

BUSINESSEUROPE



Some considerations on developing the EU energy and climate protection agenda

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Meeting of the Employers' Group of the European
Economic and Social Committee

Issues highlighted

- Improving the security of energy supply by developing an EU external energy policy — The example of gas
- EU post-2012 climate policy
- EU renewables policy
- Needs of energy intensive industries
- Internal energy market



Supply dependency

Europe: a global picture in few figures

	Production of fossil energy (in Mtoe)	Imports of fossil energy (in Mtoe)	Global energy dependency (in %)
1990	611	711	45
2005	526	880	50
2030	305	1 396	68

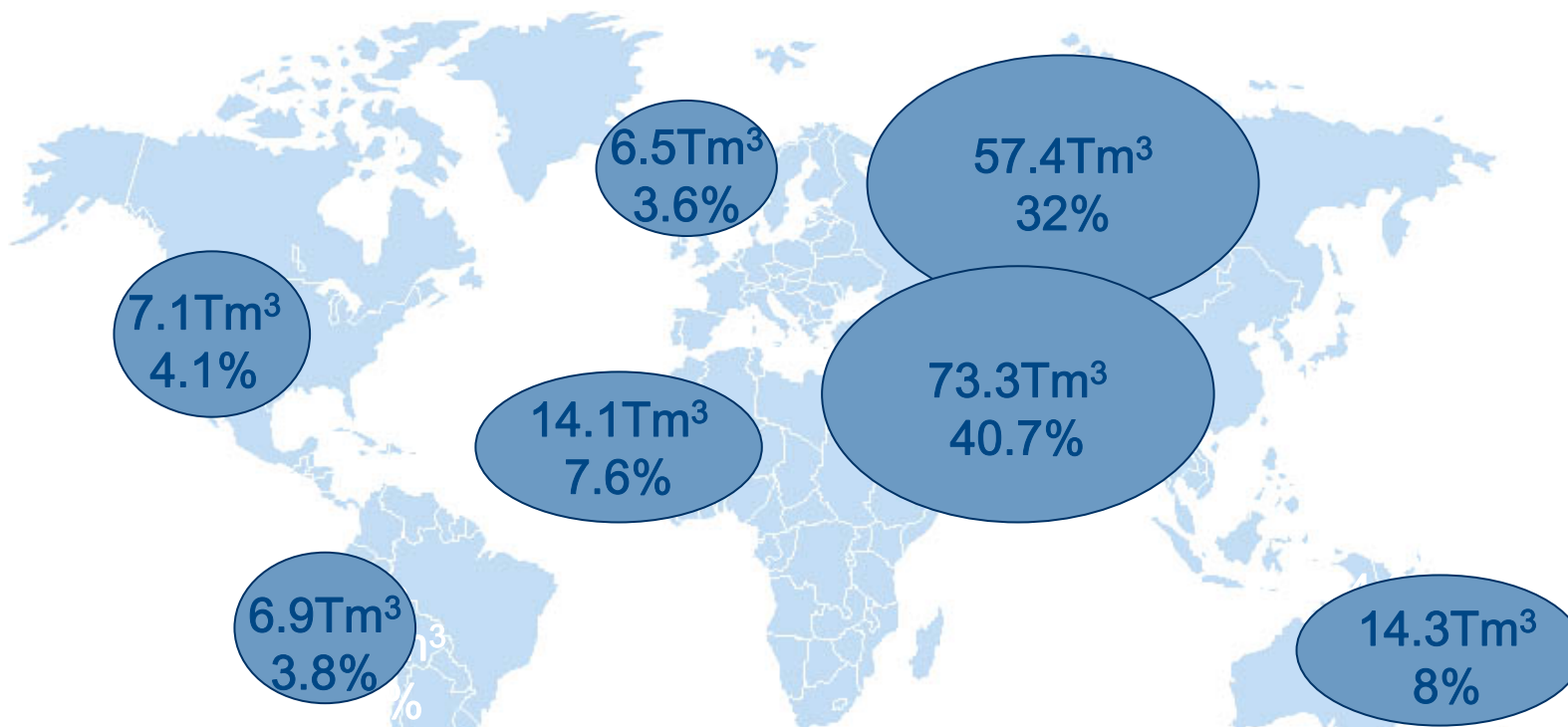


An increasing dependency



Supply dependency

Map of world reserves: Europe benefits of a favorable gas environment since it is circled by the most important producers



