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**FINANCIAL ASSISTANCE BY THE
EUROPEAN COMMUNITIES TO THE
ENERGY SECTOR FROM 1995 TO 1997**

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INTRODUCTION

The European Communities have substantial financial instruments to support measures to implement their common policies.

By virtue of the strategic role played by energy in attainment of several of its fundamental objectives, particularly on economic growth, greater cohesion, quality of life and relations with non-EU countries, the European Communities have been and still are drawing on their financial instruments to promote action and projects in the energy sector.

Hitherto the energy policy issues emphasised by the European Union and shaping its financial support for the energy sector have been:

- management of external dependence and security of energy supplies;
- completion of the internal energy markets in order to increase competitiveness;
- development of energy networks across frontiers and in under-equipped regions;
- the compatibility of energy and environmental objectives for sustainable development;
- the development of energy technology and research.

This Communication on financial assistance for the period 1995 to 1997 is a contribution to the efforts to foster openness initiated by the Communication entitled “An overall view of energy policy and actions”.⁽¹⁾ It also contributes to the discussions in progress on the proposal for a Council Decision adopting a “multiannual framework programme for actions in the energy sector (1998-2002) and connected measures.”⁽²⁾ In addition, it highlights the importance of energy in the assistance provided through the horizontal financial instruments and funds.

⁽¹⁾ COM(97) 167 final of 23.4.1997.

⁽²⁾ COM(97) 550 final of 18.11.1997.

SUMMARY

1. This Communication sets out for information purposes all the figures for financial assistance from the European Communities to the energy sector from 1995 to 1997. This assistance can take the form either of aid (non-reimbursable grants), Community contributions to projects of Community interest, loans, or guarantees, and can come from the following sources, depending on the case in point:
- financial instruments specifically for the energy sector, for example the SAVE,⁽³⁾ ALTENER,⁽⁴⁾ SYNERGY,⁽⁵⁾ and trans-European energy networks programmes,⁽⁶⁾ and the ECSC grants to the coal industry;
 - financial instruments specifically for other internal policies but including energy measures, such as the JOULE-THERMIE programme⁽⁷⁾ under the framework research and development programme;
 - general financial instruments such as the Structural Funds or the European Investment Bank with a range of activities including support for development work and investment in the energy sector;
 - financial instruments specifically for international cooperation and including energy measures, such as the PHARE⁽⁸⁾ and TACIS⁽⁹⁾ programmes or the EDF.
2. The table below shows the amounts of financial assistance provided by the various instruments.

(ECU million)

FINANCIAL INSTRUMENTS	1995	1996	1997	TOTAL
I. GRANTS	1848.6	1393.3	1414.7	4656.6
A. Financing of energy policy	41.7	37.8	36.8	116.3
B. Trans-European energy networks	12.2	8.9	24.2	45.3
C. Energy research and development	775.6	524.1	580.1	1879.8
D. Structural Funds	500.0	500.0	500.0	1500.0
E. Financial instruments for international cooperation	393.2	245.0	184.8	823.0
F. ECSC grants to the coal industry	125.9	77.5	88.4	291.8
II. LOANS	3100.8	4957.2	2171.0	10229.0
G. EIB loans	3083.0	4945.0	2090.4	10118.4
H. ECSC and Euratom loans	17.8	12.2	80.6	110.6
III. GUARANTEES	11.9	270.2	3.7	285.8
I. EIF guarantees	11.9	270.2	3.7	285.8

⁽³⁾ 96/737/EC: Council Decision of 16 December 1996 (OJ No L 335 of 24.12.1996).

⁽⁴⁾ 93/500/EC: Council Decision of 13 September 1993 (OJ No L 235 of 18.9.1993).

⁽⁵⁾ Council Regulation (EC) No 701/97 of 14 April 1997 (OJ No L 104 of 22.4.1997).

⁽⁶⁾ Council Regulation (EC) No 2236/95 of 18 September 1995 (OJ No L 228 of 23.9.1995).

⁽⁷⁾ 94/806/EC: Council Decision of 23 November 1994 (OJ No L 334 of 22.12.1994).

