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7 February 2007

**EUROPEAN PEOPLE'S PARTY (EPP) AND EUROPEAN IDEAS  
NETWORK (EIN)  
CONFERENCE – "EUROPE'S ENERGY CHALLENGE"  
7 FEBRUARY 2007**

**16H20 - PANEL DISCUSSION:  
"EUROPEAN ENERGY STRATEGY – CHALLENGES FOR THE FUTURE"**

Keynote presentation: Commissioner Piebalgs  
Moderator: MEP Eija Riitta Korhola  
Panellists: BUSINESSEUROPE Secretary General, Philippe de Buck  
Délégué Général, SERCE; Rapporteur, EIN Working Group  
on Energy and Environment Policy, Francis Bouquillon  
Director European Governments Affairs, BP Europe, Howard  
Chase.

**- KEY BUSINESS MESSAGES ON ENERGY POLICY –**

Members of the European Parliament, Commissioner, Ladies and Gentlemen:

Thank you for giving BUSINESSEUROPE the opportunity to make a contribution on the challenges linked to the development of European energy strategy.

BUSINESSEUROPE believes that the European Union is at a key juncture. It has become crystal clear that simply juxtaposing twenty-seven national energy policies cannot deliver the integrated and balanced solutions called for by the key challenges of:

- competitiveness of European companies,
- security of energy supply,
- and climate protection.

That is why we expect a strong signal from the European summit on 8 March, demonstrating political will to cooperate systematically in the future, with a view to optimising all the responses to the challenges linked to energy and to climate protection.



We expect the summit to give the Commission clear mandates to put operational proposals on the table. Although there is an urgent need to accelerate European cooperation, these mandates must not reflect a headlong rush setting aside a rigorous assessment of the operational measures chosen, in particular from the economic angle.

We are fully aware that energy and climate are at the heart of the European People's Party's concerns and we are more than willing to work with your party to develop effective approaches and measures.

BUSINESSEUROPE considers it essential that the EU energy strategy is designed on the basis of the following **five principles**:

1. The strategy should essentially adhere to the philosophy of market economics. Recourse to mandatory energy objectives set by public authorities should be the exception, and arrived at on the basis of a very detailed impact assessment.
2. Protection and strengthening of EU competitiveness must be at the heart of energy strategy. This is particularly important to protect the competitiveness of European industry, which is essential to underpin a high level of innovation and environmental investments across society.
3. Bearing in mind the magnitude of the economic and environmental challenges, all energy options must be kept open, including nuclear and clean combustion of fossil fuels.
4. Economic or regulatory initiatives deployed internally at EU level must be complemented by an active external policy in the area of energy.

By strengthening bilateral and multilateral dialogues with energy-producing and energy-consuming countries, the EU will be able to tackle the key challenges for energy security: access to supplies at stable, competitive prices. A policy to promote international cooperation on energy efficiency would contribute simultaneously to security of supply, pricing and environmental objectives. However, the two immediate external energy challenges for the EU are to respond to the geopolitical realities of oil and the risk of a gas shortage over the medium term.

5. The better regulation principles must be implemented in all future initiatives, which means feasibility and impact assessment.



Against this background, I would like to comment on a number of specific points:

1. Firstly, **completion of the internal electricity and gas market**. We support the search, by the Commission, of an effective unbundling system which makes third-party access a reality. We are satisfied that the Commission has placed the issue of the independence of national energy regulators on the table. We also support the initiatives that are due to be proposed to upgrade interconnections between networks and improve the day-to-day operation of cross-border trade.
2. Secondly, **adaptation of the energy mix** with a view to reducing energy dependence and to protecting the climate. Here, BUSINESSEUROPE insists that the EU does not implement a short-sighted approach consisting in increasing in a disproportionate way the level of renewable energy in the EU overall energy mix.

Work by the Commission shows that if the contribution of nuclear energy does not increase in the EU in the future or, even worse, if it shrinks, the increased demand for renewable energies will be such that their price will skyrocket, making the envisaged EU energy strategy virtually impossible to sustain.

In this context, we also expect the Commission to demonstrate a strong political will to give an impetus to synthetic fuels technologies and to the development of clean combustion technologies for fossil fuels (carbon capture and storage).

3. Thirdly, the development of the **EU external energy policy**, with a view to guaranteeing supply of oil and gas at competitive prices.  
In this area, I would like to highlight three points:
  - **Transatlantic cooperation** should be encouraged in order to reach an understanding on key energy policies for the future – including environmental, energy efficiency and technology policies. As major consumers of energy, the EU and the US should develop joint activities to promote more market-based approaches to the development, extraction and trade of key energy commodities such as oil and gas.
  - **Russia** will remain the EU's most important gas partner for the coming years. A pragmatic approach by both the EU and Russia, which recognises the potential mutual economic benefits from cooperation on energy and other economic issues, is the best way forward. Therefore, the EU and Russia should reformulate their relationship on the basis of equality, mutual understanding and reciprocity by negotiating a mutually beneficial strategic partnership covering energy, investment, trade and cooperation on regulatory and technology policies.



- The EU must improve, both between the Member states and within the Commission, the **coordination of external trade, development, and diplomatic policies** which can contribute to an EU-level external energy policy. The EU collectively is the leading global trader in goods and services, is the biggest provider of development assistance (55% of world total) and plays a vital diplomatic and stabilising role in international politics. Greater efforts should be made to leverage these policy instruments to secure more access to competitively priced energy imports.
4. Fourthly, the design of the **EU long term climate change strategy**. The Commission has proposed a “twin-track” approach comprising two elements:
- adoption of a unilateral 20% EU emission reduction target by 2020 with 1990 as the base year;
  - adoption of a 30% EU target in 2020 (base year still 1990) if the other industrialised countries commit to the same target.

The Council must be aware of the far-reaching implications of the debate on the proposal for the adoption of an EU autonomous target for greenhouse gas reductions. It is vital that this debate is informed by further detailed impact assessments, including analyses of environmental benefits and the impact on competitiveness to ensure that potential harmful impacts are avoided. It is essential that any future EU target builds upon cost effectiveness, potential impacts on EU competitiveness and whether or not a target will encourage or prove a hurdle to other nations to join a future global agreement and take meaningful actions to combat climate change. Furthermore, it is vital that the responsibilities to meet any such target (for example, the levels of ambition for Member States and all sectors of society) are clearly defined prior to its adoption.

A future international agreement must encourage technology transfer and adaptation against the risks of climate change. It must build on the achievements within the Clean Development Mechanism and Joint Implementation. Full access to emission reduction credits as advocated by the Stern Report will be an important part of the future success of the Kyoto Mechanisms.

To conclude on the climate challenge, I would like to endorse the appeal launched by President Chirac last week in the context of publication of the International Panel on Climate Change’s report, with a view to establishment of global governance of the environment. It is essential that Europe takes action which facilitates and inspires establishment of this governance.

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