Proven world natural gas reserves (180Tm³): 80% on our boundaries



Supply dependency

BUSINESSEUROPE welcomes EU initiatives and calls for:

- **Because of its proximity of gas reserves, the EU should create privileged links with producers. The EU should coordinate as much as possible the Member States' position vis-à-vis producers**
- **The negative position adopted by Hungary vis-à-vis the Nabucco gas pipeline project shows that a lot needs to be done to improve this coordination**
- **While Member States pursue separate policies, main gas producers are forging alliances and plan to create a gas equivalent of OPEC**



Need to develop an EU external energy policy



External relations of energy

BUSINESSEUROPE welcomes EU initiatives and calls for:

- **a coherent EU framework clarifying the principles, responsibilities, partnerships and resources of a European External Energy Policy**
 - multilateral, Regional and Bilateral Pillars
 - making a better use of development policies
 - addressing security of supply risks
- **a clearly defined energy diversification and access strategy covering:**
 - an internal enabling environment
 - reciprocity in investment
 - ensuring legal stability for long term contracts (gas)
 - providing political and financial support to priority energy interconnection projects
- **strengthening international partnerships with:**
 - key producing and transit countries
 - relations with major consumers to promote open and competitive global energy markets, energy efficiency, regulatory cooperation and research



Greenhouse gas emissions

EU unilateral objective: -20% in 2020 with 1990 as base year

- **BUSINESSEUROPE is willing to contribute to achieve this objective, but a real action plan is required, taking into account the competitiveness of industry**
- **lack of information about the future (Phase III Kyoto, CO2 storage injections, international industrial competitive framework)**



Need to define a specific framework for energy intensive industries; EU should engage in international negotiations to convince Kyoto's non participants to share similar objectives



Renewables

EU mandatory objective for renewables: 20% of total energy needs in 2020; biofuels to represent at least 10% of gasoline and diesel in 2020

- **IEA considers that the competitiveness impact of these objectives has not received enough attention**
- **juxtaposition of 27 national (subsidy) policies will be ineffective**
- **implementation must leave all other energy options open (nuclear,...)**



Need for a harmonised EU framework for promoting renewables where it is most cost-effective, and protecting competitiveness of energy users



Needs of EII

Needs of energy intensive industries (EII)


- **Constant dialogue with the Commission to establish realistic objectives**
- **Long term contracts: key option to secure industrial position**
- **Need for baseload electricity. Nuclear option is a key option to this end because it is zero carbon, cost-effective technology, and world resources are less concentrated. We propose an objective of 40% of electricity production by 2020 (vs 32% today).**
- **Access to netback type contracts indexed on oil products**



Internal Energy Market

Unbundling: the Commission wants ownership unbundling or the creation of an Independent System Operator

- **effective unbundling is a key element for the existence of a truly open and competitive internal market**
- **effective unbundling means:**
 - **create fair and equal access to the network**
 - **increase competition in the context of existing infrastructure**
 - **encouraging investment in new infrastructure**
 - **transparency**

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- logical approach for establishing effective unbundling regime must start with complete implementation, in letter and spirit, of the existing legislation
 - in the case that application of the existing Community regulation would be not sufficient, a next step would be needed (new Commission initiatives)



Internal Energy Market

Other issues: we welcome the ambitious program defined by Europe, that contains:

- strengthening of the independence of national energy regulators
- enhancement of cooperation at all levels:
 - between regulators, network operators,
 - elaboration of common technical standards
 - improve coordination of network operation and grid security (remember the black-out of last year, following a mismatch on German grid)
- improved access conditions for new entrants
- increased transparency in energy market operation



Key success factor : the Commission must be a strong driving force behind this programme

