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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Comments of the Commission on the conclusions and recommendations of the Mid-term Evaluation of the "Intelligent Energy – Europe" programme (2003-2006)

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(Text with EEA relevance)

1. INTRODUCTION

The "Intelligent Energy – Europe" programme (IEE) was established in June 2003 by Decision No 1230/2003/EC of the European Parliament and of the Council[1]. It is in force until 31st December 2006. With an indicative budget of €250 million, this programme aims at making a balanced contribution to the achievement of the general objectives of security of energy supply, the Lisbon objectives of growth, sustainable job creation and competitiveness, and environmental protection.

With the present document, the Commission communicates to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions, the conclusions of the Mid-term Evaluation of this Community programme and its comments on it, as foreseen by the programme Decision, Article 9(2).

The mid-term evaluation was conducted by an independent panel of experts, hereafter referred to as the "Evaluators", based on a variety of inputs, including previous assessments of the programme and its predecessors, analysis of the programme data, survey of applicants and beneficiaries, stakeholders' consultation and examination of relevant market reports to determine its strategic rationale.

The report comprises an assessment of the relevance, efficiency, effectiveness, added value and sustainability of the programme, taking into account time and money constraints, and recommends action as appropriate so as to help the Commission to improve the programme management, and to guide it in the renewal and extension of similar activities. It also compares its own results and findings with those of past programmes' evaluations like the mid-term evaluation of the "Energy Framework Programme, 1998-2002" (EFP). The Evaluators officially submitted its final report to the Commission on 24 March 2006.

[1] OJ L 176 of 15.7.2003, p. 29.

2. POSITION OF THE COMMISSION REGARDING THE WORK OF THE EVALUATORS AND EXISTING CONSTRAINTS

The Commission considers that the Evaluators produced a balanced and comprehensive report, combining recognition and criticism, and is pleased with its overall quality.

The Commission would like to stress that most of the conclusions reached by the Evaluators match, to large extent, its own findings and have already led or shall lead to improved measures to make, e.g. the programme more efficient and of easier access. However, measures whose implementation would entail changes to the existing legal framework can be considered only in connection with the preparation of the successor programme(s).

The evaluation covers the programme activities carried out during the period August 2003-November 2005. By forces of circumstances, the Evaluators have had at their disposal only the evaluation results of two calls and the early implementation of the first call contracts. Moreover, many of the recommended measures for the remaining period of the programme will relate only to the last call for proposals still to be published, since the third call was issued on 7th October 2005 and closed on 31st January 2006 for most of the types of action.

This evaluation excluded any consideration of the role and performance of the programme committee. In addition, being a programme-level exercise, the Evaluators have not made any comment at individual project level.

3. COMMISSION'S POSITION CONCERNING THE MAIN CONCLUSIONS AND RECOMMENDATIONS OF THE EVALUATORS' REPORT

3.1. General conclusions and recommendations

Five main conclusions and general recommendations emerge from the overall report:

- The IEE represents, in most aspects, a considerable improvement in relation to the previous EFP and the Commission has been successful in embedding into the programme many of the recommendations and the relevant advice from previous independent evaluations.

- The need for the programme has increased since its start, which is informed by the strength of fit of the programme aims with the aims of the Lisbon Strategy and the increased profile of energy supply security and global warming. It is attracting worthwhile projects and of high-quality, and is generally well-run. Therefore, the Evaluators recommend its continuation.

- One important aspect of the programme is the added-value it brings with the strength of the synergy between renewables, energy efficiency and transport. In addition, it is reasonable to assume that the projects' funded will inspire Member State policy changes and interventions. This aspect should be covered in the ex-post evaluation of the programme.

- The programme does not duplicate the work of other funding streams: it complements the work of other Community programmes like the Framework Programme of RTD (FP6), and, given its unique trans-national nature, it adds value to national, regional and local programmes and initiatives, helps benchmarking and to avoid duplication of efforts.

- The overall budget is adequate. However, there is relatively low confidence in the ability of the programme to significantly influence and contribute to achieve the general energy objectives. Accordingly, consultees generally agree that there is a good case for enlarging the programme intervention and include support to market uptake projects of technologies and best practices and for increasing the budget accordingly.

