

## 61st Transatlantic Legislators' Dialogue - Vienna, 18-21 April 2006

### *Note provided by the Secretariat of the Committee on Industry, Research and Energy*

**Subject: Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy (COM(2006) 105 final), adopted 8th March 2006**

#### **A. The Green paper: Overview and actions proposed**

The Green Paper, which was awaited with great interest by ITRE Members, starts with the current challenges in the energy sector: urgent need for investment; rising import dependency; concentrated reserves; increasing global demand; rising electricity prices following high oil and gas prices; climate change.

It states that this landscape requires a common European response. As a foundation of a European energy policy (which will be a long term challenge) the Commission suggests that a **Strategic EU Energy Review** be presented to the Council and the Parliament on an annual basis, covering the issues identified in this Green Paper. This would constitute a regular stocktaking and action plan for the Spring European Council, monitoring process and identifying new challenges and responses on all aspects of energy policy.

The paper outlines the **three main objectives** of the Europe's energy policy, namely sustainability, competitiveness and security of supply. It identifies **six priority areas** where action is necessary to address the challenges faced and puts forward a number of suggestions and options that could lay down the basis for a more integrated European energy policy:

#### **1. Energy for growth and jobs in Europe: completing the internal European electricity and gas market**

The paper recalls that a truly integrated and competitive single European electricity and gas market would bring down prices, improve security of supply and boost competitiveness. It states that whilst much has been done to create a competitive market, work is not yet complete. Markets remain largely national, dominated by few companies; differences remain between Member States' approaches to market opening. It concludes that the EU needs to complete the internal gas and electricity market and suggests that action could include the following measures:

- The development of a European grid, including through a European grid code. A European regulator and a European Centre for Energy Networks should also be considered.
- Improved interconnections.
- Creating the framework to stimulate new investment.
- More effective unbundling.
- Boosting competitiveness, including through better coordination between regulators, competition authorities and the Commission.

The paper concludes that these areas must be addressed as a priority; the Commission will reach final conclusions on any additional measures that need to be taken to ensure the rapid

completion of genuinely competitive, European-wide electricity and gas markets, and present concrete proposals by the end of this year.

The EP sees completion of the Internal Market as a key priority and as an essential part of maintaining security of supply; implementation, evaluation and enforcement of the existing energy acquis are important; the same goes for improving interconnections and effective unbundling.

## **2. An Internal Energy Market that guarantees security of supply: solidarity between Member States**

The paper suggest enhancing security of supply in the internal market and rethinking the EU's approach to emergency oil and gas stocks and preventing disruptions; concrete measures should include:

- A review of the existing Community legislation on oil and gas stocks, to focus them on today's challenges.
- A European energy supply observatory, enhancing transparency on security of energy supply issues within the EU.
- Improved network security through increased cooperation between network operators and possibly a formal European grouping of network operators.
- Greater physical security of infrastructure, possibly through common standards.
- Improved transparency on energy stocks at the European level.

The EP very much supports the idea of building up European energy networks and grids; guidelines for European energy networks are about to be agreed in the second reading where the Council has finally accepted EP positions to a maximum extend (declaration of projects of European interest and European coordinator); enhancing oil and gas stocks are a key priority.

## **3. Tackling security and competitiveness of energy supply: towards a more sustainable, efficient and diverse energy mix**

The paper notes that each Member State and energy company chooses its own energy mix. It concludes that the Community needs a community-wide debate on the different energy sources, including costs and contributions to climate change, to enable us to be sure that, overall, the EU's energy mix pursues the objectives of security of supply, competitiveness and sustainable development. It does not propose concrete solutions, but it states that the Strategic EU Energy Review would offer a "clear European framework for national decisions on the energy mix". The paper favours a transparent and objective debate on the future role of nuclear energy in the EU, "for those Member States concerned".

The EP is very much concerned about security of energy supply; the ITRE Committee has just discussed a resolution on this issue; EP very much in favour of renewables and efficiency/consumption reductions efforts as part of the energy mix; on nuclear (limited competences of EP) there is no clear cut position in the Parliament; there is neither a majority against nor in favour of nuclear; broad support that the energy mix is left to Member States.

