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Aidan Stennett

European Regional Development Fund & Energy Efficiency

1 What is the European Regional Development Fund?

The European Regional Development Fund (ERDF) is intended to '*strengthen economic and social cohesion in the European Union by correcting imbalances between its regions*'. The fund finances:

- Direct aid to investments in companies (particularly SMEs) to create sustainable jobs;
- Infrastructures linked to research and innovation, telecommunications, environment, energy and transport;
- Financial instruments (capital risk funds, local development funds etc.) to support regional and local development and to foster cooperation between towns and regions; and,
- Technical assistance measures.ⁱ

ERDF funding can be used toward three objectives:

- Convergence – ‘modernising and diversifying economic structures as well as safeguarding or creating sustainable jobs’;
- Regional competitiveness and employment – priorities here include: strengthening regional capacities for research and technological development; environment and risk prevention; and access to transport; and,
- European Territorial Cooperation – priorities include: development of economic and social cross-border activities; establishment and development of transnational cooperation, including bilateral cooperation between maritime regions; and, increasing the efficiency of regional policy through interregional promotion and cooperation, the networking and exchange of experiences between regional and local authorities.ⁱⁱ

2 How does the ERDF promote energy efficiency for housing stock?

In its original form, EC Regulation NO1080/2006 enabled Member States to use ERDF funding for energy efficiency and renewable energy. However, an amendment to this, adopted by the European Parliament in 2009, allows member states to use 4% of their total ERDF allocation ‘*on energy efficiency improvements and on the use of renewable energy in existing housing*’.ⁱⁱⁱ

This measure is intended to support social cohesion. It is, however, up to the Member State to decide which housing category will be eligible and under which schemes the measure will be utilised in order to ensure the social cohesion element is met. In this respect, Member States may decide what types of investment are eligible under the scheme.^{iv}

As a general rule, the EU contributes no more than 50 per cent of the eligible costs, although it can be as much as 75 per cent for projects in the least developed regions in most need of regeneration.^v

The regulations do not represent an increase in ERDF funding; rather, they demonstrate a shifting of priorities within an existing budget allocation.^{vi}

3 UK regional ERDF allocations

Table 1 outlines the total UK ERDF allocation by region for the period 2007 to 2013. During the period, Northern Ireland received a total of £278m, of which £11.23m is available for energy efficiency measures.^{vii}

In Northern Ireland, ERDF funding supports the European Sustainable Competitiveness Programme 2007-2013 (ESCP). Administered by the Department of Enterprise, Trade and Investment, the programme supports three spending priorities: sustainable competitiveness; sustainable enterprise and entrepreneurship; and, improving accessibility and protecting and enhancing the environment. The ESCP receives €307m of ERDF, this is approximately £278m, based on an exchange rate of £1 equals

€1.104, and therefore represents Northern Ireland's entire ERDF allocation (with none of the funding allocated to energy efficiency). With co-financing, the total fund is €614m, or approximately £556m (based on the same exchange rate).^{viii}

Asked about the use of ERDF money to fund energy efficiency measures in 2010, the Minister of Enterprise, Trade and Investment stated:

The Department for Social Development (DSD) is responsible for domestic energy-efficiency improvements. I can confirm that my Department had discussions with DSD following the European Commission's April 2009 decision to allow European regional development funding to be used for energy efficiency in housing. However, given that DETI's European regional development fund's competitiveness programme commenced in 2007, all funding has been designated to, or earmarked for, other priorities that have been agreed by the Executive. That includes £25 million for renewable energy, energy efficiency and energy management. The programme is due to run until 2013, and my officials will continue to keep the uptake of funding under review to ensure that it is optimised.^{ix}

The Minister continued:

In April 2009, when the announcement was made, my officials met DSD officials to see whether there was any way in which we could release any of that funding. That funding is all earmarked, but I have asked officials to make sure that if any money is, by some chance, not used, it is released, because I accept that there is a need to look at the Housing Executive's request for use of that money. However, the funding is, unfortunately, earmarked, but we will keep it under review.^x

