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*Committee on Industry, Research and Energy*

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# **DRAFT REPORT**

on Towards a new Energy Strategy for Europe 2011-2020  
(2010/2108(INI))

Committee on Industry, Research and Energy

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on Towards a new Energy Strategy for Europe 2011-2020 (2010/2108(INI))

*The European Parliament,*

- having regard to the Commission’s stock taking document: "Towards a new Energy Strategy for Europe 2011-2020", published on 7 May 2010,
- having regard to the Commission communication to the European Council and the European parliament of 10 January 2007 entitled "An Energy Policy for Europe" (COM(2007)0001), followed by Commission Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of the 13 November 2008 entitled "Second Strategic Energy Review - an EU Energy Security and Solidarity Action Plan" along with accompanying documents (COM(2008)0731),
- having regard to its resolution of 3 February 2009 on the Second Strategic Energy Review<sup>1</sup>,
- having regard to the Third Energy Package, consisting of Regulation (EC) No 713/2009 of 13 July 2009 on setting up the Agency for Cooperation of Energy Regulators, Regulation (EC) No 714/2009 of 13 July 2009 on the conditions of grid access for cross-border electricity trade and repealing Regulation (EC) No 1228/2003, Regulation (EC) No 715/2009 of 13 July 2009 on the conditions of access to the NG transmission grid and repealing Regulation (EC) No 1775/2005, Directive 2009/72/EC of 13 July 2009 on the community rules for the internal electricity market and repealing Directive 2003/54/EC (the “Electricity Directive” or “ED”), as well as Directive 2009/73/EC of 13 July 2009 on the community rules for the natural gas (NG) internal market and repealing Directive 2003/55/EC (the “NG Directive” or “NGD”)<sup>2</sup>,
- having regard to the EU Energy and Climate Change Package, consisting of Regulation (EC) No 443/2009 of the European Parliament and of the Council of 23 April 2009 setting emission performance standards for new passenger cars as part of the Community’s integrated approach to reduce CO2 emissions from light-duty vehicles, Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC, Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, Directive 2009/30/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and amending Council Directive 1999/32/EC as regards the specification of fuel used by

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<sup>1</sup> Texts adopted, P6\_TA(2009)0038

<sup>2</sup> OJ L 211, 14.8.2009, p. 1

inland waterway vessels and repealing Directive 93/12/EEC, Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006, as well as Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020<sup>1</sup>,

- having regard to its resolution of 26 September 2007 on towards a common European foreign policy on energy<sup>2</sup>,
- having regard to the Energy Charter Treaty (ECT) of 17 December 1994 which sets the legal framework for International Energy Cooperation, together with its draft Transit Protocol,
- having regard to Regulation (EC) No 663/2009 of the European Parliament and of the Council of 13 July 2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy (European Energy Programme for Recovery)<sup>3</sup>,
- having regard to Commission communication of 31 May 2010 on "Programme to aid economic recovery: Community financial assistance to projects in the field of energy (amend. Regulation (EC) No 663/2009)" (COM(2010)0283),
- having regard to the Commission report to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 4 May 2010 on the implementation of the Trans-European energy networks in the period 2007-2009 (COM(2010)0203),
- having regard to the Commission proposal for a Regulation of the European Parliament and of the Council concerning measures to safeguard security of gas supply and repealing Directive 2004/67/EC (COM(2009)0363) (*Vidal-Quadras Report*),
- having regard to the Communication from the Commission on Action Plan for Energy Efficiency: Realising the Potential (COM(2006)0545),
- having regard to the Commission report to the Council and the European Parliament of 25 June 2010 on progress concerning measures to safeguard security of electricity supply and infrastructure investment (COM(2010)0330),
- having regard to the draft Council conclusions of 21 May 2010 entitled "Towards a new Energy Strategy for Europe 2011-2020"<sup>4</sup>,
- having regard to the Directive 2006/32/EC of the European Parliament and of the Council

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<sup>1</sup> OJ L 140, 5.6.2009, p. 1

<sup>2</sup> OJ C 219E, 28.8.2008, p.206.

