Commission shall establish guidelines for the support measures referred to in Article 3 b) each year, in consultation with the committee provided for in Article 7.1.

The proposed initiatives referred to in Article 3 and the list of bodies which are to implement them shall be submitted annually by the Member States to the Commission, which shall decide on the level and conditions of Community funding according to the procedure provided for in Article 7. The Commission shall sign contracts relating to the support measures with those bodies.

Article 6

The Commission shall be responsible for the implementation of the programme.

For the implementation of the actions referred to in Article 3 a) and b) the Commission shall apply the procedure laid down in Article 7.

Article 7

The Commission shall be assisted by the Committee referred to in article 4 of the Council decision setting up a multiannual Energy Framework Programme.

Article 8

1. During the third year of the programme, the Commission shall present a report to the European Parliament and to the Council on the results achieved. The report shall be accompanied by proposals for any amendments which might be necessary in the light of these results.

2. On expiry of the programme, the Commission shall assess the results obtained, 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 9

The programme shall be open to associated Central and East European countries in accordance with the conditions, including financial arrangements, agreed on in the Additional Protocols to the Association Agreements, for participation in Community programmes. The programme shall be open to Cyprus on the basis of additional appropriations in accordance with the same rules as those applied to the EFTA countries following procedures to be agreed on with the countries concerned.

Article 10

This Decision is addressed to the Member States

Done at Brussels,

FINANCIAL STATEMENT

1. Title of the operation

Programme of technological actions promoting the clean use of solid fuels.⁴

2. Budget heading

B4-1004

3. Legal basis

Proposal for a Council Decision adopting a framework programme for actions in the energy sector (1998-2002).

4. Description of the action

4.1. General objective

Actions to promote the industrial penetration of clean and efficient technologies for coal utilisation are the means whereby coal can make an important contribution to the objectives of EU energy policy.

- through its contribution to security of supply and the competitiveness at European level of a primary energy source which accounts for 30% of electricity production, and diversification of resources at low and stable prices;
- through the established potential of a 25% reduction in CO₂ emissions from power stations through increased efficiency;
- through its contribution to Community action to combat acidification and other pollutants.

A Community action to promote clean coal will complement the incorporation into the Treaties of the specific coal provisions of the ECSC Treaty and help the CEEC applicants to adapt to the environmental standards of the Union.

This action will also enable the results of RTD supported by the European Coal and Steel Community (ECSC) technical research programme or by national RTD programmes to be applied in industry. The new programme does not provide for any RTD actions as such, as these are already covered by the abovementioned programmes.

4.2. Period covered

5 years from 1 January 1998 to 31 December 2002.

5. Classification of expenditure

NCE/DA

6. Type of expenditure or revenue

The programme will be made up of two categories of actions:

- a) Measures leading to the creation of an information network aimed at promoting commercial opportunities and technical information among national, Community or international activities.
- b) Measures to foster industrial strategic cooperation, such as business workshops and seminars, industrial on-site visits, studies, evaluations and concertation groupings, aiming at promoting the industrial exploitation of clean coal technologies, including the promotion of exports of European technology.

100% funding for actions described in point a).

Up to 50% for cofunding for actions in point b).

7. Financial impact

7.1 Method of calculating total cost of operation

The amount will be fixed annually by the budgetary authority.

The proposed amount is ECU 4.10 million for the entire programme.

It breaks down as follows:

Horizontal actions

- measures to stimulate the creation of an information network with the aim of obtaining better information on the market and technologies. The necessary information could be incorporated into data bases which will be available for example on the Internet. Consideration will be given to one member of the network per Member State, which at the same time would play the role of server for the network and disseminate the information. This network would be coordinated with other existing networks, such as the Relay Centres or the OPET. ECU 1.54 million
- measures such as the organisation of workshops, conferences on the funding of clean coal technologies and conferences whose aim is to disseminate information on such technologies. Consideration will be given to ten market studies (for the following technologies: GICC, Ultrasupercritique, NOx systems, SOx systems, atmospheric circulating fluidised bed, pressurised circulating fluidised bed, pressurised stationary fluidised bed, low-cost pulverised coal, among others) as well as eight business workshops of a technical, economic and financial nature to facilitate the use of the technologies. Also, the possibility of supporting 15 feasibility studies for various specific projects of the type mentioned above is being kept open. In all these actions, the "market in third countries" element will be a priority factor. ECU 2.56 million
- actions to promote exports of clean coal combustion technologies. These actions could cover activities such as those described above as well as,
- workshops aimed at identifying opportunities for international cooperation and possible obstacles to investments in advanced technologies, at the level

of both energy efficiency and control of emissions. Consideration will be given to 4 and 7 industrial missions in third countries and the EU respectively. For each of these missions, some 30 businessmen will establish contact and visit existing installations, thus facilitating professional relations and the decision-making process. The actions mentioned here will cover all coordination expenses as well as, in the case of third country missions in the EU, a part of the cost of travelling on Community territory.

