Mid-term Review of the EU Multi Financial Framework (MFF) – An Opportunity to Speed up the Energy Transition

To be able to meet international, European and also national energy and climate targets, enormous efforts by all stakeholders will be vital. The energy system is in a state of upheaval and technologies and systems for future energy systems are still partially in development phase. Our industry will need every support when it comes to developing concrete and successful business models and market offer based on research results. E-business has an important role to play in the transformation of the energy system. Renewable electricity (hydropower, wind power, photovoltaics and biomass), and the industrial use and feed-in of renewable gas (e.g. green hydrogen, biomethane) into the natural gas grid will increase energy independence and make the decarbonization of other sectors possible.

Oesterreichs Energie members are fully engaged in future-oriented topics along the entire energy value chain. Austria is number one in the European Union in the generation of electricity from renewable energy. In order to be able to continue to guarantee this despite the cruciality of high security of supply, an increasing share of volatile energy generation from renewable sources and the need to maintain affordable prices for customers, clear incentives are needed for the implementation of CO2-reducing technologies. Ambitious expansion targets must be implemented within less than ten years in order to achieve the goal of 100% electricity from renewable energy sources. This time frame is very short in electricity industry terms and goes hand in hand with massive changes in the electricity system. The higher volatility of renewable energy generation poses challenges and requires investments to guarantee high supply security and affordable prices for customers.

Key Requests

- At least 30 % of the total budget should be reserved for climate-relevant projects
- Full costing of infrastructure across all EU programmes should be permitted
- Annual calls with the same topics should be strengthened for long-term planning of major projects
- There is a need to assess whether EU funding programmes sufficiently cover infrastructure projects and, where appropriate, bridge the current funding gap for projects of this type
- EU funding calls and programmes should remain technology-neutral and flexible

Recommendations for EU Funding Policy and Work Programmes from 2025-2027

1. **There has never been a more crucial time to ensure EU Funding Programmes are fit for purpose.** The climate crisis, rising energy prices and the war in the Ukraine, in addition to the swift implementation of REpowerEU, must steer future funding topics and the EU-budget from hence on.

2. We support the implementation of the EU Budget in line with Green Deal priorities to achieve the EU ambition of becoming the first climate neutral continent by 2050. Thematically many activities of Wiener Stadtwerke are therefore covered by EU Funding Programmes. We urge the Member States, the European Parliament and the European Commission to, **as a minimum maintain, and ideally increase, current EU and national funding levels for Green Deal priorities**, particularly in the field of energy, to support cities and regions in their own ambitions to become climate neutral and to phase out their dependency on gas. A key ambition of the European Commission in the implementation of the Green Deal is a sound cohesion policy and the implementation of a Just Transition mechanism. New key technologies in the electricity sector also have positive effects on social sustainability, especially in view of its role as a long-term and secure employer providing green jobs of the future and its important role in the provision of affordable energy.

3. The European Green Deal sets the objective of creating new markets for climate neutral and circular products. The new Industrial Strategy for Europe further elaborates that "to lead this change, Europe needs novel industrial processes and more clean technologies to reduce costs and improve market readiness". EU Funding Programmes should continue to fund green and digital transformation technologies. However, it is crucial that European Funding offers **flexibility in the choices of technologies** used in a project and we would argue **against any stipulations in funding calls** regarding the use of specific technologies.

4. In addition, to tackle the climate crisis, Europe needs to implement new green and renewable energy by 2030 to increase the uptake of renewable energies. To this end we call for more funding for demonstration projects across all funding programmes, the easing of EU-funding rules to enable full-costing of infrastructure, notable in Horizon Europe and an increase in budget for all infrastructure programmes.

5. It is essential that a comprehensive mapping of funding topics at national and EU-level is undertaken to identify eligible funding activities currently not covered by any funding schemes and to identify topics which are adequately covered by multiple funding schemes. This will ensure the added-value of European funding and national funding programmes, potentially free up budgets and guide the development of future funding programmes (e.g. Social Climate Fund, EU funding programmes post 2027, RFF Programmes).

