European strategy for sustainable, competitive and secure energy. Green Paper

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PURPOSE: the presentation of a European Strategy for Sustainable, Competitive and Secure Energy.

CONTENT: the numerous and diverse energy challenges facing the European Union are the driving force behind the Commission's preparation of this Green Paper entitled "A European Strategy for Sustainable, Competitive and Secure Energy". In essence the Green Paper challenges the Member States, industry and interested parties to consider whether the EU is ready to develop a common European Energy Policy based on a common approach and articulated with a common voice. The proposed European energy policy would be based on three core objectives:

1) **sustainability:** including developing competitive renewable sources of energy, seeking alternative transport fuels, curbing energy demand in Europe and heading global efforts to halt climate change.

2) **competitiveness:** opening up the energy markets, stimulating investment in clean energy production and energy efficiency, mitigating the impact of higher international energy prices in the EU economy and securing Europe's position as a cutting edge leader in the development of energy technologies.

3) **security of supply:** tackling the EU's rising dependence on imported energy through an integrated approach and to diversify sources of supply of imported energy.

To realise these three objectives, six priority areas have been identified backed up by some twenty concrete suggestions for possible new action. In summary the six priority actions and measures are:

i) Completing the internal European electricity and gas markets. The Green Paper emphasises the importance of opening up the energy markets, the lack of which weakens the European energy market thereby feeding higher consumer prices. A truly competitive single European electricity and gas market, argues the paper, will bring down prices, improve security of supply and boost competitiveness. Market opening helps the environment as companies react to competition by closing energy inefficient plants. Much work has been done to open up Europe's energy markets but, suggests the Green Paper, more can be done. Concretely speaking future actions should include the establishment of a European grid, strengthening interconnection between the Member States, boosting investment in the EU's ageing generation capacity, offering a level-playing field for unbundling and giving impetus to the competitiveness of the EU's energy industry.

ii) An internal energy market that guarantees security of supply through Member State solidarity. The physical security of Europe's energy infrastructure, against risks from natural catastrophe and terrorist threat, as well as security against political risks, is critical. It requires the development of smart electricity networks, demand management and distributed energy generation, all of which could help at times of sudden shortage. Future action in this field should concentrate on the establishment of a "European Energy Supply Observatory"; a "European Centre for Energy Network" and the development of mechanisms to prepare for and ensure rapid solidarity and possible assistance to a country facing difficulties. This priority heading also requires a radical rethinking of the EU's approach to emergency oil and gas stocks and ways in which to prevent their disruptions. Possible proposals under this heading include a new legislative proposal concerning gas stocks designed to ensure that the EU can react to short term emergency gas supply disruptions.

iii) Towards a more sustainable, efficient and diverse energy mix. Key to this heading is the proposed "Strategic EU Energy Review". Its development would offer the EU a clear framework for national decisions on their "energy mix". The review would analyse and sum up both the advantages and disadvantages of various energy sources – from indigenous renewable energy sources such as wind, biomass and biofuels, small hydro energy efficiencies through to coal and nuclear power. Taken as a whole the Review would consider what knock-on effects the energy mix has on the EU as a whole. The Green Paper also suggests that agreement may need to be found on an overall energy objective, which balances the goals of sustainable energy use, competitiveness and security of supply. One objective, for example, might be to aim for a minimum level of overall EU energy mix originating from secure and low-carbon energy sources.

iv) An integrated approach to tackling climate change. Effective action to address climate change is urgent. The EU is already at the forefront of approaches to decouple economic growth from increasing energy consumption. An effective energy efficiency policy does not mean sacrificing comfort or convenience. To date the EU has been effective in encouraging greater energy efficiency. It proposes continuing to do so with the presentation, in the course of 2006, of an "Action Plan on Energy Efficiency". In other areas, this priority heading seeks to increase the use of renewable energy sources and continue investing in carbon capture and geological storage all of which help tackle climate change.

v) Encouraging innovation through a strategic European energy technology plan.

The EU needs an appropriately resourced strategic energy technology plan. As such the EU needs to consider ways to finance a more strategic approach to energy research and to take further steps towards integrating and co-ordinating Community and national research programmes.

vi) Towards a coherent external energy policy. According to the Green Paper, the energy challenges facing Europe need a coherent external policy to allow Europe to play a more effective international role in tackling common problems. A coherent external policy is essential if the EU is to deliver a sustainable, competitive and secure energy policy. As a first step, the Commission proposes, the establishment of an EU "External Energy Policy" defined through the aforementioned Strategic EU Energy Review. The External Energy Policy would offer a single reference point allowing the EU "to speak with one voice". The policy goals envisioned refer to: a clear policy on securing and diversifying energy supplies; entering into energy partnerships with producers, transit countries and other international actors; entering into dialogue with major energy producers and suppliers (such as Russia); developing a pan-European Energy Community with the EU's neighbouring countries (such as Turkey and the Ukraine); reacting effectively to external crises and raising the profile of energy in the EU's development strategy.

To conclude, the Green Paper points out that each Member State must make its own energy choices based on national preferences. However, in a world of global interdependence, energy policy, unavoidably, has a European dimension. The Green Paper has identified six key areas where action is necessary. The most fundamental question is whether there is agreement on the need to develop a new, common European strategy for energy and whether sustainability, competitiveness and security should be the core principles to underpin this strategy.

To help address these questions the Green Paper poses, in summary, the following questions:

- in terms of *competitiveness* - is there agreement on the need for a genuine single market to support a common European strategy for energy?

- in terms of *diversifying the EU's energy mix* - what should the EU do to ensure that Europe promotes climate friendly energy supplies?

- in terms of *solidarity* – what measures are needed at a Community level to prevent energy supply crises from developing?

- in terms of *sustainable development* – how can a common European energy strategy best address climate change with security of supply?

- in terns of *innovation and technology* – what action should be taken to ensure that Europe retains in global position in energy technologies?

- in terms of *external policy* – should there be a "common external policy on energy".

Based on the replies received, as well as the conclusions of the European Council and Parliament, the Commission will prepare proposals for more concrete measures.