

Baltic Sea Parliamentary Conference

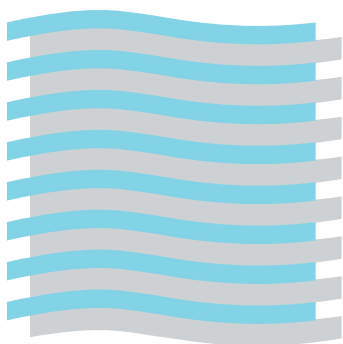
The BSPC Working Group on Green Growth and Energy Efficiency

**Final Report
August 2013**

Baltic Sea Parliamentary Conference

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Energy Efficiency
US 2013:415

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Text: Tryggvi Felixson and Jan Widberg
Editing: Jan Widberg
Layout: Erling Lynder
Photos: Jan Widberg
Copies: 250
Print: Rosendahls-Schultz Grafisk

Printed on environmentally-friendly paper
Printed in Denmark



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The Baltic Sea Parliamentary Conference (BSPC) was established in 1991 as a forum for political dialogue between parliamentarians from the Baltic Sea Region. BSPC gathers parliamentarians from 11 national parliaments, 11 regional parliaments and 5 parliamentary organizations around the Baltic Sea. The BSPC thus constitutes a unique parliamentary bridge between all the EU- and non-EU countries of the Baltic Sea Region.

BSPC aims at raising awareness and opinion on issues of current political interest and relevance for the Baltic Sea Region. It promotes and drives various initiatives and efforts to support a sustainable environmental, social and economic development of the Baltic Sea Region. It strives at enhancing the visibility of the Baltic Sea Region and its issues in a wider European context.

The Baltic Sea Parliamentary Conference is the annual general assembly in the Baltic Sea Region for broad political debate on Baltic Sea issues. The Conference resolutions are political tools which enables the BSPC to launch and sustain political initiatives, and to approach the governments and regional organizations on issues of common interest.

The BSPC has a number of working bodies at its disposal, which serve as resources for driving and implementing BSPC priorities and objectives. A Standing Committee is responsible for the follow-up of BSPC resolutions, for identifying and addressing issues within the BSPC field of responsibility, and for preparing the annual Conferences.

The BSPC Working Groups are political vehicles with the overall objective of elaborating joint political positions and recommendations on issues of common interest in the Baltic Sea Region. BSPC external interfaces include parliamentary, governmental, sub-regional and other organizations in the Baltic Sea Region and the Northern Dimension area, among them CBSS, HELCOM, the Baltic Sea Labour Forum (BSLF) the Northern Dimension Partnership in Public Health and Social Well-being (NDPHS), the Baltic Sea States Sub-regional Cooperation (BSSSC) and the Baltic Development Forum.



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Foreword

Enhanced and persistent efforts to promote and support green growth and energy efficiency are important steps on the road towards a sustainable society, in which economic growth, social welfare and environmental stewardship go hand in hand and are mutually reinforcing. There is no contradiction between growth and sustainability – provided that growth is managed in a manner that safeguards the natural assets and environmental services on which our welfare ultimately rests.

The BSPC Working Group on green growth and energy efficiency was launched by the 20th BSPC in Helsinki in August 2011. The overarching mission of the Working Group is to elaborate political positions and recommendations in the field of green growth and energy efficiency and to raise the political attention on these issues. The activities of the Working Group have spanned a broad range of initiatives and endeavours within the field of green growth and energy efficiency. The Working Group issued a first set of political recommendations in its mid-way report to the 21st BSPC in St Petersburg in August 2012. The final and consolidated political considerations and recommendations are found in this report, which also marks the conclusion of the Group's work.

There is a growing awareness of the need for a transfer to a more sustainable use of environmental services and for a long-term and ecologically based perspective on social development and economic growth. There is also a growing interest for measures to pro-



Foto: Fredrik Wernertund

Cecilie Tenfjord-Toftby

mote green growth and energy efficiency, by individuals as well as institutions and enterprises; by local communities as well as nations and regions. During the course of the Working Group's activities, we have witnessed many promising achievements to this end. However, the road goes on, and there is no time for complacency. We are convinced that more efforts are needed to further develop and implement financing schemes that support green growth and energy efficiency, to strengthen efforts to develop and apply green public procurement schemes, to develop common technical standards and building codes for green technologies, and to increase awareness in households and enterprises about the gains of green growth and increased energy efficiency – to pick a few examples.

I have had the great privilege and immense pleasure of chairing the Working Group, together with my Vice Chairman Tony Asumaa from the Åland Islands. It has been an enriching and educational journey, which has provided the Working Group with inspiring insights and valuable knowledge from the whole Baltic Sea Region. It fills us with confidence that activities are bustling and that the willingness and potential for cooperation on green growth and energy efficiency is high. I would like to extend my warm thanks to my colleagues in the Working Group for their firm support, steady dedication and invaluable contributions to the progress and results of the Group. My thanks also go to the Working Group Secretariat for its skilful preparations and follow-up of the Working Group's activities.

*Cecilie Tenfjord-Toftby, MP, Parliament of Sweden
Chairperson of the BSPC Working Group on
Green Growth and Energy Efficiency 2011-2013*

1. Political Recommendations of the Working Group

The BSPC Working Group on green growth and energy efficiency calls upon the Governments of the Baltic Sea Region and, where appropriate, the Parliaments of the Baltic Sea Region to:

- Further develop and implement financing schemes that support green growth and energy efficiency, at both national and regional level; develop legislation that facilitates innovative financing of energy efficiency measures.
- Build up capacity to give temporary public support that is necessary to promote the development of new green technologies; the support has to be designed in such way that it does not lock in certain technologies and crowd out private investment.
- Strengthen efforts to develop and apply green public procurement and adopt common criteria that can be applied in the region as a whole, in order to expand markets and open up for innovation.
- Cooperate to develop common technical standards and building codes for the region as a whole in order to enable economies of scales for green technologies, including a common green labelling scheme.
- Support efforts in the European Union to improve the functioning of the market for CO₂ emission trading (ETS) in order to internalise external costs.; furthermore, support in general efforts to internalise environmental cost and cut support to unsustainable production.
- Support efforts to connect national electricity grids, which will facilitate investments in renewable energy production and contribute to energy supply security.
- Facilitate development and investment in infrastructure for delivering ecologically friendly fuels, such as LNG and CNG, to ships.
- Make efforts to increase awareness in households and enterprises about environmental consequences of current unsustainable patterns of production and consumption, and about the potential for improvements through green growth and increased energy efficiency.

Core Messages to the 22nd BSPC Resolution

- Public awareness, in households as well as enterprises, is a prerequisite for broad support for green growth and energy efficiency. Governments in the Baltic Sea Region, in cooperation







Helsinki 2 March 2012

with local authorities, NGOs and other stakeholders, need to strengthen efforts to create awareness about how green growth and energy efficiency can support well-being in the region.