6. We strongly support the selection of EU projects on the basis of peer review and commend the European Commission as a beacon in this respect. The overarching aim is to maximize the impact of EU projects. In this respect, we consider it necessary that projects address burning topics at the right time. In order to ensure this, the expertise of evaluators who directly and indirectly assess the thematic impact is essential. We call on the European Commission to mobilize and incentivize potential reviewers. Companies should be approached to motivate their employees to make themselves available as evaluators so that valuable know-how from development work can flow into the evaluation of project applications.

Recommendations for EU Funding Rules and Regulations

7. We would urge the European Commission, working with the European Court of Auditors, to continue its drive to simply European funding rules, the application process and implementation requirements. This is particularly relevant for the Horizon Europe and Interreg Programmes.

8. Despite detailed risk and contingency planning, large scale projects and projects with a longer duration can be confronted with unforeseen hurdles. Examples of these include: energy prices, inflation, delivery times and supply chain issues and political changes. We call therefore for more flexibility with regards to EU project implementation and more acceptance of changes to the planned project. Our recommendations would include allowing for additional, and changes to, locations when rolling out 100s of e-charging stations, project-length extensions, changes in suppliers and in specific cases, limited additional budget.

9. We witness currently a mismatch in timing between funding calls and large-scale infrastructure and demonstration projects. These types of projects require years of pre-planning. Municipal infrastructure companies are generally unable to apply for funding for projects within three to five months, as they need to obtain permits, to undertake feasibility studies, obtain sign off from supervisory boards or from city governments and to engage communities and ensure their support for the project. We see a number of solutions here. Reoccurring funding topics (such as with the LIFE or Horizon Europe Programmes) and few changes to annual calls (e.g. Innovation Fund) help municipal infrastructure companies to plan funding applications and to develop high quality, low-risk, large-scale projects. The 2023 and 2024 Work Programmes were published in December 2022. It was disappointing to find that many Innovation Actions including demonstrations projects had deadlines in March and April 2023. 3-4 months is not a realistic time plan to submit a serious project of this type and we would strong urge the European Commission to refrain from this practice in future.

10. In the spirit of circularity, we also call for the eligibility of upgrading, repairing and maintenance costs across EU infrastructure programmes, rather than uniquely focusing on new build.

11. In principle we welcome the 2022 Prague Declaration, particularly with regards to removing barriers to participating in EU-funded projects (including simplification of the rules) and to intensify the coordination and cooperation during the early programming phases within the European Commission and with Member States. We emphasise again the need to ensure current gaps in funding for certain activities are covered.

12. However, we are against introducing more schemes where private investments must be leveraged as co-financing (e.g. AFIF). It is the case that public bodies and municipal companies are sometimes legally not allowed to receive private investment, making equity financing and loans simply not possible. In addition, strict ESG rules and private investors being on the whole risk-averse means that more often than not large-scale infrastructure projects are not attracting private investment.

13. Whilst the GBER has been updated, there is still much confusion at EU-level about state aid cumulation and combining different national and EU funding schemes to fund large individual projects. Therefore, many potential beneficiaries are not looking at synergies and only focusing on one funding programme. We strongly urge the European Commission to provide more guidance and support on how organisations can combine funding and remain state-aid compliant.

14. Whilst synergies between Horizon Europe projects and the Innovation Fund are being explored, we would be very much against budget ringfencing within the Innovation Fund to support the scaling up of Horizon Europe projects. Many organisations have in-house research departments or use national funding to prepare the technological feasibility of Innovation Fund projects. Such a scheme would disadvantage these projects.

Horizon Europe Programme

15. Horizon Europe has moved towards funding large-scale projects addressing specific challenges and mission-oriented projects. Whilst we understand the motive behind this, namely ensuring sufficient impact of the project, this approach is deterring many end-users, especially companies, from participating in projects, let alone coordinating them. Huge partnerships are now required to apply for projects and there is a wide-spread perception that the Framework Programmes are too complicated. This is particularly problematic for Cluster 3, where end-users are obliged to be part of the Consortium. We would ask the European Commission to make an early review of the impact of funded HE projects and based on this, consider funding smaller projects with smaller consortia, to encourage new and non-academic applicants to apply.

