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GUVERNUL ROMÂNIEI
MINISTERUL MEDIULUI ȘI SCHIMBĂRILOR CLIMATICE



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Action Plan for the next programming period 2014 – 2020 with respect to the EU funds that have the potential to fund energy efficiency programmes

Draft Report

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11/27/2013

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EU2020 strategy and national strategic approach with respect to poverty and energy efficiency

In its effort to contribute to tackling climate change, the European Union has created a strong framework at strategic level and at regulation level. Part of this effort is highlighted through the *Energy 2020. A strategy for competitive, sustainable and secure energy* which calls for the transformation of the EU into a smart, sustainable and inclusive economy and sets, among others, a priority area on climate and energy; however, the strategy is seen as the first step to prepare the EU for the greater challenges which it may have to face by and after 2020.

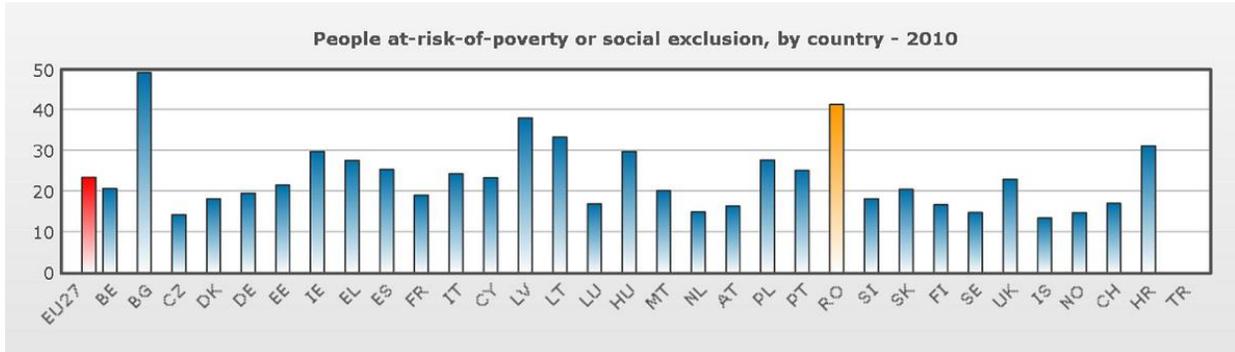
The 20/20/20 objectives, established through the regulation (20% increase of RES, 20% increase of energy efficiency, 20% decrease in GHG emissions) is thought to be delivered through a set of regulation which includes the *Renewable energy directive* and the *Energy efficiency directive* (EED).

To harness the energy savings potential of buildings, the EU has also adopted the Energy Performance of Buildings Directive (EPBD) which obliges Member States to apply minimum energy performance requirements for the entire building stock and to ensure that all new buildings are “nearly zero-efficient buildings” by 2021. Further measures for energy efficiency have been introduced since 2009 in the framework of the Ecodesign and Energy Labelling Directives on energy related products. The Energy Efficiency Plan 2011 aims at saving 1,000 EUR/household every year and to create up to 2 million jobs. This framework is enhanced by the Strategic Energy Technology plan (SET-plan) that calls for technological innovation via the development and demonstration projects for new technologies, for instance smart grids and smart cities. However, the 2020 Strategy includes along the climate change and sustainability targets, other targets, among which four are very important:

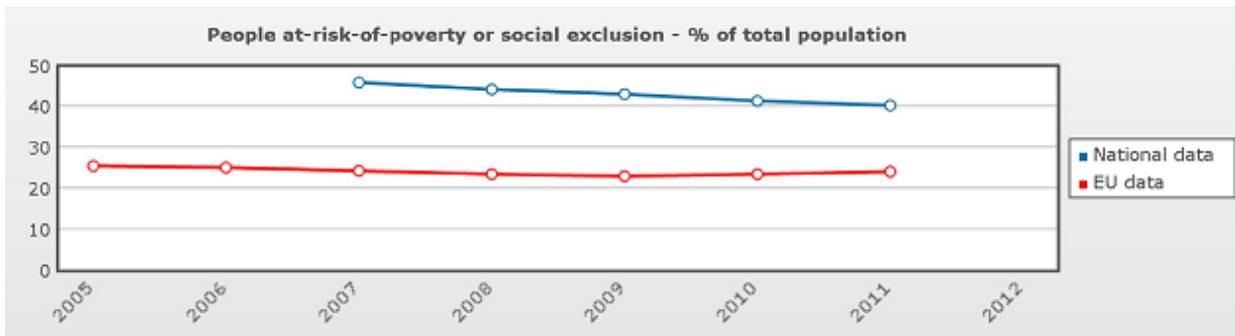
1. Employment: 75% of the population in the age segment 20-64 year-olds to be employed
2. Research & Development: 3% of the EU's GDP to be invested in R&D
3. Education: reducing the rates of early school leaving below 10% and at least 40% of 30-34-year-olds completing third level education
4. Fighting poverty and social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion

The targets proposed by the EU are interrelated and have broader benefits, as increasing employment rate may help the fight for reducing the poverty and the social exclusion. R&D development can help achieving all other targets, while reducing poverty affects not only the persons with such a status but also the society.

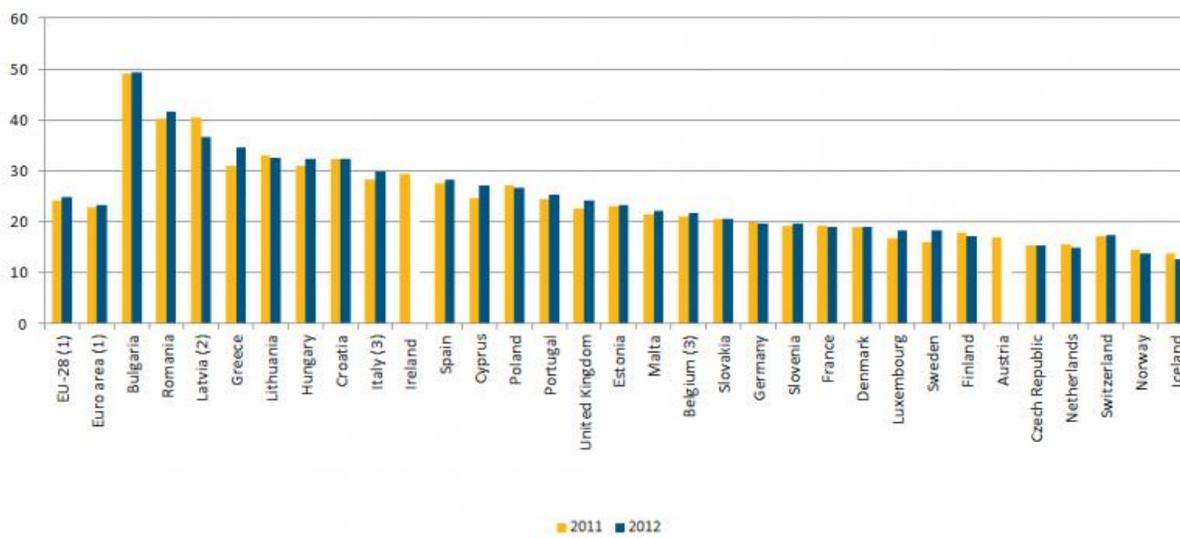
Regarding the number of people at risk of poverty and social exclusions, in 2010, Romania (41.4%) was the second in Europe, after Bulgaria (49.2%)¹:



However, after marking a decreasing trend over the period 2007 – 2011, in 2012, the share of people at risk has increased, following an EU increase trend:



¹ http://ec.europa.eu/europe2020/europe-2020-in-your-country/romania/progress-towards-2020-targets/index_en.htm



(1) Eurostat estimates for 2012
 (2) Break in time series for 2011
 (3) Provisional data for 2012

Therefore the Romanian Government must be well prepared during the negotiation process of the Strategic Partnership Agreement and of the future Operational Programmes.

For the period 2007 – 2013, the National Strategic Reference Framework for Romania established the “EU funding to be used in reducing the economic and social disparities between Romania and the other EU Member States, by generating 15 – 20 % additional GDP growth by 2015”³.