- Common standards and building codes are required to create a larger market for new products and innovative solutions that support green growth. Through green public procurement (GPP), governments can release the business potential in new and innovative solutions. The governments in the Baltic Sea Region should strengthen cooperation for developing common technical standards and building codes, as well as common criteria for GPP.
- Connecting national grids will facilitate investments in renewable energy production and contribute to energy supply security. The governments in the Baltic Sea Region should support and strengthen efforts by the national grid operators to improve the connections of national grids across borders.
- Investment in infrastructure, businesses and buildings is greatly needed in order to exploit the potential for energy efficiency and green growth at national, regional and local level. The governments in the Baltic Sea Region need to further develop and implement financing schemes that support green growth and energy efficiency, and to develop legislation that facilitates innovative financing of energy efficiency measures.

2. Background

About 85 million people live in the Baltic Sea catchment area, according to HELCOM. Together, they could become a very important player in the field of green growth and energy efficiency. They have the potential to transform their conventional economy to a green one, in which production and consumption is carried out in an environmentally sustainable manner. They also have the potential to foster eco-innovation and increase energy efficiency by 20–30%, and still maintain profitability in their industries. Stringent and persistent policies are needed to realize this potential. A joint green growth and energy efficiency vision for the BSR could be an effective lever in such a process.

Green growth should combine economic development and environmental sustainability, and support social sustainability. As interest is growing, both among the public in general and industry, in green growth and energy efficiency, it is timely, topical and motivated to strengthen parliamentary involvement and influence on these matters. Therefore, the Baltic Sea Parliamentary Conference, in August 2011, decided to establish a Working Group on green growth and energy efficiency. The WG delivered a mid-way report to the 21st BSPP in August 2012, including a number of policy recommendations¹.

What is Green Growth?

As a useful point of departure, the Working Group agrees with the definition of green economy presented in the OECD report on green growth from 2011²: “Green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. Together with innovation, going green can be a long-term driver for economic growth, through, for example, investing in renewable energy and improved efficiency in the use of energy and materials.”

Resource Efficiency

Resources are limited and, with the projected rise in world population from the current 7 billion to 9 billion in 2050, the use of natural resources is expected to rise. Resource efficiency is therefore a key to securing growth and jobs in Europe. The use of materials

1 Mid-Way Report with Political Recommendations of the BSPP Working Group on Green Growth and Energy Efficiency, 20 August 2012.

2 Towards green growth. A summary for policy makers, OECD, May 2011.

has to be reduced and waste minimised. This can only be achieved through improved resource management, changes in consumer patterns and improved production processes. New logistical solutions are also needed. The key to all this is technological innovation and awareness raising.

A successful implementation of green growth will boost economic performance, create many new opportunities for businesses around the Baltic Sea, increase security in the supply of essential resources, and support the efforts to curb dangerous climate change.

Energy Efficiency – the Key to Green Growth

Issues relating to energy efficiency have a central significance, and need much emphasis. The cost of energy is rising and is expected to rise further in the years to come. Access to affordable energy is very important for facilitating growth and prosperity in the Baltic Sea Region. The cheapest energy is the energy that is saved through measures that increase energy efficiency. The Working Group is of the view that measures to improve energy efficiency are of utmost importance for continued green growth in the Baltic Sea Region. Energy issues are also a crucial factor in the ongoing global debate on climate change.

Energy efficiency is the key component in EU's Road Map 2050 directive³. In its mid-term report in August 2012, the Working Group recommended binding national targets for energy efficiency that take into account the specific conditions in the individual countries. This is in accordance with the position of the European Parliament. The Working Group advocated that member states, in addition to what is specified in the newly adopted EU directive, develop and implement measures that are needed to achieve the binding targets. Binding targets and binding measures should not be seen as mutually exclusive solutions.

The development and implementation of EU policies for promoting energy efficiency is of utmost importance for creating a level playing field and promoting cooperation. The Working Group agrees that the EU should set uniform methods and rules for measuring energy efficiency and its impact.

3 The document describes the EU goal to reduce greenhouse gas emissions by 80% by 2050 compared to 1990, as decided in 2009.

Many Obstacles...

In a survey of the opinions of the Working Group members concerning obstacles for the implementation of energy efficiency measures, it was pointed out that high investment costs and insufficient funding are seen as obstacles to the application of economic energy efficiency measures, both with regard to consumers as well as the energy providers. At the same time, companies consider the pay-back periods as being too long. Also, a lack of information and knowledge about energy efficiency measures on the part of the small end consumers is identified as hindering the development of an energy efficient economy. The context of the measures is important; for instance, financial constraints can stem from vastly different developments: while in some countries limited financial means impede extensive action, others have already undertaken significant efforts to boost energy conservation measures, thereby making further, separate measures uneconomical. Geographical distances and population density are also important when it comes to identifying energy-efficient solutions in the transport sector.

... but also Important Accomplishments

The survey among the members of the WG also showed that there are several examples of successful measures in breaking down obstacles and thereby promoting energy efficiency. Besides relevant EU directives and funds in the area of energy efficiency, many member states have drafted their own national or regional legislation to promote and support energy efficiency measures. Subsequent information campaigns range from broad initiatives aimed at raising awareness to concrete support and advice programs. With regard to the private buildings sector, some countries have introduced energy certificates, which have led to significant energy efficiency improvements in single-family detached houses. In terms of funding, measures include economic incentives in the form of tax breaks as well as subsidies for energy-efficient measures.

3. Challenges and Opportunities for Green Growth and Energy Efficiency

3.1 Vision and Strategies

The move towards a green economy is high on the global agenda, as was clearly formulated in the final document at UN Conference on Sustainable Development in Rio de Janeiro in 2012 (Rio + 20), “The Future We Want”. The greening of the economy is relevant for all economies, irrespective of size and organization. It can be viewed as a natural continuation of Agenda 21, which was adopted in Rio de Janeiro 1992 and had a noteworthy effect on policy development in all parts of the world.

Green growth is an instrument for the greening of the economy and promoting sustainable development. The concept can be applied at global level as well as at local and all intermediate levels. The transition is already underway. Some states have made significant advances; others have been more reluctant to promote green growth. However, the Working Group has not noted any fundamental disagreement about the need to make the green transformation.

From a national perspective, green growth is a path that generates new jobs, improves efficient use of limited resources, reduces pollution and improves living conditions for the public at large. From a regional perspective, such as the Baltic Sea Region, green growth is an instrument for closer cooperation, sharing relevant knowledge and experiences, reducing barriers to trade, improving the environmental status of the Baltic Sea and improving air quality. For the world, green growth is about sustainable growth in a world approaching its resource limits.

3.2 Challenges

There is a wide support for the “greening of the economy” at local, national, regional and global level. However, the transition from the current economic paradigm to green economic growth and energy efficiency faces a number of obstacles, which will be overcome with time. The negative consequences of current consumption patterns and production methods pose a serious threat to our society’s long-term well-being and existential basis. The transition to a greener economic paradigm is therefore too slow. The question is what can be done to increase the speed of progress?

The Working Group sees four types of obstacles: political/legal, economic, vested interests, and perception and tradition.

On the political/legal level, lack of predictable and regulatory certainty for businesses is an obstacle. Many investments are based on stable long-term rate of return, in particular in the energy sector where the payback time can be over 25 years. Furthermore, there are subsidies that support unsustainable solutions. Uncertainty about property rights can also hinder much-needed investments. Technical standards and building codes are often based on old technologies, and so hinder the use of innovative technologies. Lack of common standards across state borders makes it difficult to benefit from economies of scale.

