

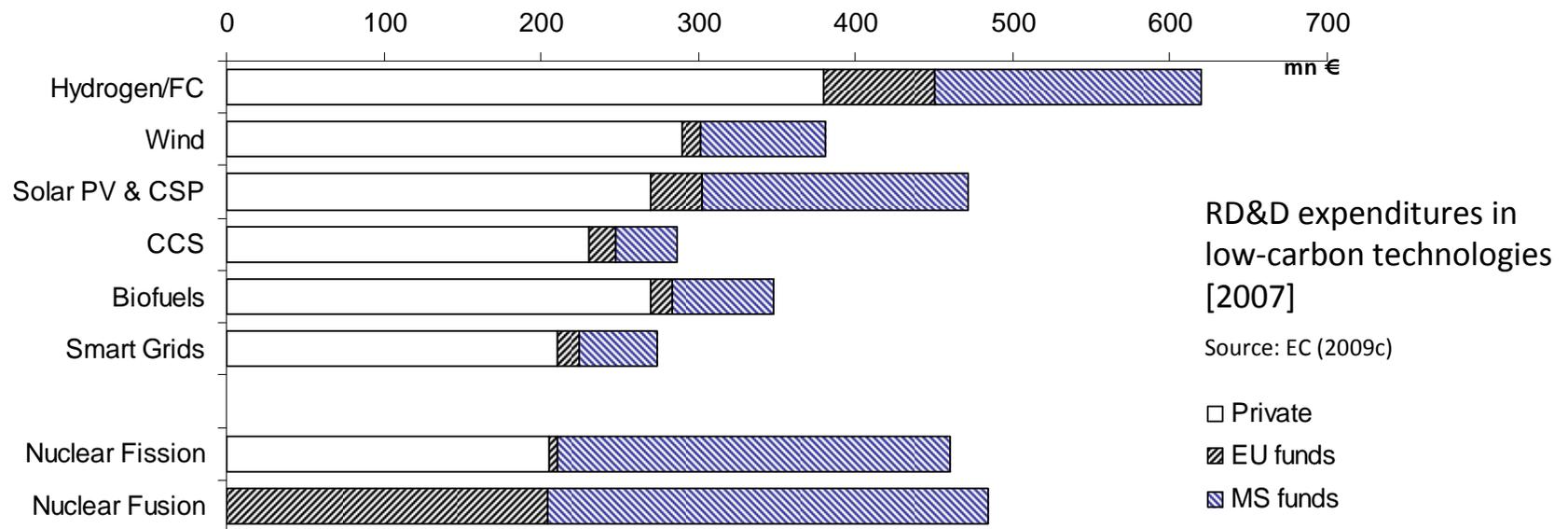
Supporting clean energy R&D: Grants for all?

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Prospects for the EU financial perspective in an age of austerity
Wilton Park, February 05, 2011

RD&D targeting green technologies needs to be more than doubled.

- Reaching 2050 climate targets involves increasing the share of low-carbon technologies substantially
- RD&D investments are already taking place...



- ...but financing gap of €47-60 bn between recent expenditures and those deemed necessary (SET-Plan)

Do new clean energy technologies develop spontaneously?

- EU ETS does not provide a sufficiently high and credible future carbon price
- Hard (and also undesirable) to capture all the benefits from RD&D within the innovating company
- Typically very high capital investments paired with substantial economic, technological and regulatory uncertainties
- Private investors tend to focus on short-term revenues, whereas climate policy has a 2050 horizon

