

Opinion of the European Economic and Social Committee on ‘Enhancing the effectiveness of European Union energy policy in favour of SMEs and particularly micro enterprises’ (own-initiative opinion)

(2011/C 44/19)

Rapporteur: **Mr DAVOUST**

On 16 July 2009 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

Enhancing the effectiveness of European Union energy policy in favour of SMEs and particularly micro enterprises.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 June 2010.

At its 464th plenary session, held on 14 and 15 July 2010 (meeting of 14 July), the European Economic and Social Committee adopted the following opinion with 157 votes in favour and five abstentions.

1. Conclusions and recommendations

1.1 At European Union level:

- adopt a ‘think small first’ approach in energy policy, ensuring the involvement in the legislative process of organisations representing small companies and micro businesses and impact analyses that include even the smallest businesses and promote a sectoral approach;
- together with SME organisations set up a forum for ongoing dialogue on the impact of EU energy policy on companies, especially the smallest companies;
- in coordination with the relevant business organisations, define the measures that European programmes must provide for to enable the businesses in question to adapt as effectively as possible to European Union objectives;
- analyse the impact on different categories of SMEs of programmes to promote eco-efficiency and circulate a guide to best practice;
- simplify arrangements for accessing and using existing European Union programmes relating to energy efficiency for SMEs
- adopt a plan for supporting eco-energy innovations and create a financial instrument to fund innovation that is adapted to the needs of small companies and micro businesses;
- set up a framework to strengthen the presence and activities of energy service companies (ESCOs) at national level to help small companies;

- make it easier for small businesses to access the Structural Funds, e.g. through the organisations that represent them;

- create a framework to promote microgeneration in the Member States.

1.2 At Member State level:

- set up a national forum for dialogue with SME organisations;

- develop training and information programmes through sectoral campaigns and one-stop shops, preferably operating in the intermediary organisations of the companies concerned;

- support investment financing, reduce insurance costs and introduce tax incentives;

- create financial synergies between the EU, the Member States and business organisations to promote the introduction of different types of support for small companies;

- provide environmental and energy advisers in intermediary organisations, and independent diagnostic and energy advice services.

1.3 At regional level:

- include employee energy advice and support, as well as training, innovation support and investment financing in the priorities of regional programmes;

- support microgeneration through the Structural Funds.

2. Introduction

2.1 Background

2.1.1 The European Union has introduced a policy to improve energy efficiency, which is also part of the EU 2020 strategy. The main implication for SMEs is the radical change in their access to energy and its rational use in-house. Up until now, European Union efforts in relation to energy efficiency have not specifically addressed the situation of small companies and micro businesses, and their impact on these businesses is not known.

2.1.2 In this context it should be noted that in its opinion of 1 October 2009 ⁽¹⁾ on *Enhancing energy efficiency policies and programmes by end users*, the EESC recommended that efforts to systematically involve end users, including small businesses, be stepped up, by: (1) strengthening the sectoral dimension of European Union policies, (2) simplifying European energy programmes, (3) analysing the impact of energy efficiency policies on end users, including SMEs, and measuring the results achieved by them, and (4) introducing at EU level an expert task force and network of independent bodies promoting energy efficiency for end users, particularly SMEs and the craft sector.

2.2 Subject of the opinion

2.2.1 The EESC considers it essential to address the subject by building on the approach of the Small Business Act and the principle of 'Think small first', which is the basis for the debate on and framing of European Union programmes and policies. This opinion focuses on the impact of European Union energy policy on small companies and micro businesses, which account for 92 % of businesses in the EU ⁽²⁾.

2.3 Framework and scope of the opinion

2.3.1 The aim of this EESC opinion is to provide some basic ideas that will encourage the European institutions to take SMEs, and especially small and micro businesses, into account in future European Union policies. The opinion will not address the issue of 'greening' jobs, but it will look at measures to support employees, and also examine the context in which companies must adapt energy policy priorities.