#### 4. An integrated approach to tackling climate change

The paper recalls the climate change issue and states that Europe must act now, in particular on efficiency and renewables and in a manner compatible with its Lisbon objectives. The Commission could propose the following measures:

(i) a clear goal to prioritise energy efficiency, with a goal of saving 20% of the energy that the EU would otherwise use by 2030 and agreeing a series of concrete measures to meet this objective (**Action Plan on Energy Efficiency**), including:

- Efficiency campaigns, including on buildings.
- Harnessing financial instruments and mechanisms to stimulate investment.
- A renewed effort for transport.
- A Europe-wide “white certificates” trading system.
- Better information on the energy performance of some appliances, vehicles, and industrial equipment and possibly, minimum performance standards.

(ii) Adopt a long-term **Renewable Energy Road-Map** including:

- A renewed effort to meet existing targets.
- Consideration of which targets or objectives beyond 2010 are necessary.
- A new Community Directive on heating and cooling
- A detailed plan to stabilise and gradually reduce the EU’s dependence on imported oil.
- Initiatives to bring clean and renewable energy sources closer to markets.

Tackling climate change through both efficiency and CO<sub>2</sub> free energy sources is a top priority of the EP; further initiatives on buildings would be welcome; proposal on heating and cooling was requested by the EP; Parliament is very much in favour of energy efficiency in transport and energy appliances.

#### 5. Encouraging innovation: a strategic European energy technology plan

The paper states that the EU needs an appropriately resourced **strategic European energy technology plan** making best use of Europe’s resources, building on European technology platforms and with the option of joint technology initiatives or joint undertakings to develop leading markets for energy innovation. This should be presented as soon as possible to the European Council and EP for endorsement.

The ITRE Committee strongly demanded an increase of the budget for the 7FP, in particular to increase energy research budget and funding; strategic European energy technology plan as outlined in the Green Paper would be in line with EP positions.

#### 6. Towards a coherent external energy policy

The paper emphasises that Europe needs a coherent external policy to enable Europe to play a more effective international role in tackling problems with energy partners worldwide. It suggests that the first step is to agree at Community level on the aims of an **External Energy Policy** (the Strategic EU Energy Review would serve as the basis for establishing this common vision) in order to react to the challenges of high and volatile energy prices, increasing import dependency, strongly growing global energy demand and global warming. It would enable the EU "to speak with the same voice". To this end the Commission proposes:

- Identifying European priorities for the construction of new infrastructure necessary for the security of EU energy supplies.
- Developing a pan-European Energy Community Treaty.
- A new energy partnership with Russia.

- A new Community mechanism to enable rapid and co-ordinated reaction to emergency external energy supply situations impacting EU supplies.
- Deepening energy relations with major producers and consumers.
- An international agreement on energy efficiency.

The EP is in favour of connecting foreign/security policy and energy policy; it is in favour of establishing a broad co-operation with all large oil and gas consuming countries, the US, Japan and large emerging countries such as India and China; it supports initiatives with Russia; on the security of gas supply the Parliament supports the developments of LNG terminals, storage facilities as well as new pipelines.

## **B. Presentation of Green Paper in ITRE Committee on 8th March by Commissioner Piebalgs**

The Commissioner presented the Green Paper; he emphasised that the paper marks the beginning of a new energy policy in Europe. On the six priority areas he made clear that all are equally important; he welcomed the EP's commitment and invited the ITRE Committee to discuss the ideas further. All EU bodies had to co-operate to create a common European Energy Policy.

Members broadly welcomed the paper and thanked the Commission for their work. Many Members welcomed emphasis on energy efficiency and renewables. One Member asked as to how the Commission intends dealing with market concentration; the Commissioner replied saying that this was a matter of competition policy and not directly addressed by this paper, though linked. Nuclear was controversial; one Member disagreed with the line taken by the paper (transparent and objective debate); others requested a less shy approach and a clear commitment towards nuclear energy and research. More financial engagement into energy research (7FP and EIB loans) was requested. One Member recalled that concrete action shall be taken now; the Commissioner recalled importance of consultation but promised to take quick action where necessary (e.g. on heating and cooling; Internal Market; Efficiency Action Plan). Several Members recalled importance of bio-mass and biofuels; Commissioner agreed with importance. One Member asked for more detail on the issue of European Regulator; the Commissioner wants to explore first enhanced co-operation of domestic regulators; European Regulator was second step.

Walter Goetz, ITRE Committee Secretariat, Tel. 32587