On the economic level, there is a lack of positive economic incentives to shift to greener solutions, because environmental costs are frequently not or only partially internalised. The lack of financing of high upfront investment costs that yield positive rates of return in the long run can be an obstacle to investments by small and medium-size enterprises. It can also hinder improvements that would have both economic and environmental benefits in residential housing. Lack of human capital with the necessary technical skills may also hinder progress.

Vested interests can be a real obstacle to the green transformation. Those who base their livelihoods on unsustainable production methods are reluctant to support development that may not benefit them, at least not in the short term.

Perception and traditions derive from times when natural resources were viewed as almost unlimited and economic growth a law of nature. They prevent the recognition of the limits of resources and the importance of maintaining healthy ecosystems that provide societies with many important services, such as clean water and air.

3.3 Measures to Support Green Growth and Energy Efficiency

Green growth and energy efficiency can be achieved through improved resource management, including reduced pollution and increased productivity, where long-term benefits replace short-term profits. Innovation is imperative. New and green solutions must replace old and unsustainable habits. However, it is important that policies are technology neutral to prevent preclusion of potentially efficient solutions.



The Working Group sees several categories of measures that could be deployed to support and nurture the growth of green growth and energy efficiency initiatives and projects:

- Awareness-raising
- Economic incentives
- Standards and labels
- Financing schemes
- Green public procurement
- International cooperation
- Research and development



Berlin 12 October 2012

Awareness-raising

The green transformation needs broad public support. Awareness by businesses and the public at large is essential. The members of the Working Group have provided a number of examples of awareness-raising actions.

In its mid-way report in 2012, the Working Group recommended improved information about green growth and energy efficiency. The recommendation stated that there is a need to provide consumers and businesses with concrete knowledge about and advice on the mid- and

long-term gains from energy efficiency measures, both in saving energy costs and in providing business opportunities.

There is a broad agreement that existing opportunities for increasing energy efficiency are not fully exploited. There is a need to provide consumers and business with more information about potential gains from energy efficiency. There is a need to continue the work on common energy labelling, based on life-cycle analysis, and to disseminate and exchange information about best practices. Non-governmental organizations (NGOs) play an important role in awareness-raising and should be supported in this work.

Examples of best practices:

- The Centre for Renewable Energy (Landeszentrum für Erneuerbare Energien) in Neustrelitz in Mecklenburg-Vorpommern (Germany) is working to inform the wider population through interactive and modern exhibitions. Businesses can also present their products and solutions in the centre.
- The island of Samsø in Denmark has been working since 1997 to become a “renewable energy island” and a demonstrator for renewable energy technologies. The ambition is to become 100% fossil-free by 2030.
- On the island of Bornholm, with a population of some 40 000 people, 10 000 house owners will be visited in 2013 and 2014 in order to explore the potential for energy efficiency measures in their homes. See www.brightgreenisland.com
- In Hamburg, a WWII bunker has been converted into an “energy bunker” as a showcase for the public, and a former toxic waste dump has been converted into an “energy hill”, exploiting wind, sun and gases for energy production.
- Since 2009, Mecklenburg-Vorpommern has been conducting coaching sessions in bio energy villages. The municipalities receive support on awareness-raising as regards the use of renewable energies. By now, the drafting of a code of practice on bio energy villages, sustainable use of land, financial issues, the involvement of citizens, information sharing etc. has been at the centre of attention. The program also involves the recruitment of new actors as well as detailed problem-solving (problems, questions, experiences) during the implementation period (investments, construction, operation of facilities).

Economic Incentives

Businesses and consumers respond to prices. Policies that provide economic incentives to use natural resources efficiently and that

make pollution more expensive have proved effective. The responsiveness of businesses and consumers to price signals can be strengthened through information-based measures. Information is needed to highlight the consequences of environmental damage caused by specific activities, as well as the availability and benefits of greener alternatives. Economic incentives can be supported with non-market instruments such as regulation, technology support and voluntary approaches.

The Relevant Price as an Incentive

Energy pricing might be a hurdle for energy efficiency and renewable energy if the price for energy does not fully reflect the production costs, including external costs. A general observation is that high energy prices entail strong energy efficiency incentives, and vice versa. A case in point could be Germany or Denmark, where energy prices are high, and where extensive efforts are made to promote energy efficiency. Price transparency is also a prerequisite for energy efficiency.

Energy prices in Europe can be affected by developments in energy supply in other parts of the world. The recent increase in gas supply in the United States has reduced the demand for coal in the US, but has subsequently increased exports of coal from US to the EU⁴. This is also due to the low price of CO₂ emissions in Europe. The consequence is that less-polluting energy sources are being replaced by coal, which conflicts with the road map for EU energy policy. To avoid such a development, the external costs of energy need to be reflected in the energy price. This is another argument for the need to amend the ETS system.

Standards and Labels

There should be clear and coherent standards and labelling for energy efficiency compliance, for instance on household appliances. It should be obvious how much energy (and money) a customer saves when buying an “energy efficiency compliant” gadget. The life-cycle perspective on energy consumption of a product should therefore be taken into account when assessing the energy efficiency performance of that product. Consequently, a common system for measuring improvements in energy efficiency is necessary.

⁴ It increased by over 20% from 2011 to 2012.

Examples of best practices

- The city of Växjö in Sweden introduced free parking for environmentally friendly cars and a subsidy to everyone who bought such cars, e.g. ethanol-driven cars.
- Some 20 years ago the Nordic Countries established a common eco-label, the Swan. The Swan has developed criteria for some 70 product categories and issued over 2 000 licenses to manufacturers who fulfil the criteria. Gallup polls indicate that the ecolabel is recognised by about 90% of the consumers in the Nordic Region as a sign of good quality and reduced environmental impact.

Financing

Funding for investments and projects is a crucial factor for promoting green growth and energy efficiency. The problem is not lack of funds, but rather constraints in allocating funds to the investment needed⁵. In the mid-way report in 2012, the Working Group concluded that many opportunities for economic energy efficiency measures, particularly in the residential housing sector, are unexploited because of financial constraints. It was recommended that Governments, banks and financial institutions, as well as power companies, should develop and implement innovative financing for energy efficiency investments.

The main investment will have to come from the private sector using private funds. A number of factors contribute to the gap between the economic potential for energy efficiency versus commercial achievements. These need to be overcome. The Working Group supports policies where public funds, such as Nordic Investment Bank, the European Investment Bank, the KfW (Kreditanstalt für Wiederaufbau), and the European Investment Fund, can be strategically applied for mobilising private sector funding. For the housing sector, innovative financing schemes for energy efficiency investments are needed. Furthermore, financing schemes should be tailored particularly for SMEs, which often lack the financial capabilities to acquire expertise on and implement energy effi-

5 The Secretariat compiled a questionnaire regarding the obstacles to and possibilities of energy efficiency, and the members of the WG gave written responses. According to the responses, high investment costs and insufficient funding across the board are listed as obstacles for the application of economic energy efficiency measures, both with regard to consumers and energy providers. Companies consider the amortization periods as being too long. In 2010, EU presented a report on energy efficiency financing, in which the capital market gap for energy efficiency financing was documented. The report included high pre-investment development and transaction costs, information failure and high perceived end-user credit risks as explanatory factors.



