COUNCIL REGULATION (EEC) No 1972/83

of 11 July 1983

on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources and to energy saving and the substitution of hydrocarbons

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission (1),

Having regard to the opinion of the European Parliament (2),

Having regard to the opinion of the Economic and Social Committee (3),

Whereas, pursuant to Article 2 of the Treaty, the Community has as its task to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion and an increase in stability;

Whereas the more rational use of energy, by energy saving and the exploitation of alternatives to hydrocarbons, should make an effective contribution towards the attainment of these objectives;

Whereas in its resolution of 9 June 1980 concerning Community energy policy objectives for 1990 and convergence of the policies of the Member States (4), the Council affirmed the need to step up efforts to save energy and reduce the Community's oil consumption and imports;

Whereas the development of an energy strategy for the Community calls for an adequate level of investment in alternatives to oil as an energy source and in the more rational use of energy, together with the continuation of research, development and demonstration policies at Community level;

Whereas support for innovatory demonstration projects aimed at improving energy efficiency and making use of alternatives to hydrocarbons as energy sources is an important means of contributing to the attainment of the abovementioned objectives;

Whereas the Community and the Member States have adopted research, development and demonstration programmes in the fields of energy saving and renewable energy sources; whereas a Community programme of support for demonstration projects in these fields must contribute to the wide dissemination of the results of these programmes;

Whereas demonstration links the research and development stage, sometimes tested on pilot plant, and the later investment stage; whereas it differs from the research and development and pilot stages in the industrial scale of projects, the requirement of having prospects of economic viability, and from the investment stage in that the inherent risks are still too high for entrepreneurs;

Whereas financial support should be granted, after the research and development stage, for suitable demonstration projects, in view of the considerable risks and investment which the application of innovatory techniques might entail;

Whereas support for such projects, which would be carried out following studies and research designed to demonstrate their industrial and commercial viability, will help to strengthen confidence in the execution of these projects and encourage their development in the Community;

Whereas the execution of these projects could result in the development in the Community of industries possessing the relevant skills with potential markets of some importance outside the Community;

Whereas the granting by the Community of the advantages envisaged must not adversely affect the conditions of competition in a manner incompatible with the principles embodied in the relevant provisions of the Treaty;

Whereas, in view of the need to limit such support to that which is strictly essential, the Community must have at its disposal every appropriate means of assessing, case by case, the possible benefits to it of such projects and their compatibility with the objectives of Community energy policy;

(1) OJ No C 227, 1. 9. 1982, p. 2.
(2) OJ No C 304, 22. 11. 1982, p. 263.
(3) OJ No C 326, 12. 12. 1982, p. 15.
(4) OJ No C 149, 18. 6. 1980, p. 1.

Whereas, to this end, those benefiting should take on obligations towards the Community in return for the advantages they are to be granted;

Whereas the Community has already undertaken a Community demonstration programme in the fields of energy saving and alternative energy sources pursuant to Regulations (EEC) No 1302/78 (1) and (EEC) No 1303/78 (2) concerning the granting of financial support for projects to exploit alternative energy sources and for demonstration projects in the field of energy saving respectively;

Whereas the Commission has evaluated this programme in reports which it has submitted to the Council and to the European Parliament on the application of those Regulations; whereas this evaluation should be continued and adapted, taking account of the experience gained;

Whereas a Regulation on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources, energy saving and the substitution of hydrocarbons, and a Regulation on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels are both equally necessary and urgent to avoid an interruption to the programmes which contribute, in the future, in a multiannual context, to the implementation of the energy strategy of the Community;

Whereas, because of technical differences between the two projects concerned, the programmes must be covered by two separate Regulations;

Whereas the Treaty does not provide the specific powers necessary for this purpose,

HAS ADOPTED THIS REGULATION:

Article 1

Under the conditions laid down in this Regulation, the Community may grant financial support for demonstration projects relating to the exploitation of alternative energy sources and to energy saving and the substitution of hydrocarbons, as defined in Article 2.

Article 2

1. For the purposes of this Regulation, 'projects relating to the exploitation of alternative energy sources' means projects to exploit any potential source of energy, with the exception of nuclear energy.

For the purposes of this Regulation, 'projects relating to energy saving' means projects which involve a significant improvement in the efficiency with which energy is used.

For the purposes of this Regulation, 'projects relating to the substitution of hydrocarbons' means projects exploiting energy processes which replace hydrocarbon-based processes.