Commission response

The Commission welcomes the first of the main conclusions of the Evaluators. In preparing its proposal for the multiannual energy programme 2003-2006[2], the Commission had taken due account of the recommendations of the previous evaluations and is convinced that, when comparing to the EFP and its six specific programmes, the IEE unified structure has resulted in a greater overall coherence and impact of the supported projects and has made it easier to introduce coherent management procedures as well as to improve the programme flexibility in the response to changing needs and priorities. The enhanced synergy between the areas is certainly a key element of the programme added-value.

The Commission fully endorses the view of the Evaluators that the rationale for the programme is strong and increasing, seeing the importance of improvements in energy efficiency and enhanced use of renewable energy to combating climate change and to the security of energy supply, a key objective identified by the Commission in its recently adopted Green Paper on “A European Strategy for Sustainable, Competitive and Secure Energy”[3] and by the EU Heads of State and Government[4]. The Commission further welcomes the Evaluators’ appreciation of the way the programme has been running and the high quality of the supported projects.

The co-funded projects deliver added value at EU level since they may be used to prototype and benchmark solutions that can later on be diffused at much larger scale by other Community programmes, as well as enabling upstream EU research activities to better respond to policy needs. Overall, the Commission expects the existing co-ordination with other relevant EC programmes to leverage a much broader financial basis for sustainable energy related activities and maximise the overall impact of the Community funding.

The Commission has also paid a great attention to actions complementary to and co-ordinated with those carried out by the Member States and other major stakeholders in the energy field. The main contribution in this context is made by the members of the programme Committee with whom the Commission discusses matters related to programme priorities and execution. The programme European dimension is indeed a guarantee of added-value, with respect to national, regional and local efforts. In this respect, the Commission will consider the

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2 COM(2002) 162 final of 9.4.2002 and COM(2002) 162 final/2 of 24.4.2002.
3 COM(2006) 105 final of 8.3.2006.
4 European Council Conclusions of 23-24 March 2006.

Evaluators' suggestion of assessing in the ex-post programme evaluation the extent to which the projects' funded are inspiring Member States' policy changes and interventions.

Also based on a recommendation of the EFP evaluation, the cost-effectiveness of externalising programme management was examined and, on that basis, the Intelligent Energy Executive Agency (IEEA) has been set up by the Commission on 23rd December 2003. The Agency started operating at the end of 2004 and has full autonomy since January 2006.

Finally, the Commission takes note of the reported low confidence on the programme's ability to significantly influence and contribute to achieve the general energy objectives, and fully endorses the Evaluators' conclusion that the programme intervention should be enlarged to include new instruments for an effective market uptake of best technologies and practices, supported by an enlarged budget. However, this recommendation can only be considered in connection with the preparations for the successor programme.

3.2. Specific recommendations on the programme administration

The Evaluators highlight a number of areas in which improvements can be made at the programme execution level:

Compared to its predecessor, the programme is attracting fewer proposals although the budget has comparatively increased. There is some success in attracting new entrants and new types of market actors into the programme and all eligible countries (except Lichtenstein) are actively participating in the programme. However, the pool of applicants could still be much larger, and would ideally have a higher number of applicants from the new Member States. The Evaluators advise to hold more targeted and themed information days so as to attract new applicants and, in particular more applicants from the new Member States.

The Evaluators also consider that an extra-effort should be made to improve further the quality of submitted proposals and reduce the evaluation workload, and recommend continuing the development of better guidance to applicants.

The Evaluators invite the Commission to reflect, also based on its previous experiences, on the effectiveness of having a two-stage application process, either for the final call of the programme or in the successor programme.

With regard to the programme support for events, the Evaluators suggest that, should these be continued in any follow on programme, the possibility of adopting a 'lighter touch' appraisal process for them should be considered .

There is a confirmed general satisfaction by applicants concerning the level of information provided on the programme, calls, application rules and guidelines and on ongoing funded projects. The provision of such information has definitely evolved and improved over successive calls for proposals. However, many applicants still do not fully understand what is required in terms of indicators. In order to improve the uptake and usefulness of project indicators of success, the Evaluators recommend to continue improving the guidance to applicants, through additional and simple examples of the *output - outcome - impact* chain, as well as to continue the work initiated by the IEEA to improve the application forms and the guides.

Despite major progress achieved, notably at the level of application forms, the collective dissemination of results could still be improved, and the Evaluators refer to the need for improving the profile and ease of use of the IntellEbase resource and similar tools, and extending the practice of group meetings between co-ordinators of related projects during the negotiation stage.