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ciency measures. The lack of bankable projects (feasibility study and business plan) is a major obstacle to progress. There is also reason to believe that the removal of specific legal barriers, for instance those that prevent energy companies or municipalities from collecting payments related to their customer's energy savings, could support progress.

Examples of best practices

- In Estonia, the most successful initiative to increase awareness and investment in energy efficiency is the KredEx-managed loans, guarantees and grants for housing associations for full-scale energy renovation. <http://www.kredex.ee/apartment-association/>
- In Germany, the KfW offers several financial support programmes for construction of energy-efficient new houses and for renovation of old buildings to higher energy efficiency standards. The interest rate for the subsidies is coupled to the efficiency aims www.kfw.de



Bornholm 10 June 2013

- On the island of Bornholm, a financing scheme for energy loans is being developed. It will enable households to borrow without collateral up to 200 000 DKK at 3.5% interest for energy improvements.
- Mecklenburg-Vorpommern is running a climate protection loan program (Klimaschutz-Darlehensprogramm) for energy efficiency and renewable energies. Eligible entities are, among others, bodies and institutions incorporated under public law. The program especially supports the storage of renewable energies, the usage of energy efficiency potentials and renewable energies, pilot and demonstration projects as well as the production of solar energy on municipal properties. With its directive for the support of climate protection measures (Klimaschutz-Förderrichtlinie), the state furthermore grants financial support to implement measures contained in the Land's Action Plan Climate Protection.

Create Markets through Green Public Procurement (GPP)

The public sector consumes goods and services that amount to 16% of GDP. This implies that as a big purchaser, the public sector can set standards that can change the behaviour of producers, and

initiate innovation. If possible, the public sector should use this leverage to a much greater extent than it does today. The EU should develop standards for environmentally sound and energy-efficient purchases in order to facilitate GPP and to support a level playing field for businesses. If the public sector in more than one state applies the same purchasing criteria for smart green technologies, a larger market will be created. This will enable businesses to exploit economies of scale. GPP has the potential to create new markets by stimulating demand for green technologies, both goods and services, with new job opportunities.

In the mid-way report in 2012, the Working Group recommended further use of green public procurement. The Group observed that contracts are too often awarded on basis of lowest cost, rather than the most economically advantageous tender based on life-cycle costing; this leads to an inefficient allocation of resources and losses for national economies. The Group referred to a proposal from the Commission that would, if adopted, open up for GPP, and facilitate access by SMEs to public procurement contracts, and promote life-cycle cost assessments and efficient use of resources.

Examples of best practices

- The Nordic Council of Ministers has developed a common set of GPP criteria for some products. By applying the same criteria for GPP in all five Nordic countries, the market will be enlarged. Producers could be expected to be more interested in meeting the criteria and competition would increase, yielding new solutions at lower price.
- All public institutions in Mecklenburg-Vorpommern, including colleges, universities and university hospitals, receive their electricity from renewable energies.

Enlarge Markets through Cooperation in the BSR

Many of the states around the Baltic Sea are small, so the national markets are small. Successful innovation requires access to large markets in order to exploit economies of scale. By introducing common technical standards, for instance building codes, barriers to trade will be reduced and the size of the market increased. Green solutions and best practices need to be disbursed across borders without delays, using the many existing cooperative arrangements. The accelerating diffusion of green technologies across borders will yield environmental benefits for the Baltic Sea Region as a whole.

In the mid-way report in 2012, the Working Group voiced support for BASREC (Baltic Sea Region Energy Cooperation) and the plan of work adopted by the Ministerial meeting in May 2012. The Group recommended that the plan should be fully supported and implemented in order to promote concrete measures for connecting the energy grids of the region and for using the limited energy resources of the region efficiently.

Research and Development

New technologies will have to replace old ones in order for green growth to succeed. In other words, innovation plays a key role in the transformation. Social and economic inertia can be so strong that it stops innovation with potentially large benefits. Many environmental externalities are underpriced and that makes innovation uneconomical⁶. Because of this, it can be very hard for new technologies to compete with existing technologies. Consequently, temporary public support is needed in certain cases. The support has to be designed in such way that it does not lock in certain technologies and crowd out private investment. As stated above, well-designed public procurement standards can be applied as an instrument in this context. Barriers to trade can also impede innovation, as described above.

- The Latvian company OSC built the world's first electric-driven 4×4 off-road rally car OSCar eO to compete in the 8400-km Dakar rally. The car was equipped with a single 235 kW / 800 Nm permanent magnet electric motor. See <http://www.dakar.com/dakar/2012/us/rider/maris-saukans.html>
- The demonstration and innovation project RH2-Werder/Kessin/Altentreptow in Mecklenburg-Vorpommern integrates a CO₂-free hydrogen storage facility within a wind park, allowing consumer access to wind energy on demand, regardless of time. With a total load exceeding 140 MW it belongs to the largest onshore wind parks in Germany. The project aims to demonstrate that regenerative power plants can make an active contribution to increased network stability.

⁶ The current price of CO₂ illustrates this very well. Many renewable energy sources are not economical and the effort to develop technologies that improve carbon capture and storage (CCS) has been limited by low CO₂ prices.

3.4 Sectors and Technologies with Great Potential

The green growth agenda is complex and involves many different sectors. Energy efficiency is a keystone for green growth. The Working Group has identified sectors and particular initiatives in the Baltic Sea Region that are considered to have great potential in the work to promote green growth and energy efficiency:

- Housing and buildings
- Transportation
- Electricity generation and markets
- Carbon capture, storage and re-use
- Smart electricity grids
- Waste

Housing and buildings

Almost 40% of final energy consumption in EU is in residential houses, public and private offices, shops and other buildings. Two-thirds of this is for heating. Through the application of existing technologies, large and economic energy savings are possible. This potential remains to be tapped. Some of countries around the Baltic Sea have made important advances, while others have hardly exploited this opportunity. Improved energy efficiency in buildings is the single most important opportunity for green growth. Some countries have gained useful experience in tapping this potential that other countries could utilize. The potential also holds business opportunities since energy efficiency measures will demand products and services, such as insulation installations.

In its Mid-Way Report in August 2012, the Working Group recommended concentrated and prioritized initiatives for energy efficiency in the building sector. It was pointed out that energy efficiency measures are most economically beneficial when they are an integrated part of housing production and housing renovation. The Working Group voiced support for certified energy classification of buildings. Furthermore, the Group recommended governments to take further steps to make energy efficiency a mandatory requirement in renovation projects, and to encourage the production of plus-energy housing. Finally, the Working Group stated that smart metering would enable consumers to better monitor and adapt their actual consumption, and energy billing should be made simple, transparent and accurately reflect actual consumption

Examples of best practices:

- According to KfW, about 39 million flats in Germany are in need of renovation. The average efficiency of these buildings is three times worse than the recent standard for new buildings. KfW has a programme for energy efficiency construction and rehabilitation. In 2011, 1 billion EURO triggered 12 billion EURO of private investment. Tax returns of these activities were 2.9 billion EURO. The investment resulted in 246 900 jobs for one year and reduced greenhouse gas emissions by 0.6 m tCO₂. <https://www.kfw.de/inlandsfoerderung/Privatpersonen/index-2.html>
- After the energy crisis 30 years ago, Finland took bold steps to increase energy efficiency in housing and can be considered a pioneering country in this field. However, more can be done. In 2010, a new initiative was started for Energy-Smart Build Environment (ERA17). The goal is to achieve the 2020 goal three years earlier, in Finland's centennial year, 2017. <http://era.17.fi/en/>
- The Nordic Build Charter has been developed, to push the limits of sustainable performance and to achieve zero emission over the building lifetime. Over 100 Nordic companies and institutions have signed the charter. <http://www.nordicinnovation.org/nordicbuilt/>
- In the city of Toruń (Poland), two geothermal drillings have been made in order to replace the CO₂-emitting coal-based municipal heating system with a CO₂-free geothermal system. This enterprise is economically feasible and runs without state subsidies.
- Several multi-storey buildings have been renovated in Cēsis (Latvia) in line with the ESCO principle. These complex energy efficiency measures have reduced heat consumption by 50%. The ESCO principle enables renewal of property without increasing property management costs for inhabitants.

