

Procedure file

Basic information		
INI - Own-initiative procedure	2007/2188(INI)	Procedure completed
Global efficiency and renewable energy fund		
Subject		
3.60 Energy policy		
3.60.05 Alternative and renewable energies		
3.60.15 Cooperation and agreements for energy		
3.70.20 Sustainable development		
5.05 Economic growth		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ITRE Industry, Research and Energy		23/11/2006
		Vers/ALE TURMES Claude	
	Committee for opinion	Rapporteur for opinion	Appointed
	DEVE Development (Associated committee)		18/06/2007
	PPE-DE WIJKMAN Anders		
	BUDG Budgets	The committee decided not to give an opinion.	
	ENVI Environment, Public Health and Food Safety (Associated committee)		10/09/2007
		PPE-DE KORHOLA Eija-Riitta	
European Commission	Commission DG	Commissioner	
	Energy and Transport	PIEBALGS Andris	

Key events			
05/10/2006	Non-legislative basic document published	COM(2006)0583	Summary
27/09/2007	Committee referral announced in Parliament		
27/09/2007	Referral to associated committees announced in Parliament		
19/12/2007	Vote in committee		Summary
09/01/2008	Committee report tabled for plenary	A6-0006/2008	
12/03/2008	Debate in Parliament		
13/03/2008	Results of vote in Parliament		
13/03/2008	Decision by Parliament	T6-0096/2008	Summary
13/03/2008	End of procedure in Parliament		

Technical information	
Procedure reference	2007/2188(INI)

Procedure type	INI - Own-initiative procedure
Procedure subtype	Strategic initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/6/43155

Documentation gateway

Non-legislative basic document		COM(2006)0583	06/10/2006	EC	Summary
Document attached to the procedure		SEC(2006)1224	06/10/2006	EC	
Document attached to the procedure		SEC(2006)1225	06/10/2006	EC	
Committee draft report		PE396.509	16/10/2007	EP	
Amendments tabled in committee		PE396.799	15/11/2007	EP	
Committee opinion	ENVI	PE396.728	28/11/2007	EP	
Committee opinion	DEVE	PE396.718	19/12/2007	EP	
Committee report tabled for plenary, single reading		A6-0006/2008	09/01/2008	EP	
Text adopted by Parliament, single reading		T6-0096/2008	13/03/2008	EP	Summary
Commission response to text adopted in plenary		SP(2008)2060	09/04/2008	EC	

Global efficiency and renewable energy fund

PURPOSE: to propose a EUR 100 million global risk capital fund for developing countries to boost energy efficiency and renewables.

BACKGROUND: in recent years the global economy has been witnessing unprecedented growth. Since 1994 global oil consumption has increased by 20% and is projected to grow by 1.6% per year. According to the IEA world energy demand is set to increase by more than 60% by 2030. This will create considerable challenges in terms of greenhouse gas emissions; air quality; poverty; the sustainable management of natural resources and the security of energy. The need to ensure sustainable development calls for profound changes in the way energy services are delivered and energy sources are used. For this reason, in 2002, the Heads of States agreed to urgently and significantly increase the share of renewable energy in the global energy mix. The challenge for the public sector, however, is to encourage private sector investment in renewable energy technologies.

CONTENT: the purpose of this Commission Communication, therefore, is to explore current barriers for private sector participation (particularly in developing countries) in the deployment of renewable energy and energy efficiency technologies and to propose a Public Private Partnership, to be referred to as « Global Energy Efficiency and renewable Energy Fund ».

Barrier to mobilising sufficient private sector finance

IEA estimates suggest that by 2010, \$ 241 billion will need to be invested into renewable energy generation. The associated need for risk capital in developing countries and transition economies alone is estimated at over \$ 10 billion or EUR 9 billion. Despite some positive developments concerning the financing of renewable energy (for example roughly 70% and 40% of investment in electricity generation in South America and in Asia, respectively, is projected to be in the renewable sector) renewable energy projects and businesses continue to face significant difficulties in raising sufficient finances for investment. This is largely due to the fact that the initial capital costs of renewable energy technologies are 3-7 times higher than those of conventional fossil fuel generation. Other factors contributing to slow private sector investment in renewable energy projects include the need for added assurances from investors in renewable energy projects in non-OECD countries as well as higher transactions costs associated with SME participation when compared to lower costs associated with large scale fossil fuel power plants. All of these factors combined make it less interesting for conventional risk capital providers to invest in renewable energy projects in developing and emerging economies.