2. All demonstration projects within the meaning of Article 1 must satisfy the following conditions:

— they must relate to the creation of full-size installations enabling alternative energy sources to be exploited or energy to be saved or hydrocarbons to be substituted in significant quantities,

— they must exploit innovatory techniques, processes or products or a new application of techniques, processes or products which are already known and whose research and development stage is considered to be over,

— they must be likely to encourage the construction of other installations of the same type,

— they must offer promising prospects of industrial and commercial viability as shown by prior studies and research,

— they must present difficulties with regard to finance because of the considerable technical and economic risks involved, to the extent that they would very probably not be carried out without public and/or Community financial support,

— they should, in principle, be carried out within the territory of the Community. However, in so far as it is apparent that the execution (complete or partial) of a project in a third country, for example in a developing country, is consonant with Community interest, particularly on account of its special characteristics, the Council shall decide on that project, acting on a proposal by the Commission submitted after consultation of the Advisory Committee referred to in Article 5 (2).

3. A list of the fields of application of this Regulation is given in Annex I as regards exploitation of alternative energy sources, in Annex II as regards energy saving and in Annex III as regards the substitution of hydrocarbons.

In the light of the regular report mentioned in Article 5 (3) below, the Commission may propose to the Council additions to the subheadings in this list. The Council shall act by a qualified majority.

(1) OJ No L 158, 16. 6. 1978, p. 3.
(2) OJ No L 158, 16. 6. 1978, p. 6.

4. Financial support may be granted for a project as a whole or for the various stages of a project. Exceptionally and in duly justified cases where there are no feasibility studies known and available for similar projects, the feasibility study phase may, after consultation and on the basis of the opinions delivered by the Advisory Committee referred to in Article 5 (2), also received financial support.

Article 3

All projects shall be the responsibility of a natural person or a legal person constituted in accordance with the laws of the Member States.

If the creation of a legal entity with the legal capacity to carry out a project involves additional costs for the participating undertakings, the project may be carried out simply on the basis of cooperation between natural or legal persons. In that case, such persons shall be jointly and severally liable for the obligations resulting from Community support.

Article 4

1. Support for a project or for a feasibility study shall take the form of a Community financial contribution to the project, half of which shall be repayable under certain conditions. The Community shall take into account other financial aid for the project received or expected from Community, national or other sources and the share of the risk which should be borne directly by those responsible for the project.

2. Such support shall not exceed 49 % of the eligible cost of the project, in accordance with Article 2 (4). The level of support shall be determined for each project individually, in accordance with the procedure laid down in Article 5. The amount of support which is repayable and the detailed repayment procedures shall be specified in the contract to be concluded with the recipient.

3. Financial support for the feasibility study stage shall be repayable in full only if the results of the study show that a demonstration project is feasible and the applicant decides within two years of the study being completed not to go ahead with the project.

Article 5

1. Every project submitted by individuals or undertakings in the Community following an invitation to submit projects, published as a general rule annually in the *Official Journal of the European Communities,* shall be examined by the Commission on the basis of the following information to be provided by the applicants :

— a detailed description of the project, including the organization of its management,

— the energy impact : energy saving or substitution,

— an evaluation of the possible effects on the environment,

— the time-scale for carrying out the project,

— the financial situation and technical capabilities of the person or persons responsible for the project,

— the nature and extent of the technical and economic risks inherent in the project,

— the cost of the project, its economic viability and the financing arrangements proposed,

— the extent to which the experience gained may encourage the construction of installations of the same type ; the prospects of there being applications for these installations and the benefits that may result from them for the economy as a whole,

— details of any financial aid the project has received at an earlier stage of research and development for the Community or from the Member States,

— details of any other financial support planned by or expected from the Member States or the Community,

— any other factor which may justify the Community support requested,

— how it is proposed to disseminate the results of the demonstration.

2. The Commission shall decide whether to grant or refuse support for projects after consulting the Advisory Committee on the Management of Demonstration Projects made up of representatives from the Member States and on the basis of the opinions delivered by that Committee.

The Committee, which shall be chaired by a representative of the Commission, shall draw up its rules of procedure.

The Commission's decision shall be communicated forthwith to the Council and the Member States and to the European Parliament. It shall apply upon expiry of a period of 20 working days if, during that period, no Member State has referred the matter to the Council.

Where the matter is referred to the Council, the latter shall act on the Commission's decision by a qualified majority in accordance with the terms of Article 148 of the Treaty within 40 working days following such referral.

3. A regular report shall be made by the Commission to the Council and the European Parliament on the application of this Regulation and on consistency between national and Community measures, to enable a better assessment to be made of the results. The Council and the European Parliament shall express their opinions on the report.

Article 6

The advantages granted by the Community must not adversely affect the conditions of competition in a manner incompatible with the principles embodied in the relevant provisions of the Treaty.