Transport

Modern societies depend on efficient transport. Transport is energy demanding and accounts for over 30% of final energy consumption in EU. It is the fastest growing sector in terms of energy use, with strong reliance on fossil fuels. It needs to be made more efficient and less reliant on fossil fuels. This can be achieved through the introduction of advanced traffic management systems and efficiency standards for all vehicles across all transport modes, as well as other measures to promote vehicle innovation. A broad Pan-European approach is needed. However, there is much that each state or macro-region can achieve. Maritime transport in the Baltic Sea is



Mongstad 1 March 2013

challenged with stricter limits for the emissions of sulphurs (SO_2) and nitrates (NO_x) in the future. However, this can also serve as an opportunity for clean-tech development.

The use of liquefied natural gas (LNG) or methane as a fuel for ships appears to be a very promising solution to many of the challenges facing the shipping industry in the Baltic Sea. The use of LNG could be greatly facilitated if the infrastructure for delivering LNG to ships could be developed further, and common and user-friendly standards for e.g. LNG-couplings must be established. This is a task where the governments need to be involved⁷.

Examples of best practices:

- M/S Viking Grace represents a completely new generation of ferries, with its revolutionary Liquefied Natural Gas (LNG) fuel system built by Wärtsilä, interior design by the award-winning dSign Vertti Kivi & co, and a host of other innovations providing the passengers with a totally new and fresh cruise experi-

⁷ Reference is made to the resolution of the 20th BSPP, paragraph 11: "to intensify research and to promote the use of alternative marine fuels such as – for example – Liquefied Natural Gas (LNG) in the Baltic Sea Region and others by supporting innovative emission reduction technologies and by creating incentives for investments in the development of the necessary port infrastructure with a well-developed distribution network and uniform industry- and usage standard."

ence. With its Liquefied Natural Gas powered engines, hydrodynamically optimized hull design and new sound-proofing technology, M/S Viking Grace will be the greenest and quietest ferry in the Baltic Sea and in the world. The most modern technology will be used in all areas of the M/S Viking Grace, starting with its engines and propulsion system to the high-speed wireless internal network used to keep the passengers both informed and entertained.

- When M/S Stavangerfjord is put in operation in 2013, it will be the first and largest cruise ferry in the world to sail with a “single LNG engine,” thus using the cleanest fuel available. In this way Fjord Line will meet the new, stricter standards for sulphur content in fuels long before the deadline in 2015. The ship is almost complete at Bergen Group Fosen and starts sailing on Sunday 14 July. Bergen Group Fosen is also building M/S Bergensfjord which is equipped identically to its award-winning sister ship. M/S Stavangerfjord and M/S Bergensfjord are the first large cruise ferries in the world powered exclusively by liquefied natural gas (using “single fuelled LNG engines”). For this reason, these ships are the most environmentally friendly in their class with significant environmental benefits compared to ships powered by traditional heavy fuel oil. Emissions of nitrogen oxides (NO_x) are reduced by 92%. Emissions of sulphur are eliminated completely, while particulate emissions are reduced by 98%. Last but not least, the technology Fjord Line uses reduces net emissions of greenhouse gases (CO₂) by 22%. This calculation includes emission of methane that increases with LNG as fuel, contributing to the total emissions of greenhouse gases.
- Public transport in Russia runs mainly on gasoline and diesel fuel, which are significant factors in air pollution in Russian cities. The use of LNG as engine fuel is considerably more effective in terms of more environmentally friendly specifications and significant decrease in the amount of harmful emissions. Furthermore, the price of LNG is only half that of diesel fuel and gasoline. In order to improve the environmental situation, the Russian PM Dmitry Medvedev on May 13 issued a decree regarding alternative energy sources. According to the decree, 50% of public transport will be converted to LNG use. In the near future, Russia will develop relevant technical regulations and build additional gas stations.
- In Latvia, vehicle registration tax and annual vehicle operation tax is not levied on electric cars.

Electricity Generation

Electricity is the lifeblood of modern society, and is expected to have to play an even greater role in the future⁸. Analysis indicates that electricity production in Europe could be made free of greenhouse gas emissions by 2050. Germany aims to achieve this in conjunction with ending the use of nuclear energy.

To achieve the double goal of emission-free and increased use of electricity the use of wind-, bio- and solar energy will have to grow. One main challenge is grid stability, since production must be kept in balance at all times. Integration of grids across national borders will make the stabilisation easier and more economic. Furthermore, the introduction of smart-grids will help to reduce fluctuations in demand.

Renewables will move to the centre of the energy mix, maturing from technology development to mass production and deployment. They will proceed from small-scale to large-scale production, integrating local and more remote renewable sources, and developing them in a manner and format applicable to the potential of the respective country. Subsidies will disappear and they will become commercially competitive.

Storage technologies remain crucial. Storage is currently often more expensive than additional transmission capacity. There is a certain gas backup generation capacity, while conventional storage based on HEP is limited. Greater efficiency in their use and competitive costs require an improved infrastructure for integration across Europe.

Examples of best practices

- The electricity market between Finland, Denmark, Norway and Sweden is considered one of the most integrated, harmonised and advanced cross-border electricity markets in the world. Four distinct national markets have been merged into one single and common wholesale market. This is due to both full political support and close cooperation between the numerous market players. There has been a dialogue with Lithuania, Latvia and Estonia about how the Nordic market could be successfully expanded. Links with other parts of Europe are also being developed.

⁸ In the EU energy road map 2050, all scenarios show that electricity will have to play a much greater role than now (almost doubling its share in final energy demand to 36–39% in 2050) and will have to contribute to the decarbonisation of transport and heating/cooling. According to the road map, electricity could meet around 65% of energy demand from passenger cars and light-duty vehicles.



Helsinki 2 March 2012

Carbon Capture, Storage and Re-Use

Fossil fuels, the major source of CO₂ emissions, are expected to remain an important energy source for the foreseeable future. Carbon capture technologies is one of the possible solutions for the prevention of dangerous change in the world climate and thus constitute a potentially important step on the way to a green economy. A successful application of carbon capture and storage technologies will make it possible to store CO₂, either for re-use or permanently. Carbon capture technologies are evolving, but must become commercially viable within a few years. The availability and utilization of such technologies depends not only on the technology itself, but also on political and financial incentives to implement the technologies. It is important that the development and implementation of carbon capture technologies is carried out in accordance with national and regional political agreements and legislation. The states and regions in the Baltic Sea Region are free to decide if and how they want to promote, subsidize and implement carbon capture storage and re-use technologies. In e.g. Mecklenburg-Vorpommern, the geological storage of carbon dioxide is prohibited by law.