The Global Energy Efficiency Renewable Energy Fund

For the reasons outlined above, the Commission is proposing to set up a concrete and innovative Public Private Partnership, to be referred to as the « Global Energy Efficiency and Renewable Energy Fund » (GEEREF). The purpose of this Fund will be to mobilise private investments in developing countries and emerging economies. It will complement ongoing efforts for improving the policy framework in a bid to accelerate sustainable development and a swifter deployment of renewable energy technologies. Given the limited amount of public sector finance, an innovative financing instrument that maximises the leverage of public funds is seen as hugely advantageous. Private sector access to risk capital through public provisions of patient capital appears to be a promising route given that the risks are spread.

The proposed budget for GEEREF, between 2007-2010, is EUR 80 million, with an initial contribution of EUR 15 million in 2008 to kick-start the initiative. Total initial funding from public and commercial sources of EUR 100 million is anticipated. An additional mobilisation of EUR 300 million and possibly up to EUR 1 billion in the longer terms, is expected in the form of risk capital.

Putting the innovative PPP into practice

Particular focus will be given to the risk capital gap. This includes, for example, the scaling up of successful pilot schemes. International finance institutions such as the EIB, EBRD and the World Bank, private sector investors and other financial intermediaries have already lent their support to the Commission for the GEEREF.

In terms of its legal status the GEEREF will be set up under private law but with a public sector mission. It will offer new risk sharing and co-funding options for various commercial and non-commercial investors with a global investment mandate. Rather than providing financing directly to the target groups, GEEREF will actively engage in the creation and funding of regional sub-funds or in scaling up similar existing initiatives. The fund will support renewable energy and energy efficiency projects as well as SMEs. Attention will be given to projects below EUR 10 million as these are the most frequently side-lined by commercial investors and IFIs. In addition to utility-based projects, investments will focus on manufacturers, consumers, SME and micro-finance intermediaries.

Sub-funds will be channelled into Sub-Saharan Africa, the Caribbean and Pacific Island States (the ACP region), countries listed under the European Neighbourhood (North-Africa, non-EU Eastern Europe including Russia), Latin America and Asia. Capital will be provided at affordable « patient » terms whereby the degree of patience will reflect the degree of local and global benefits offered by sub-funds and their underlying projects. GEEREF participation will range from between 25 % 50% for medium to high risk operation whilst low-risk projects will benefit from 15% GEEREF funding.

In addition the proposed Fund includes dedicated technical assistance financing. These will amount to 10-20% of the total fund size. Investment scope will include a broad mix of project types and energy efficiency and renewable energy technologies. Emphasis will be given to deploying environmentally sound technologies with a proven technical track record and account will be taken of science-based knowledge that results from such programmes.

It is expected that once up and running GEEREF could bring almost 1 Gigawatt of environmentally sound energy capacity to developing country markets, serving 1-3 million people with sustainable energy services.

Global efficiency and renewable energy fund

The Committee on Industry, Research and Energy adopted the own-initiative report by Mr Claude TURMES (Greens/EFA, LU) welcoming the Commission's proposal for a Global Energy Efficiency and Renewable Energy Fund (GEEREF).

The report stresses that the key objectives of the fund should be the promotion of energy efficiency, energy saving and renewable energies, the reduction of emissions of greenhouse gases and of other risks, the improvement of access to energy services in the poorest countries and the diversification of energy sources in the developing world. The committee insists that all support for projects and choice of technology is conditional on the fulfilment of comprehensive sustainability criteria and on a contribution being made to sustainable development, among other things.

Members call on the Commission to focus, when implementing the fund, on small-scale projects which are the most difficult to attract private sector investment. In this regard, the Commission should keep under regular review its eligibility threshold of EUR 10 million for individual projects, while earmarking at least one third of the funds available for small-scale projects costing less than EUR 1 million.

The European Commission is also invited to:

- ensure that support for allbiomass projects in developing countries is subject to the fulfilment of rigorous sustainability criteria;
- ensure that the GEEREF supports photovoltaic projects and calls on it to supportthe development of intelligent grid technologies;
- ensure that the fund supports the development of local markets, manufacturing and capacity by supporting local SMEs so that they can take on responsibility for merchandising new technologies in a particular region;
- ensure that the fund will be consistent with and supplement other Member State and EU development policies and energy initiatives targeted at developing countries;
- explore ways of enlarging the fund in the future context of a post-2012 regime under the United Nations Framework Convention on Climate Change.

