



Energy aspects of the economic recovery

Confindustria Webinar «Green Deal e opportunità per imprese»

7 October 2020

Luca Di Donatantonio

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- DG REFORM and Technical Support Instrument
- Energy aspects of the economic recovery
 1. Energy in the Recovery – green and digital transition
 2. Highlights of the Recovery Package – main instruments and energy aspects
 3. Financing energy projects
 4. NECPs

Context: the Technical Support Instrument

TSI offers technical support for design and implementation of structural reforms

- **For all EU Member States** based on requests
- Around **1000 projects** in **27 Member States**
- Addressing a **wide range of reform areas**
- Covering **entire life cycle of the reforms**
- **Tailor-made support**
- **No co-financing** requirement



Context: the Technical Support Instrument

- Successor of **Structural Reform Support Programme** 2017-2020
- Part of the MFF 2021-2027 and the Recovery Plan for Europe
- Important vehicle allowing for better delivery of other EU instruments, like the Recovery and Resilience Facility
- Higher budget - **EUR 767 million** for 7 years, cca. **EUR 110 million/year**
- Stronger mandate – TSI will improve Member States' administrative capacity to **design, develop and implement reforms**
- **Proposal under negotiation** (European Parliament, Council)



Governance and public administration

- Anti-corruption & anti-fraud strategies
- Better regulation
- Central & local administration
- Digital public administration
- Governance & IT function
- Management of human resources
- Judicial reform

Revenue administration, public financial management

- Administration of revenues
- Aggressive tax planning
- Budget preparation & implementation
- Customs Union
- Debt & cash management
- Expenditure policy
- Macro-fiscal framework
- Public sector accounting
- Public finances oversight
- Tax compliance
- Tax policy

Growth and business environment

- Better regulation, licensing and inspections
- Climate
- Competition and consumer policy
- Digital economy, research and innovation
- Energy
- Environment and natural resources
- Foreign investment and trade
- Investment management, PPPs and state-owned enterprises
- Just transition
- SMEs, tourism and other sectors
- Transport and mobility

Labour market, education, health and social services

- Access to long-term care
- Digital health
- Equity and inclusive education
- Higher education and research
- Labour market policies & governance
- Social Innovation
- Migration and border management
- Public health
- Resilience of health care systems
- School policy
- Social protection
- Social services
- Upskilling of adults
- Vocational education and training

Financial sector and access to finance

- Anti-money-laundering
- Banks
- Capital markets
- Crisis management
- Financial literacy
- Green Finance
- Insolvency
- Insurance undertakings & pensions

Support for Recovery and Resilience Facility

- Support for the preparation of recovery and resilience plans e.g. identifying reform & investment packages, setting milestones & targets, defining costs, etc.
- Support for the implementation of the plans – including reaching agreed milestones & targets

Member States to communicate their needs to DG REFORM as quickly as possible

Our added value

- Provision of **expertise** (not funding → no direct financing)
DG REFORM is a "**strategic partner**"
- Bringing in the **best and most appropriate expertise** (combination) and suggesting solutions
- **Rapid delivery** of support, **tailor-made** to Member State's needs
- **No co-financing** required



2021 priorities

- **European Semester and CSRs**
- **Recovery measures linked to the COVID-19 pandemic**
(DG REFORM to provide catalogue of possible measures)
- **Preparation and implementation of recovery and resilience plans under the RRF** (support as of now and support under the next round of technical support call)
- **Implementation of the European Green Deal**
- **Digital transition**

The possibility to submit requests related to Member States' own reforms remains in place

DG REFORM brochures



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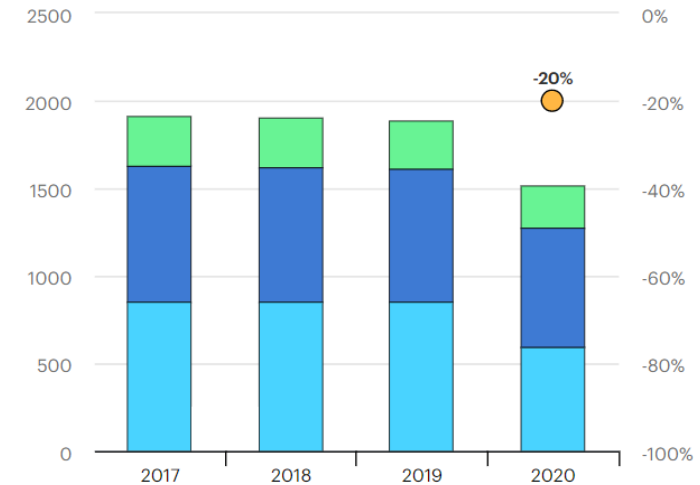
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Energy and Recovery 1/2

- **European Green Deal:** the EU growth strategy; the engine and the compass of the European recovery efforts
- Covid-19 and the economic downturn:
 - fall in **global energy investments** (IEA); 17% decline in Europe (solar PV, oil, gas)
 - sharp reduction in **private sector investments** in 2020-2021
 - vulnerability of **European value chains**
- **Investment needs** for delivering the green and digital transition: €595 bn per year (*incl 2030 targets*)