Examples of best practices

- CO₂ Technology Centre Mongstad (TCM) in Norway is facilitating the development of new and innovative CCS technologies⁹. TCM has also formed an international test centre network for carbon CCS facilities around the world, in order to share knowledge to accelerate much needed progress. In this connection, the Norwegian Petroleum Directorate has produced a CO₂ atlas with a survey over possible CO₂ storage locations on the Norwegian shelf. See <http://bspc.s3.amazonaws.com/Presentation%20meeting%205%20Halland.pdf>
- In Borzecin (SW Poland), a system for enhanced gas recovery (EGD) is in operation to capture and re-use CO₂ and limit CO₂ emissions to the atmosphere

Smart Electricity Grids

A smart electricity grid is based on information and communication technologies that the supplier and consumer of electricity can make use of to increase efficiency and save money. The technology is also expected to facilitate the integration of small-scale electricity production to the grid. The smart grid allows for systematic communication between suppliers (their energy price) and consumers (their willingness-to-pay), and permits both the suppliers and the consumers to be more flexible and sophisticated in their operational and consumption strategies. Smart grids can reduce the need for production capacity for electricity to meet peak loads.

Examples of best practices

- The Danish island of Bornholm has become a preferred site for testing and demonstrating new green technologies with focus on electric cars, solar panels, energy efficiency construction and the development of an intelligent grid. About 2 000 households and businesses are involved in the test¹⁰, the aim of which is to make this complex task more understandable and applicable to the public at large.

⁹ The Working Group visited Mongstad in connection with its meeting in March 2013 and issued a statement after the meeting, which can be found in section 4 of this report.

¹⁰ The Working Group was informed about the project at its meeting on Bornholm in June 2013 and issued a statement that can be found in section 4 of the report.

Waste

Waste is an underutilized resource. Waste increases with affluence. The average per capita waste in EU is 6 tons per year. Waste prevention or reusing or recycling material is a way forward with the aim to decouple waste generation from economic activity. EU has a goal of recycling 50% of household waste and 70% of construction and demolition material by 2020. The life-cycle approach is an important building block in sustainable development.

Examples of best practices

- In the four Nordic Countries, a tax is levied on waste that is not directed to recycling.
- Lahti Science and Business Park in Finland has an ongoing project for the collection and utilization of biomass, energy waste and construction waste and ash. In the area of Päijät-Häme, the cooperation with Lahti has achieved 96% recycling of urban waste.
- District heating can contribute to energy efficiency in a very substantial and cost-effective way. The City of Helsinki has exploited this potential. It has recently also included the energy from purified waste water to improve the energy efficiency of the district heating system. The return water for the wastewater treatment plants is also used for cooling in the summer¹¹.

¹¹ The Working Group visited the plant for district heating in Helsinki in connection with its meeting in March 2012.



3.5 Conclusion: Recommendations to Support Green Growth and Energy Efficiency

The Working Group acknowledges the many important initiatives by local authorities, national governments, regional organizations and United Nations to promote the imperative transition to greener economics.

The BSPC Working Group on green growth and energy efficiency calls upon the Governments of the Baltic Sea Region and, where appropriate, the Parliaments of the Baltic Sea Region to¹²:

- Further develop and implement financing schemes that support green growth and energy efficiency, at both national and regional level; develop legislation that facilitates innovative financing of energy efficiency measures.
- Build up capacity to give temporary public support that is necessary to promote the development of new green technologies; the support has to be designed in such way that it does not lock in certain technologies and crowd out private investment.
- Strengthen efforts to develop and apply green public procurement and adopt common criteria that can be applied in the region as a whole, in order to expand markets and open up for innovation.
- Cooperate to develop common technical standards and building codes for the region as a whole in order to enable economies of scales for green technologies, including a common green labelling scheme.
- Support efforts in the European Union to improve the functioning of the market for CO₂ emission trading (ETS) in order to internalise external costs; furthermore, support in general efforts to internalise environmental cost and cut support to unsustainable production.
- Support efforts to connect national electricity grids, which will facilitate investments in renewable energy production and contribute to energy supply security.
- Facilitate development and investment in infrastructure for delivering ecologically friendly fuels, such as LNG and CNG, to ships.
- Make efforts to increase awareness in households and enterprises about environmental consequences of current unsustainable patterns of production and consumption, and about

¹² The recommendations are not in order of priority.

the potential for improvements through green growth and increased energy efficiency.

The Working Group is aware of the complexity of these issues and the need to analysis carefully the effect of each action and change in policy. History shows that solutions to one problem may create new ones, and this should be avoided.

4. Composition and Activities of the Working Group

Mandate and Mission

The 20th Baltic Sea Parliamentary Conference in Helsinki in August 2011 agreed on the launching of a BSPC Working Group on green growth and energy efficiency. The Conference also adopted the mandate for the Working Group. The Working Group is constituted as an ad-hoc working group under the auspices of the Standing Committee of the Baltic Sea Parliamentary Conference in accordance with the BSPC Rules of Procedure.

The overarching objective of the Working Group is to elaborate political positions and recommendations in the field of green growth and energy efficiency. For this purpose, the Working Group should establish and maintain contacts with relevant institutions, organizations and other players in the Baltic Sea Region. The Working Group and its members should aim at raising the political attention on green growth and energy efficiency, for instance by pursuing those issues in the national parliaments of the members of the Working Group. Moreover, the Working Group should contribute to the exchange of knowledge and best practices within its area of responsibility.

The Working Group should provide political input to the Conference resolutions of the 21st (2012) and the 22nd (2013) Baltic Sea Parliamentary Conferences.

All member parliaments and parliamentary organizations of the BSPC are invited to participate in the Working Group.

The full mandate of the Working Group can be retrieved from the homepage of the Working Group: <http://www.bspc.net/page/show/520>

Members

Cecilie Tenfjord-Toftby, MP, Chairperson of the Working Group, Swedish Riksdag

Tony Asumaa, MP, Vice Chairperson of the Working Group, Åland Islands Lagting

Karin Gaardsted, MP, Danish Folketing

Christina Gestrin, MP, Finnish Riksdag

Mariusz Orion Jedrysek, MP, Polish Sejm



Stockholm 12 December 2011

Siri Meling, MP, Norwegian Storting
 Oleg Nilov, MP, State Duma of the Russian Federation
 Jochen Schulte, MP, Mecklenburg-Vorpommern Landtag
 Maxim Shingarkin, MP, State Duma of the Russian Federation
 Torsten Staffeldt, MP, German Bundestag
 Sabine Steppat, MP, Hamburgerische Bürgerschaft
 Ingela Nylund Watz, MP, Swedish Riksdag
 Wille Valve, MP, Åland Islands Lagting, Nordic Council Committee
 on Business and Industry
 Raimonds Vējonis, MP, Latvian Saeima

Meetings

The presentations at the Working Group meetings, as well as additional material, can be retrieved from the WG website <http://www.bspc.net/page/show/520>

The BSPC Working Group on green growth and energy efficiency held its **inaugural meeting** in the Swedish Parliament in Stockholm on 12 December 2011. The meeting was led by the WG Chairman Ms **Cecilie Tenfjord-Toftby**, Sweden. Expert presentations were provided by Ms **Mia Crawford**, CBSS/Baltic 21, and Mr **Fredrik von Malmberg**, Ministry of Enterprise, Energy and Communications, Sweden. The meeting was primarily devoted to initial discussions about the mandate, scope and priorities of the WG, recognizing that the overarching mission of the Group is to elaborate political recommendations on green growth and energy efficiency, and to bring an added political value from the parliamentary side to the process of creating sustainable growth in the Baltic Sea Region. Additional information will be found under Related Information.