16. We also call for the development of additional EIC schemes which fund projects which are neither based on previous EU-projects nor target SMEs and Start-Ups. We believe that by doing so, many more potential innovators could be funded and markets created.

17. **We urge the European Commission to include more Innovation Actions and increase funding for demonstration and pilot activities (>TRL 5) in Horizon Europe.** We believe that this will increase the participation of non-academic applicants and **lead to**

the faster implementation of critical technologies**. We believe that every RIA project should also include real-life and out of the lab testing of new technologies.

18. We welcome the shortening of time-to-grant. We ask the Commission to continue to work towards shortening T-T-G, especially where critical technologies with the potential to hugely impact the EU's climate neutrality objective and our dependency on gas.

EU Innovation Fund General

19. We very much welcome the management of the Innovation Fund Programme. We particularly appreciate the analyses of the small-scale and large-scale calls, the approachability of Programme Managers and the number and type of support workshops organised. We believe this encourages good-quality applications.

20. However, it is hard for many actors to develop projects of over 100 million EUR CAPEX, particularly municipal infrastructure companies, city governments and SMEs. We therefore call, as a minimum, for the mid-size pilot scheme to be continued after the 2023 pilot call.

21. The new ETS regulation foresees further eligible fields. It is essential that CINEA clearly defines the types of projects which should be submitted, to avoid low success rates and unrealistic expectation. Given the extra scope (e.g. to the buildings sector) we would argue for Hubs for Circularity type scheme within the Innovation Fund or for the scheme to be transferred here from Horizon Europe.

EU Energy Programmes

22. We very much support the European Green Deal focus on the three key principles for the clean energy transition. However large-scale infrastructure projects (particularly in the field of district heating and geothermal energy) often cannot meet the requirements of EU funding Programmes, or indeed national ones. For example, cities are not often located at a border and therefore cannot adequately justify the requirements (namely beneficial to more than two Member States) of the CEF Energy Programme. Conversely, this slows down the nationwide expansion of green energy infrastructure. It is therefore important that the selection criteria for projects that are not located close to the border are eased. Urban infrastructure projects are rarely over 100 Mio EUR and the demonstration of CO2 avoidance is also not easy, thus making many projects not competitive in the Innovation Fund Programme. Horizon Europe funds mainly depreciation costs of infrastructure and projects of up to 5 years. The LIFE Programme funds projects up to ten years but only to a budget of 8-10 Mio EUR. **We would ask the European Commission and Member States assess the relevance of EU-funding Programmes for urban projects and bridge the current gap in funding for large-scale urban infrastructure projects.**

23. Energy storage systems have a crucial enabler function in the energy transition. Without the construction of new energy storage capacities, the planned additional (volatile) generation from wind and PV cannot be achieved. Pumped storage power plants are currently the most efficient way to store electrical energy on a large scale, but they are not

taken into account in funding programmes because they are limited to selected technologies (H2, battery). Significant innovation potential in established technologies with major leverage effects for the climate targets are thus excluded from the outset.

24. We therefore request that short- to long-term flexibility capacities necessary for the energy transition be included as a concrete goal in the course of the expansion of renewables and that they be reflected in the support systems in a way that is open to all technologies. This is the only way to provide the flexibility needed to achieve the expansion targets for wind and PV.

25. The importance of hydropower for the energy transition cannot be emphasised enough. In this regard, particular reference should be made to innovative hydropower plant concepts with multiple benefits. Through integrative planning approaches, ecological and economic added value can be created in the realization of hydropower plants, in addition to the generation of renewable energy. This is made possible by combining the construction of power plants with measures to improve the condition of water bodies and/or measures for CO2 capture and storage, or by using the power plant infrastructure several times over and thus achieving additional benefits in terms of critical infrastructure (energy, water, communication), flood protection and/or erosion control.

26. It is requested to adapt existing funding programs or to create new funding programs in order to enable the construction of pilot plants of such integratively planned hydropower plants with ecological and/or economic added value (the added value of renewable energy generation should be taken into account in funding programs with the objective of ecology/infrastructure and the added value of ecology/infrastructure in funding programs with the objective of renewable expansion).

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