Total global energy investment, 2017-2020

Open ↗



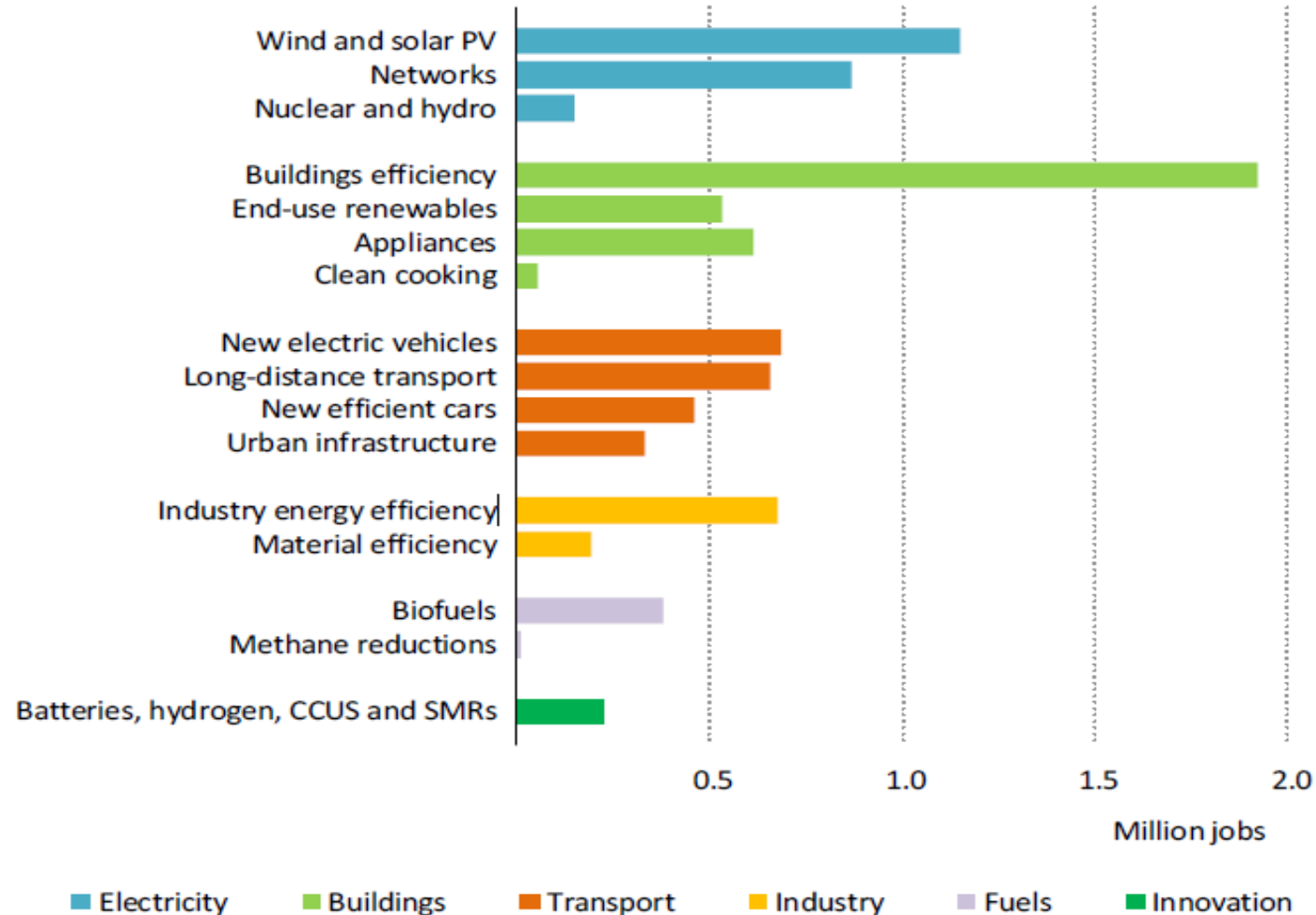
IEA. All Rights Reserved

● Fuel supply ● Power sector ● Energy end use and efficiency
● Change from previous year

*“...we should invest in the new economy to come out of the crisis in better shape than we went into it, fit for the future: sustainable, inclusive, competitive and prepared.”
(EVP Timmermans)*

Energy and Recovery 2/2

Annual average jobs created in constructing and manufacturing projects per policy area (IEA)



*Nearly **9 million** new jobs would be created on average each year by the **sustainable recovery plan**: around 35% of these jobs would be in the buildings sector*

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Architecture of the dual crisis response

Exceptional and temporary increased own resources ceiling

Larger Headroom

**Commission
borrowing
on capital
market**

To be committed
until the end of
2023



reinforced **Multiannual
Financial Framework**
€1074 billion

The box contains an icon of three Euro coins on the left. The text is centered and uses a mix of yellow and orange colors for emphasis.