With the exception of COOPENER projects, the 50% funding is adequate and sufficient. Concerns remain over staging and potential delays to payments in awarded contracts.

With regard to the COOPENER element of the programme, the Evaluators consider that there should continue to be a close integration with the EU Energy Initiative for Sustainable Development and Poverty Eradication (EUEI) institutional process, and to strengthen links with the EC delegations in the ACP countries.

Early indications are that the Commission, through DG TREN and the IEEA, has made, during the 2 first years of the programme, a positive contribution to the efficiency of the programme. Though noting that it is too early to formally comment on the effectiveness of the Agency, or on the appropriateness of its staffing levels, the Evaluators recommend that this should be the subject of a formal evaluation at a later date.

Commission response

The Commission appreciates the constructive remarks and suggestions made by the Evaluators and it is committed to examining them in depth and ensuring an appropriate follow up of these. Comments are presented hereafter on the specific proposals.

The Commission agrees that the pool of applicants could be larger, in particular from new Member States, although the latter often struggle to find co-funding to participate in IEE projects. Info days are an important tool and the IEEA increased the number of them during the 2005 Call, covering in particular all new Member States, often with presentations in the national languages. However, they are relatively costly because they reach only a limited number of potential applicants. Best practice guidelines have been developed by the IEEA to help Member States to organise Info days as effectively as possible. In future, the Info days will be complemented by a strategically selected series of presentations at major events and conferences, in order to reach greater numbers of potential applicants.

New Guides for Proposers have been prepared for the 2005 Call for all Types of IEE proposals. In these new guides, further explanations are given on success indicators, together with concrete examples in the field of energy efficiency and renewable energy sources. Further improvements will be made, taking into account feedback from proposers and the external experts who participated in the evaluation of the calls applications. In addition, extra efforts have been devoted to answer questions from applicants in a more efficient way.

Regarding the application and evaluation process a review of the current procedure along with an investigation of further possibilities, such as a 2-step application as well as a “lighter touch” evaluation process for small grants to support events, will be carried out. The Commission recognises that a two-step application procedure may, in general, reduce the overall costs for participants, provided that the first step is simple. However, based on the past experiences, notably in the frame of the RTD Framework Programmes, two-step procedures can lead to longer delays in processing the proposals and also to a significant additional workload, and can be only cost-effective in the case of very complex and large projects involving hardware investment. For these reasons, the Commission does not find it appropriate to introduce it in the frame of the current programme, but does not exclude to reflect on an eventual implementation in the successor programme.

The Commission agrees that the dissemination of projects results is of the utmost importance. The IEE web site is subject to continuous improvement and project fact sheets have been created for all IEE projects. The website monitoring shows continuously increasing interest in the placed information: the project fact sheets were so far visited more than 41.000 times, the compilation of projects related to the building sector approximately 27.000 times. As part of the dissemination activities, the IEEA issues a quarterly newsletter, which meanwhile is downloaded more than 10.000 times per issue. External support will be purchased later this year (via a Tender) to develop a more comprehensive database for the IEE projects. The experience with thematic meetings with co-ordinators, both at the negotiation and the implementation phase, has proved to be very successful and will be extended to all thematic areas.

Despite the satisfaction by the interviewed co-ordinators with a maximum level of 50% funding, the Commission experiences also negative impacts. It should be highlighted that co-ordinators often agree within their consortium to receive a higher funding share than their co-partners in order to compensate for their additional management efforts. This is possible, as the overall 50% limit to the IEE funding applies to the whole of the project, not to each of the partners involved. As pointed out above, the Commission on the one hand sees problems with this funding maxima regarding applicants from new Member States as well as regarding some thematic areas. On the other hand, for thematic areas rather close to the market a lower level of funding might be possible. Generally the limited co-funding available from public or private sources in the Member States is also seen as one of the reasons for the lower number of applications. For the follow-up programme a more differentiated approach will be investigated.

For historical reasons, there is still a residue of concern among contractors about potential payment delays, and time is needed for the IEEA to build a track record of making timely payments. Nevertheless, the IEEA is fully committed to delivering a good payment record, and there is already evidence of its improved performance. The contractual simplifications made recently by the IEEA, notably in terms of bank guarantees, should ease and shorten financial processes.