⁽⁸⁾ Council Regulation (EEC) No 3906/89 of 18 December 1989 (OJ No L 375 of 23.12.1989).

⁽⁹⁾ Council Regulation (EURATOM, EC) No 1279/96 of 25 June 1996 (OJ No L 165 of 4.7.1996).

3. Community grants to the energy sector come from the general budget and from the ECSC budget.

In the general budget, the energy section of the R&D framework programme, including the JOULE-THERMIE programme and the Structural Funds, are the biggest headings of relevance to energy.

The ECSC budget finances measures in the coal industry, in particular for the redeployment of workers, interest-rate subsidies for industrial restructuring and research programmes in the sector.

Community grants and contributions to the energy sector totalled ECU 4 656.6 million in the report period (1995-1997). Of this total, 93.7 %, or ECU 4 364.8 million, came from the general budget.

4. Almost all the loans from the financial instruments of the European Communities to energy projects come from the European Investment Bank (EIB). Total lending over the report period stood at ECU 10 229 million, of which ECU 10 118.4 million was from the EIB and ECU 110.6 million from the ECSC.

5. The financial instrument which can guarantee energy loans is the European Investment Fund (EIF).

Over the report period, the EIF guaranteed a total of ECU 285.8 million.

6. The European Union also grants financial assistance to non-EU countries as part of its international cooperation policy.

The table below summarises assistance given outside the European Union, as a proportion of all energy assistance.

(ECU million)

FINANCIAL INSTRUMENTS	TOTAL	
I. Grants	4656.6	
amount to non-EU countries	823.0	
proportion		17.7 %
II. Loans	10229.0	
amount to non-EU countries	1986.0	
proportion		19.4 %
III. Guarantees	285.8	
amount to non-EU countries	182.0	
proportion		63.7 %

7. Details of the breakdown of Community grants, loans and guarantees for energy from 1995 to 1997 from the different sources are given in the following nine chapters:

- A. Financing of energy policy
- B. Trans-European energy networks
- C. Energy research and development
- D. Structural Funds
- E. Financial instruments for international cooperation
- F. ECSC grants to the coal industry
- G. EIB loans
- H. ECSC and Euratom loans
- I. EIF guarantees

A.**FINANCING OF ENERGY POLICY**

1. The following table shows the amounts committed from 1995 to 1997 for the various energy policy measures.

(in ECU million)

PROGRAMMES / ACTIONS	1995	1996	1997
SAVE	7.20	15.00	17.91
ALTENER	13.17	10.00	8.92
SYNERGY	13.77	9.00	6.86
Observatory	2.06	1.77	2.15
Regional energy planning ⁽¹⁰⁾	5.50	-	-
Other measures	-	2.00	0.99
TOTAL	41.70	37.77	36.83

2. The SAVE II programme, designed primarily to improve energy efficiency, was given an indicative budget of ECU 45 million for 1996-2000. In 1996 regional energy planning was made an integral part of the SAVE II programme, which was given the title "Regional and urban energy management". A total of ECU 5.2 million was committed under this heading in 1996, and ECU 5.7 million in 1997.
3. The ALTENER programme to promote renewable energy sources has a budget of ECU 46.4 million for 1993-1997.

⁽¹⁰⁾ Programming was made an integral part of the SAVE II programme in 1996.

4. SYNERGY is an international cooperation programme concerned exclusively with the energy sector and, more specifically, with helping non-EU countries to formulate and implement their energy policies.

The breakdown of the support granted from 1995 to 1997 in the main world regions was as follows:

Breakdown of SYNERGY funding by region

(in '000 ECU)

	1995	%	1996	%	1997	%
General	242	1.9	634	7.1	950	13.6
CEEC	4820	37.1	2146	23.9	622	8.5
CIS	2666	20.5	742	8.3	1266	18.2
Mediterranean	2520	19.4	1437	16.0	1079	15.5
Asia	1131	8.7	1730	19.3	1047	15.0
Latin America	1040	8.0	1168	13.0	948	13.3
Africa	-	-	224	2.5	209	3.0
Several regions	573	4.4	889	9.9	739	10.6
TOTAL	12992	100.0	8970	100.0	6860	100.0

Note: The heading "Several regions" concerns operations in the Black Sea area bringing together countries belonging mainly to the CEEC, CIS and Mediterranean regions.