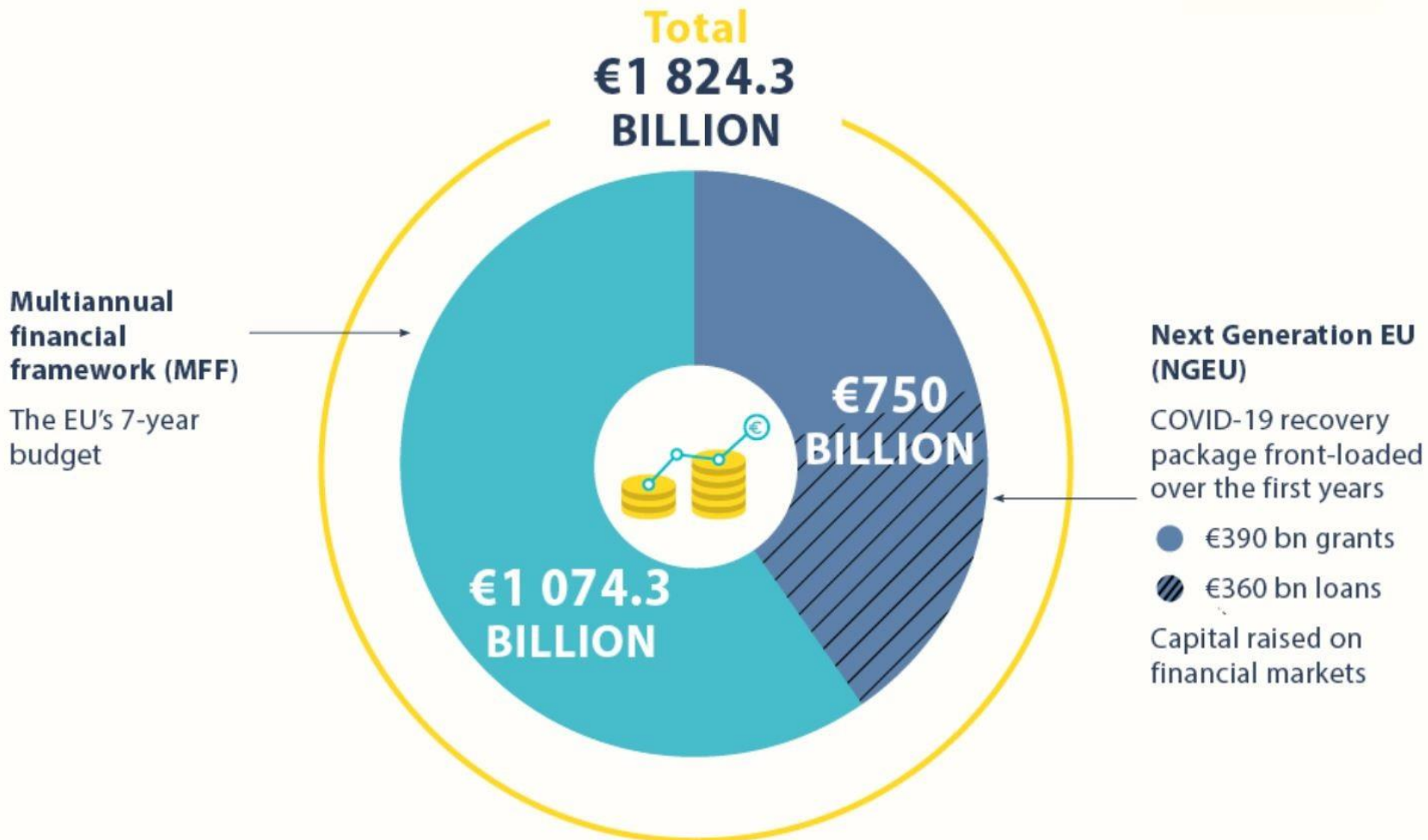
**Next
Generation
EU**
€ 750 bn

The box contains an icon of a plant growing from a stack of coins on the left. The text is centered and uses white and yellow colors.

- ❖ Earlier package for workers, businesses and sovereigns (SURE/ESM Pandemic Crisis Support/EIB Guarantee Fund for Workers and Businesses) – **€540 billion**

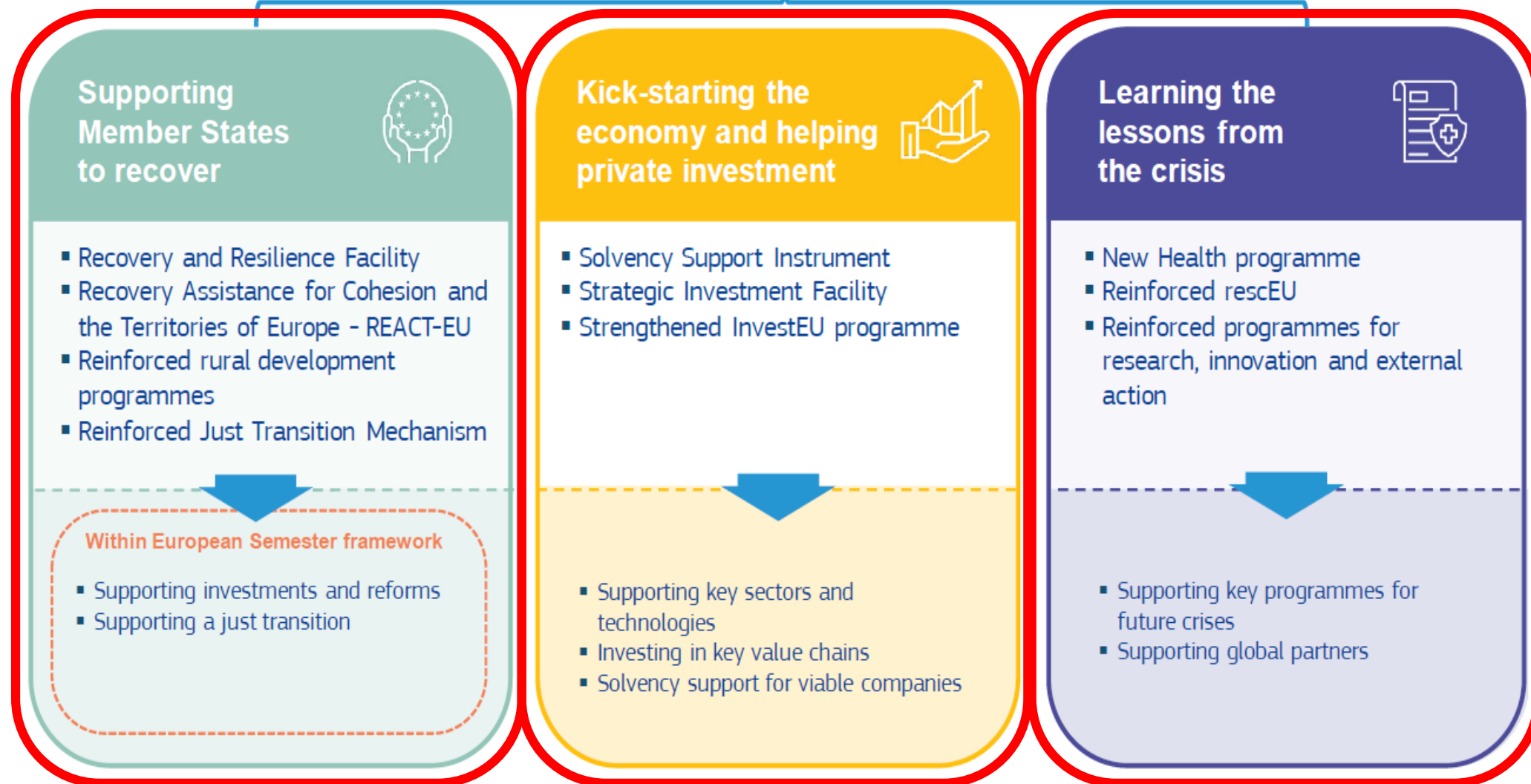
Architecture of the dual crisis response