Article 7

1. The Commission shall negotiate and conclude the contracts necessary for the execution of projects adopted pursuant to Article 5. To that end, it shall draw up a model contract available on request setting forth the rights and obligations of each party and, in particular, the procedures for any repayment of financial support granted and for access to and dissemination of expertise.

2. The person or persons responsible for executing a project in receipt of Community support shall send the Commission, every six months or at its request, a report on the fulfilment of contractual obligations towards the Commission and, in particular, on the progress of work on the project and the expenditure incurred in carrying it out.

3. The Commission shall have access at all times to the accounts relating to the project. It may have checks carried out on the spot and on documents enabling it to follow the performance of the contract and, in particular, the progress made on projects and the execution thereof.

4. Where the extent of Community financial support and the size of the project so warrant, the Commission may participate as an observer in meetings of the bodies responsible for the management of projects, if the contract so provides.

Article 8

The amount of new appropriations estimated necessary to be granted for 1983 under this Regulation totals 70 million ECU.

The amounts constituting the financial support to be granted pursuant to this Regulation have been entered in the general budget of the European Communities.

Article 9

This Regulation hereby cancels and replaces Regulations (EEC) No 1302/78, (EEC) No 1303/78, (EEC) No 725/79, (EEC) No 726/79, (EEC) No 727/79, (EEC) No 728/79 and (EEC) No 729/79.

However, these Regulations shall continue to apply in respect of projects launched in accordance with invitations to tender published pursuant thereto.

Article 10

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities.*

It shall apply until 31 December 1983.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 11 July 1983.

For the Council

The President

C. SIMITIS

ANNEX I

EXPLOITATION OF ALTERNATIVE ENERGY SOURCES

List of fields of application eligible under this Regulation

The following list is not an expression of priorities.

1. **Geothermal energy**

For the purposes of this Regulation 'demonstration projects relating to geothermal energy' means projects to exploit energy extracted in the form of heat from underground strata by means of drilling. Projects involving geothermal exploitation where the temperature of the geothermal water is below 30 °C are normally excluded.

In selecting projects consideration will be given to the conception of the exploitation system as a whole notably whether the character of the project is unique or whether it has analogies in other Member States with regard to geological conditions and techniques and technologies which are *mutatis mutandis* transferable.

Fields of application :

1.1. Electricity generation.

1.2. Space-heating in new or existing residential, public or industrial premises and production of domestic hot water.

1.3. Heating of greenhouses and agricultural premises, and in pisciculture and aquaculture.

1.4. Use of heat for industrial operations, e.g. heating and preheating, drying, dehydration, concentration, heat treatment and other processes.

1.5. Multi-purpose exploitation of geothermal energy covering the uses mentioned above and possibly others, such as the desalination of sea-water, the production of drinking water and the recovery of mineral salts.

2. **Solar energy**

For the purposes of this Regulation 'demonstration projects relating to solar energy' means projects in which solar energy is made available for thermal use through active or passive processes or technology (with the exception of solar concentrators), or is made available through photovoltaic processes.

Combinations of different processes and storage devices may be envisaged for the same projects.

Fields of application :

2.1. *Buildings* (space heating, production of domestic hot water, air conditioning, electricity generation possibly connected to the grid)

2.1.1. Private buildings.

2.1.2. Public buildings.

2.1.3. Industrial and agricultural buildings.

2.2. *Industry*

2.2.1. Industrial heat.

2.2.2. Electricity generation by photovoltaic installations.

2.2.3. Desalination.

2.3. *Agriculture and application in isolated areas*

2.3.1. Drying of plant products.

2.3.2. Greenhouses.

2.3.3. Aquaculture, with the exception of algae and other aquatic plants.

2.3.4. Pumping of water and irrigation.

2.3.5. Means of telecommunication.

3. **Biomass**

For the purposes of this Regulation 'demonstration projects relating to biomass' means projects putting to use any form of plant or animal waste, excluding industrial and urban waste, or projects which in exceptional and well justified cases use plants specially grown for energy purposes.

Projects in this sector must fall into one of two categories and must necessarily require a biological origin for the energy source :

Category 1 : Projects making an innovatory direct use of plant or animal waste ; or of plants specially grown for energy purposes.

Category 2 : Projects demonstrating innovatory conversion techniques of biomass to other fuels. The derived fuel and/or the field of application of the conversion technology must be specified.