3. General comments

3.1 General impact of energy policy on small businesses

The EESC notes that the objectives of EU energy policy can provide certain types of SME with substantial opportunities

for development and thus job creation. In this context, small businesses and micro businesses find themselves in one of four different situations with respect to energy policy.

3.1.1 **Energy users:** Most small companies and micro businesses face four problems: (1) they are not yet aware of the advantages of more rational energy usage, (2) they do not measure the impact of energy-saving measures on their activities and employees, (3) they do not know what choices to make and with whom to implement them, and (4) they lack financial means for their eco-energy investments, and the payback time on those investments is also too long.

3.1.1.1 The lack of information is due especially to the fact that, because of their size, such companies do not have staff in-house who are experts in energy and environment issues.

3.1.1.2 The problem of return on investment: investment in reducing energy consumption can be very expensive, while the short-term returns may be very low. In most cases costs cannot be shifted to production or service activities, and the energy savings achieved will only offset the investment in the very long term.

It often takes more than five years to see a return on investment, which is a disincentive for small companies.

3.1.2 **System installers:** these are companies that install products or systems or provide maintenance services to enhance or rationalise energy usage. They play a role in popularising eco-energy techniques among consumers. Activities that are particularly relevant here include:

3.1.2.1 *Construction*, with the introduction of systems for eco-construction and use of eco-energy products, or installation of renewable energy systems; small businesses installing innovative products report that insurance companies are reluctant to give them the necessary guarantees, e.g. ten-year guarantees, on the grounds that the long-term stability and efficiency of the product have not been proven. This hesitancy will slow the introduction of eco-technologies for consumers.

The EESC recommends that: (1) training programmes be developed for professionals in the construction sector on new eco-construction techniques, eco-materials, and new ways of evaluating the energy performance of buildings, (2) insurance costs be reduced by introducing a funding or other type of instrument at European Union level that would reduce the cost of the risk for insurance companies.

⁽¹⁾ OJ C 318, 23.12.2009, p. 39.

⁽²⁾ In 2007, of over 20.104 million companies in the EU-27, 18.16 million were micro businesses (fewer than 10 employees), 1.49 million were small businesses (10-25 employees), 303 400 were medium-sized businesses (26-250 employees), and 159 000 were large companies (over 250 employees). Micro businesses account for 30 % of all jobs, small companies for 21 %, medium-sized companies for 17 % and large companies for 33 %. Source: EIM Business & Policy Research, EUROSTAT.

3.1.2.2 *Services relating to the installation and maintenance of energy-saving equipment for individuals or companies.* SMEs in this sector compete directly with the major energy producers operating across each country through structures that are directly created and controlled by themselves. These small businesses are totally dependent on the large groups that control them and are more interested in selling traditional types of energy than in improving the energy efficiency of their clients.

The EESC: (1) considers that European and national authorities should oversee this market in order to ensure full transparency and avoid any abuse of a dominant position; and (2) calls for training programmes to be developed for SMEs in order to strengthen their role in motivating and advising individuals and businesses.

3.1.3 ***Small companies that develop and make energy-saving products*** are particularly innovative in the sustainable equipment and materials sector.

3.1.3.1 In practice, small innovating companies face numerous difficulties in developing, patenting (European patent?) and marketing their products. They often find themselves in a situation where large groups or industrial laboratories have a virtual monopoly of the market, as well as having to deal with increasingly complex certification systems which ultimately stifle innovation and effectively deny access to the innovation market for small companies.

3.1.3.2 The EESC recommends a number of measures here:

- introduction of a European Union plan along the lines of the Small Business Innovation Research programme in the US to help the intermediary organisations of small businesses⁽³⁾ to identify eco-energy innovations, support their development, certification and patenting, and facilitate access to the market;
- creation of a flexible, easily accessible financial instrument to support innovation in sustainable material and equipment with zero- or very low-interest loans;
- introduction of simplified, impartial and accessible techniques for standardising and certifying eco-energy innovations of small companies and monitoring to ensure that standardisation and certification are not used to erect barriers to entry to energy efficiency markets. This could be avoided by requiring an impact assessment for every harmonised EU technical standard before its definitive adoption.