Overall budget 2021-2027



Architecture of the dual crisis response

Investing in a green, digital and resilient Europe



Energy sector investment – fuel to the green recovery

“...we should invest in the new economy to come out of the crisis in better shape than we went into it, fit for the future: sustainable, inclusive, competitive and prepared.” (EVP Timmermans)

□ Climate mainstreaming across the MFF and Next Generation EU:

- 30% horizontal target
- Programme-specific climate targets

□ Green and digital transition

□ Impact of Next Generation EU:

- GDP increase of 2.25% by 2024
- up to 2 million additional jobs by 2022

All figures are in billion EUR 2018 prices	Climate coefficient in the legal basis	Total Climate contribution
Horizon Europe	<input type="text"/>	<input type="text"/>
ITER	<input type="text"/>	<input type="text"/>
InvestEU Fund	<input type="text"/>	<input type="text"/>
Connecting Europe Facility	<input type="text"/>	<input type="text"/>
ERDF	<input type="text"/>	<input type="text"/>
Cohesion Fund	<input type="text"/>	<input type="text"/>
REACT EU	<input type="text"/>	<input type="text"/>
Recovery and Resilience Facility	<input type="text"/>	<input type="text"/>
CAP 2021 - 2022	<input type="text"/>	<input type="text"/>
CAP 2023 - 2027	<input type="text"/>	<input type="text"/>
EMFF	<input type="text"/>	<input type="text"/>
LIFE	<input type="text"/>	<input type="text"/>
Just Transition Fund and 3 rd pillar	<input type="text"/>	<input type="text"/>
NDICI	<input type="text"/>	<input type="text"/>
OCT	<input type="text"/>	<input type="text"/>
Pre-Accession Assistance	<input type="text"/>	<input type="text"/>
Total		<input type="text"/>

Recovery and Resilience Facility (RRF)

- New instrument building on the **Structural Reform Support Programme**
- Embedded in the European Semester.



To be used for

Public sector investments and reforms, including in green and digital transitions.



Mechanism

Grants and loans by implementing Member States' national Recovery and Resilience plans defined in line with the objectives of the European Semester. No national co-financing.

An investment dimension for all Member States.



Budget

EUR 672.5 billion of which **EUR 312.5 billion** for grants and **EUR 360 billion** for loans.



Distribution key:

Available to all Member States, focus on the most affected countries.

Recovery and Resilience Facility – pre-allocated envelopes

Grants

- The European Council conclusions provides an envelope of **EUR 312.5 billion** (2018 prices) for grants
- Of that amount, 70% (EUR 218.75 billion) will be committed in 2021-2022 and the remaining 30% (EUR 93.75 billion) in 2023

Loans

- Envelope for loans will be **EUR 360 billion** (2018 prices). All Member States will be eligible to apply for support in the form of loans. As a rule, the maximum volume of the loan for each Member State will not exceed 6.8% of its Gross National Income

Recovery and Resilience Facility - grants

EUR m, 2018 prices	70% allocation (2021-2022 commitment)	p.m. 30% allocation - illustrative* (2023 commitment)
BE	3.402	1.746
BG	4.326	1.655
CZ	3.301	3.444
DK	1.216	338
DE	15.203	7.514
EE	709	308
IE	853	420
EL	12.612	3.631
ES	43.480	15.688
FR	22.699	14.695
HR	4.322	1.628
IT	44.724	20.732
CY	764	204
LV	1.531	342
LT	1.952	480
LU	72	21
HU	4.330	1.927
MT	160	44
NL	3.667	1.905
AT	2.082	913
PL	18.917	4.143
PT	9.107	4.066
RO	9.529	4.271
SI	1.195	363
SK	4.333	1.502
FI	1.550	782
SE	2.716	985
EU27	218.750	93.750

* 30% allocation based on Summer 2020 economic forecast

InvestEU Programme

▶ EUR 5.6 bn from NGEU + EUR 2.8 bn from MFF 2021-2027

Sustainable Infrastructure Window

- Investments in: energy efficiency and buildings renovation, sustainable energy infrastructure, storage
- Increased climate mainstreaming ambition – **60%** of all investments to support directly climate and environmental goals – will be delivered largely **through energy projects**

▶ **New ‘Strategic Investment Facility’**: to reinforce the strategic autonomy and resilience of the European economy in key areas.

Critical infrastructure, including in energy

Key enabling, transformative, **green** and digital technologies, and game-changing innovations

- ✓ Renewable and **energy** storage, **batteries**, clean **hydrogen** and fuel cells applications or **carbon capture and storage**.