7.2 Itemised breakdown (in million ECU)

	1998	1999	2000	2001	2002	Total
Measures leading to the creation of an information network	0.3	0.31	0.31	0.31	0.31	1.54
Promotion measures	0.50	0.51	0.51	0.52	0.53	2.56
TOTAL	0.80	0.81	0.82	0.83	0.84	4.10

8. **Fraud prevention measures; results of measures taken**

The contracts awarded are paid on the basis of actual expenditure and after verification (with the exception of study costs which are flat-rate and paid on the basis of the results accepted).

9. **Elements of cost-effectiveness analysis**

9.1. **Specific objectives of the action to be carried out under the Energy Framework Programme (1998-2002)**

To complement action by the Member States and industry so as help achieve the Community objective of reducing greenhouse gas emissions by 15% compared with 1990 levels, and to combat acidification. Contribution to a reduction in CO₂ emissions throughout the world through the transfer of technology.

Target population

- National, regional and urban European agencies and bodies promoting clean and efficient technologies;
- Electricity industry and manufacturers of coal combustion installations in the European Union;
- Agencies, governments and industry in third countries, mainly China, India, Asia and other regions which are expected to be major coal consumers.

9.2. Grounds for the operation

Costs

According to the studies available to the Commission, for the period covered by the programme, an investment potential of ECU 15 800 million has been identified for new clean coal installations in the European Union. This amount will be used mainly to upgrade indigenous coal and lignite produced under satisfactory economic conditions. When EU dependency on energy imports is expected to rise to 70% in 2020, economic upgrading of Community resources is very important.

It costs ECU 500 to remove a tonne of SO₂. If one considers that the Community strategy against acidification calls for a reduction in annual SO₂ emissions from combustion plants of around 9 million tonnes (between 1990 and 2010), the potential benefit of the application of clean coal technology merely in terms of a reduction in SO₂, would be around ECU 4 500 million per year. The benefits in terms of a reduction in NO_x are even greater.

In terms of CO₂, a 5% improvement in the efficiency of electricity generation from coal in the European Union would produce a reduction in CO₂ of some 100 million tonnes per year.

Spin-off effects

The actions supported under this programme will meet the following criteria:

- make a significant contribution to environmental protection and control of the greenhouse effect,
- exercise a stabilising effect on energy prices at world level,
- improve the balance of payments of the European Union,
- make European industry more competitive on the world market,
- improve security of supply for the European Union and make it less vulnerable to disruption in the energy market,
- help to achieve the internal market and economic and social cohesion.

Moreover, the availability of high efficiency energy technologies makes it possible to transfer technology to third countries and thus contributes to better resource management and environmental protection at world level.

9.3. Monitoring and evaluation of the operation

Performance indicators selected

- reduction of CO₂ emissions,
- number of initiatives proposed, accepted and adopted by industry,
- private investments in the promoted projects,
- number of conferences, seminars, newsletters and other publications.
- degree of use of the information network created.

Details and frequency of planned evaluations

Moreover, the Commission will report on a regular basis to the Programme Committee made up of representatives of the Member States meeting in accordance with the procedure.

This report will be sent to the Council and the European Parliament in accordance with Article 7 of the attached proposal for a Council decision.

The evaluation must also examine:

- past and present guidelines for the programme in a search for possible improvements,
- the relationships between the resources employed and the results obtained,
- actual and potential ways in which these programmes complement other existing instruments.

10. Administrative expenditure

The necessary resources are funded from the existing appropriations of the services managing the programme.