With regard to COOPENER, the Commission draws attention to the fact that it is an integral part of the EU Energy Initiative decided at the 2001 World Summit on Sustainable Development. The Commission recognises that links could be strengthened with the EC Delegations in the beneficiary countries of COOPENER projects. In the current programme, there is no possibility to apply an increased funding rate for COOPENER projects, since this is set in the programme legal basis.

The Commission shares the Evaluators' views on the performance of the executive agency, based on the regular reporting it receives from the agency. The agency performance and its impact on programme implementation will be assessed in 2006, in the frame of the cost-benefit analysis for the externalisation of the successor programme.

3.3. Specific recommendations on the successor programme

The Evaluators consider that there is very strong evidence of the need for the programme and recommend its extension beyond 2006 with a larger scope and budget in order to achieve mass replication of best practice and attract new applicants and key actors. There are interesting opportunities to exploit synergies with the other Competitiveness and Innovation Framework Programme (CIP) sub-programmes, as well as good prospects for enlarging and diversifying the ranges of applicants and target groups and to simplify delivery mechanisms. However, it is important that it retains its identity and independence in order to build on its historical profile.

The addition of funding for the "market replication projects", as proposed by the Commission, will in the opinion of the Evaluators require very close co-ordination between CIP and the future FP7 in order to avoid overlapping.

Based on early indications that the IEEA is improving the programme efficiency, the Evaluators recommend that it should be retained, and expanded, to run the successor IEE programme as part of the CIP and, possibly the whole of the CIP, provided that a formal evaluation of the performance of the IEEA duly demonstrates and justifies this.

Commission response

The Commission notes that the conclusions and recommendations formulated by the Evaluators with regard to the successor programme are well in line with its own thinking and with the proposal it has put forward last year for the new CIP (2007-2013)[5]. Accordingly, whilst conforming to coherent and overarching objectives, and to a general structure and budget, the successor IEE programme retains its budgetary certainty, specific committee and management autonomy within the new CIP. This is also a guarantee that the specific nature of the IEE will be safeguarded.

Moreover, the Commission recalls that the FP7 will continue to support fundamental research and technological development and demonstration projects, including the development of renewable energy and energy efficient technologies. CIP excludes research and technological development activities carried out in accordance with Article 166 of the Treaty. It shall be complementary to the FP7 by dealing with innovation, which includes non-technological as well as technological innovation that has moved beyond the final demonstration phase and is ready for market replication. The Commission undertakes to strengthen co-ordination with FP7 when preparing the annual work programmes for the successor IEE programme, in order to maximise synergies between the two complementary instruments.

The Commission may use a new and/or existing Executive Agency, notably the IEEA, for the implementation of all or part of the CIP, on the basis of the results of a cost-benefit analysis, as laid down in Council Regulation 58/2003/EC of 19.12.2002. A decision can only be taken upon adoption, by the European Parliament and the Council, of the Framework Programme.

5 COM(2005) 121 final of 6.4.2005.

3.4. Specific recommendations on the external component of the future programme (COOPENER)

In the context of the new architecture for external relations' programmes in the period 2007-2013), moving the COOPENER part of the IEE programme into an international development and economic cooperation instrument will, in the opinion of the Evaluators, deal with the problems of co-financing and target country sub-contractor status. However, the Evaluators recommend that COOPENER retains its specificity, autonomy and visibility within this new thematic programme, and stress that the management needs to retain energy expertise as well as international aid expertise, though the latter is the most important.

Commission response

The Commission's proposal of 25th January 2006[6] for the thematic programme on "Environment and Sustainable Management of Natural Resources, including Energy, 2007-2013", has a strand on "Support for sustainable energy options in partner countries and regions". This strand builds on the former COOPENER actions, and depending on the budget that will be made available, should have a larger scope than today's programme so as to provide institutional support related to improving access to sustainable energy services in developing countries as well as support for actions in partner countries with the aim to improve security of global energy supply and protect the global environment.

The Commission expects the integration of COOPENER into this main thematic programme to lead to a higher profile and visibility for the funded actions, and an increased integration and synergy with the other relevant EC external relations actions. It may also help to address current problems related to the limitation of 50% co-funding as well as to the contracting status of third countries' organisations.

The Commission notes the Evaluators concern over the necessity to ensure an adequate energy expertise for the programme execution and will take due account of this remark when deciding on the management structures for the thematic programme.

[6] COM(2006) 20 final.