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

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The European Parliament adopted a resolution based the own-initiative report drawn up by Eluned **MORGAN** (PES, UK), and welcomed the Commission's green paper on a European strategy for sustainable, competitive and secure energy, whilst emphasising the need to acknowledge the ever changing conditions in the broader global energy market. It highlighted the importance of a systematic approach that took account of production, distribution and consumption in order to develop a European energy policy securing affordable energy as far as possible from low-carbon sources in the short term and carbon free sources in the medium term and indigenous resources, respecting market mechanisms, whilst protecting the environment, combating climate change and promoting energy efficiency.

Climate Change: Parliament urged EU leaders to agree by the end of next year on a binding 2020 CO2 target and an indicative 2050 CO2 target. The Commission should propose a revision of the ETS including economically acceptable management of ETS credits such as a progressive move towards auctioning or benchmarking based on output. The ETS scheme should be based on a careful evaluation of economic and environmental impacts, a comprehensive assessment of the allocation methodologies, and a review of the penalty scheme. During the second ETS financing period (2008-2012), financial resources should be allocated in a way that leads to action being taken to reduce CO 2 emissions and energy consumption. The ETS should include additional large emitting sectors including all modes of freight transport; a strategy to cut emissions from ships should be developed, following an impact assessment, and a separate system for aviation should be set up as soon as possible.

Research, development and innovation: Parliament called for the 2007 Spring European Council to ensure that the future energy policy of Europe is backed up by an ambitious R & D strategy in the field of energy including more adequate public funding and strong incentives for increased private R & D funding, fulfilling corporate social responsibility obligations. It encouraged Member States to set out a strategy for increasing the budget for energy research.

Energy Efficiency and Saving: the Commission was asked to ensure that the contribution of hydrogen and fuel cells applications to accelerating the transition from fossil fuels to an efficient and CO2 lean energy and transport system is reflected in EU's short term energy and transport policy actions and by supporting bodies. Parliament recalled that the EU must remain a key player in initiatives such as the International Partnership for the Hydrogen Economy (IPHE or the International Thermonuclear Experimental Reactor (ITER).

Investments: Members recalled the need for significant investment in electricity and gas infrastructure in order to secure energy supply in Europe. They requested the Commission to contribute to the creation of a favourable investment climate, and ensure that markets are allowed to send the right investment signals to investors.

Security of Supply and energy efficiency: Parliament called on the Council and Commission to adopt measures to make the EU the most energy efficient economy in the world by 2020 and to set energy efficiency measures as a horizontal priority for all policy sectors in the EU. It asked the Commission to ensure timely implementation of EC directives in the field and urged the Council to adopt the proposals in the energy efficiency action plan.

Energy Mix: Parliament believed that the diversification of energy sources along with increased use of indigenous sources and decentralised energy production would improve security of supply, but acknowledged the fact that decisions on energy mix in one Member State can affect security of supply in other Member States. It regarded the EU's dependency on a limited number of energy producers and supply routes as a serious risk to its stability and prosperity. It also felt that it was vital that the European energy strategy be based on maximum subsidiarity and that decisions concerning the energy mix should remain the prerogative of the Member States. Parliament proposed that, in order to boost the diversification of energy sources, the EU set a long-term stable policy framework in order to create the necessary investment climate. Such a framework should contain an EU target for energy efficiency improvements of at least 20% by 2020. The Commission was asked to propose a framework for options of harmonised support schemes for renewable energies as part of the renewable energy roadmap and, furthermore, to set binding sectoral targets for renewables in order to achieve 25% of renewables in primary energy by 2020 and a road map at Council and Commission level for reaching a target for renewables of 50% by 2040, an EU 30% reduction of the CO2 target for 2020 and a 60-80% reduction for 2050. On the question of nuclear energy, Members believed that nuclear energy is a part of the European political debate on the energy mix. They recognised the role that nuclear energy currently plays in some Member States in maintaining security of electricity supply, as part of the energy mix and as a way of avoiding CO2 emissions. Decisions on whether nuclear energy production should continue to play a role in some Member States can only be taken at Member State level, in accordance with the principle of subsidiarity. Parliament asked the Commission and the Member States, without neglecting short and medium-term costs, to give priority to those forms of energy which reduce import dependency, especially imports of fossil fuels, that support the environment, are sustainable and reduce risks of continuous supply, not least because of the decentralisation of production. The Commission was asked to conduct a debate on the future energy mix, taking into account the advantages and drawbacks of all forms of energy, including economic and environmental costs and consequences.

External aspects: Parliament believed that development of a common stance in the EU in the dialogue with third countries would increase the EU's ability to negotiate with energy producing and consuming countries. It urged Member States to set down a list of priority areas where they have reached agreement in terms of external energy policy, including:

- climate change targets, energy efficiency and savings targets, the development of renewable technologies;
- human rights and social dialogue, in an endeavour to set standards for Corporate Social Responsibility in the field, both at EU and at UN level;
- the inclusion, in all new EU trade and international agreements, of an energy section, in recognition of the principle of reciprocity, transparency and the rule of law;
- the establishment at EU level of an exchange of information on substantive gas contracts and the sale of energy infrastructure to third countries;
- the diversification of supplies and transit routes for oil and gas, in recognition of the EU's Neighbourhood Policy.

Members urged the Commission and the Member States to take very seriously the real danger of a deficit in gas supplies from Russia after 2010 due among other things to a lack of investment, excessive leakage and energy waste in the Russian domestic market. Member States must make plain that the kind of investment necessary is more likely to be forthcoming if there is a higher degree of security for investments since these will not be made without long term contracts. Member States and the Union, in

energy-related discussions with Russia, should demand the ratification of the Transit Protocol and the Energy Charter Treaty, something which is instrumental to ensuring future much-needed foreign investment in Russia's energy infrastructure and ensuring an adequate gas supply to the EU in the future. Parliament noted that the informal European Council meeting in Lahti agreed that the principles of the Energy Charter and the G8 conclusions should be incorporated in the forthcoming agreement between the EU and Russia, which should include: a mechanism, like those in the WTO, to decide disputes concerning the EU and Russia and/or individual investors; a provision for mutual access to infrastructure; competition rules limiting the power of quasi-monopolistic companies which have not been unbundled having access to their respective energy markets; and agreement to address the issue of technical failures in the third countries affecting cross-border supplies to the EU Member State.

Single market in energy and competitiveness: Member States must recognise that the EU energy market is still not fully liberalised and that full implementation is imperative. A clear and stable political framework and a competitive and fair energy market is needed to establish a high degree of energy independence, long-term stability, efficiency, environmental sensitivity and security of supply. It further stated that transmission systems in the energy sector should undergo full ownership unbundling immediately the Commission analyses that existing legislation is ineffective since this would prevent conflicts of interests from arising between competing energy companies.

Energy Poverty and Consumer Rights: Consumers must be placed at the centre of all future energy policies and energy poverty should feature more clearly in the Commission's proposals. Parliament recalled that consumers, particularly public authorities, which must set an example in this area, also have obligations in terms of energy economy. It called on the Council and the Commission to propose measures which help low income households to achieve energy savings in their homes, thereby reducing their energy bills and their exposure to future price increases.