5. The European Energy Observatory was set up in 1995 and is designed to:
- monitor energy markets, trends, developments and outlooks in terms of the supply, demand and prices of the various energy sources;
 - evaluate and disseminate any information on these areas;
 - develop a Community method of analysis;
 - establish special networks on the interaction of the energy sector with all the other scientific, economic and social activities.

Its allocation from 1995 to 1997 was ECU 5.98 million.

6. Euratom funds activities relating to the transport of radioactive materials. A total of ECU 2 million were committed in 1996 and ECU 0.7 million in 1997 (see "Other measures" in the Table in point A.1.).
7. On 18 November 1997 the European Commission adopted a proposal for a Council Decision which proposes to bring together in a single, multiannual framework programme all Community actions and programmes to do with energy policy in the years 1998 to 2002, which will make it possible to improve the transparency, effectiveness and coordination of EU energy policy activities.

B.**TRANS-EUROPEAN ENERGY NETWORKS**

1. The TEN programme has been given an indicative budget of ECU 112 million for 1995-99. It is designed to help establish and develop trans-European energy networks, helping to interconnect national networks and make them interoperable, and to provide access to these networks and to extend them outside the Community.

The programme is intended to cover some of the costs of conducting economic and technical feasibility studies, and preparatory studies and appraisals. It can also provide interest subsidies, reduce the cost of guaranteeing a loan, or grant direct subsidies, where such cases are properly justified.

The measures covered by the report period relate exclusively to the joint funding of studies on projects of common interest.

2. The table below shows the amounts committed from 1995 to 1997 by sector :

(in ECU million)

SECTOR	1995	1996	1997
Electricity	6.5	3.7	9.2
Natural gas	5.7	5.2	15.0
TOTAL	12.2	8.9	24.2

3. This next table gives a breakdown of financial support according to the priorities for Community action on trans-European energy networks:

(in ECU million)

PRIORITY	1995	1996	1997
Developing electricity interconnections between Member States including the internal connections required to establish interconnections between Member States	2.39	0.72	4.53
Developing electricity interconnections between Member States and non-EU countries in Europe and the Mediterranean	4.09	3.00	4.65
Bringing natural gas to new parts of Member States and linking up isolated gas networks to the interconnected European networks	1.92	0.97	0.58
Increasing LNG handling, transmission and storage capacity to meet demand and diversifying natural gas sources and transmission routes	3.76	4.21	14.44

C.

ENERGY RESEARCH AND DEVELOPEMNT

1. The 4th Framework Research and Technological Development Programme for 1994-98 funds or part-funds specific energy projects from an available budget of ECU 2 403 million in the following areas:

– Non-nuclear energy

The “Non-nuclear energy” programme has a section for research (JOULE) and a section for demonstration projects (THERMIE). The budget is ECU 1 039 million.

– Nuclear fission

The programme on nuclear fission safety and safeguards has a budget of ECU 170.5 million and covers the following areas:

- exploring new approaches
- reactor safety
- management and storage of radioactive waste and decommissioning
- effects of radiation on man and the environment
- dealing with the consequences of past events.

– Controlled thermonuclear fusion

This programme, which incorporates all the research into mastering fusion energy carried out in the Member States, has a budget of ECU 846 million and covers the following areas:

- “Next Steps”, particularly as regards the International Thermonuclear Experimental Reactor (ITER)
- Joint European Torus (JET)
- conceptual improvements
- long-term technology.

2. The purpose of the THERMIE programme is to support demonstration projects, and also strategy, dissemination and measures to encourage small businesses.