The committee regrets the fact that the suggested minimum funding target of EUR 100 million - with a contribution of only EUR 15 million for each of the years 2007 and 2008 - is woefully inadequate as the GEEREF's contribution when the goal is to "boost the share of energy efficiency and renewable energy projects. It urges the Commission to increase its contribution while at the same time encouraging Member States, as well as multilateral finance institutions, to join forces in order to significantly increase the size of the fund.

Global efficiency and renewable energy fund

The European Parliament adopted, by 343 votes to 11 with 11 abstentions, the resolution on the Global Energy Efficiency and Renewable Energy Fund (GEEREF) in response to the Commission Communication entitled Mobilising public and private finance towards global access to climate-friendly, affordable and secure energy services: The Global Energy Efficiency and Renewable Energy Fund.

The own-initiative report had been tabled for consideration in plenary by Claude TURMES (Greens/EFA, LU) on behalf of the Committee on Industry, Research and Energy.

Parliament believes that the key objectives of the fund should be the promotion of energy efficiency, energy saving and renewable energies, the reduction of emissions of greenhouse gases and of other risks, the improvement of access to energy services in the poorest countries and the diversification of energy sources in the developing world. It particularly welcomes the fund's focus on leveraging private investment by providing risk capital. Parliament calls on the Commission to ensure that all support for projects and choice of technology is conditional on the

fulfilment of comprehensive sustainability criteria and on a contribution being made to sustainable development as well as on geographical characteristics and available regional resources.

Members call on the Commission to focus on small-scale projects which are the most difficult to attract private sector investment. In this regard, the Commission should keep under regular review its eligibility threshold of EUR 10 million for individual projects, while earmarking at least one third of the funds available for small-scale projects costing less than EUR 1 million.

The Commission is also invited to:

- ensure that support for all biomass projects in developing countries is subject to the fulfilment of rigorous sustainability criteria;
- ensure that the GEEREF supports photovoltaic projects and calls on it to support the development of intelligent grid technologies;
- ensure that the fund supports the development of local markets, manufacturing and capacity by supporting local SMEs so that they can take on responsibility for merchandising new technologies in a particular region;
- ensure that the fund will be consistent with and supplement other Member State and EU development policies and energy initiatives targeted at developing countries;
- ensure that the fund contributes to reducing barriers to the use of the Clean Development Mechanism in particular in the least developed countries;
- explore ways of enlarging the fund in the future context of a post-2012 regime under the United Nations Framework Convention on Climate Change.

Parliament insists that the GEEREF must not support large projects requiring more than EUR 1 million for conventional energy sources and for the co-firing of biomass in existing or new coal power stations, the small scale use of fossil fuels (for example in diesel generators) or large agrofuel production.

Members regret the fact that the suggested minimum funding target of EUR 100 million ? with a contribution of only EUR 15 million for each of the years 2007 and 2008 ? is woefully inadequate as the GEEREF's contribution. It also regrets that, as yet, only a few countries have chosen to participate financially in the fund. The Commission is urged to increase its contribution while at the same time encouraging Member States as well as multilateral financial institutions to join forces in order to significantly increase the size of the fund.

Parliament considers that a key aim in the first years of the GEEREF should be the development of exemplars that can inspire further contributions, increasing the flow of investments in renewable energies and energy efficiency to developing countries and transition economies and sparing far more people than the anticipated 1 to 3 million people from energy poverty. Parliament calls for special emphasis on serving the needs of the ACP countries. Members strongly recommend that any subfunds for China and Russia, if included in the portfolio, do not absorb all the available resources and that they should be of particular interest as pilot-projects.

Parliament recognises that the GEEREF may have difficulty in complying with the criteria for Official Development Assistance established by the OECD Development Assistance Committee, as investment will be steered by prospects for financial returns rather than development needs. It also recognises the risk that poverty reduction, mentioned as a specific objective of the GEEREF, might become only a secondary priority of the fund. Accordingly it stresses that the Commission must significantly increase grant-based development aid in order to provide sustainable energy services to the poorest.