<sup>3</sup> OJ L 200 31.07.2009, p. 31

<sup>4</sup> 9744/10

of 5 April 2006 on energy end-use efficiency and energy services and repealing Council Directive 93/76/EEC (Energy Service Directive)<sup>1</sup>,

- having regard to the Directive 2004/8/EC of the European Parliament and of the Council of 11 February 2004 on the promotion of cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/62/EEC ("CHP-Directive")<sup>2</sup>,
  - having regard to the Article 194 of the Treaty on the Functioning of European Union,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on International Trade, the Committee on the Environment, Public Health and Food Safety and the Committee on Regional Development (A7-0000/2010),
- A. whereas the Lisbon Treaty marks a new period for the Union which calls for the adjustment of our goals and strategies in order to fully implement the treaty,
- B. whereas the Union faces the problem of poor implementation of energy legislation and overall energy strategies which calls for strong leadership from the Commission to bridge this gap,
- C. whereas Europe continues to become more dependent on imports of foreign sources of energy, notably as regards fossil fuels,
- D. whereas major energy investments are needed, notably in new power plants and grids within the next decade, which will shape the energy mix for an even longer-period and which will require a new diversification of financing instruments,
- E. whereas investments in the energy sector are very capital intensive, and there is a need to create a stable long-term regulatory framework and which therefore enables companies to take environmentally and economically sound investment decisions,
- F. whereas energy infrastructure need to be financed first and foremost by energy tariffs; but whereas EU funding might also be needed where markets alone can not finance such investments, especially in the least developed regions,
- G. whereas the economic downturn following the financial crises has delayed investments in the energy sector; considers, however, that the crisis can also be an opportunity for Europe to reform,
- H. whereas a sustainable and dynamic economy should strive to decouple economic growth from energy consumption, notably by increasing the energy efficiency per unit of output,

### **Introduction: A Strategy to ensure the Full Implementation of the Lisbon Treaty**

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<sup>1</sup> OJ L 114, 27.4.2006, p. 64

<sup>2</sup> OJ L 52, 21.2.2004, p. 50

1. Welcomes the stock taking document of the Commission "Towards a new Energy Strategy for Europe 2011-2020" as a first step towards a comprehensive EU energy policy in the context of the EU's 2020 strategy;
2. Considers that any future strategy should seek to fulfil the Lisbon Treaty objectives of a single energy market, security of supply, energy efficiency and savings and the promotion of energy networks and lead to a reduced reliance on energy imports and an increase in domestic energy production;
3. Underlines that the proposed strategy should be carried out, above all, in the spirit of solidarity and responsibility, where no Member State can be left behind or isolated and all Member States take measures to ensure the Union's mutual security; stresses the inclusion of a specific chapter on energy (article 194 TFEU) ensuring a firm legal basis for Union action based on the Community method;
4. Emphasises that the Union needs a long term vision on energy policy, complemented by precise and comprehensive short term action plans to work towards these goals;

#### **Ensure the functioning of the energy market**

5. Stresses that the completion of the European internal energy market is indispensable for the fulfilment of the EU's policy objectives; believes this should be based on a clear legal framework, where legislation is strictly enforced and the Commission refers more member states to the ECJ for infringements if needed;
6. Strongly stresses and underlines the need to fully implement the current EU energy legislation and to fulfil the EU energy targets; underscores the need for the rapid implementation of 3rd Energy package rules;
7. Calls on the Commission, should Member States fail to react, to consider as a final measure the resubmitting of current directives in the form of regulations to assure full direct application across the single market;
8. Believes that the role of energy market regulators and the cooperation between national regulators and the Commission should be strengthened, especially in regards to retail and wholesale markets; notes that if the ACER and ENTSOs competences prove to be insufficient to create a more integrated regional and European energy markets, it might become necessary to amend their mandates;
9. Notes the need for increasing transparency in the wholesale markets; welcomes, in this context, the announcement of the Commission to present a proposal on transparency and integrity of traded energy markets;
10. Recalls the 2005 Commission sector inquiry; calls for a second energy sector inquiry to be launched in 2012;
11. Asks the Commission to organise an annual summit with representatives of the energy related committees of the national parliaments and Members of the European Parliament on EU energy related policies, legislation and other related issues in order to assure a

better mutual understanding;