▶ **Advisory support**: to get projects off the ground

▶ **Just Transition Scheme**: economically viable investments by private and public sector entities in regions with JTPs

Just Transition Mechanism (JTM)



Support the sectors and regions most affected by the the transition away from solid fossil fuel extraction and carbon-intensive production towards climate neutrality.



Just Transition Fund (JTF): Grants for projects compatible with the clean energy transition (RES, energy efficiency) that address the socioeconomic consequences of the transition. Projects to be coherent with overarching energy strategies (e.g. Renovation Strategy, NECP).

Just Transition Scheme (JTS) under InvestEU: guarantees for loans for investments in e.g. renewables, energy efficiency, buildings renovation, interconnections, critical infrastructure, green technologies and sustainable energy infrastructure.

Public sector loan facility: grants from the Union budget and loans. Support to energy and transport infrastructure, district heating networks, public transport, energy efficiency, including renovation of buildings.



JTF: EUR 17.5 billion: (top-up from EUR 7.5 bn) – 10 bn from NGEU until 2023

JTS: will be implemented under the **InvestEU** (amount to be defined)

Public sector loan facility: EUR 1.5 billion + EUR 10 billion in EIB lending.

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Financing energy priorities

Key areas:

- Energy renovations in public buildings and social infrastructure, including through engagements of Energy Service Companies (ESCOs)
- Energy renovations of residential buildings
- Energy efficiency in SMEs (buildings)

Key funds: RRF, InvestEU, JTM, Cohesion Funds (plus REACT-EU), Horizon Europe (R&I) Modernisation Fund, LIFE

Renovation
Wave

Renewable
Energy

Key areas:

- Renewable Power Generation
- Renewable-based heating and cooling
- E-mobility based on renewables

Key funds: RRF, InvestEU, JTM, Cohesion Funds (plus REACT-EU), CEF*, Horizon Europe (innovation), Modernisation Fund, Innovation Fund, LIFE

**for cross-border RES projects*

Key areas:

- Transmission and distribution infrastructure
- Smart grids
- Storage infrastructure
- District heating and cooling
- Direct electrification in end-use sectors
- Industrial energy efficiency and EE by SMEs
- Infrastructure for CO2 transport

Key Funds: RRF, CEF [T], Cohesion Funds [D] (plus REACT-EU), InvestEU, JTM, Modernisation Fund, Horizon Europe (R&I), LIFE

Energy
System
Integration

Hydrogen

Key areas:

- Upscaling electrolyser capacity for green hydrogen production
- Infrastructure for the transmission and distribution of hydrogen
- Boosting the use of green or low carbon hydrogen in end-use sectors [transport, industry]

Key funds: RRF, InvestEU, Cohesion Funds (plus REACT-EU), JTM, CEF, Horizon Europe (R&I), Innovation Fund, Modernisation Fund, LIFE

Energy efficiency – main financing sources

Priority area and project pipeline	RRF	InvestEU SIF	InvestEU SIW	InvestEU SME	JTM P1	JTM P2 (via InvestEU)	JTM P3	REACT-EU	ERDF & Cohesion (197bn)	Horizon Europe (R&I)	Modernisation Fund
<u>Building renovation</u>	X	X	X	X	X	X	X	X	X	X	X
Estimated investment needs: €260 bn/annum.											
Energy renovations in public buildings including through engagement of Energy Service companies (ESCOs) and energy performance contracts	X	X	X	X	X	X	X	X	X	X	X
Energy renovation for residential buildings	X		X		X	X		X	X	X	X
<u>Industrial energy efficiency</u>	X	X	X		X	X				X	
<u>Energy Efficiency in SMEs</u>	X		X	X	X	X		X	X	X	X

Renewable energy inc. hydrogen - main financing sources

Priority area and project pipeline	RRF	InvestEU SIF	InvestEU SIW	InvestEU SME	Invest EU RDI	SSI	JTM P1	JTM P2 (via InvestEU)	JTM P3	REACT-EU	ERDF & Cohesion	(ERDF)	Horizon Europe	Innovation Fund	Modernisation Fund
Renewable energy															
Estimated investment needs: €54 bn/annum	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Renewable power generation															
RES-based Heating and Cooling (incl. district heating)	X	X	X	X	X	X	X	X	X	X	X	X*	X	X	X
E-mobility based on renewables															
E-mobility based on renewables	X		X				X	X	X	X	X		X		
Green Hydrogen (Electrolysers)															
Green Hydrogen (Electrolysers)	X	X	X	X	X		X	X		X	X		X	X	
Renewable Ecosystems															
Renewable Ecosystems		X													
Energy Storage															
Energy Storage	X	X	X				X	X	X	X	X				X

*for cross-border RES projects

Priority: Infrastructure incl. smart grids – main financing sources

Priority area and project pipeline	RRF	InvestEU SIF	InvestEU SIW	InvestEU SME	Invest EU RDI	JTM P1	JTM P2 (via InvestEU,)	JTM P3	REACT-EU	ERDF & Cohesion	CEF	Horizon Europe (R&I)	Modernisation Fund
Infrastructure													
Estimated investment needs: €59 bn/annum	X	X	X			X	X	X	X	X	X		X
Electricity transmission (T) and distribution (D)	X	X	X			X	X	X		X [D]	X [T]		X
Smart grids	X	X	X		X		X		X	X [D]	X[T]	X	X
Hydrogen transport infrastructure	X	X	X				X				X		X
CO2 transport and storage	X	X	X								X	X	X

Energy projects for green recovery

Examples

- Replicating successful **revolving funds for buildings renovation** – e.g. the Energy and Mobility Fund (Marche Region – Italy), or Kredex Revolving Fund for energy efficiency in apartment buildings – Estonia;
- Replicate successful projects of **public procurement for energy performance contracting for residential buildings** (e.g; PadovaFit - Italy), or solutions supporting the renovation of apartments buildings by **ESCOs** (e.g. The Latvian Baltic Energy Efficiency Facility – Latvia).