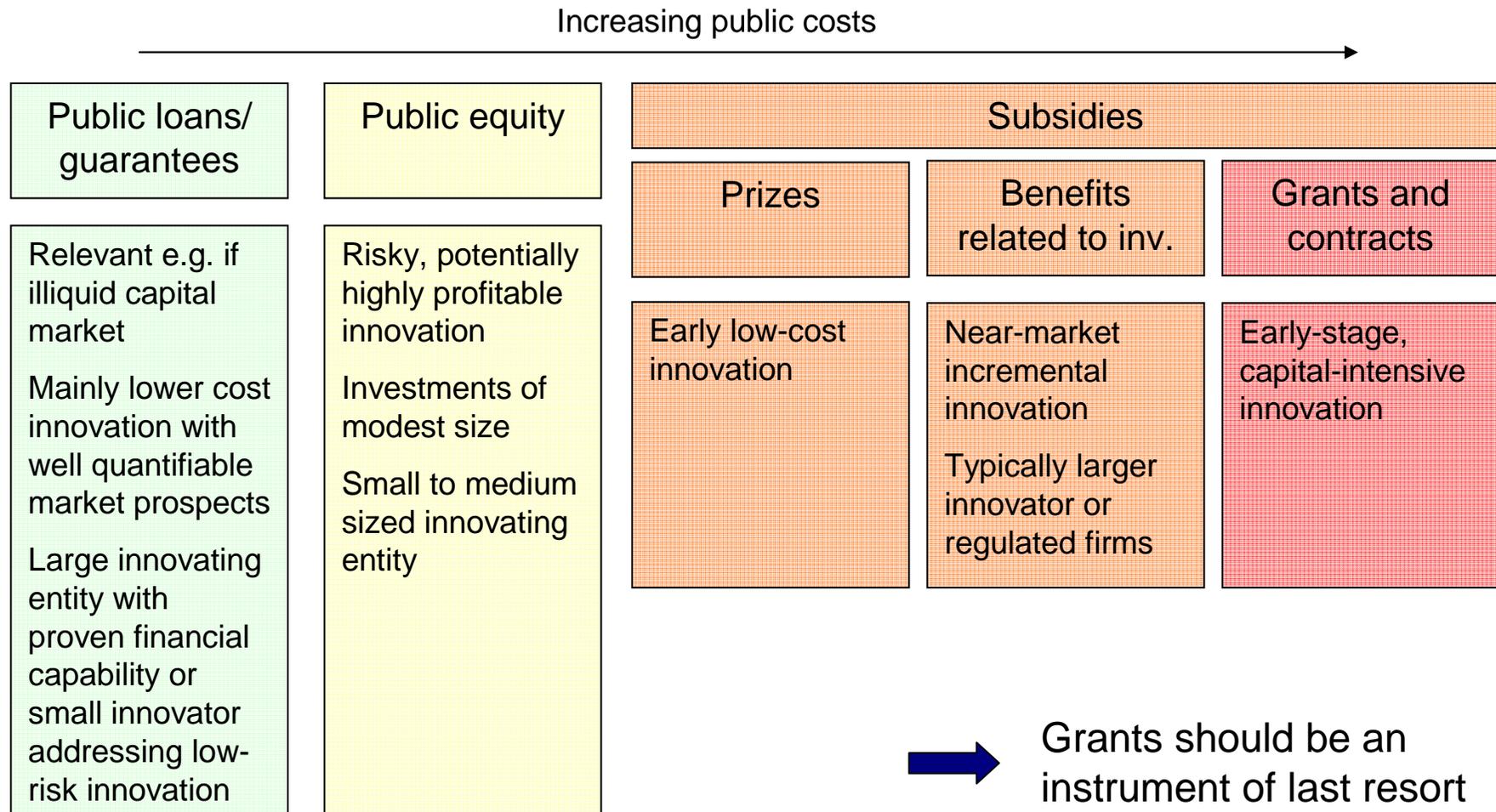


Additional public support needed to reach the socially optimal level of RD&D

A balanced portfolio of RD&D projects needs to be designed.

- This will facilitate
 - Acceleration of decarbonization to reach mid-term 2020 climate objectives
 - Development of a diversified technology mix enabling the achievement of long-term 2050 objectives
- Evaluation criterion: expected overall reduction of CO₂ emissions per € of support provided
- Cooperation and coordination among MS and EU support policies have to be improved
 - Initiation of European Energy Research Alliances (aimed at realizing pan-European RD&D pooling national and EU resources) is a step into the right direction

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Encourage efficiency while not discouraging private sector participation

- Use competition for funds whenever possible
- Public funding should be output-driven whenever suitable with engagement of private innovators
 - High project costs might require the provision of at least a part of the funds upfront
 - Projects with high probability of failure might require support unconditional to performance
- Institutions set up to allocate funds need to be lean and flexible enough to avoid institutional inertia and lock-in

**Thank you very much for your
attention**

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