### **Support Modern Integrated Grids**

12. Strongly underlines that any delay in the development of a modern EU-wide electricity grid jeopardises the EU's ambition to achieve the 20% renewables target by 2020 and the energy efficiency goals; therefore welcomes the central focus of the Energy Strategy on infrastructure to bring forward modern EU-wide integrated grids;
13. Stresses that only a pan-European energy network, not based on Member State borders, will enable the final completion of the internal energy market;
14. Believes that the TYNDP plans to integrate the EU's electricity and gas grid networks should be implemented and completed by 2020; stresses the need for better gas grid interconnections and LNG terminals which should lead to the ending of the market isolation of some Member States;
15. Believes that the current program of the Trans-European Energy Networks (TEN-E) was inefficient and did not contribute significantly to the construction of interconnection between Member States; believes that the proposed energy infrastructure package and the replacement of TEN-E should therefore:
  - (a) evaluate the problem of authorisation permits for energy infrastructure and remove red tape;
  - (b) set priority projects and set criteria to identify key investments for the development of the internal energy market;
  - (c) give clear criteria and guidelines to Member States on public and EU funding for energy infrastructure;
  - (d) extend financial support to the implementation phase of projects;
  - (e) create a cross-border cost sharing model, especially in terms of coordinated development of infrastructure and renewables;
16. Considers that the new financial perspective should reflect the political priorities of the EU as outlined in the 2020 Strategy, which implies a higher proportion of the budget to be allocated to energy policy, including infrastructure;
17. Believes that innovative financial instruments (as for instance risk-sharing facilities and loan schemes by public banks) could be an important tool for supporting investments in the energy infrastructure and energy efficiency; calls, therefore, on the Commission to increasingly replace traditional loans by these schemes; strongly endorses the proposal to use the EU budget equity as loan guarantees to encourage private and PPP investments;
18. Stresses that some Member States need additional Union support for infrastructure which the markets alone can not provide, including the replacement of old power plants, electrical grids and supply networks;

19. Suggests the setting up of coordination mechanisms to ensure that national programming of electricity grid development correspond to the 10-year Network Development Plan;
20. Stresses that, based on the conclusions of the task-force on smart grids, the Commission should assure a favourable regulatory framework at EU level for smart grids, with EU-wide common standards for their development; supports pilot projects for the roll-out of smart meters;
21. Asks the Commission to come forward with an impact assessment on the future of the world and EU gas market, including the impact of the already planned gas infrastructure projects (i.e. Nabucco), new LNG terminals, the impact of shale gas on the US gas market (notably on LNG import needs) and the impact of possible shale gas developments in the EU on future gas security of supply and prices before the end of the year;

### **Exploit better the EU's energy efficiency potential**

22. Energy efficiency and energy savings should be a key priority of any future strategy, as it is a cost-effective solution for reducing EU energy dependency, contributing to job creation, combating climate change, counteract the increase of energy tariffs and progress towards a resource-efficient economy;
23. Welcomes the review of the Energy Efficiency Action Plan; calls on the Commission to take into account the opinion of the European Parliament;
24. Believes that the move towards a better energy efficiency should include a focus on primary energy use, including transformation, transmission, distribution and supply, along side industrial and household consumption;
25. Supports the introduction of further non-tax based market mechanisms to improve the energy efficiency as a way of stimulating the competitiveness of the EU economy;
26. Calls on the Member States to agree on a common methodology for measuring national energy efficiency and savings targets and monitoring progress on achieving these targets; stresses that binding legal targets can only be included once a common methodology is agreed;
27. Supports a multi-level governance and decentralised approach to energy policy and energy efficiency, including the Smart Cities initiative;
28. Asks the Commission to present a communication on how to increase efficiency in the deployment of renewable sources of energy within the EU by striving towards a system of EU-wide common incentives for renewable sources of energy, which would allow to deploy the specific type of renewables in those parts of the EU, where they are most cost-efficient, and, thereby, lower electricity prices; believes that in the midterm, regional renewables market groups could be created;
29. Calls on the Commission to analyse the respective national renewables energy action plans presented by Member States; asks the Commission to take action if needed to help certain Member States to improve their plans; asks the Commission to use the cooperation