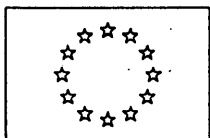
Table of financial considerations

Activities Article 3	Budget (million ECU)							
	Number of actions	average unit cost	1998	1999	2000	2001	2002	Total

'ECU):

a) Measures to stimulate the creation of an information network on the market and technologies								
- cost associated with network hardware	1	0.20	-	-	-	-	-	0,20
- cost of servers (private or public)	15 ⁵	0.02	-	0.21	0.21	0.21	0.21	0.84
- costs associated with the operation of the network and the creation of a database	-	-	0.10	0.10	0.10	0.10	0.10	0.50
SUB-TOTAL	-	-	0.30	0.31	0.31	0.31	0.31	1.54
b) Marketing, feasibility studies and other investment incentives								
- Market studies	1	0.20	0.20	-	-	-	-	0.20
- "Business workshops"	10	0.10	0.10	0.20	0.21	0.22	0.23	1.96
c) Promoting exports of clean coal technologies to third countries								
- Industrial missions by European businessmen in third countries	2	0.30	-	0.30	-	0.30	-	0.60
- Industrial missions by third countries in the EU		0.30	0.20	-	0.30	-	0.30	0.80
SUB-TOTAL	-	-	0.50	0.50	0.51	0.52	0.53	2.56
GRAND TOTAL	-	-	0,8	0.81	0.82	0.83	0.84	4.10

⁵ Number of servers.



EUROPEAN COMMISSION

ANNEX VII

Introduction

**OF MULTIANNUAL ACTIONS CONCERNING NUCLEAR
SAFEGUARDS AND TRANSPORT OF
RADIOACTIVE MATERIALS**

(1998 - 2002)

FINANCIAL STATEMENT

1. TITLE OF OPERATION

- a. Nuclear industry cooperation and transport of radioactive materials
 - Transport of radioactive materials: problems of safeguards, health protection and nuclear safety technologies.
 - Industrial cooperation in the civil nuclear sector with the Central and East European Countries (CEEC), Russia and the Ukraine.
- b. Training safeguards experts from the CEEC and the New Independent States (NIS) - Establishing a fissile materials compatibility and control system in Russia.

2. BUDGET HEADING INVOLVED

- a. B4-1020 of the General Budget of the European Communities (Nuclear industry cooperation and transport of radioactive material)
- b. B7-535 of the General Budget of the European Communities (Training and implementation of safeguards).

3. LEGAL BASIS

Chapters III and X of the EAEC Treaty (Euratom Treaty), plus:

- a. Article 75 of the EC Treaty (common transport policy) and the Council Resolution of 22 July 1996 on technological problems connected with nuclear safety (JO No C 185 of 14 August 1996, p. 1).

Council Resolution of 22 July 1996 on technological problems connected with nuclear safety (JO No C 185 of 14 August 1996, p. 1), and Resolution 16 in EP document 217.774/final of 11 July 1996 "East-West cooperation activities in energy and nuclear security".
- b. European Parliament Resolution of 9 April 1992 on nuclear safety in the countries of Central and Eastern Europe and the Commonwealth of Independent States (JO No C 125 of 18 May 1992, p. 244) and the European Parliament Resolution of 29 September 1994 (PE-B4-00621) on illicit trafficking in nuclear materials and Commission communication of 19 April 1996 on illicit trafficking in nuclear materials and radioactive substances (COM (96) 171 final).

4. DESCRIPTION OF OPERATION

4.1. General objective

The objectives of the action programme are to improve nuclear safety and safeguards.

- a. Improving nuclear safety in general, particularly by working to improve:
- the transport of radioactive materials by:
 - facilitating the operation of the internal market by identifying justifiable harmonisation measures
 - helping improve legislation further by developing experimentation and know-how
 - evaluating incidents which have occurred during transport and learning lessons for the future
 - making emergency procedures more consistent and giving those involved more training
 - cooperating with CEEC and NIS to help them improve transport safety in their own countries
 - improving public information, comprehension and awareness in this area.
 - Long-term nuclear safety in Eastern Europe, Russia and Ukraine. These countries fully intend to continue to use nuclear power as a major source of energy. In addition to short-term measures carried out under assistance programmes designed to solve specific problems, these countries must be helped to develop a quality and safety approach to the whole of the nuclear industry. This is a long-term measure which will be possible only through close cooperation between industry in the EU and in Eastern Europe. As a means of encouraging cooperation, the Commission should help to identify general (industrial, financial and legal) barriers and support pilot ventures where appropriate.
- b. Helping to establish a system of effective and reliable safeguards in the NIS and CEEC through cooperation in the following areas:
- training and retaining of nuclear safeguards experts
 - establishing a fissile materials compatibility and control system in Russia
 - installing control equipment under (b).

4.2. Period covered

Five years. The operation should begin in 1998 and continue until 2002.