2.1. The objectives of THERMIE are:

- to improve energy efficiency in terms of supply and demand;
- to promote more extensive use of renewable energy sources;
- to encourage cleaner and more efficient use of coal and other solid fuels;
- to optimise the use of oil and gas in the EU.

2.2. THERMIE is in two sections:

THERMIE - A: financial support for shared-cost demonstration projects to use new energy technologies in the following areas:

- rational use of energy;
- renewable energy sources;
- fossil fuels.

THERMIE - B: financial support for other activities in the following areas:

- development and implementation of an energy RTD strategy;
- dissemination of energy technologies;
- concerted action and cooperation networks;
- preparatory, flanking and support measures;
- measures providing incentives to encourage and facilitate the participation of small and medium-sized enterprises in RTD activities.

2.3. The THERMIE programme also provides support in non-EU countries. Accordingly, from 1995 to 1997 it provided 106 B-type schemes (associated measures) with support totalling ECU 10.2 million.

2.4. The table below shows the breakdown of THERMIE appropriations committed between 1995 and 1997.

(in ECU million)

THERMIE	1995	1996	1997
• Demonstration (A)	110.5	113.3	148.1
• Associated measures (B)	29.0	17.7	10.1
• Miscellaneous	1.3	-	1.5
TOTAL	140.8	131.0	159.7

3. The purpose of JOULE is to encourage research and technological development in the area of clean and efficient energy technologies in order to contribute to energy safety and sustainable development.

JOULE comprises technical fields relating to:

- RTD energy strategy and the analysis of the relationships between energy, the environment and the economy;
- the rational use of energy;
- renewable energies;
- solid fuels.

The amounts committed under the JOULE programme were ECU 183.7 million in 1995, ECU 42.8 million in 1996 and ECU 132.7 million in 1997.

4. Community RTD activities concerning FUSION energy are focused on the long-term objective of the joint construction of reactors and electrical power plant prototypes which meet society's needs, such as safety of operation, respect for the environment and economic viability. These activities are mainly pursued as part of the shared-cost actions with organisations in the Member States (Associations), under the auspices of the JET (Joint European Torus) Joint Enterprise and as part of multilateral agreements. Specific activities concerning fusion technology are also carried out at the Joint Research Centre (JRC). The following table shows the breakdown of the Community contribution to financing provided between 1995 and 1997.

(in ECU million)

	1995	1996	1997 (estimate)
Associations	88.0	89.7	107.4
JET	65.3	58.6	65.2
JRC	10.8	10.1	
Others	28.3	37.4	40.9
TOTAL	192.4	195.8	223.1

5. The following table gives details of research and development expenditure in the energy sector from 1995 to 1997.

(in ECU million)

COMMITMENTS	1995	1996	1997
A. Direct action (JRC)	108.1	83.6	88.1
1. Nuclear fission (reactor safety, radioactive waste management, fissile materials, nuclear fuels)	63.8	63.2	62.8
2. Thermonuclear fusion	11.4	10.3	12.3
3. Non-nuclear energies (solar energy, RUE)	-	3.8	4.8
4. Energy policy support (DG XVII) ⁽¹⁾	14.4	-	-
5. Supplementary programme (operation of the HFR reactor)	18.5	6.3	8.2
B. Shared-cost projects	667.5	440.5	492.0
1. Nuclear fission (management and storage of radioactive waste, decommissioning of nuclear power stations, Teleman, nuclear fission safety)	71.9	68.6	12.7
2. Thermonuclear fusion ⁽²⁾ (general programme and participation in JET)	270.8	198.3	186.9
3. Non-nuclear energy sources (renewable energy sources, RUE):			
- JOULE	184.0	42.8	132.7
- THERMIE	140.8	130.8	159.7
TOTAL A + B	775.6	524.1	580.1

6. Apart from the energy programmes, other programmes in the 4th Framework Programme include measures with an energy component, like the ESPRIT programme and INCO (RTD cooperation programmes with non-member countries and international organisations which finance activities in the energy sector, particularly with the countries of central and eastern Europe and with developing countries).

⁽¹⁾ From 1996 JRC support for energy policy is part of nuclear fission.