The Working Group held its **second meeting** in Helsinki on 2 March. The overall theme of the meeting was “Measuring energy efficiency”. The WG made study visits to the Katri Vala Heating and Cooling Plant, the Nordic Investment Bank, and the Nordic Environment Finance Corporation. Briefings were given by Mr **Pekka Sauri**, Deputy Mayor of the City of Helsinki, Mr **Juhani Aaltonen** and Mr **Marko Riipinen**, Helsinki Energy, and by Mr **Johan Ljungberg**, Senior Director, Head of Environment, NiB, and Mr **Magnus Rystedt**, Managing Director, Nefco. The meeting was opened with two expert presentations: *Energy efficiency as a Strategic Tool to Meet Energy, Climate and Economic Challenges in the Baltic Sea Region* by Professor **Peter Lund**, Aalto University, and *EU Energy Efficiency Legislation* by Mr **Patrick Matschoss**, PhD, University of Oldenburg, Finnish Institute of International Affairs.



Riga 8 June 2012

The Working Group held its **third meeting** in Riga on 8 June. The themes of the meeting were “Green business opportunities” and “Green public procurement”. On top of the agenda were the mid-way report and the political recommendations of the Working Group, to be presented at the 21st Baltic Sea Parliamentary Conference in St Petersburg 26–28 August. The meeting appointed **Tony Asumaa**, Åland Islands, as Vice Chairperson of the Working Group. Expert presentations were delivered by Mr **Valdis Bisters**, Director of the Climate Policy and Technology Departments of the Latvian Ministry of Environmental Protection and Regional Developments, Mr **Lauri Tammiste**, Estonian Development Fund, Director, Energy and Green Economy, and Mr **Hannes Mädo**, Estonian Ministry of the Environment, Member of Directorate. The meeting was preceded by a study visit to Getlini ECO, which is a high-tech and environmental friendly ecological waste management company.

See: www.getlini.lv/lv/

The challenge of converting wind energy into hydrogen and then to electricity was one of the key items on the agenda of the **fourth meeting** in the BSPC Working Group on green growth and energy efficiency, which was held in Berlin on 12 October. The WG made a study visit to a hybrid power plant in Prenzlau operated by ENER-

TRAG, where it was given a briefing by Mr **Werner Diwald**. The power company operates 500 wind-turbines in Germany, France and the UK. One of the tasks of ENERTRAG is to convert and store wind energy so it can be used flexibly when and where it is needed. For this purpose, the company is developing technology to transform wind energy into hydrogen. The hybrid power plant in Prenzlau/Brandenburg is a pilot project for this purpose (<https://www.enertrag.com/en/project-development/hybrid-power-plant.html>) Similar projects are on-going in other countries, including Norway and Iceland where some hydrogen stations have been established, but using other renewable energy sources. The WG was also given presentations on the German energy transition by Mr **Olaf Weber**, Kreditanstalt für Wiederaufbau, and Mr **Roman Zurhold**, the German Energy Agency. The WG meeting was hosted by WG member Torsten Staffeldt, German Bundestag.

The technologies for CCS (Carbon Capture and Storage) are evolving, but their commercial viability needs to be developed. The **fifth meeting** of the BSPC Working Group on green growth and energy efficiency took place at the CO₂ Technology Centre Mongstad, Norway, which is the world's largest facility for testing and improving CO₂ capture. Expert briefings were made by **Vian Smith**, TCM, and **Eva Halland**, the Norwegian Petroleum Directorate. The WG released the following statement:

Climate change is a serious threat to the development and prosperity of human society. According to a new report published by the World Bank, the average global temperature could increase by 4 degrees during this century, causing a sea level rise of over 1 metre. The effects would be disastrous. Fossil fuels, the major source of CO₂ emissions, are expected to remain the dominant energy source for the foreseeable future. The risk of failure in reaching the goal to stop global warming at 2 degrees Celsius is looming. There is an imminent need to reduce the dependency on fossil fuels, extend the use of renewable fuels, and curb the emissions of climate gases. One important method for this is CO₂ capture and storage (CCS). CCS technologies are evolving, but must become commercially viable within a few years. The availability and utilization of CCS depends not only on the technology itself, but also on political and financial incentives to implement the technologies. Currently, the price of CO₂ is too low to function as an attractive economic incentive. The functioning of the European Trading System needs to be strengthened in order to support investments, development and implementation of new and sustainable energy technologies. The BSPC Working Group on green growth and energy efficiency recognizes and

commends the importance of the CO₂ Technology Centre Mongstad (TCM) in Bergen in developing new and innovative CCS technologies. Furthermore, it welcomes the important initiatives taken by TCM to form an international test centre network for carbon CCS facilities around the world, in order to share knowledge to accelerate the productization and commercialization of CCS technologies.

The **sixth and final meeting** of the Working Group was held in the Bright Green Island of Bornholm on 9-11 June. The citizens, politicians, public administration and enterprises of Bornholm



Bornholm 9 June 2013

have made dedicated and combined efforts to turn Bornholm into a 100% sustainable and carbon-free community by 2025, including local, sustainable and eco-friendly solutions for growth and new businesses. See www.brightgreenisland.com. Expert presentations were given by **Mette Tiensuu** on “Bright Green Island”, by **Camilla Sandfeldt** on “Green Construction”, by **Per Boesen** on “Electric Cars in Bornholm”, by **Winni Grosbøll**, Mayor on Bornholm, on “Political Aspects on Bright Green Island”, and by **Maxi Nachtigall** from CBSS/Baltic 21 on “Greening the Economy of the Baltic Sea Region”. The Working Group also made study visits to the eco-grid demonstration house “Villa Smart” with a presentation by **Maja Bendtsen**, and to the “Vasagaard”, a sustainable forest pig farm. The WG meeting was primarily devoted to thorough deliberations over the WG Final report, which will be presented at the 22nd BSPC in Pärnu on 25–27 August 2013. The Working Group issued the following statement from the meeting:

In order to meet the challenges of tomorrow, a transformation to more environmentally sustainable economies is needed in the Baltic Sea Region. The BSPC Working Group on green growth and energy efficiency has been established by the Baltic Sea Parliamentary Conference to develop policy recommendations that support that goal.

At its meeting on the island of Bornholm 10–11 June 2013, the Working Group has learned how the public, businesses and politicians have designed and implemented a vision for sustainable development in an island community of some 40 000 people. “Bornholm – Bright Green Island” is a visionary as well as a practical instrument, which has brought about a positive development for the people of Bornholm. It can serve as useful example for the Baltic Sea Region in how to use limited natural resources sustainably. As a test centre for new technologies, Bornholm will also serve the wider European and global community in identifying solutions that increase energy efficiency and promote the use of renewable energy.