There is no evaluation yet performed in order to describe the degree of accomplishment of the target and the world and European economies, as well the Romanian economy had to survive a financial crisis that may not end up very soon as it seems to be the consequence of more complex factors that it was originally believed.

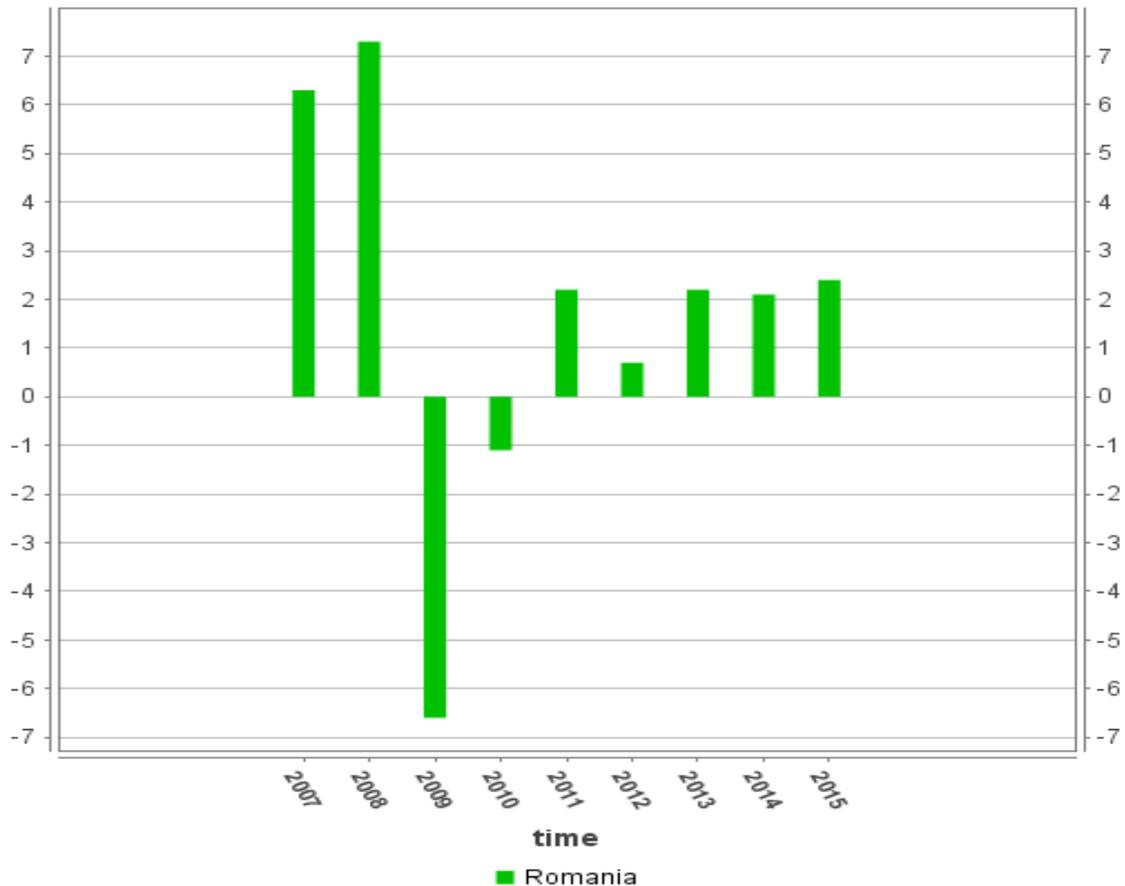
According to EUROSTAT database, the Romanian economy is struggling to recover and keep a stable growth rate (see chart: Real GDP growth rate below).

² EUROSTAT: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:At-risk_of_poverty_or_social_exclusion_rate,_2011_and_2012.png&filetimestamp=20131204140818

³ Cohesion Policy 2007-13: ec.europa.eu/regional_policy/atlas2007/fiche/ro_en.pdf

Real GDP growth rate - volume

Percentage change on previous year



Source of Data Eurostat

Last update: 07.12.2013

Date of extraction: 09 Dec 2013 10:11:10 MET

Hyperlink to the graph: <http://epp.eurostat.ec.europa.eu/tgm./drawGraph.do&init=1&plugin=1&language=en&pcode=tec00115&toolbox=legend>

Disclaimer: This graph has been created automatically by Eurostat software according to external user specifications for which Eurostat is not responsible.

