

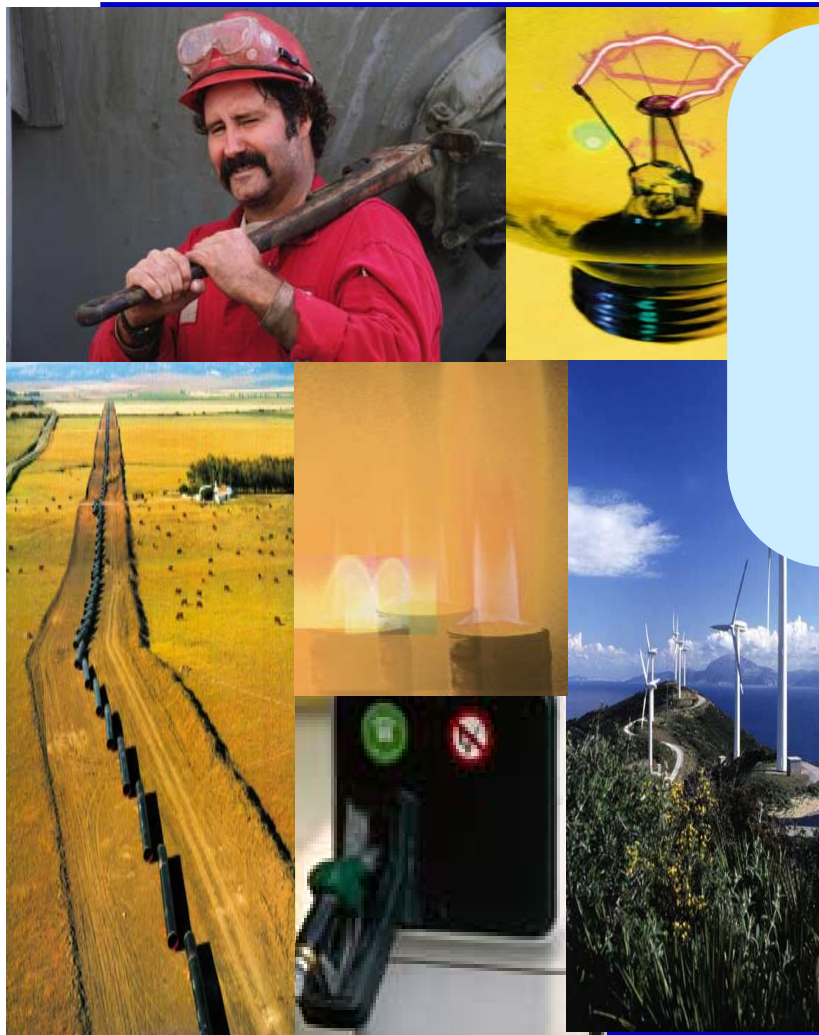


European Commission

Inventory of public aid granted to different energy sources

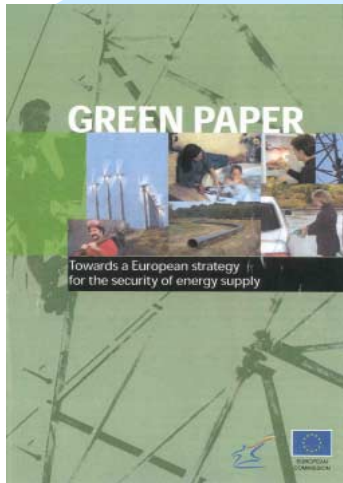
Working document
from the services of
the Commission

December 2002





Why this inventory ?



The Green Paper “Towards a European strategy for the security of energy supply” of December 2000, drew attention to the **opaque nature of state aid** in the energy sector and underlined the need to draw up an **inventory**.



The October 2001 Directive on the promotion of renewable energy sources, provides that the Commission shall present a **report** indicating whether there is any **discrimination** between the different energy sources.





What is in the inventory ?