⁽²⁾ Including the undertaking of pluriannual contracts.

D.**STRUCTURAL FUNDS**

1. The Structural Funds (ERDF, ESF, EAGGF, etc.) are actively involved in financing several programmes intended to solve the energy problems of the less-favoured regions via the Community support frameworks (CSFs) and Community initiatives.
2. Most of the assistance from the Structural Funds in the energy sector is directed towards Objective 1 regions.
In all the CSFs for the regions whose development is lagging behind (Objective 1), the Community is cofinancing energy projects with a view to improving the basic infrastructure. The Community's contribution is made primarily through the ERDF. The table below gives the breakdown by country of the grants to Objective 1 regions in the period covered by the Structural Funds (1995-1999). Since the way that the Structural Funds are organised makes it difficult to single out and indicate the annual grants to the energy sector, the grants have been broken down into equal annual instalments.

**Community grants from the Structural Funds
to the energy sector in Objective 1 regions**

(in ECU million)

MEMBER STATE	Period 1994-1999 (1994 prices)	Annual average
Austria	4	0.7
France	8	1.3
Greece	1065	177.5
Ireland	70	11.7
Italy	392	65.4
Portugal	566	94.3
Spain	704	117.3
United Kingdom	190	31.7
TOTAL	2999	500.0

The figures shown in the table above include the amounts granted under the CSFs for 1994-1999 and by the Community initiatives (chiefly INTERREG II).

3. The REGEN section of the Community's INTERREG II initiative has been granted a budget of ECU 500 million for 1994-1999 for completion of energy networks, particularly:

- transmission of Russian gas from the Bulgarian frontier to Athens and reception, treatment and transmission of liquefied gas from Algeria;
- continuation of the work on the introduction of natural gas to Portugal;
- completion of the systems for interconnection, reception and transmission of natural gas between Spain and Portugal;
- continuation of the scheme for interconnection of the electricity grids between Greece and Italy.

The table below shows the breakdown by country of the financial support from the REGEN section of the Community's INTERREG II initiative in 1994-99 (amounts included in the breakdown by Member State in the previous table).

(in million ECU)

COUNTRY	INTERREG II (REGEN) 1994 - 1999
Greece	200
Italy	80
Portugal	140
Spain	80
TOTAL	500

4. Overall, Community assistance provided for by the support frameworks for regions whose development is lagging behind and by Community-initiated programmes amounts to ECU 2 999 million for 1994-99, or 2.7% of the total contribution by the Structural Funds to Objective 1 regions and 4.3% of the ERDF.

E. FINANCIAL INSTRUMENTS FOR INTERNATIONAL COOPERATION

1. PHARE

The PHARE programme is intended to help to bring Central and Eastern European countries up to European development standards and to establish closer political and economic relations between these countries and the European Union in the framework of European agreements and pre-accession strategy.

The PHARE programme also covers energy infrastructure and nuclear safeguards. The following table gives an idea of the amounts spent on energy between 1995 and 1997:

(in ECU million)

SECTOR	1995	1996	1997
Nuclear	27	6	13.2
Non-nuclear	75	42	12.6
TOTAL - All energy	102	48	25.8

2. TACIS

TACIS is the programme to assist the New Independent States and Mongolia with economic improvement and recovery.

TACIS includes action in the energy sector and on nuclear safeguards.

The following table shows the breakdown of amounts spent on energy between 1995 and 1997:

(in ECU million)

SECTOR	1995	1996	1997
Nuclear	96 ⁽¹³⁾	117.5	68.0
Non-nuclear	42	46	45.6
TOTAL - All energy	138	163.5	113.6

3. MEDITERRANEAN COUNTRIES - MEDA

The MEDA programme (1995-1999)⁽¹⁴⁾ covers measures to accompany economic and social structural reform in the non-EU Mediterranean countries. One of the aims of MEDA is cooperation on energy and networks.

⁽¹³⁾ Includes ECU 37.5 million for the G7 action.

⁽¹⁴⁾ Council Regulation (EC) No 1488/96 of 23 July 1996 (OJ No L 189 of 30.7.1996).