5. CLASSIFICATION OF EXPENDITURE

Non-compulsory expenditure

6. TYPE OF EXPENDITURE

- a. Subsidies for joint financing with other sources in the private and/or private sectors. In some cases, the Commission of the European Communities could fund up to 100% of proposals which it considers to be of extreme interest but which cannot be financed jointly by other sources (e.g. cooperation with East European countries).
- b. Subsidies/financing for:
 - vocational training classes and courses for safeguards experts in the European Union and/or in the NIS and CEEC, including their costs (travel, daily allowance, etc.)
 - seminars for experts in the EU and/or the NIS
 - visits by experts to nuclear plants in the European Union and/or NIS
 - the necessary equipment, logistical and DP support
 - translation and interpreting costs
 - travel expenses of the ESD staff and EU experts chosen to carry out the above activities
 - taking, transporting and analysing samples, including samples taken in the context of illicit trafficking in nuclear materials.

7. FINANCIAL IMPACT

7.1. Method of calculating total cost of operation (link between unit costs and total cost)

The following amounts should be earmarked to cover the objectives of this multiannual programme:

- a. B4-1020 Implementation of the programme for the period from 1998 to 2002.
 - some ECU 0.5 million a year for transport of radioactive materials. Financing requirements were put at ECU 2 million a year (exceeding current forecasts) by the Permanent Working Party for the Transport of Radioactive Materials at its meeting on 23 September 1997 in Brussels, on the basis of the work already done on the budget for 1996 and 1997 and all the measures to be carried out in 1998 and 1999.

- some ECU 0.1 million a year as of 2000 for nuclear industry cooperation with Eastern Europe. These requirements were worked out at ECU 0.5 million a year on the basis of the results of a study on industrial cooperation being conducted with Russia.

b. B7-535 Implementation of the programme for the period from 1998 to 2002.

- The cost of this action has been put at ECU 2.5 million a year, on the basis of the resources used up to now for assistance on safeguards given to the CEEC and NIS and the objectives still to be achieved, which means that the total cost should be ECU 12.5 million.

7.2. Itemised breakdown of cost

a. Nuclear industry cooperation and transport of radioactive materials (B4-1020)

EC in ECU million (at current prices)

Breakdown	1998	1999	2000	2001	2002
Transport of nuclear materials					
Operation of the single market and harmonisation	0.2	0.2	0.2	0.1	0.1
Studies on incidents and accidents during transport - Emergency measures	0.2	0.2	0.1	0.1	0.1
Assistance to CEEC and NIS	0.1	0.1	0.1	0.1	0.1
Public awareness	0.0	0.0	0.0	0.1	0.1
Sub-total	0.5	0.5	0.4	0.4	0.4
Industrial cooperation					
Evaluation of the situation in the NIS	p.m.	0.01	0.02	0.03	0.04
Bringing industrialists together	p.m.	p.m.	0.1	0.1	0.1
Sub-total	p.m.	0.01	0.12	0.13	0.14
TOTAL	0.5	0.51	0.52	0.53	0.54

b. Training experts and implementing safeguards (CEEC and NIS)
(B7-535)

EC in ECU million (at current prices)					
Breakdown	1998	1999	2000	2001	2002
Safeguards training	0.75	0.75	0.75	0.75	0.75
Approximation to the Euratom system	0.75	0.75	0.75	0.75	0.75
Illicit trafficking	0.50	0.50	0.50	0.50	0.50
Improving legislation	0.50	0.50	0.50	0.50	0.50
TOTAL	2.5	2.5	2.5	2.5	2.5

7.3. Operational expenditure on studies, experts, etc. included in part B of the budget

a. Nuclear industry cooperation and transport of radioactive materials
(B4-1020)

EC in ECU million (at current prices)					
	1998	1999	2000	2001	2002
- Studies - experiments	0.4	0.41	0.32	0.33	0.34
- Support for pilot ventures	-	0.0	0.1	0.1	0.1
- Meetings of experts-	0.1	0.1	0.1	0.1	0.1
Total	0.5	0.51	0.52	0.53	0.54

b. Training experts and implementing safeguards (CEEC and NIS)
(B7-535)

EC in ECU million (at current prices)					
	1998	1999	2000	2001	2002
- Specialised training classes and courses	0.75	0.75	0.75	0.75	0.75
- Seminars	0.50	0.50	0.50	0.50	0.50
- Visits by experts to nuclear plants in the EU	0.15	0.15	0.15	0.15	0.15
- Equipment, logistical and DP support	0.8	0.8	0.8	0.8	0.8
- Travel expenses of officials on the spot (including help for operators in their own plants)	0.2	0.2	0.2	0.2	0.2
Total	2.5	2.5	2.5	2.5	2.5