The inventory is factual and identifies the main lines of public aid granted to energy since the end of the 90's. The inventory:

- does not restrict itself to State aid measures
- covers national, European and international support
- does not constitute an approval of the measures concerned
- makes no quantitative analysis of the measures



The followed **methodology** should make it possible to draw up a comparison of measures so as to ensure that they correspond to the Union's political priorities in terms of transport, energy, security of supply and renewables policies.

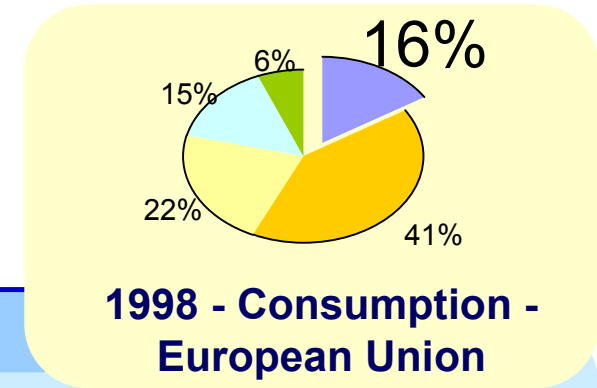


It is a **first stage** which will provide for a future framework for the identification, evaluation and control of public aid.





Coal



1998 - Consumption - European Union

Operating aid

Coal



Significant amounts of aid are granted by most of the producing countries: Germany, Spain, France and the UK. Aid is in steady reduction: the UK should reach a competitive position. France will cease all production by 2005. Germany has given a commitment to reduce production after the expiration of the ECSC Treaty (23/7/2002).

6300 million € in 2001 authorised in accordance with the ECSC Treaty provisions

Lignite and peat do not benefit from any operating aid

Promotion of the use of coal to produce electricity

Some Member States. The electricity internal market Directive provides for this possibility.

Research related aid

ECSC operational budget.

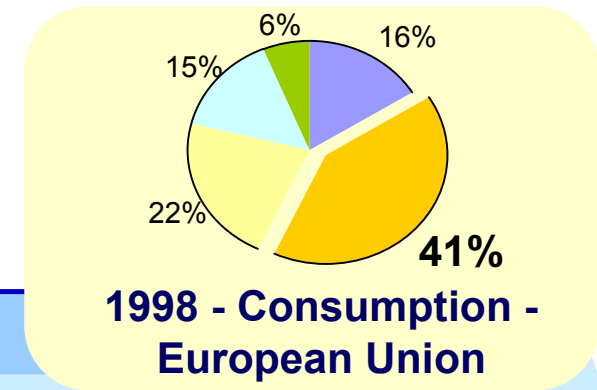
23 million € in 2001

Once the Treaty expired, revenue from reserve should generate around 8 million €/y. Community R&D programmes have also in the past earmarked part of their budgets for research but there has been a clear drop in funding. In the 6th R&D Framework Programme no fund is foreseen for solid fuel research.





Oil



Operating aid

The information at the Commission's disposal does not show that there is much state aid being granted to promote oil production.

Consumption aid

European legislation lays down minimum rates for excise duties and also provides for exemptions or reductions which are not meant to promote the use of mineral oils but intended to benefit an economic sector. Furthermore the tax rate on mineral oil is much higher than that on other sources such as coal or natural gas.



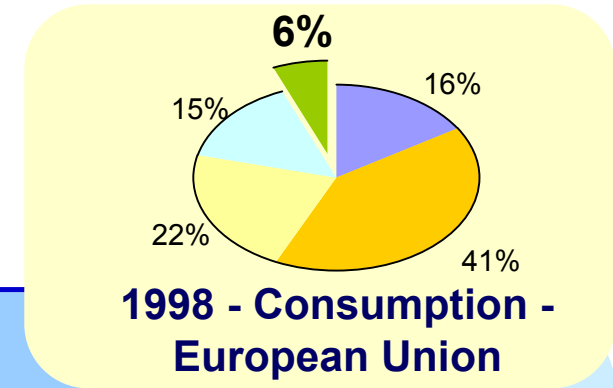
Research related aid

European research funds provided significant support to oil. The objective was to encourage exploitation in the North Sea with a view to ensuring security of energy supply. European research funds are today clearly being reduced. Oil is not given priority in the future 6th R&D Framework Programme.