General Disclaimer of the EC website: http://ec.europa.eu/geninfo/legal_notices_en.htm

Short Description: Gross domestic product (GDP) is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation. The calculation of the annual growth rate of GDP volume is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes. For measuring the growth rate of GDP in terms of volumes, the GDP at current prices are valued in the prices of the previous year and the thus computed volume changes are imposed on the level of a reference year; this is called a chain-linked series. Accordingly, price movements will not inflate the growth rate.

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However, due to difficulties in absorbing the available funds, it is not sure that the objective of the policy will be achieved even though the EU Commission agreed to allow the funds to be spent during one supplementary year.

⁴ EUROSTAT

Brief description of EU funds in Romania in during the period 2014 – 2020 having the potential of addressing Energy efficiency improvements as a measure for decreasing the fuel poverty

The policy for the new budget phase for each of the Member States is based on the position paper prepared by the Commission and which presents the Commission's views on the main challenges and funding priorities. Based on this position paper, the Member States negotiate Partnership Agreements with the EC.

The new EU budget is based on previous experience and on innovation providing a solid basis for both, payments and investment and EU level and reaching a level of 960 billion Euro over the 2014 – 2020 period⁵. The cohesion policy will make available up to EUR 366.8 billion to invest in Europe's regions, cities and the real economy, as the EU's principle investment tool for delivering the Europe 2020 goals: creating growth and jobs, tackling climate change and energy dependence, and reducing poverty and social exclusion.

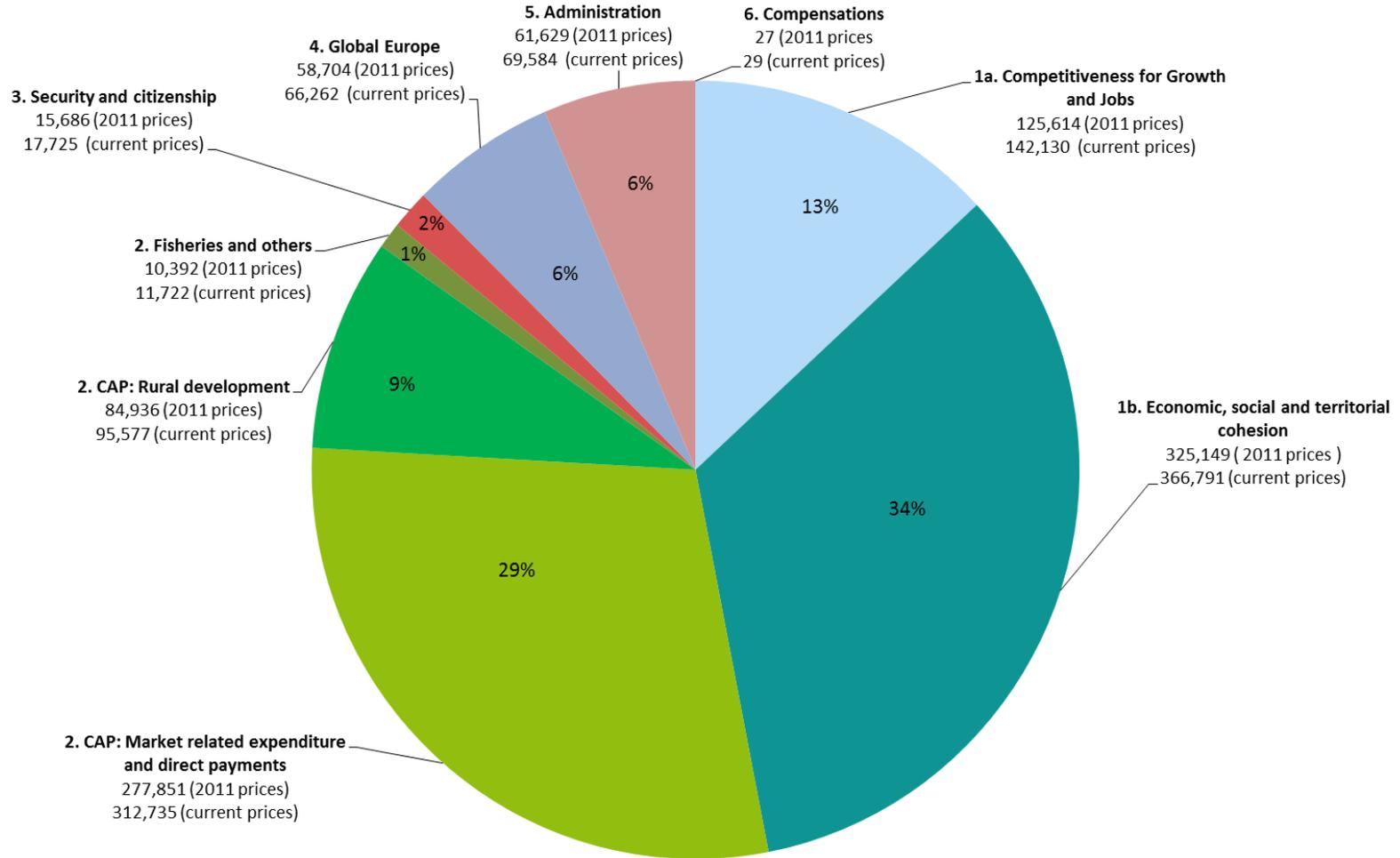
A better illustration of the available funding at EU level is available in the chart below⁶:

⁵ http://ec.europa.eu/regional_policy/thefunds/funding/data/graphics/cohesionpolicy20142020_full_highres.pdf

⁶The Multiannual Financial Framework 2014-2020 – Frequently Asked Questions: europa.eu/rapid/press-release_MEMO-13-1004_en.htm

MFF 2014-2020

Commitment appropriations - EUR million



Romania will receive almost 22 billion Euro (representing about 7 billion euros/year), most of the money being allocated to the less developed regions (Romania, except the region Bucharest - Ilfov).

Total allocations of Cohesion Policy 2014-2020 for Romania (million €, 2011 prices) (provisional)							
	Cohesion Fund	ERDF and ESF				ERDF	Total
		Less developed regions	Transition regions	Special allocation for outermost and sparsely populated regions	More developed regions	Territorial Cooperation	
RO	7 251	13 773	-	-	405	397	21 826

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Richer regions of the EU (i.e. Bucharest - Ilfov) would be required to focus the entire allocation of cohesion funding (except for the ESF) primarily on energy efficiency and renewable energy; SME competitiveness and innovation. In these regions, investments in energy efficiency and renewable energy will be at least 20% of the operational programmes (from an average of 4,5% today).

Less developed regions will have a broader range of investment priorities but they will have to reserve at least 6 % of ERDF resources to energy efficiency and renewable energy.