Action is taken either under bilateral protocols between the Community and individual Mediterranean countries or as part of the wider financial cooperation for schemes involving more than one country in the region. In 1995 and 1996, the amounts allocated for the energy sector were ECU 1 and 0.2 million respectively.

4. EUROPEAN DEVELOPMENT FUND (ACP COUNTRIES)

Under the EDF, ECU 127.7 million were allocated to the energy sector in 1995, ECU 21.5 million in 1996 and ECU 32.7 million in 1997. These amounts were used mainly to finance hydroelectric projects or to rehabilitate infrastructures.

5. DEVELOPING COUNTRIES IN ASIA AND LATIN AMERICA

Council Regulation No 443/92⁽¹⁵⁾ of 25 February 1992 provides for financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America. The energy sector is one of the priorities of the programme.

The following amounts were allocated for energy in 1995 and 1996. The amounts shown for developing countries in Asia⁽¹⁶⁾ are indicative (currently between ECU 8 and 10 million a year). The Commission published a communication in 1996 on a Europe-Asia cooperation strategy for energy and a specific programme for energy cooperation with Latin America has been set up.

(in ECU million)

	1995	1996	1997
Developing countries in Asia	7.5	7.5	5.0
Developing countries in Latin America	17.0	4.3	7.7
TOTAL	24.5	11.8	12.7

6. SUMMARY FOR INTERNATIONAL COOPERATION INSTRUMENTS

The following table summarises the amounts granted for the energy sector from the instruments of international cooperation.

(in ECU million)

FINANCIAL INSTRUMENT	1995	1996	1997
PHARE	102.0	48.0	25.8
TACIS	138.0	163.5	113.6
MEDITERRANEAN COUNTRIES	1.0	0.2	-
Developing countries (Asia and Latin America)	24.5	11.8	12.7
EDF (ACP countries)	127.7	21.5	32.7
TOTAL	393.2	245.0	184.8

⁽¹⁵⁾ OJ No L 52 of 27.2.1992.

⁽¹⁶⁾ COM(96) 308 final, 18 July 1996.

F.

ECSC GRANTS TO THE COAL INDUSTRY

1. The ECSC finances measures from its operational budget concerning, in particular, the redeployment of workers, interest-rate subsidies for industrial restructuring, the financing of research programmes in the coal and steel industries, and social measures.
2. EU grants to the coal industry fall into two broad categories:
 - redeployment aid
 - support for research.

The following tables show the development of the various types of ECSC grants to the coal industry during the period 1993-97 and the distribution between Member States from 1995 to 1997⁽¹⁷⁾

Breakdown of ECSC grants to the coal industry

(in ECU million)

	1993	1994	1995	1996	1997
Redeployment aid	120.3	117.2	104.3	46.5	59.8
- traditional aid	70.3	77.2	64.3	23.3	30.8
- social measures	50.0	40.0	40.0	23.2	29.0
Support for research	51.8	17.0	21.6	31.0	29.0
- projects	51.2	16.9	21.4	30.7	28.7
- dissemination	0.6	0.1	0.2	0.3	-
TOTAL	172.1	134.2	125.9	77.5	88.8

Distribution of redeployment aid by Member State

(in ECU million)

	Traditional aid			Social measures		
	1995	1996	1997	1995	1996	1997
Belgium	1.0	1.4	-	1.6	1.4	-
France	1.8	-	3.6	1.8	4.6	7.0
Germany	31.2	18.6	20.6	19.0	13.4	13.7
Portugal	0.4	0.1	-	0.2	-	-
Spain	7.2	2.6	5.8	9.6	3.2	7.5
United Kingdom	22.7	0.6	0.8	7.8	0.6	0.8
EU TOTAL	64.3	23.3	30.8	40.0	23.2	29.0

⁽¹⁷⁾ Source: ECSC Financial Reports.

3. As regards coal research, 29 projects were chosen for financial support in 1995, 23 in 1996 and 31 in 1997.

The projects are designed primarily to ensure proper protection for the environment and to make the public aware of the importance of coal as an energy source, to improve the competitive position of coal and to use the Community's resources rationally.

