



SPEECH

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DANIEL CLOQUET, BUSINESSEUROPE

ENERGY EFFICIENCY AND SUSTAINABLE ENERGY

Members of the European Parliament, Ministers, Ladies and Gentlemen,

Thank you for inviting BUSINESSEUROPE to take part in this session on Energy Efficiency and Sustainable Energy, an issue which is one of our major priorities.

This very broad theme encompasses a wide range of sub-topics, which are the subject of Community initiatives ranging from very generally formulated objectives to development of very detailed legislative measures.

There are also some sub-topics which are not yet clearly on the EU agenda.

My challenge today is to share with you some BUSINESSEUROPE views on how each of these numerous sub-themes is being dealt with at Community level.

Taking energy efficiency as a first topic, I think it needs to be underlined that there is an immense potential to increase energy efficiency through behavioural changes or through advanced technologies, many of which are already available and cost-effective at current energy prices. In particular, the residential sector has considerable untapped possibilities.

It is worth noting that European companies are good at energy efficiency in their own processes and in developing energy efficient products. Europe is in fact, after Japan, the most efficient production location in the world.

Nevertheless, despite the Commission Green Paper and Action Plan on Energy Efficiency and despite the target of increasing EU energy efficiency by 20% by 2020, energy efficiency still does not attract the political attention it deserves. We therefore call for a re-invigoration of EU initiatives, especially in the following directions:

- fostering R&D and innovation
- implementing the energy efficiency action plan
- spreading information and know-how
- developing appropriate energy standards and labelling
- promoting energy performance in buildings.

Now, I would like to move to renewable energies where, as you know, much more work is being done on objectives and implementing strategies. BUSINESSEUROPE clearly acknowledge the roles of renewable energy sources for tackling energy and climate challenges.

This being said, as it will be extremely costly to reach the EU's ambitious renewable targets by 2020, we consider it vital that the directive on the promotion of the use of renewable sources allows for utmost flexibility and market-based instruments to minimise the cost of reaching these targets.

BUSINESSEUROPE is positively oriented towards trading of guarantees of origin. Clearly, there are a number of open questions linked to that system. We believe it is essential to tackle these questions, so that there can be over time a transition from a system of 27 isolated national support system for renewables to a system including a strong element of free trading of guarantees of origin, capable of optimising the cost of renewable energy production across Europe.

This remark on the free trade in renewable certificates gives me an opportunity to say a few words on the proposal for revising the EU Emission Trading System. For BUSINESSEUROPE, the proposal for the revision of the ETS, whilst containing a number of positive elements like increased harmonisation, does not meet the goals of integrating the environment, the energy and the competitiveness dimensions. We strongly call for the proposal to be clarified and redesigned.

Clearly, BUSINESSEUROPE welcomes the Commission's intention to develop a system for protecting European companies against the negative competitive impacts and the risk of carbon leakage linked to auctioning pending signature of an international agreement.

But the proposed strategy is unsatisfactory for two reasons:

- a) Currently, measures to protect companies are to be developed on the basis of unclear and non-pragmatic criteria

- b) Furthermore, very little attention is paid to definition of robust criteria for assessing whether a future international agreement will ensure a burden sharing with equivalent efforts and thereby meet the conditions needed to envisage upgrading of EU policies at two levels:
- i. at the level of emission reduction targets (as you know, the Commission proposes that the EU 20% target by 2020 should be increased to 30% in the event of an international agreement being concluded)
 - ii. at the level of operational measures (as you know, the Commission proposes that auctioning should become the norm in the event of an international agreement).

So, a lot of work remains to be done to ensure that the criteria for access to measures which protect companies (free allocation of allowances) are clear, pragmatic and known good time. In particular, it is vital not to impose unmanageable burdens and practical challenges on companies in terms of the technical, economic and even commercial information they must submit, as would be the case with the Commission's current approach.

Until all these issues are resolved, free allocation of allowances based on benchmarking to manufacturing industries exposed to carbon leakage will be, for BUSINESSEUROPE, the only conceivable system.

Besides energy efficiency and renewables, BUSINESSEUROPE sees nuclear energy and carbon capture and storage as the other key pillars of sustainable energy.

For BUSINESSEUROPE, a delay in development of efficient policy measures to promote any one of these four technological resources would have very harmful effects regarding the possibility to ensure security of supply and climate protection under affordable conditions.

There are five key arguments for restoring to nuclear energy the level of attention it enjoyed in the past. These key arguments are the following:

- energy security
- competitiveness
- protection of the climate
- market opportunities at global level
- and positive developments regarding nuclear waste management.

For nuclear, the issue is not only elimination of the obstacles which unnecessarily hinder its development. There is also the issue of keeping the strong contribution that nuclear makes today to climate protection in the countries which have a nuclear programme.

As you can see, our vision converges strikingly with the nuclear energy section of the European Parliament's recent resolution on conventional energy sources and energy technology.



Nuclear energy is very competitive but as you know, it requires heavy upfront expenditures.

In this context, I would like to underline the vital role that can be played by long-term agreements and innovative co-investment models between energy producers and users for facilitating investments and further improving the competitiveness of nuclear. Long-term agreements can help translate the competitiveness of nuclear energy in the final electricity price for industry. However, long-term agreements are hindered by a number of bottlenecks and have not yet been recognised as a strategic EU issue. We therefore very much welcome that amendments have been tabled in the ITRE Committee, in the context of the discussion of the energy internal market directives, so that long-term agreements are recognised as an important element of the energy policy toolkit (to be used, of course, in a wider context than nuclear).

A quick word to say that CCS (carbon capture and storage) could make a significant contribution after 2020 if all the legal, economic and technical questions are solved in the coming years. With this in mind, we warmly welcome the EU's intention to promote large-scale CCS demonstration power plants.

As a concluding remark, Ladies and Gentlemen, I would like to say that BUSINESSEUROPE is available to discuss any of these topics with the Group of the EPP and the European Democrats in the EP.

Thank you.
