

**Remarks of Mr. BARBASO  
at European Commission/  
World Energy Council  
Joint Seminar, Brussels, 30 June 2006  
(20 min)**

**Session 1: Public consultation and follow-up to Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy**

Ladies and gentlemen,

In the Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy, the Commission argued that action is needed across the board, in **six priority areas**, in order to achieve progress towards the three core objectives of energy policy. I'll start by giving you a **brief overview of these priorities and our plans**. On the external relations front, I will bring you up to date on the European Council's guidance earlier this month.

It is not yet possible to say much about the public consultation, as it will not be completed until September. However, the responses to date indicate widespread interest.

It is clear for everyone that developing a sustainable European energy policy will be a long term challenge. As a foundation for this process the Commission proposes that a **Strategic EU Energy Review** be presented to the Council and Parliament on a regular basis, covering all energy policy issues. This would constitute a regular stocktaking and action plan for the Spring European Council, monitoring progress and identifying new challenges and responses on all aspects of energy policy.

The Commission intends to adopt its first Strategic Energy Review by the end of the year. Such initiative will be accompanied by a set of proposals in the energy field: a report on the internal market, a road map on renewable energy, an interconnection priority plan, a proposal on heating and cooling from renewable sources, a communication on clean coal technologies, to quote just a few. This package will be preceded by the presentation of an action plan on energy efficiency at the end of September.

Going into the details, I would like to present some of the most important actions identified.

The Green Paper strategy starts at home with the **internal market** in electricity and gas. Europe's internal market is a key element in ensuring that our energy policy really achieves the objective of competitiveness. It is also in the competitive internal market that innovations and new energy technologies will be launched, helping in the transition to more sustainable energy systems. And the internal energy market will provide energy security. We are all aware that the task we set ourselves of creating an integrated, truly competitive European-wide market is **far from completed** and there remain many differences in the real extent to which national markets are open to competition. We need a level-playing field and we need a system where ex-incumbents have to compete fairly and fiercely on their home markets. This is not always the case today. In short, we need more effective regulation, a faster, more aggressive and ambitious approach towards the creation of regional markets as a stepping-stone towards a truly European one, and we need to exclude that companies can use their ownership of the grid to prevent fair competition developing at home. We need large, strong energy

companies in the EU, and the lack of competitive market structures will make this difficult to develop.

The Commission will prepare in 2006 **detailed reviews at Member State level** on the functioning of electricity and gas markets. The benchmarking report will be prepared as usual. By end-2006, after implementation of the 2<sup>nd</sup> Directives by all Member States and the completion of the **competition enquiry**, a decision will be made on any additional legislative decisions needed.

For competition and an integrated market to develop, we need additional physical capacity. The Commission will identify important individual measures at the level of Member States and at EU level (eg. more effective use of the TEN-E instrument), with a view to a **priority interconnection plan**.

The second key area focuses on **security of supply in the internal market**. Investments can be expected to be made to cope with foreseeable circumstances. Common European security and reliability **standards** for the network will help and common standards could also be warranted on the protection of the **physical security** of infrastructure.

As regards the prevention and mitigation of **disruptions** to security of supply, the Commission thinks that the existing Directives on gas and electricity security of supply should be re-examined, to ensure they can deal with potential supply disruptions. For oil, a global market, a more coordinated Community response in the event of an IEA decision to release stocks makes sense and would be helped by the publication on a more regular and transparent basis, of the state of **Community oil**

**stocks.** The Commission believes that a **rapid solidarity mechanism** for Member States in difficulty after (physical) damage to its essential infrastructure, merits consideration.

The Commissioner outlined for you the Commission's thinking on the third priority area, the **energy mix**. The European Council agrees that Europe's energy policy must be based on shared perspectives on long-term supply and demand and on an objective, transparent assessment of the advantages and disadvantages of all energy sources. Europe's energy mix will be one of the strategic issues in the Strategic EU Energy Review, which the Commission will adopt by the end of the year, for consideration by the European Council in Spring next year. Your reports which we will hear about today are clearly relevant.

One idea put forward in the Green Paper is that Europe could consider agreeing on **an overall "Strategic European Energy objective" at Community level**. This target would provide a benchmark on the basis of which the EU's developing energy mix could be judged. It would help the EU to stem the increasing dependence on imports. For example, an objective might be agreed to maintain or achieve a minimum level of the overall EU energy mix from secure or indigenous and low-carbon carbon energy sources. Such a benchmark could combine the freedom of Member States to choose between different energy sources and the need for the EU as a whole to have an energy mix that, overall, meets its three core energy objectives. I would be interested in your views on this.