7.4. Schedule: commitments and payments in ECU

a. Nuclear industry cooperation and transport of radioactive materials
(B4-1020)

EC in ECU million						
	1998	1999	2000	2001	2002	2003
Appropriations for commitment	0.5	0.51	0.52	0.53	0.54	
Appropriations for payment						
1998	0.8	0.15				
1999		0.36	0.15			
2000			0.37	0.15		
2001				0.38	0.15	
2002					0.39	0.15
2003						
	0.8	0.51	0.52	0.53	0.54	0.15

b. Training experts and implementing safeguards (CEEC and NIS)
(B7-535)

EC in ECU million						
	1998	1999	2000	2001	2002	2003
Appropriations for commitment	2.0	2.0	2.0	2.0	2.0	2.0
Appropriations for payment						
1998	1.5					
1999		2.5				
2000			2.5			
2001				2.5		
2002					2.5	1.0
2003						
	1.5	2.5	2.5	2.5	2.5	1.0

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

a. Call for proposals each year during the period from 1998 to 2002. Evaluation and selection of proposals by a Commission committee of experts in this field on the basis of:

- technical scientific merit
- an analysis of the financial data on each proposer.

After signature of the contract:

- scrutiny of statements of expenditure before payment at various levels (financial manager, scientific manager);
 - internal audit by the financial controller;
 - continual on-the-spot inspections, checking supporting documents, checking for errors or other irregularities.
- b. Checking invoices against expenditure actually incurred and against the guide to missions for the duty travel expenses of officials and experts, costs of meetings and costs of conferences.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific and quantified objectives, target population

9.1.1. Specific and quantified objectives.

a. Nuclear industry cooperation and transport of radioactive materials

Transport of radioactive materials

- Facilitating the operation of the internal market by identifying justifiable harmonisation measures:
 - harmonising methods for evaluating conditioning safety in accordance with the regulations;
 - harmonising conditioning standards and of the level of intrinsic safety of materials.
- Helping to improve legislation further by developing experiments and know-how.
- Evaluating incidents which occurred during transport and learning lessons for the future.
- Making emergency procedures more consistent and giving those involved more training.
- Cooperating with CEEC and NIS to help them improve transport safety in their own countries (some of them will be negotiating accession to the Community).
- Improving public information, comprehension and awareness in this area.

Nuclear industry cooperation

- Identifying specific barriers to cooperation between industries, within the context of existing industrial, financial and legal structures, with a view to establishing a market-orientated approach in the East; proposing ways of facilitating cooperation.
- Establishing an information/contact network between industrialists in the EU and in Eastern Europe.

b. **Training experts and implementing safeguards (CEEC and NIS)**

Following the political upheavals in the Eastern bloc and in view of cases of illicit trafficking in nuclear and radioactive materials from the East, it is essential, in accordance with the resolutions of the European Parliament and the policy of the Council and the Commission, to provide for the on-going training of local operators to control nuclear materials in the power plants of these countries. It is also necessary to set up an effective nuclear materials control and compatibility system.

The aim of the programme, which already started between 1993 and 1996 (budget heading B4-2001), will be to continue with and to develop on-the-spot actions in close cooperation with the operators. The proposed actions will concern the compatibility of nuclear materials, physical inventory-taking procedures, computerised nuclear material accounting by the plant and the central control body, the organisation of an independent inspectorate and the establishment of monitoring and measurement systems.

The Commission considers that the scope of the problem justifies continuing this action since the work already done has given encouraging results.

9.1.2. Target population

All citizens of the EU, CEEC and NIS.

Transporters of radioactive materials.

Those in the nuclear industry.

National safety and safeguards authorities.

Nuclear safety safeguards, control experts from the CIS and the nuclear plants of these countries.

International organisations concerned with nuclear safety and safeguards.

9.2. Grounds for the operation

9.2.1. Need for Community financial aid

a. **Nuclear industry cooperation and transport of radioactive materials**

Transport of radioactive materials

In order to support these activities and at the request of the European Parliament,¹ the Commission in 1982 established a Permanent Working Party of national experts technically responsible for the safe transport of radioactive materials. The Working Party organised exchanges of information on the application of regulations on the international transport of radioactive materials between Member States and outside the European Union. The Working Party proposed guidelines for an action programme on this subject to be prepared by the Commission, with the aim of providing the basic knowledge required to improve international regulations.

