

DG Environment comments to the EIB energy sector lending policy consultations

Section 4.1:

- Particularly in the current economic climate, is there a trade-off between promoting a competitive and secure energy supply and one which is environmentally sustainable? Where should the balance lie and what implications does this have for energy sector investments?
=> the objective of the EIB should be to avoid any trade off and to fund investments that promotes at the same time sustainability, competitiveness and security of supply. This is not only rhetorical: for instance, by developing wind, solar or geothermy energy production in EU, it not only allows the European industry to develop in new sectors (and potentially gain competitiveness there), but it also ensures intra-EU and sustainable energy sources.

Section 4.2

- The Bank's economic justification for supporting emerging renewable energy technologies, whose cost is significantly above that of conventional and mature renewable energy technologies, is that continued investments in these technologies will eventually lead to cost reductions and will ultimately be the least-cost approach to meeting the EU's renewable energy targets. Do you agree with this approach? Is there an alternative approach to the economic justification of these technologies which you consider more appropriate?
=> In general, renewable sources of energy should also be supported because they entail much less negative externalities than non renewable sources (not only CO2 but also other externalities such as air quality, water use, ecosystems...).

Section 4.3

- What do you think are the main barriers to energy efficiency investments? What might be done to overcome these?
=> Having the energy consumed priced at its real cost would help (hence having externalities reflected in the price). This will also reduce subsidisation of energy prices and use. ESCO can develop new markets in developing tools to make consumers more aware of their consumption, of its real costs and impacts.
Non financial barriers are also present in this sector:
 - Lack of trained staff in the banking sector, as well as in the building sector
 - Need for new financial models able to address the lack of collateral in the investments

Section 4.4

- Is the traditional model for electricity transmission and distribution changing? What implications does this have for future investments in electricity networks?
- What is the future role of smart grids, offshore grids and energy storage solutions?
 - ➔ development of smart grids is the big challenge in terms of energy transmission and should represent the bulk of investments in the domain. Together with energy storage, it will allow to fully incorporate renewable variable energy into the system.
 - ➔ promotion of off-shore grids is of importance as practically helps transferring the energy produced to the consumption centres, allowing for must greater area to be utilised for the production of energy and also the development of new technologies (wave energy generation, off-shore wind turbines, etc).

Section 4.5

- Gas is an important bridging fuel source in the transition to a low carbon economy: to what extent and under what conditions should gas-fired generation be supported?
 - only if alternatives (renewables) have been considered, assessed and compared, and if the overall effects (economic, social and envtal, assessed on an equal footing) are in favour of gas.
 - Recent studies from the IEA suggest that gas will become more competitive from coal by 2017. This provides opportunities to switch to an energy mix with more gas, however it may also increase dependency from the East for this provision or on LNG from US and other more distant countries. Furthermore it may increase the search and exploitation of shale gas in Europe.
 - The Commission is currently impact assessing several options for an environment, climate and energy framework for unconventional fossil fuels and in particular shale gas development in the EU. The policy of the EIB should follow the lines to be presented by the Commission next year. This would contribute to a better avoidance of stranded assets.
- What role will coal and lignite fired generation have in the EU power system in the medium term, with or without CCS, and how is this consistent with the EU's Climate Action goals and its security of supply objectives?
 - => this is very inconsistent with the Climate policy and should be funded only if CCS is actually in the project (and not "CCS ready"). Security of supply can be ensured through many other sources, included renewable sources, which are most of the time domestic.

Section 4.6

- As nuclear power stations are ageing, should their life be extended (where possible) or should they be replaced with other generation sources?
 - => extending life of nuclear plant is not a sustainable option: it increases the risk of accident, and continues increasing the nuclear waste management problem. Ageing nuclear plants should be replaced by the renewable energy sources that create the least negative impacts (wind, solar eg).
- What will be the impact on electricity generation and climate action of the reconsideration of nuclear policies within EU member states, in particular after the Fukushima accident?
 - => hopefully, the negative externalities created by nuclear plant would start to be more acknowledged, liabilities will be fully covered, and therefore the full production costs (including the potential liabilities and also costs of treating and disposing the used nuclear fuel) of nuclear electricity would increase.
 - Furthermore there is need to discuss the issue of quite of the old infrastructure that Europe is holding and the need for refit, or decommissioning.

Section 4.7

Which are the key innovative energy technologies under development? The development of which key innovative low-carbon energy technologies should receive most financial support?
=> support should be attributed according to all environmental impacts, not only CO2. (so technology neutral provided all externalities are in).

Section 4.8

In a developing market context, where should the balance lie between meeting local energy needs at least cost and reducing global greenhouse gas emissions – the trade-off between affordable energy for all and sustainable energy for all?

=> there is no necessary a trade-off if actions towards energy efficiency and local renewables sources are promoted.