Renovation
Wave

Renewable
Energy

Examples:

- **New Solar Thermal Power Plants** – Spain. Flagship projects on islands, with 9-12 hours of storage, possibly with H2 production.
- **Concentrated Solar Power Project on the island of Crete, Greece**

Examples:

- **Baltic synchronisation** (electricity) – Poland, Estonia, Latvia and Lithuania. Synchronisation of the Baltic States' electricity network with the Continental European Network (CEN).
- **The Netherlands. Waterstroemen** - A pipeline connection between the urban and rural areas to transport biogas/biomethane

Energy
System
Integration

Hydrogen

Examples:

- **Sines/Green Flamingo** – Portugal. Conversion of port infrastructure (following the closure of the coal power plant) into a green hydrogen facility sourced by a 1 GW photovoltaic park.
- **Hydrogen production** combined with off-shore energy generation and e-fuelling – Bornholm, Denmark and Germany

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National Energy and Climate Plans (NECPs) – the point of departure for a green recovery

- Art. 14 on eligibility of RRP: plans shall be consistent with the NECPs
- **Quantified** climate and energy policy objectives and pathways
- **Consistent framework** of priorities for additional policies and measures (i.e. reforms) and investments
- Comprehensive **sector coverage** (e.g. energy supply, buildings, mobility, industry, agriculture,.....)
- Fully developed annual monitoring to assess impacts through broad set of **standardised indicators** (e.g. macroeconomic, GHG emissions reduction etc.)
- High degree of **ownership**:
 - whole-of-government approach
 - thorough process over past year including public consultation
 - iterative dialogue with the Commission

Interaction between NECPs and RRP: concrete examples: Italy – *upcoming!*

NECP objectives and targets	Projects and reforms in NECPs	COM guidance in SWD
<ul style="list-style-type: none"> • -33% GHG emissions under Effort Sharing Regulation by 2030 (today -18%) • 30% RES by 2030 (today 17.8%) • 103.8 Mtoe final energy consumption by 2030 (today 116.5 Mtoe) • Phase-out of coal from electricity by 2025 • Ambitious goal for electromobility 	<ul style="list-style-type: none"> • Streamline permitting process for RES • Public procurements for energy performance contracting for residential buildings • Regulatory framework and investment mechanisms for the development of citizen’s energy communities 	<p style="text-align: center;"><i>[Assessment of the final NECP of Italy to be adopted on 14 Oct 2020 and link to the recovery from the COVID-19 crisis]</i></p>

Contact details



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Unit “Sustainable Growth and Business Environment”

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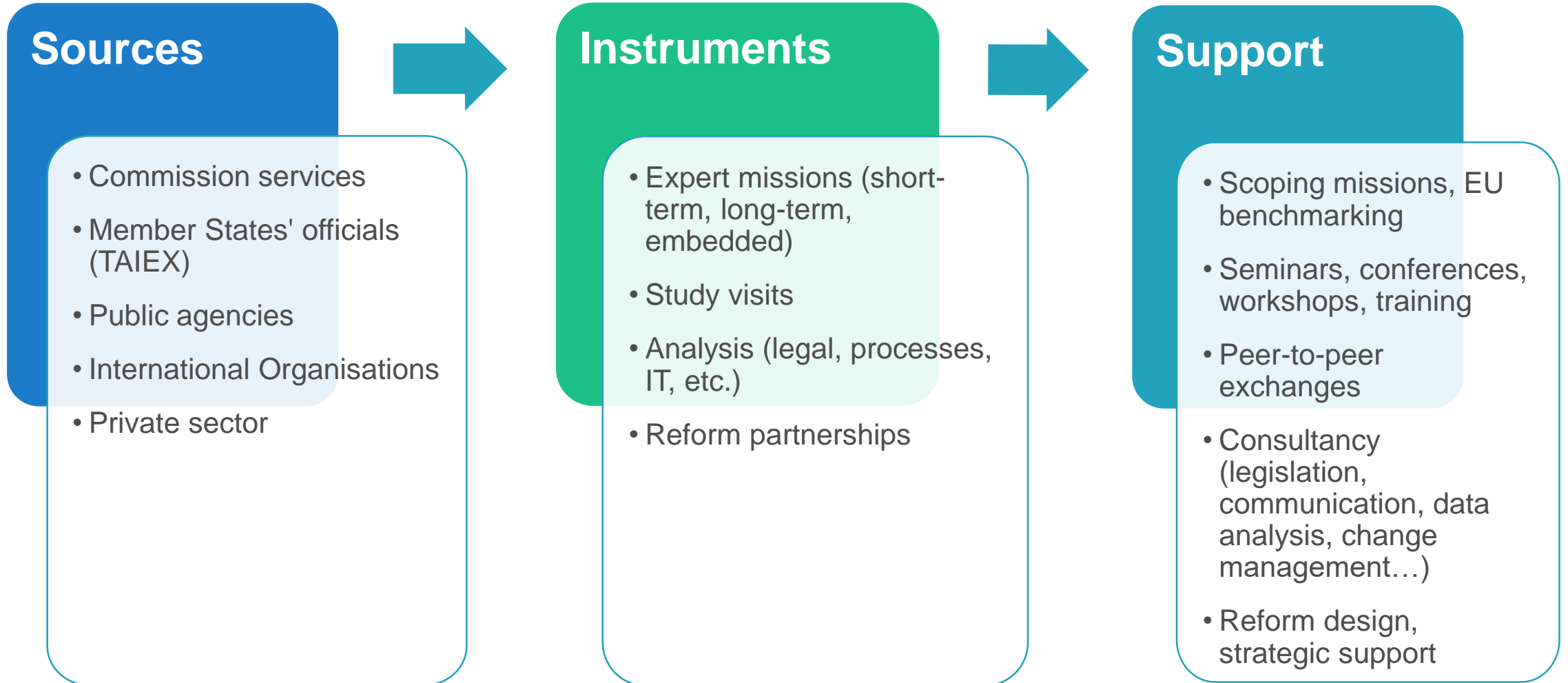
luca.di-donatantonio@ec.europa.eu