mechanisms foreseen in the directive to help those Member States which need it;

### **Ensure security of energy supply**

30. Believes that in coordination with the EEAS, the Commission should ensure that the Union speaks with one voice on energy;
31. Considers that all external pipelines and other energy networks entering the territory of the European Union should be governed by transparent agreements and subject to internal market rules, including rules on third party access and destination clauses; calls on the Commission to assure that current and future pipelines and commercial agreements respect the European energy *acquis* and to take action if necessary;
32. Calls for the further extension of the membership of the Energy Community to more EU neighbouring countries; underlines that the Commission should ensure and enforce a timely and strict implementation of EU energy rules by its members, notably by making the availability of EU funds conditional to the application of the Treaty obligations;
33. Considers that the energy chapter covering political and technological cooperation in each agreement with neighbouring states should be strengthened, notably by reinforcing energy efficiency programmes and internal market rules;
34. Welcomes the return of Russia to the meetings of the Energy Charter Conference; calls on the Commission to work to extend the treaty to more countries and, in the forum of the Energy Charter Conference, to work towards a negotiated settlement leading to the full ratification of the Treaty and its protocols by Russia; stresses that energy should be central to the Post-PCA agreement with Russia and that agreement should serve as the basis for individual Member State's relations with Russia;
35. Asks the Commission to assure that the Security of Gas Supply regulation is fully applied after its entry into force, especially its early warning mechanisms;
36. Calls on the Commission and the involved Member States to further proceed with the implementation of the EU pipeline project Nabucco, which could significantly enhance the security of gas supply of the European Union; asks for the vacancy of the EU Nabucco co-ordinator post to be filled as soon as possible;
37. Calls for a special energy dialogue with the countries of the Caspian region, welcomes the work on a Caspian Development Cooperation;
38. Calls for promoting the DESERTEC and Mediterranean Solar Plan initiatives by supporting decentralised solar power plants in the North African region and its connection to the grid;
39. Believes that the creation of EU minimum standards for licensing and design certification for new nuclear power plants would be useful;
40. Encourages and supports the construction of LNG terminals, notably in countries most vulnerable to disruptions of gas supply;

### **Promote energy research & development and innovation**

41. Calls for the close monitoring of the implementation of the SET-plan and the identification of obstacles to mobilise private investments;
42. Supports the development of cost-efficient new technologies for electrical storage, including the use of hydrogen and other fuel cells, which would allow to increase the share of variable renewables;
43. Calls on the Commission to promote and support financially pilot projects in the EU for the exploitation of unconventional domestic energy sources, including shale gas; asks the commission to assist Member States to carry out geological surveys to determine the level of available resources in the Union and asks for it to be included in the long term strategy of the Union;
44. Believes that in the mid-term, conventional and unconventional sources of natural gas are the quickest and easiest way to lower carbon emissions before moving to a non-fossil fuel based economy, therefore calls for SET initiatives on CCS to focus also on gas burning power plants and other bio-fuels' emissions;
45. As cited in the Second Energy Review, coal is still a key domestic source of energy and therefore the Union should continue research towards clean coal technologies such as coal gasification and coal liquefaction;
46. Supports further cooperation between the Member States and the Commission on ensuring the necessary incentives for a sustainable market for biomass, while taking into account the biodiversity and food production issues;
47. Believes that the research and development in energy technology innovation should be a central priority of the new 8th Framework Programme for Research and Development and therefore there should be a significant increase in the resources allocated to these sub-programmes;
48. Recalls that research in the field of energy should contribute not only to greenhouse gas reductions and security of supply enforcement, but also to improve the competitiveness of the European industry; in this regards, believes that engagement in standardisation with the EU strategic partners (such as China, Japan, India, Russia and the US) as regards new energy technologies, such as electric vehicles, are vital to ensure that European innovations are fully tradable on the international market;