The “Bornholm Bright Green Island” initiative illustrates the importance of having broad-based political support and to engage the public and the business community in supporting a transformation in the economy. The significance of awareness-raising and the involvement of households as well as schoolchildren is another lesson that can be learned from Bornholm. The initiative demonstrates how island societies and small communities, taking advantage of their special circumstances, can contribute to the solution of global challenges

The BSPC Working Group on green growth and energy efficiency commends the effort made by the municipal and regional authorities of Bornholm, the businesses community and the public at large, and encourages other communities around the Baltic Sea to use the experiences in Bornholm as a source of inspiration.

The sixth meeting also agreed to issue a statement on the recently introduced EU Tariffs on Chinese solar panels:

Tariffs on Solar Panels will Delay the Introduction of Green

Technologies: *The necessary transformation to a sustainable growth and improved energy efficiency requires easily available and affordable technologies and equipment for renewable energy generation, both in households and in enterprises. It is important to promote international cooperation on research into and development of green technologies, and to find efficient models for manufacturing, trade and marketing that lower the cost for the end consumers. The decision by the European Commission to impose punitive tariffs on Chinese-made solar panels (PV) is a step in the wrong direction. It constitutes an unfortunate protectionist measure that will reduce the availability of solar panels in the European market, increase the costs of the conversion to more sustainable energy systems, and delay the introduction of green technologies on a broad scale. The tariffs will therefore hamper the conversion to a greener society.*

Although the Commission claims that this is an anti-dumping measure, the tariffs will have negative consequences for the EU 2020 goals. This also underlines the importance of China joining the WTO and contributing constructively to the establishment of a level playing field and fair conditions for international trade.

The Working Group on green growth and energy efficiency operates under the auspices of the Baltic Sea Parliamentary Conference, a political platform that gathers parliamentarians from a total of 27 parliaments and parliamentary organizations in the Baltic Sea Region. The Working Group will present its final report at the 22nd Baltic Sea Parliamentary Conference in Pärnu on 25–27 August 2013. Webpage: <http://www.bspc.net/page/show/520>

Signed:

Cecilie Tenfjord-Toftby, MP, Chairperson of the Working Group, Swedish Riksdag

Tony Asumaa, MP, Åland Islands Lagting

Karin Gaardsted, MP, Danish Folketing

Christina Gestrin, MP, Finnish Riksdag
Mariusz Orion Jedrysek, MP, Polish Sejm
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Raimonds Vējonis, MP, Latvian Saeima



5. Mid-Way Report with Political Recommendations of the BSPP Working Group on Green Growth and Energy Efficiency

On 20 August 2012, the Working Group released its mid-way report. The key aspects of the report are recapitulated below.

Basic Positions

The Working Group has agreed that the definition of green economy presented in the OECD report on green growth mirrors the Group's perception of the concept and thus serves as a general guideline for its work: *"Green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. Together with innovation, going green can be a long-term driver for economic growth through, for example, investing in renewable energy and improved efficiency in the use of energy and materials."*

The Working Group notes that the cost of energy has been rising and it is expected to rise further in the years to come. Access to affordable energy is very important for facilitating growth and prosperity in the Baltic Sea Region. The cheapest energy is the energy that is saved through measures that increase energy efficiency. The Working Group agrees that measures to improve energy efficiency are of utmost importance for continued green growth in the Baltic Sea Region. Energy issues are also a crucial factor in the ongoing global debate on climate change.

Political Recommendations

Based on discussions so far in the Working Group, and taking into account relevant and current external information, the Working Group proposes 6 political recommendations as a mid-way conclusion of its work. Those political recommendations will be conveyed to the 21st BSPP in St Petersburg 26–28 August 2012.

The Working Group calls on the Governments of the Baltic Sea Region, the CBSS and the EU to:



1. **Support BASREC (Baltic Sea Region Energy Cooperation):** Strengthened, frequent and continuous dialogue is needed between the ministers responsible for energy cooperation in the Baltic Sea Region (BASREC). At the BASREC Ministerial Meeting on 14–15 May 2012, the energy ministers of the region agreed on a new plan of work for the next three years. The plan should be fully supported and implemented in order to promote concrete measures for connecting the energy grids of the region and for using the limited energy resources of the region efficiently.
2. **Improve Information about Green Growth and Energy Efficiency:** There is broad understanding that existing opportunities and measures for increasing energy efficiency are not fully exploited. There is a need to promote and support research and development on green growth and energy efficiency, and to provide consumers and businesses with concrete knowledge about and advice on the mid- and long-term gains from energy efficiency measures, both in saving energy costs and in providing business opportunities. Energy labelling of products, based on life-cycle analysis, should be further developed and disseminated, and efforts to exchange information about best practices should be supported. Such information should be reflected in public procurement.
3. **Promote and Allocate Financial Resources for Initiatives on Green Growth and Energy Efficiency:** Many opportunities for economic energy efficiency measures, in particular in the residential housing sector, are unexploited because of financial constraints. There is a need for innovative financing schemes to make use of these opportunities. Governments, banks and financial institutions, as well as power companies, should develop and implement innovative financing for energy efficiency investments. Resources should be allocated to provide incentives to initiate pilot projects on energy efficiency. Financing schemes should be tailored especially to SMEs, which often lack the financial capabilities to acquire expertise on and implement energy efficiency measures.
4. **Make Concentrated and Prioritized Efforts on Energy Efficiency in the Building Sector:** Energy efficiency measures are most economical when they are an integrated part of housing production and housing renovation. They should be accompanied and underpinned by a certified energy classification of buildings. Governments should take further steps to make energy efficiency a mandatory requirement in renovation

projects, and encourage the production of plus-energy housing. The further development and implementation of certification systems for energy classification of new as well as old buildings should be promoted. Smart metering should enable consumers to better monitor and adapt their actual consumption, and energy billing should be made simple, transparent and accurately reflect actual consumption.

5. **Promote the Development of Nationally Adapted Binding Targets:** There should be binding national targets for energy efficiency that take into account the specific conditions in the individual countries. In addition to what is specified in the newly adopted EU directive, member states should develop and implement measures that are needed to achieve the binding targets. The development and implementation of EU policies for promoting energy efficiency is of utmost importance for creating a level playing field and promoting cooperation. EU also needs to set uniform methods and rules for measuring energy efficiency and its impact.

6. **Promote Green Public Procurement (GPP):** Each year European public authorities spend the equivalent of 16% of the EU Gross Domestic Product on the purchase of goods and services. All too often contracts are awarded on the basis of lowest cost, rather than the most economically advantageous tender based on life-cycle costing; this leads to an inefficient allocation of resources and losses for national economies. However, as a major purchaser, the public sector is in a strong position to set standards that can change the behaviour of producers in a greener direction. The public sector should be encouraged to use this leverage to a much greater extent that it does today. The EU should develop environmentally sound, energy efficient, and economically fair public procurement standards in order to facilitate Green Public Procurement and to support a level playing field for businesses. The development regarding the pertinent proposal for a directive of the European Parliament and of the Council on public procurement (COM [2011] 896 final) as part of the so-called procurement package should be closely followed in this regard. Efforts to facilitate access by SMEs to public procurement contracts and to promote life-cycle cost assessments and an efficient use of resources should be supported.







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US 2013:415