DG REFORM’s website - https://ec.europa.eu/info/departments/structural-reform-support_en

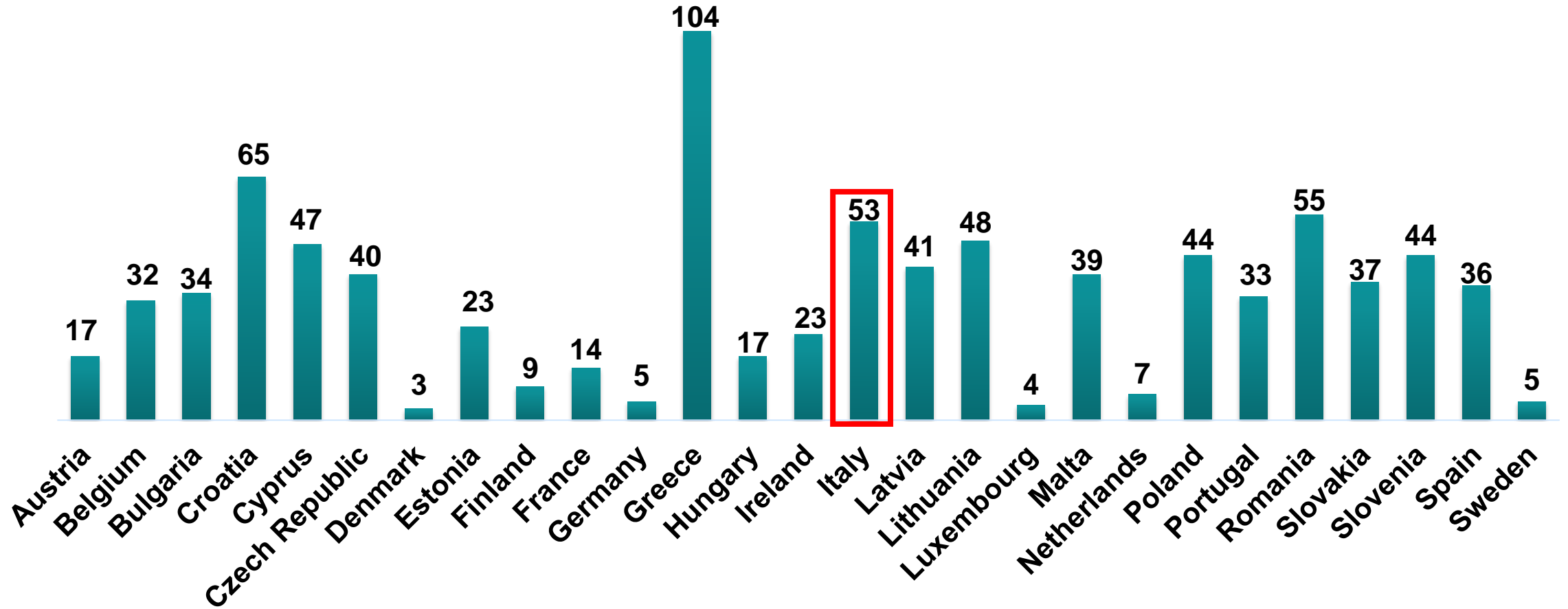
SRSP website - https://ec.europa.eu/info/funding-tenders/overview-funding-programmes/structural-reformsupport-programme-srsp_en

Examples of support projects - https://ec.europa.eu/info/examples-reform-support_en