### **Putting consumers and citizens benefits at the centre of EU energy policy**

49. Believes that smart metering and energy projects in general require awareness raising campaigns to explain to citizens their benefits; stresses that informing society about the benefits of smart metering is crucial for their success;
50. Ask the Commission for a monitoring and report to the European Parliament on the implementation of the 3rd internal market package as regards national measures to prevent energy poverty and reminds the Member States of their obligations under existing legal provisions;

51. Reminds the energy industry of its obligations under the 3rd energy package to introduce clear and understandable energy invoices; believes that the Commission's Citizens' Energy Forum templates for invoices should be used as a basis for standardised energy invoices across the Union;
52. Instructs its President to forward this resolution to the Council and the Commission.

## EXPLANATORY STATEMENT

The European Union's energy situation faces many challenges. Europe's struggle for an energy future is an uphill one. The EU is increasingly dependent on foreign energy imports. We have an energy system which needs large investments while Europe still suffers the consequences of an economic crisis. And we have failed to implement our own energy legislation.

The Lisbon Treaty was the first step towards providing an answer to these problems. It gives the Union a set of clear objectives: a functioning single internal energy market, security of supply, energy efficiency and the promotion of energy networks and renewable sources of energy. The Union has also now a strong legal framework and legal basis (article 194) to act on energy policy.

The Treaty opens a new period for the Union. Now is the time to adjust of our goals and strategies in order to fully implement the treaty. This is why the European Parliament Rapporteur believes that strategic guidance and a new Energy Strategy is needed for achieving the article 194 objectives and our 20-20-20 climate package targets. EU action can be strengthened on several points. One is to better deploy EU budgetary resources on EU energy and climate policies. Another is to set-up a more cost-effective ways of supporting the further development and modernisation of pan-European energy grids as well as development of low-carbon energy systems. It is crucial to create more synergy between the internal and external dimensions of EU energy policy. The EP Rapporteur believes there is clear political will for more action on these energy policies at the EU level.

The EP Rapporteur entirely agrees with the Commission that *“the current state of implementation of European energy legislation is overall poor”*, even in relation to past legislation, such as the 2<sup>nd</sup> internal energy market package passed in 2003. And the Commission is entirely right to put a strong focus on implementing policies agreed since 2007. It is also correct to warn that though *“further steps are needed, such measures will be not be credible or effective, if the existing legislation and programmes are not fully implemented”*.

**Strategic goals.** New energy action should maintain the EU's three current overriding energy objectives:

1. The first objective is to move towards a low carbon energy system (the subject of the Commission's First Strategic Energy Review and climate package).
2. The second objective is to ensure security of energy supply for all (the focus of the Commission's Second Strategic Energy Review of 2008) as we move to a low carbon energy system and economy.
3. And the third objective to ensure that the first two goals also strengthen the EU's competitiveness and deliver energy to all consumers at affordable prices.

The first goal can, and has been, set in terms of emissions reduction targets, with sub-targets for the share of renewable energy and bio-fuel in the energy supply mix. But it is difficult, and undesirable, to be equally precise about other components of the energy mix (oil, coal, gas, nuclear). Difficult because as the prices of these energy sources fluctuate on world

commodity markets, so their use will vary. Undesirable because the share of fossil fuels should be determined by the share of renewable energy, and should not, and cannot, be fixed in advance. It is reasonable to set a target for the share of renewables (regardless of the type of renewable energy to be used) in the overall energy mix to counter-balance the rising dependency on imports for fossil fuels and to achieve CO2 emission reduction targets. But, broadly speaking, the energy mix has to be left to market players and companies, who will have to make their own calculations based on clear policies, incentives and penalties laid out by the EU.

