The development of renewable energy sources (RES) and energy efficiency (EE) improvements are the two main pillars to achieve sustainability and environmental protection in the energy sector. However, this move towards a sustainable energy sector is hampered by several market failures linked to external costs, external benefits and imperfect information. For example, if a firm invests in both RES and EE, this will have positive consequences for society because the need for conventional and more polluting energy sources will be reduced, but the firm will incur all the costs of their development. Furthermore, a firm which invests in RES and EE will create benefits for others by helping reduce the cost of new technologies.

Since many benefits of RES and EE are public, a Lithuanian team of researchers has investigated the role of public funding, and in particular support through EU Structural Funded programmes in overcoming market failures and barriers inherent to the development of renewables. EU Structural Funds (SF) are the main instrument for supporting social and economic restructuring across the European Union at regional level. The EU funding is delivered through a programme process that promotes strategies based on evaluation and targeted assistance based on EU priorities. Their study looked at the first programmes in selected NMS in the period 2004-2006 and the likely strategies to be pursued in the programmes for 2007-2013.

In the framework of the EU-funded RUSE project, the researchers have reviewed the use of EU SF in three New Member States (NMS) for the period 2004-2006. They have shown that, in Lithuania, sustainable energy development projects submitted for EU SF financing show little diversity and were not presented in the context of strategic development plans for cities. In the case of the Czech Republic, the projects financed through EU co-funded programmes appear not to be well distributed across the country. Furthermore, the projects supported are much more dedicated to EE than RES. Finally, the authors looked at the situation in Poland, the largest of the NMS to join the EU in 2004 receiving the largest allocations under EU cohesion policy. However, in Poland, there were no EE or RES-dedicated measures making it more difficult for projects to be successfully evaluated.

The authors conclude that to ensure the targeted use of public funding, in particular from EU regional policy programmes, there are a number of barriers to be overcome in the NMS. The regions need to improve the way they deal with projects submitted for financing. For example, they suggest that sustainable energy development programmes to be submitted for approval and financing should include a description of the expected categories of projects related to EE improvement and RES deployment. These and other proposed measures would improve the targeting, the take up, and impact of the available resources in meeting the targets of sustainable energy development strategies at a national, regional and local level.

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