The breakdown of funding between the various research themes is as follows:

(in ECU million)

	1995	1996	1997
Mining technology:	5.2	11.0	10.0
– excavation systems	2.3	1.6	4.7
– firedamp, ventilation, climate	2.7	2.1	0.5
– coal-winning techniques	-	0.6	2.7
– mine infrastructure	-	0.9	1.2
– mine management	0.2	5.8	0.8
Use of coal:	16.2	19.7	18.7
– preparation of coal	1.8	3.2	4.2
– uses in metallurgy	1.9	5.5	3.4
– coal conversion	1.4	1.6	-
– coal burning and gasification	11.1	9.4	11.2
Dissemination	0.2	0.3	0.3
TOTAL	21.6	31.00	29.0

G.**EIB LOANS**

1. The task of the European Investment Bank is to help with the integration, balanced development and economic and social cohesion of the Member States. To this end, the EIB directs large volumes of funds to finance investment projects designed to achieve Union objectives, including energy objectives.

The table below shows trends in EIB funding.⁽¹⁸⁾

(ECU million)

EIB loans	1993	1994	1995	1996	1997
Energy funding	2576	3384	3083	4945	2090
% of EIB activity	15.4 %	20.4 %	17.3 %	25.0 %	10.0 %

2. The loans from 1995 to 1997 were granted mainly for
 - production of oil and gas, and generation of electricity, particularly by hydroelectric plants or combined plants using natural gas;
 - transmission and distribution of electricity and natural gas;
 - natural gas and electricity transmission networks, including four priority TEN projects;
 - the construction of combined heat and power plants burning waste;
 - the construction of lignite-powered thermal plants.

⁽¹⁸⁾ Source: EIB Annual Reports.

The following table gives a breakdown by sector of activity.

(in ECU million)

	1995	1996	1997
Production	1842.2	2722.0	1100.5
• Conventional power stations	609.8	2181.0	556.2
• Hydroelectric power stations	292.1	31.7	189.4
• Heat production	363.4	302.2	96.1
• Oil and gas production	582.7	176.9	182.4
• Solid fuels	0.2	-	-
• Geothermal and alternative sources	-	30.2	76.4
Transport, storage, reprocessing	966.3	1693.3	370.8
• Electricity	154.4	305.5	87.5
• Natural gas, oil	811.9	1387.8	283.3
Distribution			
• Electricity	268.6	529.6	619.1
• Natural gas	68.9	271.4	282.5
• Heat	190.8	203.9	148.4
	8.9	54.3	188.2
TOTAL	3083.1	4944.9	2090.4

- In 1995, the EIB spent ECU 522 million on trans-European electricity and gas transmission networks; the figures for 1996 and 1997 were ECU 695 million and ECU 300 million respectively.
- The three lines of Community energy policy are the eligibility criteria for the EIB in this field: development of indigenous resources, diversification of imports and more rational use of energy. Completion of the internal market also involves focusing on interconnection of gas and electricity networks both within the Community and outside.

In 1995, 30 % of investments were for the development of indigenous resources, 26 % for diversification of imports, and 44 % for the rational management and use of energy.

The percentages for 1996 were 17 %, 49 % and 34 % and, for 1997, 21 %, 19 % and 60 % respectively.

5. The breakdown of EIB energy loans in the Community by Member State is as follows:

(ECU million)

EIB loans COUNTRY	Energy sector		
	1995	1996	1997
Austria	-	26	212
Belgium	34	7	-
Denmark	84	15	84
Finland	-	-	45
France	4	3	17
Germany	626	924	489
Greece	36	379	126
Ireland	-	-	-
Italy	625	1637	351
Luxembourg	-	-	-
Netherlands	-	140	30
Portugal	134	489	30
Spain	315	539	169
Sweden	111	111	80
UK	636	674	349
Other ⁽¹⁹⁾	479	-	109
TOTAL	3083	4945	2090

6. EIB funding outside the Community as part of the Union's cooperation and development policy with non-member countries accounted in 1995 for ECU 2 805 million, of which ECU 689 million was for the energy sector and, in 1996, for ECU 2 294 million, of which ECU 704 million was for the energy sector. In 1997, these figures were ECU 3 144 million and ECU 593 million respectively.