The Commission was also asked to provide the European Parliament and the Council with regular information on new developments in the transport of radioactive materials, and on the recommendations prepared by the Working Party.

In 1996 the European Parliament reinstated the budget heading on the transport of radioactive materials.² The heading was allocated ECU 2 million in appropriations for commitment for 1996, and for 1997 was allocated ECU 0.7 million.

The total amount committed for 1996-97 was ECU 2 661 971 (98.59% of the resources available).

At its last meeting in Brussels on 23 September 1997, the Working Party re-emphasised the importance of implementing a multiannual programme (over five years) in this sensitive area with substantial funding (ECU 2 million a year).

Nuclear industry cooperation

To date the Commission has been concentrating on short-term measures to improve nuclear safety problems in the East. Action has been focused primarily on those power plants still operating, in terms of analysing safety, providing operational support (operational safety) and purchasing equipment from the West. Since these countries intend to continue to use nuclear power in the long term, the processes for manufacturing parts and equipment locally must be improved in order to provide components whose quality is a guarantee of safety. One way of doing this is to improve cooperation between the industry in the Union and in the East, by overcoming the barriers to this cooperation. The Commission can play a guiding role by helping with general analysis, contacts and information, and even by supporting pilot ventures.

¹ European Parliament Resolution published in OJ No C40 of 15.2.1982, p. 43.

² General Budget of the European Communities for 1996 - budget heading No B4-1020.

b. **Training experts and implementing safeguards (CEEC and NIS)**

This is one of the key elements for achieving the objectives established by the Essen European Council, in accordance with the European Parliament Resolution and the Commission Communication. It also ties in perfectly with the general objectives of the Union to improve the operating conditions of nuclear plants in Eastern Europe.

Moreover, the problems of improving the control of nuclear materials and, by extension, reducing illicit trafficking in nuclear materials were the subject of an important declaration by the G8 countries at the Moscow Summit in April 1996.

In addition, informal procedures have been established for achieving complementarity between activities organised by third countries (USA and Japan), the Member States (UK, France, Sweden and Finland) and the IAEA, and those organised through Phare and Tacis.

It is important to make it clear that, unlike with Phare and Tacis, the training of experts and the implementation of projects is essentially the task of the Euratom inspectors, who have the requisite experience. Proper monitoring requires frequent visits to sites, the routing of equipment and the ability to adapt swiftly to needs as they arise. It is essential to act quickly and very flexibly.

9.2.2. Choice of ways and means

This project will be financed by subsidies and financial aid.

9.3. Monitoring and evaluation of the operation

a. **Nuclear industry cooperation and transport of radioactive materials**

Transport of radioactive materials

This action should make it possible to check whether existing regulations are being correctly applied, to determine the need to improve them and to help to establish the internal market. If necessary, this action should result in further measures by the Commission to harmonise legislation or practices concerning the transport of radioactive materials in the EU.

To help Central and East European Countries and the CIS and those joining the Community or operating in its territory.

One objective still to be achieved is to improve information to the public on the transport of radioactive materials..

Nuclear industry cooperation

Fuller understanding of local industrial problems and support for a market approach should generally help to improve economic development in Eastern Europe, which is also in the interests of the Union.

b. Training experts and implementing safeguards (CEEC and NIS)

Performance indicators:

If this action is successful it should ensure that in Eastern Europe nuclear materials will be subject to more rigorous control, as in the European Union. The best indicator of success will be that nuclear energy is used only for peaceful purposes.

Measuring the activities used:

To give some idea, in 1995 the Safeguards Directorate launched 27 activities, ten in Russian territory and 17 within the European Union, chiefly in Luxembourg, with 103 experts from Eastern Europe participating in one or more of these activities for a total of 850 man-days. To this total should be added the number of days spent by Euratom staff on these various activities.

10. Administrative expenditure

a. Nuclear industry cooperation and transport of radioactive materials

The proposed annual commitments are less than the level of commitments in 1996. The human resources allocated to them in 1996 and 1997 correspond to 1.5 B officials and 0.25 A officials. Thus no additional resources will be required.

b. Training experts and implementing safeguards (CEEC and NIS)

Between 1993 and 1996 the Commission was able to manage and absorb the activities provided for in heading B4-2001 without requiring any additional staff and despite the workload arising from the obligations in Chapter 7 of the Euratom Treaty. To date, no additional resources have been requested.

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