€45 million over 1999, 2000 and 2001



Renewables



Various type of support

The promotion of renewable sources of energy is a priority for the Union. Member States and the Union are financially supporting their development, a support which must be in conformity with the Commission’s guidelines on state aid for the environment.

Member State measures:

- price support
- capital investment support
- aid to consumers (tax measures)
- R&D support
- development (biomass)

Union support:

- Regional policy funds
- ALTENER, promotion programme
- R&D support
- development (biomass)

487 millions € over 2000-2006

80 millions € over 1998-2002

Around 700 millions € over 2002-2006

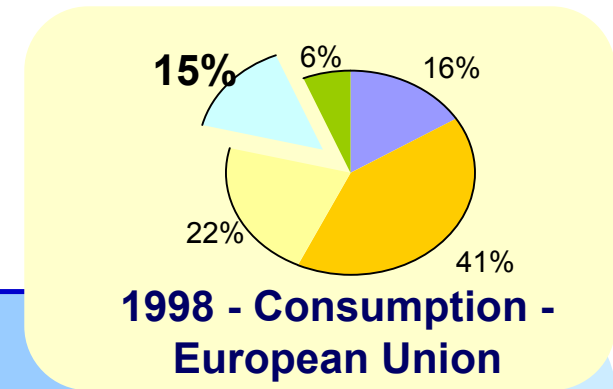


It is very difficult to quantify the amount of aid allocated to the sector. Different calculating methods are used and not all statistical data is available.





Nuclear



Two periods in the history of the sector

In the early days of the European Atomic Energy Community (EURATOM) aid for the construction of nuclear power plants formed part of endeavours to develop a form of energy that was still in its infancy.

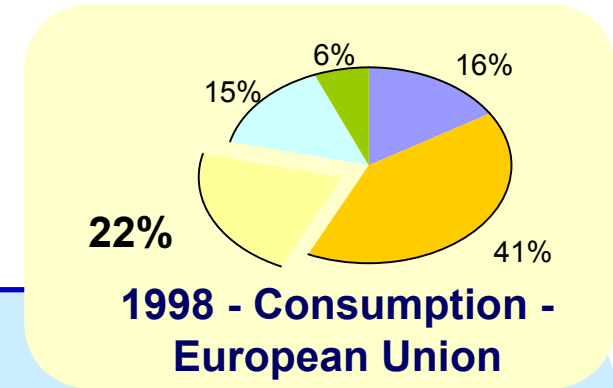
Today, the analysis of the Commission shows that:

- Investment projects notified to the Commission have not received public aid
- Nuclear research aid is diminishing both at European and at national level
- EURATOM construction loans have not been used since the end of the 80s
- Reserves and provisions for decommissioning and for the disposal of radioactive waste are generally set aside by producers.
- Fuel supply does not seem to receive any public aid
- The study of fiscal data did not reveal any measure applicable to the nuclear energy sector
- The measures taken in the fields of safety, security and civil liability meet the requirements of the relevant international agreements and the Euratom Treaty which require Member States to all take measures to facilitate the conclusion of insurance contracts.





Gas



The Green Paper on security of supply expects that in 2020-2030 almost half of electricity will be produced from natural gas.

Investment aid

This increase in demand and the multiplication of intra-EU trade lead to a greater demand for transport infrastructure which attracts most of the national and European support. In some countries public aid to gas exploration has also been noted.

Union support:

- **TEN** *Around 19,7 millions € over the last two years*
- **Structural funds** *2 billion € over 1994-1999*
- **EIB loan** *3 billion € over 1996-2001*

Demand aid

Member States have introduced tax and other measures to speed up the introduction of gas as a source of energy.

Research related aid

Aid for research and innovation is also handed out and should contribute to reducing external dependence and secure high-quality gas supply at low cost.