Energy sector loans were primarily for the construction and modernisation of power plants, the extension of electricity transmission and distribution capacity and the development of oil resources.

Funding outside the European Union

Energy sector

(ECU million)

COUNTRY	1995	1996	1997
ACP countries	108	109	35
South Africa	-	56	45
Mediterranean	149	174	346
Central and Eastern Europe	290	363	70
Latin America	18	-	-
Asia	125	-	93
Overseas departments and territories	-	2	4
TOTAL	689	704	593

⁽¹⁹⁾ Other projects of European interest outside EU territory.

H.

ECSC AND EURATOM LOANS

1. ECSC LOANS

- 1.1. In 1995, the total amount of loans paid out by the ECSC (ECU 402.8 million) was 40.2 % down on 1994. The total paid out in 1996 (ECU 279.7 million) was also markedly lower than the 1995 total. In 1997, on the other hand, the total amount of loans paid out by the ECSC (ECU 541.2 million) was much higher than that of 1996.

This increase can be accounted for by the fact that 1997, and specifically the first half of that year, was the last period for initiating the payment of ECSC loans, except for certain exceptional cases.

Indeed, it is possible that the guidelines adopted by the Commission on changes to ECSC borrowing and lending activities by the year 2002, when the initial ECSC Treaty expires, may have had a (last) persuasive effect on potential borrowers, since they can no longer expect to receive long-term loans, i.e. loans which mature after 2002, except for some major infrastructure projects of European interest, for which it is possible to obtain a government guarantee.

- 1.2. In 1995 and 1996 two loans for ECU 17.8 million and ECU 12.2 million were issued to Spain for the coal industry. In 1997 a loan of ECU 80.6 million was granted to finance the Portuguese natural gas network.

The table below summarises ECSC loans for 1995-1997.⁽²⁰⁾

(ECU million)

	1995	1996	1997
Total ECSC loans	402.8	279.7	541.2
Total energy	17.8	12.2	80.6
Energy's share (%)	4.42 %	4.36 %	14.89 %
Repatriation			
- Coal industry (Art. 54 §1)	17.8	12.2	-
- Power stations	-	-	-
- Other	-	-	80.6

2. EURATOM LOANS

There has been no lending operation since 1988 owing to the poor cyclical situation of the sector.

Council Decision 94/179/EURATOM⁽²¹⁾ of 21 March 1994 authorises the Commission to grant loans the purpose of which is to improve the efficiency and safety of nuclear installations in Central and Eastern Europe and in the former Soviet Union. No loans have so far been granted, but certain projects have been identified and preparatory work for those operations is under way.

⁽²⁰⁾ Source: ECSC Financial Reports.

⁽²¹⁾ OJ No L 84 of 29.3.1994.

I.

EIF GUARANTEES

1. The European Investment Fund (EIF), which is a public/private partnership set up in June 1994, grants long-term financial guarantees to support large infrastructure projects, including the trans-European energy networks, involving small firms. The main aim of the EIF in the energy sector is to help involve private capital in TEN projects.
2. Since it was set up and by the end of 1997, the EIF had signed guarantees for a total of ECU 2 165 million, of which 23.8% is in the energy sector (TEN).
The table below gives a breakdown of guarantees granted in 1995, 1996 and 1997 by sector. ⁽²²⁾

(ECU million)

SECTOR	1995	1996	1997
Trans-European infrastructure networks:	116.5	582.1	335.2
of which energy:			
– in the EU	11.9	270.2	3.7
– outside the EU	11.9	88.2	3.7
	-	182.0	-
SMEs	-	251.3	364.8
TOTAL	116.5	833.4	700.0

* * *

⁽²²⁾ Source: EIF Annual Reports.

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