⁽³⁾ According to the Member States, the intermediary organisations of small businesses include: chambers of craft industries, chambers of commerce, sectoral organisations and business associations. Public authorities recognise the representative nature of these bodies, which support all businesses in their region and mount coordinated and joint efforts on their behalf.

3.1.4 ***Small energy-producing companies: the case of microgeneration***

3.1.4.1 This is an underestimated option, but one which is being developed in many Member States. Microgeneration is an alternative energy production method where power stations can use renewable sources at local level. It is particularly suitable for small companies, since it permits a more rational use of energy, which (1) reduces overall costs, (2) guarantees energy supply even in the event of power cuts, (3) boosts the level of energy produced within the EU, (4) helps combat global warming, and (5) encourages the creation of local jobs.

3.1.4.2 The EESC calls on the Commission to frame a legislative and practical framework that would promote wider use of this system by encouraging the Member States to remove the various obstacles that block its expansion. Specifically, the Commission should: (1) analyse existing practice and promote better practice, (2) include microgeneration and its development in the measures that can be financed through the Structural Funds and the various rural development funds.

4. Specific comments

4.1 *Absence of a permanent forum for dialogue between the European institutions and organisations representing different categories of SME*

4.1.1 The EESC is pleased that the European Commission is engaging in dialogue with representatives of SMEs. However, at the moment, no formal strategic mechanism exists specifically for small companies and micro businesses⁽⁴⁾. This omission has three negative effects:

- it makes it impossible to know whether existing or future initiatives are suited to small companies;
- there is no information about the level at which initiatives are implemented, and this will be difficult to establish if the current broad-brush policy approach is maintained, which is out of touch with concrete situations;
- while many Member States have taken measures in coordination with business organisations, there is a lack of awareness of the measures involved, which makes it impossible to learn from good practice and from successes or failures.

⁽⁴⁾ The European Council of 23 and 24 March 2006 asked that all types of SME be taken into account and that priority be given to small companies by making the principle of 'think small first' the guiding principle for all relevant European Union or national legislation.

4.1.2 The EESC does not deny the usefulness of business panels, but these can never be a substitute for the experience of general intermediary organisations, such as chambers of commerce and craft industries, and sectoral organisations, which talk to companies and give them individual advice that is specific to their situation. It is essentially with these intermediaries that the Commission should set priorities.

4.1.3 The top-down, excessively broad-brush approach at European Union level will result in decisions that cannot be implemented. The EESC recommends a new culture of cooperation based on a bottom-up approach, in line with the Small Business Act for Europe. One priority measure should be to set up a forum – both at European Union level and in the Member States – for dialogue between public authorities and business organisations (especially those representing small companies and micro businesses).

4.2 *Lack of information on the impact of European programmes on micro businesses*

4.2.1 Several European Union programmes exist to promote energy efficiency in SMEs in general. The EESC notes that there is no information on the impact of these programmes on small companies and micro businesses and that no study at European level has reported on the benefits to them. This lack of information is unfortunate, firstly because it means there is no information on best practice and no guides to good practice can be drawn up, and also because it prevents the Commission from proposing programmes and measures adapted to the circumstances small businesses face.

4.2.2 The EESC calls on the Commission: (1) as soon as possible to carry out an independent analysis of the impact of the programmes on SMEs, and in particular on small companies and micro businesses, including an analysis of problems experienced, (2) to draw up a guide to best practice.

4.3 *The crucial role of local and regional authorities*

4.3.1 The fight against climate change and management of energy consumption must become key priorities of future territorial cohesion policy. Local and regional authorities are key players in local climate plans and active supporters of innovation, including innovation in energy-saving, based on regional clusters, innovation poles and resource centres, which are also designed with small companies in mind.

4.3.2 However, administrative and local authorities are often unaware of the constraints and needs of different categories of SME.

The EESC calls on regional decision-makers to introduce or step up consultation with the economic and social partners at regional level on energy efficiency and to make energy

management measures, for instance in micro businesses, a priority for Structural Fund support. One priority of the ERDF should be providing information and training for owners of small companies and their employees, introducing or enhancing support services and advice provided by sectoral and intermediary business organisations, providing for easily accessible sources of financing and ensuring support on an individual or group basis for all types of innovation.

