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BUSINESSEUROPE COMMENTS ON THE UPCOMING DRAFT EU STRATEGIC ENERGY TECHNOLOGY (SET-) PLAN*

BUSINESSEUROPE has had the opportunity to receive information on the current reflections in the European Commission regarding the upcoming SET-Plan. BUSINESSEUROPE wishes to emphasise that a significant effort seems to be carried out by the Commission to develop a platform for making the right decisions as to how the EU and member states can make a giant leap forward in the direction of improved RD&D efforts in energy technologies.

The Commission's current efforts demonstrate many relevant considerations and good ideas, and are important steps in the right direction. However, they also raise some concern with BUSINESSEUROPE. It is believed that by continuing along the pathways that the Commission is intending to take, the EU efforts will not be able to deliver what it takes within energy technological efforts to reach the EU greenhouse gas, renewable energy and energy efficiency targets by 2020.

In addition there is a need to focus on how to ensure cost effectiveness in the implementation of these targets. Also of relevance is how to ensure that European business in general - also counting the energy intensive industry - can thrive under the regime which will deliver the targets while safeguarding European competitiveness also for the energy intensive industry.

BUSINESSEUROPE therefore strongly advocates that the considerations made below are taken into consideration in the ongoing inter-service consultation on the SET-Plan:

Enabling the market to drive forward technological development and deployment within renewable and other low carbon technologies as well as energy efficient technologies

It seems that the approach of the Commission when analysing energy technologies lacks focus on how to drive those technologies all the way to the market. The problem is that when evaluating barriers of bringing forward new technologies, the analysis does not focus on the fact that to be able to attract capital, the EU needs to focus on the commercial perspective of new energy technologies. The missing link between venture capital and entrepreneurs is core to the solution of the problem. So when evaluating a technology this element needs to be taken into consideration.

BUSINESSEUROPE believes that it is necessary to use instruments to promote entrepreneurship and thereby enabling technologies with a market potential. Initiatives to improve entrepreneurs skills in search of risk capital are one way to bridge the gap between the RD&D phase and the commercial phase.

* Basis of this paper is the BUSINESSEUROPE position paper on the SET-Plan from 20 June 2007.



BUSINESSEUROPE also believes that it is necessary to use market friendly demand-pull initiatives such as public procurement technical product standards and labelling in order to develop the market potential for clean technologies.

Particular focus on deployment of energy efficient technologies within all sectors

BUSINESSEUROPE feels that in general there is much focus on solutions within the energy supply side where as solutions coming from the energy demand side / end-user, technologies are more or less absent. This is considered to be a huge problem. It is a general observation, supported by IEA's and other studies that demand side / end-user technologies will be able to deliver cost effective solutions to the greenhouse gas target, and will make the EU able to invest less in energy supply. Energy efficiency should therefore have substantial space in the Commission work on the SET-Plan.

Energy efficiency is also relevant to emphasise when focusing on various technologies for producing energy, since clean coal and more efficient use of fossil fuels should be seen in connection with the CCS technology.

Significant increase in public funding for research, development and demonstration project

BUSINESSEUROPE is pleased to know that the Commission plans to emphasise the problem of reduced amounts of national funds reserved for energy technologies. We agree with the points of views that national funds for RD&D within energy technology needs to be raised.

However, BUSINESSEUROPE wishes to encourage the Commission to be more assertive on how to make funds available for demonstration plants within CCS, PV and other energy technological demonstration plants (including energy efficiency demonstration projects). BUSINESSEUROPE welcomes the fact that the revision of the STATE AID regulation concerning: ENVIRONMENTAL PROTECTION GUIDELINES probably will make it possible to give the necessary state aid for the CCS demonstration plants etc. However, the SET-Plan needs to address this issue of STATE AID regulation explicitly, and it is likewise necessary to address the fact that more funds for RD&D are needed on all levels - also the Commission level.

Improve the coordination between EU and member states' RD&D efforts

In the field of energy research, BUSINESSEUROPE agrees with the Commission that there is a lack of information and coordination of activities proceeding on member state level. Creating a steering group as well as organising annual EU Energy Technology conferences, as the Commission is suggesting, may be important elements in a future strategy. Likewise coordinating efforts are relevant ways of addressing the issue. Clearly, the Commission choosing a pathway has some obvious advantages. However, some concerns must be raised at this point:

- the need to enable the market must be present in the considerations of how to coordinate efforts. Since this is seen as core to the solution of the problems of bringing the technologies all the way to the market, improved coordination will not solve this;



- coordination must ensure that parallel activities are coordinated among countries to benefit from the synergies which could arise. But coordination should respect national competences and must not hinder a focus on specific, national competences.

BUSINESSEUROPE would like to take this opportunity to encourage the Commission to move in the direction of improved coordination, ensuring coherence, focus and integration of the RD&D efforts in the EU. Possible synergies should be identified to optimise the output of EU and member states efforts.

BUSINESSEUROPE is convinced that in order to achieve this goal, it is imperative that the Commission moves forward carefully and in close alignment with member states' own ideas and core competences. A mere reorienting of existing programmes is, as the Commission might suggest, unlikely to bring ideas of improved coordination much forward.

The initial focus of such coordination should be to identify the priorities of national existing programmes, how various member states and the Commission could improve cooperations where identical priorities are identified, in order to get the benefit of synergies. And how priorities diverging from the Commission priorities can be explained and justified, and perhaps serve as inspiration for other member states and the Commission. Reorientation of national priorities in existing programmes might be the final outcome but should not be the initial attitude taken by the Commission. Reorientation could result in uncertainty and lack of predictability on member state level. This should be avoided.

Strengthen the focus on technology-push instruments where funding decisions for RD&D should be science-led and as objective as possible

The above mentioned concern leads to the next point which BUSINESSEUROPE wishes to emphasise.

The Commission seems to consider a number of different and very important technologies. However, as already commented upon, demand-side technologies should also be addressed, including efficient use of fossil fuels within power generation.

The Commission has pointed towards six specific technologies (Wind, Solar, Bio-Energy, CCS, the electricity grid and nuclear fission). BUSINESSEUROPE has no specific objections to these priorities. However, making the right choice is imperative. When identifying barriers, the background analysis must not lack commercial perspective.

Therefore, BUSINESSEUROPE wishes to encourage the Commission to ensure a science-led procedure when analysing and choosing specific technologies, with transparent objective procedures and as independently as possible from political considerations. The science-led procedure must be based on a common consistent methodology to assess the technology potential. Technologies should clearly be ranked according to long term potential to contribute cost effectively to objectives of EU energy policy – sustainability, security, competitiveness.



Linking this to the previous point on the need for increased coordination and cooperation between member states, e.g. the Commission ought to address who should make the right and independent decision. There is a need to ensure focus on technology-push instruments where funding decisions for RD&D are science-led.

Do not damage the competitiveness of energy intensive industries

For obvious reasons the intense focus on how to develop clean technologies has a strong focus on energy supply technologies. As already stated there is a need to emphasise end-user technologies.

Furthermore, there is a need to recognise the role which energy intensive industries play in the European economy, therefore the future SET-Plan needs to state clearly that one of the objectives of the plan is to keep energy intensive industries within Europe and support their competitiveness through new technologies/processes:

BUSINESSEUROPE recommends that this is done throughout the upcoming proposal.. Energy efficient technologies and the need of a cost effective implementation of technology-push instruments in order to safeguard the competitiveness also for European energy intensive production is imperative.

For your information we attach the BUSINESSEUROPE position on the SET-Plan from 20 June.