The fourth priority area relates to the challenge of **climate change**. Given the scale of the challenge, it is clear that Europe needs to address its climate change goals in an **integrated** manner, in other words in a

way that positively contributes to its competitiveness and security of supply. This is becoming an ever more vital question. If the EU is to reduce its CO<sub>2</sub> emissions by 50% or more in the coming decades, it will need a series of actions, including for example clean coal and carbon sequestration. In any event it will require a major increase in carbon free energy sources.

In order to achieve this, and at the same time focus on its Lisbon goals, the point of departure is that future targets and objectives in this area have to be made on the basis of a robust **cost-benefit analysis**.

It is clear that action on **energy efficiency** could really contribute to all three of our core energy objectives. The Green Paper on energy efficiency identified a potential cost-effective saving of 20% of EU energy use by 2020. This cannot be left untapped. A concrete Action Plan on Energy Efficiency will be adopted by the Commission in September, with a target of reducing the EU's energy use by 20% by 2020, including in the transport sector.

Energy efficiency needs to become a **global priority**. The Action Plan can serve as a "launch pad" to catalyse similar action worldwide, in close collaboration with organisations active in the field. The EU could propose and promote an international agreement/bilateral agreements on energy efficiency, involving both developed and developing countries. I would be interested to hear your view on this too.

Effective action on **renewables** could similarly yield benefits, contributing to our progress towards all three of our core energy policy objectives. If we believe that high energy prices are here to stay, and possibly to go

higher, large scale offshore wind, biomass, and some types of biofuels begin to look competitive. We need to continue to move forward towards greater market penetration of these energy sources in the EU over the next decades. To do this we need to set a long-term **road map** with ambitious objectives and a way to get there. EU competitiveness certainly has to be a major criterion – we need to work even harder to get the cost of renewables and biofuels down. Equally, we need to determine how best to combine the effects of the carbon trading mechanism and renewable support schemes.

The fifth priority area concerns **technology**. Our climate change policy gives European industry the spring-board to cement its position as world leader in the high tech, job intensive sectors of energy efficient and low-carbon technologies. (The EU is the only market in the world with a system for effectively pricing carbon.) But we are not fully seizing this opportunity. For this reason, the Commission argued in the Green Paper for a Strategic European Energy Technology Plan, to accelerate the development of promising energy technologies and help bring them to the markets.

For example, clean coal and carbon sequestration are going to be essential if the EU seeks to retain its coal-based generation, which many believe it must, not least for reasons of security of supply. Furthermore, such technologies will in future years be used worldwide, notably in China, India, the US and South America. Similar arguments can be made for wind, solar and second generation biofuels. These are unique opportunities for European companies that are, in many cases, already world leaders in this area. They deserve our backing.

Even with an ambitious approach towards renewable energy and efficiency, the EU is still likely to need more fossil fuels, notably gas, over the next decades and this will mean greater imports, and greater reliance on regional and global infrastructures, markets, prices and investments. A stronger **external component** to European Energy Policy simply makes sense – this is the last but far from least priority area. Twenty-five separate policies make no sense. Europe needs to decide on its goals in external energy policy and pursue them collectively.

The paper prepared jointly by the Commission and the High Representative Solana on a European strategy for external policy in the field of energy highlights the geopolitical risks to EU energy supplies. The **European Council** earlier this month invited the Commission, the Council Presidency and the High Representative to take this work forward and indicated a number of priorities, notably the Energy Charter Treaty, an energy agreement with Russia within the larger framework of a successor to the Partnership and Cooperation Agreement, extension of the EU's internal market to its neighbours, support to infrastructure projects opening up new supply routes and benefiting all Member States through increased diversification, and use of trade policy and WTO. The European Council sees external relations as an integral part of an Energy Policy for Europe.

Our relations with **Russia** have been much in the news these past months. We need to be patient and determined, actively engaging Russia in developing a true energy partnership based on mutual self-interest; the EU with transparent and predictable markets open to Russian supplies and Russia ensuring that the investment is made to meet demand on a fair and transparent basis. In addition, we need to

look for continued progress on the investment and access regime in Russia. We believe that these objectives can be progressively achieved.

At the same time, we need to make major efforts to support the **diversification** of gas imports, using both pipelines and LNG. This requires the identification of projects of major interest to the EU and a common commitment to actively support and pursue them at both Community and national level - the very basis of an Energy Policy for Europe and speaking with one voice.

This is a brief overview of the overall direction and first steps towards an Energy Policy for Europe, encouraged by the **new political consensus** that today's world and Europe's potential call for an effective policy.

I look forward to our discussions.