4.3.3 The EESC is concerned about the very weak contribution of the Structural Funds to small companies, only 1-2 % in certain regions, which is due partly to inappropriate administrative and financial requirements. It seems that the way the Structural Funds are currently managed makes it impossible for such companies to benefit as they should. The EESC calls on the European Union institutions and the Member States to work out the necessary simplifications with SME organisations, especially those representing small companies and micro businesses.

4.4 *Problems in raising investment financing*

4.4.1 The majority of SMEs face serious financing problems for their investment in more rational energy usage and eco-responsible production. At the moment, banks are not always keen to finance such projects owing to the low sums involved (EUR 20 000-25 000) and absence of specialised staff to evaluate these projects, which are regarded as risky.

4.4.2 Obstacles to support under European Union programmes: although a number of European Union programmes may be of interest to SMEs, small companies and micro businesses actually have no direct access to them. SMEs have to take part in group projects arranged by intermediary organisations. But here too, the administrative and financial requirements, and frequent lack of understanding among the Commission's initiating departments of the situation of small companies and micro businesses, too often result in proposals being rejected.

4.4.2.1 The EESC notes here that reining in European government budgets hampers the economic and social activities of ordinary people and small companies, and effects regional employment levels. It calls on the Commission to initiate a general discussion of this issue in the context of revising the financial regulation.

4.4.3 The EESC calls for investment financing to be simplified and systems at all levels of investment support to be streamlined. Several steps should be taken:

— facilitating access to EIB and EIF funding for mutual banks, neighbourhood banks and other financial institutions to fund investment in energy rationalisation projects;

- enhancing bank guarantee systems for SMEs so as to promote this type of investment and establishing a risk guarantee system to enable insurance companies to cover eco-energy investments;
- encouraging the use of microcredit for low-cost investments and training the staff of neighbourhood banks to objectively evaluate the projects presented by SMEs;
- revising European Union financing rules so as to relax or adapt requirements and re-introducing exploratory awards and feasibility bonuses;
- stepping up the introduction of energy efficiency contracts by ESCOs (energy service companies), especially for micro businesses.

5. A policy to promote support and advice

5.1 *Information and training*

5.1.1 The provision of information to all businesses must be a priority of the European Union action programme, but this information must be targeted, adapted to the sector concerned, and disseminated through all channels of communication, in particular business organisations. Information campaigns have already been conducted by the authorities and intermediary and sectoral organisations in several Member States. This objective can be achieved through:

- an EU-level information campaign conducted via national and regional organisations, with a guide to best practice being drawn up;
- providing support for the sectoral information campaigns of professional organisations;

- setting up or consolidating ‘one-stop shops’ for the environment and energy in the local authority closest to the company;
- providing support for recruitment of environment and energy advisers in intermediary organisations at regional level.

5.1.2 Adapting to sustainable development means that training company owners and ‘greening’ jobs must become priorities. The EESC calls for part of the European Social Fund to be specifically earmarked for training the managers of small companies and micro businesses and their staff in energy efficiency.

5.2 *Support and advice for companies*

5.2.1 For small companies and micro businesses it is individual support that can make it possible for energy-efficiency policies to be implemented effectively. Local authorities in several regions provide support, directly or through the Structural Funds, for independent auditing services and energy advice to companies.

In the EESC’s view, the priority here should be to introduce or support setting up independent diagnostic services (energy counselling and auditing), for instance in business intermediary organisations and sectoral organisations.

5.3 *Introducing a tax incentive policy*

5.3.1 In order to encourage small companies to invest in improving the energy efficiency of their activities, the EESC calls on the Member States: (1) to provide incentives for physical investment and investment in counselling, audits and training, (2) to make small companies investing in energy-saving eligible for the national financial incentives already granted to individuals.

Brussels, 14 July 2010.

The President
of the European Economic and Social Committee
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