Processes to be applied

3.1.1. Combustion.

3.1.2. Gasification.

3.1.3. Anaerobic digestion, taking into account also other objectives.

4. **Wind and ocean energy**

4.1. For the purposes of this Regulation 'demonstration projects relying on wind as an energy source' means projects involving the centralized generation of electricity for supplying grids *and decentralized applications for the direct supply of energy to users.*

Several identical wind energy plants cannot in general be supported within the framework of one project.

Aspects of integration of wind energy plants into an energy distribution system can be the subject of a demonstration project.

Fields of application

4.1.1. Electricity generation.

4.1.2. Heating of greenhouses ; space heating in residential, industrial and agricultural premises, production of domestic hot water.

4.1.3. Other applications : drying, refrigeration, pumping, irrigation, desalination.

4.2. For the purposes of this Regulation 'demonstration projects relating to ocean energy' means projects involving the use of mechanical wave and tidal energy and thermal ocean energy, the electrical power of which is normally under 10 000 kW.

5. **Hydro-electric power**

For the purposes of this Regulation 'demonstration projects relating to hydro-electric power' means projects to exploit low-power (below 3 000 kW) and generally low-head, hydro-electric resources in order to generate electricity.

ANNEX II

ENERGY SAVINGS

List of fields of application eligible under this Regulation

The following list does not reflect priorities.

1. **Buildings**

1.1. More effective methods for the heating, lighting and air conditioning of premises and for the production of domestic hot water, such as heat pumps having new technical characteristics which can improve their competitiveness and reliability, and improvements in conventional systems and their controls, making for significant energy savings.

1.2. Methods of reducing heat losses due to ventilation (e.g. in dwellings, industry or hospitals).

1.3. Demonstration, preferably combined with the techniques set out under 1.1 and 1.2, of new materials or new thermal insulation techniques, especially in existing buildings, taking into account the problems linked with condensation, ventilation, thermal inertia, fire-risk and security regulations.

2. **Supply and use of process heat and of electricity in industry and in agriculture**

2.1. Improved efficiency in the production and utilization of process heat and of electricity (e.g. through enhanced performance).

2.2. Recovery and re-use of residual heat, either as heat or for the combined production of heat and power, in the same installation or elsewhere (e.g. by improving heat exchangers, through the use of high-power and/or high-temperature heat pumps, through the use of new cost-effective heat storage methods).

2.3. Demonstration of new industrial processes having equivalent industrial objectives but which have reduced energy requirements.

2.4. Methods of using waste or low-heat fuels for the supply of heat and-or power.

3. **Energy industry**

3.1. More efficient methods for the combined production of heat and power for collective use (e.g. improved performances, improved plant reliability, cost-effective demonstration of large-scale storage, demonstration of long-distance heating networks).

3.2. Methods of using waste, residual heat or low-heat fuels for collective use (e.g. the use of residual heat of large industrial complexes or conventional power stations, use of waste as fuels, demonstration of very large heat pumps) in the region of 5 000 kW or more).

4. **Transport**

Projects in this sector include new techniques for the different transport modes, in particular road transport, which would bring about significant energy savings.

ANNEX III

SUBSTITUTION OF HYDROCARBONS

List of fields of application eligible under this Regulation

This list is not an expression of priorities.

For the purposes of this Regulation 'demonstration projects relating to the substitution of hydrocarbons' means projects which involve the use of non-renewable energy sources instead of liquid or gaseous hydrocarbons, without leading to a significant increase in primary energy consumption.

1. **Solid fuels**

The projects under this heading relate to new or improved technologies for the handling, transportation, combustion, treatment and storage of coal, lignite and peat and their waste products.

Projects relating to the large-scale gasification and liquefaction of solid fuels with a view to the decentralized use of derived fuels fall under the terms of Regulation (EEC) No 1971/83 (1).

1.1. New processes for utilizing solid fuels :

— fluidized beds under pressure or at atmospheric pressure including those applied to small industrial installations,

— techniques for the combustion of mixtures of solid fuels with liquids,

— gasification under pressure, integrated into the utilization cycle.

1.2. Treatment, upgrading, disposal or use of gaseous, liquid and solid wastes produced during mining, handling and utilization of solid fuels.

2. **Use of electric power**

The projects in this field relate to new techniques for using electric power generated from energy sources other than hydrocarbons. They relate to the demonstration, by manufacturers of industrial equipment, of new techniques using electrical energy for thermal, electrochemical and electromechanical applications as well as of methods of electricity demand management.

3. **Heat transmission, distribution and storage**

The projects in this field relate to the demonstration of heat transmission over long distances, of new techniques in heat distribution, of large accumulators (daily, weekly and seasonal) and of demand management techniques in district heating.

(1) See page 1 of this Official Journal.