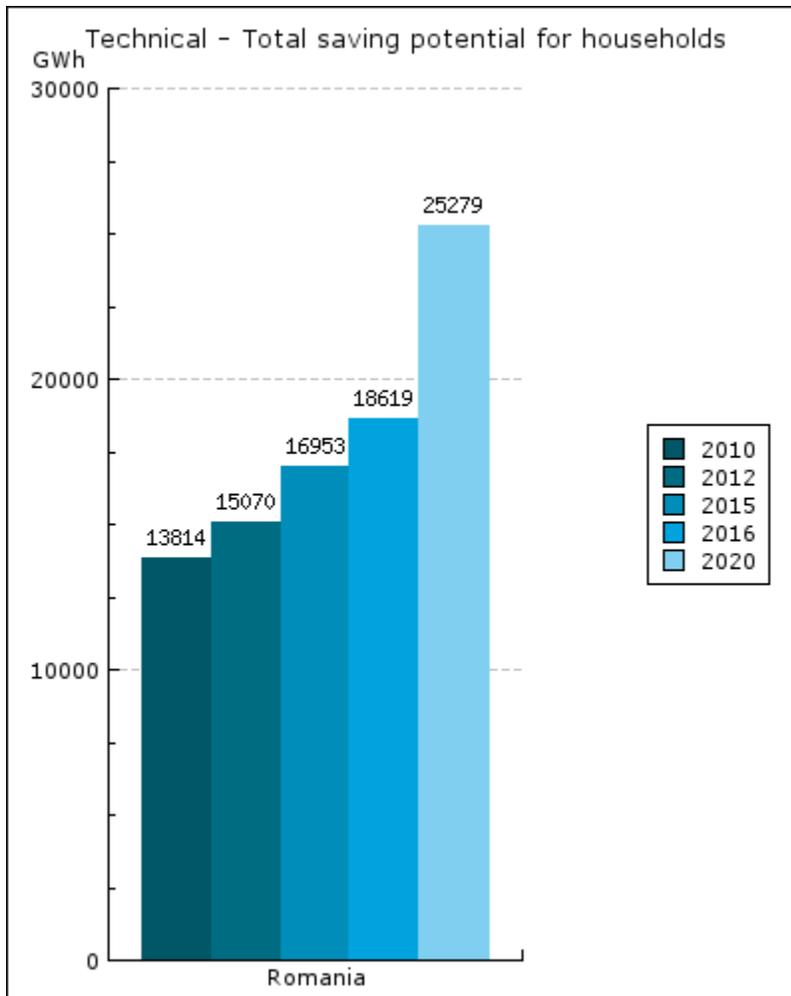
It is considered that the maximum co-financing rates will be 75-85 % in less developed regions, 60 % in transition regions and 50 % in more developed regions.

Energy efficiency in houses falls under the thematic objective of “Supporting the shift towards low-carbon economy in all sectors”. The need to invest in housing energy efficiency improvement projects is raised due to the very high energy consumption per sqm, but also due to the increased share of poor population in the country.

The technical savings potential in the residential sector goes as high as 25279 GWh/year in 2020⁸:

⁷ Multiannual Financial Framework: http://ec.europa.eu/budget/mff/preallocations/index_en.cfm

⁸ http://www.eepotential.eu/results_cty_pot.php



Implementation of projects in improving the energy efficiency in buildings, leads to a series of advantages as described in the previous report and can also improve the EU funds absorption rate.

Current status of negotiation

Preparation and negotiation with the EC are an effort developed in the recent two years⁹.

According to the draft negotiations calendar, the Romanian institutions are now in the phase of having the first draft of the Partnership Agreement and negotiating the Operational Programs, including the proposed financial mechanisms.

⁹ www.ipp.ro/library/fse/calendar.pdf

Suggested approach during the negotiation steps and actions during the implementation phase

Considering the emphasis put by the EU on the shift towards low carbon economy, the low energy efficiency in the housing sector in Romania and the opportunity for having many benefits by implementing projects in the EE field, the Romanian authorities must assume targets for Energy efficiency and more specific, targets with respect to rehabilitation of houses for the persons in fuel poverty situation. As mentioned in the previous report, a share of 40% in the total population affected by projects for energy efficiency improvements can be a reasonable figure. Also, during the negotiation phase, the Government may want to negotiate flexibility in the financial mechanism or even running parallel schemes so that the best choice is made after some tests. Also, the adopted financial mechanism is recommended to have a lower level of bureaucracy.

Any choice regarding the financial mechanism or financial schemes must be based on an impact analysis (not only, but especially the financial impact) and it is advisable to take into consideration the outcome of the public consultation.

As we have mentioned in our previous reports, the fuel poverty may be and is advisable to be included in the Strategic Partnership Agreement with the EC and in the Regional Development Program, at least next to other subjects related to the energy efficiency, if not as a standalone budget line.

With respect to the actions to be undertaken during the implementation phase, several types of actions may be suggested:

- The Management Authority to provide guidance / technical assistance for the preparation of projects so that the selection pool is large enough and time for project design is saved
- The Management Authority to establish regional subunits to deal with project evaluation and monitoring (if possible to include dedicated fuel poverty indicators that may be used to both alleviate and prevent fuel poverty)
- To Enhance the capacity of public authorities to plan and implement sustainable energy policies and measures
- To stimulate the creation of a market for energy savings so that the private sector becomes interested to participate in leveraging financing for energy efficiency projects