A similar situation occurred in the Republic of Ireland, where, in 2009, the Managing Authorities of ERDF funding considered the amendment to EC Regulation NO1080/2006 (which enabled expenditure on energy efficiency) but decided not to alter existing priorities as these had already fully absorbed the country's ERDF allocation.^{xi}

Table 1: Total UK ERDF allocations 2007-2013 by region^{xii}

	Total ERDF Allocation (£M)	4% Energy Efficiency (£M)
England	2973.5	118.94
North West	684.6	27.384
Yorkshire & the Humber	528.6	21.144
North East	340.3	13.612
East Midlands	243.2	9.728
West Midlands	362.2	14.488
East of England	100.5	4.02
London	164.8	6.592
South East	21.5	0.86
South West	112.9	4.516
Cornwall & Isles of Scilly	414.9	16.596
Wales	1198.4	47.936
Scotland	451	18.04
Northern Ireland	278	11.12
Total UK	5410	216.4

4 Energy efficiency case studies

The following section provides three case studies which demonstrate how ERDF money has been used to fund energy efficiency projects during the period 2007-2013.

4.1 Yorkshire & the Humber: 'The Big Energy Upgrade'

The Big Energy Upgrade seeks to install energy efficient measures and renewables (microgeneration) in houses in the Yorkshire and Humber areas, with a view to tackling fuel poverty. A total of £14.9m has been invested in the project, of which £7m has been sourced from ERDF. The project is led by Kirklees council in partnership with six local authorities, four arm's length management organisations, two social housing providers, Yorkshire Energy Services (YES), and the University of Sheffield.^{xiii}

The project, which is targeted toward deprived communities, operates on a '*whole-house/whole community approach*'. YES carry out individual assessments of houses, allowing for tailored insulation and energy solutions to be installed.^{xiv}

In addition to the upgrading of housing stock, the project has also engaged academics at the University of Sheffield in a study which:

...will for the first time understand the interrelated areas of human-behaviour, energy-efficiency technology, and supply-chain capabilities. Primary data is being gathered on the performance of the measures installed, the behaviour of those living in the houses and the development

of the regional supply chains. The holistic understanding of these enables design of more effective policies and interventions.^{xv}

The results of this behavioural study will inform the Green Deal. The wider project will also act as a test case and influence on Green Deal, by demonstrating:

- The creation of 114 jobs and the safeguarding of 99;
- The saving of 145,113 tCO₂ (tonnes of carbon dioxide);
- The extensive use of external solid wall insulation;
- The stimulation the energy efficient supply chain; and
- The area based delivery of retrofit measures.^{xvi}

4.2 France

In France ERDF funding has been integrated into the broader objectives of social housing associations and environmental strategy. Between June 2009 and September 2010 68% of ERDF funding available for energy efficiency measures was allocated to projects.

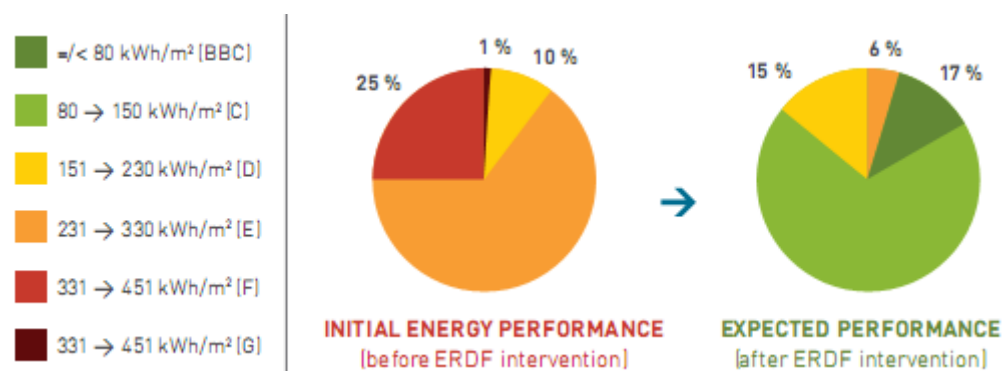
Projects supported by ERDF funding in France must:

- focus on dwellings which consume the most energy;
- be exemplary and having a multiplier effect; and
- concern a lot of dwellings.^{xvii}

At national level the French Federation (l'Union sociale pour l' habitat) has worked in conjunction with the government to set the parameters of ERDF funding implementation within regions. At regional level, regional social housing associations work with partners on identifying the needs of local housing stock, establishing qualifying criteria, a strategy of intervention and assistance to local organisations.^{xviii} Projects have been co-financed using national and local government grants.^{xix}

Figure 1 shows the expected efficiency increased to be realised by upgrades in 5,347 housing units across eight regions.

Figure 1: Expected results of ERDF energy efficiency intervention in France^{xx}



4.3 Wales - ARBED

Arbed (meaning 'save') is a Welsh energy efficiency programme that has been in operation since 2009. The first phase of Arbed saw the upgrading of 6,000 homes, including social and private housing. Measures included the installation of solid wall insulation, solar PV, solar heated hot water and improved heating systems. This was funded by the Welsh government (£30m), and social housing associations (£31m). Phase one did not receive any ERDF funding.^{xxi}

Phase two of the project (announced 2011) has received funding from ERDF (£33m). The second phase will target 4,800 homes in deprived communities. The project aims to reduce carbon emissions, stimulate the green economy, create green jobs, and reduce fuel poverty.^{xxii} In particular, phase two will target hard-to-treat homes, low-income households, and social/private-sector households.^{xxiii}

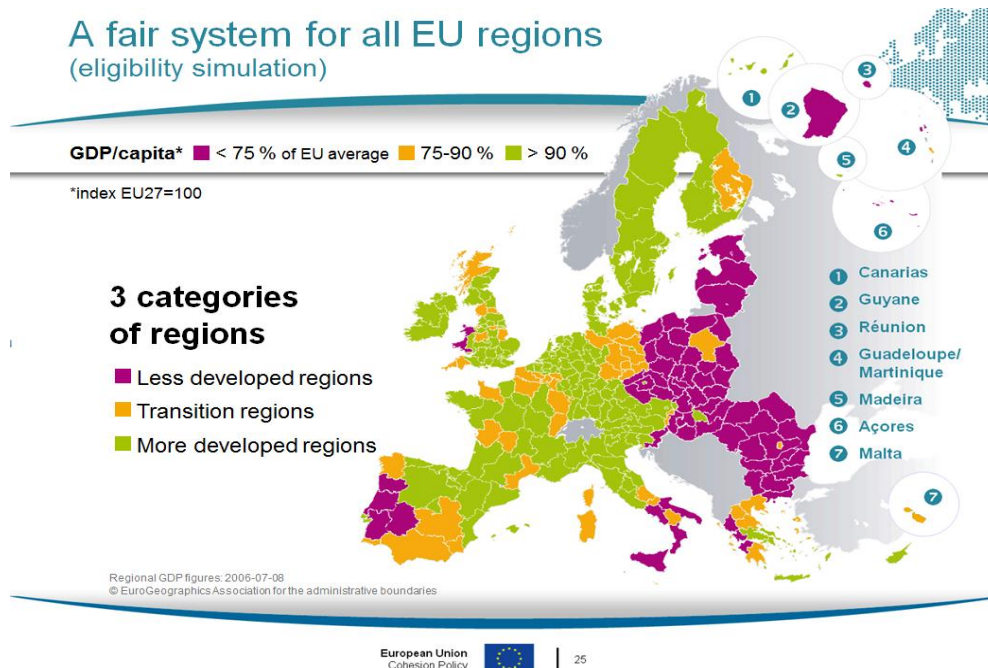
5 ERDF Beyond 2013

A draft legislative package of future ERDF funding states that:

...in more developed and transition regions, at least 80% of ERDF resources at national level will be allocated to energy efficiency and renewables, innovation and the improvement of the competitiveness of Small and Medium-sized Enterprises (SMEs).^{xxiv}

This is further clarified within the proposal to state that 20% of ERDF funding will be available for energy efficiency.^{xxv}

As per Figure 2, Northern Ireland is considered a 'more developed region' as such these rules will apply to the region.