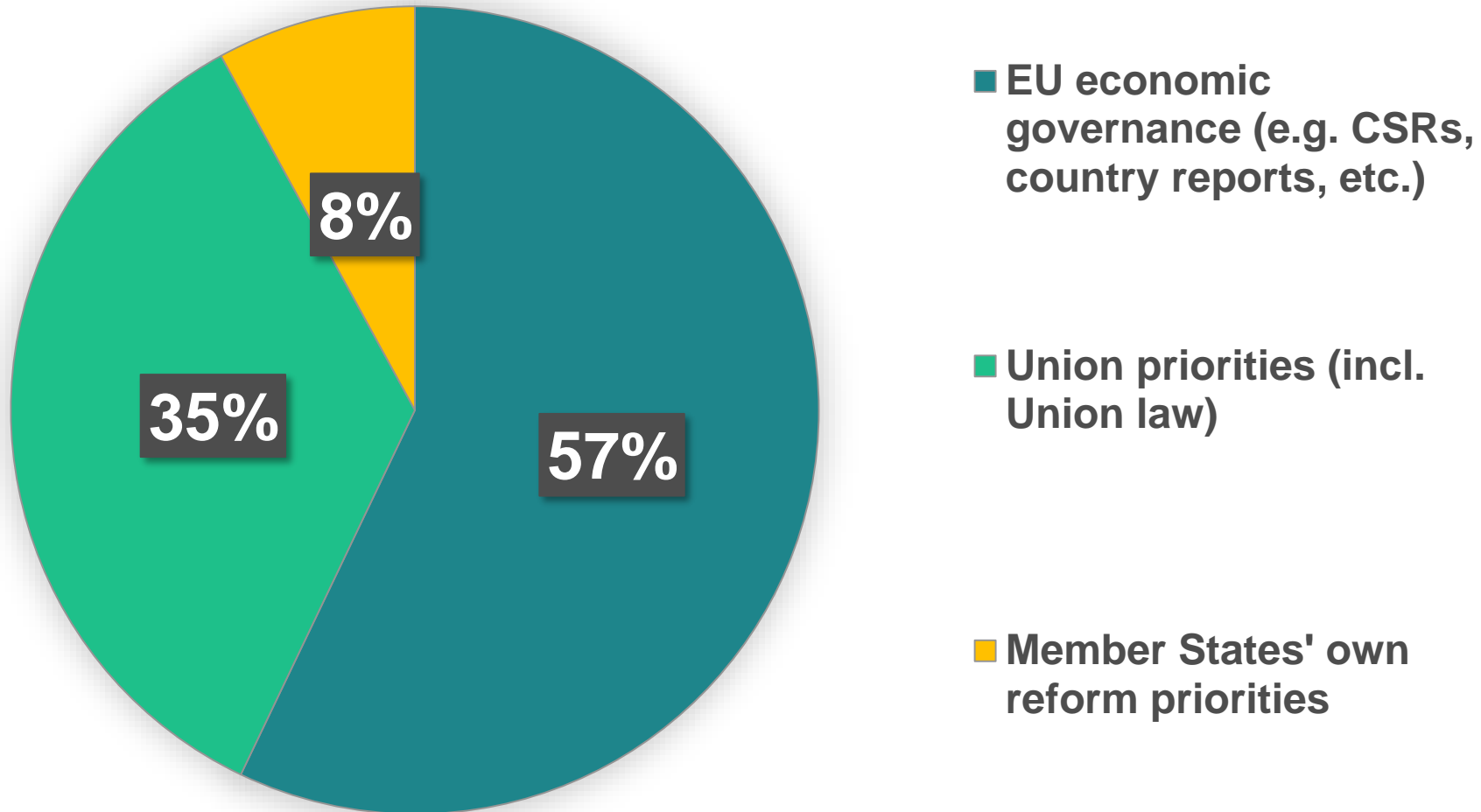
How we work



Projects per Member State (2017-2020)



Circumstances of support - All Member States (2017-2020)



Organisation of the 2021 technical support call

Next technical support call



- **31 October** – submission deadline in the draft TSI Regulation
- **MFF and TSI proposals should be adopted** to allow DG REFORM to provide technical support
- If TSI proposal not adopted on time – poss. **informal submission** on 31 October (if there is a political agreement on the file) and **formal second submission (of the same requests)** once the TSI proposal is adopted
- Beneficiary authorities can **start preparing requests** for **31 October 2020**
 - **Draft SRSP 2020 template** can be used for this purpose (slight modifications to be expected)
 - **Prioritisation by Coordinating Authorities** will remain in place

Timeline



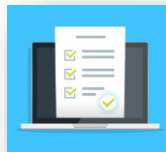
**Spring – early
autumn 2020**

Preparatory work on
priority requests

- Strategic discussions on **reform priorities**
- **Drafting of request** by beneficiary Ministry(ies)
- **Informal discussion with DG REFORM**
- **Beneficiary Ministry(ies) submit the request(s) to Coordinating Authority**
- **Coordinating Authority prioritises the requests**

31 Oct 2020

Deadline for
submission
of requests
(DG REFORM portal)



Nov – Dec 2020

Analysis and
selection of requests

Feb 2021

Annual Work
Programme and
Cooperation and
Support Plans



**As of Spring
2021**

Projects launched
on the ground

Assessment criteria

- **Assessment criteria** (from the SRSP Regulation)
(urgency, breadth & depth, support needs, administrative capacity)
- Criteria related to **sound financial management**
(maturity, focus and expected results)
- **Prioritisation by the Member States**
- **Added value and impact on the ground**
- **Check for no overlap** (the action proposed cannot be financed by other EU funding programmes)



Six Strategic Areas of Reform Priorities



Growth, Business Environment, Green and Digital Transition

- Innovation System and Entrepreneurship
- Strategic public investments
- Decarbonisation
- Clean energy, and sustainable transport infrastructure



Public administration/Anti-corruption

- Support administrative simplification
- Green and innovative procurement
- Guidance and counselling mechanisms for integrity and anticorruption in public administration



Education, Labour and Social Policy

- Inclusiveness of the education system
- Improved education and training on key competences and labour market relevance
- Innovative active labour market policies – re/up-skilling investment
- Strengthening the social protection system



Financial Management/Revenue Administration

- Design and piloting of green taxation reforms, including micro-simulations and modelling
- Targeted sectoral spending reviews
- Improved performance budgeting through green, gender and priority budgeting tools and practices



Healthcare

- Health system performance assessment
- Accessibility and quality of primary care services



Financial Sector

- Anti-money laundering
- Developing a sustainable finance
- Implementation of climate-related reporting and disclosure obligations
- Access to finance

Project examples

Project examples



Enhancing tax collection in **Latvia**



Incentivising Businesses' Investment in Skills in **Italy**



Strategic roadmap for the industry digitisation initiative in **Lithuania**

Project examples



Development of digital administration: support to the better coordination role of the Chief Information Officer in **Cyprus and Slovakia** and fight against cyber-crime in **Estonia**.



Increasing the sustainability of Higher Education provision in **Ireland**



Increasing the use of renewable energy in **Cyprus**

Project examples



Sustainable finance and investments for the transition to a green economy **in Italy**



Comprehensive redesign of the licensing system:
Good examples of e-government and support to
SMEs **in Romania**



Setting up an independent
revenue agency and optimising processes in tax
administration **in Greece**