Figure 2: EU regions categorised^{xxvi}

ⁱ European Commission, Regional Policy – Inforegio *European Regional Development Fund*

http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm#3

ⁱⁱ *Ibid*

ⁱⁱⁱ Europa, *European Development Fund*

http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24234_en.htm

^{iv} *Ibid*

^v Energy Savings Trust *European Regional Development Fund*

<http://www.energysavingtrust.org.uk/Funds/Local-Authorities/European-Regional-Development-Fund-ERDF>

^{vi} Europa, *European Development Fund*

http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24234_en.htm

^{vii} Department of Business, Innovation and Skills *Simultaneous Release Information released under the Freedom of Information Act - European Regional Development Fund 2007-2012*

<http://www.bis.gov.uk/files/file46518.pdf>

^{viii} Department of Finance and Personnel *European Sustainable Competiveness Programme 2007-2013*

http://www.eucompni.gov.uk/uploads/files/Revised_Operational_Programme_-_07.06.11_1.pdf

^{ix} Northern Ireland Assembly *Oral Answers to Questions – Minister of Enterprise, Trade and Investment* (26 January 2010) (AQO 656/10) <http://archive.niassembly.gov.uk/record/reports2009/100126.htm#a8>

^x *Ibid*

^{xi} Dáil Eireann Debate Vol. 687 No.3 Written answers EU funding

<http://debates.oireachtas.ie/dail/2009/07/07/00360.asp>

^{xii} The Department of Business, Innovation and Skills *Simultaneous Release Information released under the Freedom of Information Act - European Regional Development Fund 2007-2012*

<http://www.bis.gov.uk/files/file46518.pdf>

^{xiii} The Department of Energy and Climate Change *Case study: The Big Energy Upgrade*

<http://www.decc.gov.uk/en/content/cms/news/beu/beu.aspx>

^{xiv} *Ibid*

^{xv} *Ibid*

^{xvi} *Ibid*

^{xvii} CECODHA Housing Europe *A Mid-term review of use of structural funds for energy efficiency and renewable energy measures in existing housing* (October 2010)

http://www.housingeurope.eu/www.housingeurope.eu/uploads/file/_housing_structural_funds_web_1.pdf

^{xviii} Powerhouse Europe Case Study: *ERDF Programme for Energy Efficiency in Housing in Aquitaine Region*
http://www.powerhouseeurope.eu/nc/cases_resources/case_studies/single_view/?tx_phecascstudies_pi3%5Bid%5D=104

^{xix} CECODHA Housing Europe *A Mid-term review of use of structural funds for energy efficiency and renewable energy measures in existing housing* (October 2010)
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^{xx} CECODHA Housing Europe *A Mid-term review of use of structural funds for energy efficiency and renewable energy measures in existing housing* (October 2010)
http://www.housingeurope.eu/www.housingeurope.eu/uploads/file_/housing_structural_funds_web_1.pdf

^{xxi} Welsh Government *RE Phase two of the Welsh Government's £45m Arbed programme: A call for proposals*
http://www.chcymru.org.uk/shadomx/apps/fms/fmsdownload.cfm?file_uid=E2B7F5DD-85EC-40C1-93A6-75ECF78D7C9D&siteName=chc_dev_final

^{xxii} Welsh Government *Arbed - Strategic energy performance investment programme*
<http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en>

^{xxiii} Welsh Government *RE Phase two of the Welsh Government's £45m Arbed programme: A call for proposals*
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^{xxiv} Europa Q&A on the legislative package of EU regional, employment and social policy for 2014-2020
<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/663>

^{xxv} European Commission *Regulation Of The European Parliament And Of The Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006*
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^{xxvi} Europa *EU Cohesion Policy Proposals for the European Commission – presentation*
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