In the long run, the first goal of achieving a low carbon economy will serve the second goal of energy security by, reducing Europe's oil and gas import requirements. At the same time, attention must also be focussed on the EU's competitiveness and affordability of energy for EU industry and private consumers.

**EU budget funds:** A big omission in current EU energy policy is the failure to direct EU funds into an area that still ranks, despite recession, as one of the top priorities for European governments and citizens. As the Commission says, *“the EU energy systems need billions of euros of investment in energy networks, production and transport capacities and clean technologies. This must be a key theme of the future energy strategy”*.

The EP Rapporteur believes that Europe must now will the means to implement its stated policy goals including its 20-20-20 targets and the Lisbon treaty articles on energy security. The new Energy Strategy should support the spending of greater EU budgetary resources on energy and climate policy, starting with the post-2013 financial perspective.

Traditionally, the European contribution to energy policy has been more regulatory than financial (with the exception of R&D funding). European regulation has focused on energy networks and energy products. The three successive packages of EU legislation on the internal energy market have all been aimed at removing discrimination in electricity grids and gas pipelines and turning transmission system operators (TSOs) into universal carriers of energy across Europe. The theory has been that if TSOs are given the right incentives, they and their users would finance the entire necessary network infrastructure. But it is becoming clear that this is not happening fast enough to deliver the new grid connections needed for renewables in remote places or the smart grids to enable more interaction between generators and customers and better management of energy demand. As the Commission cautions, *“not all infrastructure investment will be delivered by the market alone”, especially where the cross-border nature of some networks complicates allocation of costs between member states.”*

The EP Rapporteur believes that the Commission should contribute to infrastructure investment. It needs to develop strategic EU-wide infrastructure which drives forward the integration of EU and regional energy markets and increases the absorption capacity for renewables. Compared to Europe's energy investment needs, however, even the entire EU budget is small. But a reasonable budget contribution to energy and climate policy would:

- Align the EU's budgetary priorities with its policy priorities.
- Help newer Member States in central and eastern European states with a great potential for emission reduction and renewable energy production.

- Step in and provide incentives, when market mechanisms are not sufficient to pursue the EU's energy objectives.

Since the EU budget is relatively small, the EP Rapporteur believes that the EU must look at ways of using the EU budget in such a way as to trigger high leverage effects. One such way could be to use the European budget to guarantee loans to encourage private and PPP investments as has now been applied with the European Economic Recovery Plan energy funds. Such risk-sharing facilities and loan schemes by public banks would be a tool for supporting investments in the energy infrastructure and could increasingly replace traditional loans in an innovative way.

**Make support of renewables more cost-effective:** Some national financial support schemes are considerably larger than the whole EU effort. One way, however, to give renewable energy more support would be to link these larger national funds in a pan-European scheme. To this end, the new Energy Strategy should consider returning to the Commission's original proposal for a pan-European system of trade in renewable energy or in guarantees of origin. This would build up economies of scale across Europe, and move investment to where it would produce the best return. In the midterm, Europe could also work towards regional renewables markets on the way to the pan-European renewable market.

**Energy Efficiency:** Many stakeholders see a new Energy Strategy as an opportunity to strengthen the 20-20-20 plan's non-binding target: the target to improve energy efficiency by 20% by 2020. The EP Rapporteur, however, believes that it will be difficult to implement any legally-binding energy efficiency target, but instead cost-effective actions to better exploit the EU's still untapped energy savings potential should be emphasised. It is good that the Commission is pressuring member states to improve on their national energy efficiency action plans, submitted in 2008, which contain "*large room for improvement*", according to the Commission.

**Innovation.** The EU clearly needs to do more to bring together and to maximise the R & D efforts of its 27 member states. The EU can do this in three ways – by convening and coordinating research efforts (as it is doing with the Energy Industrial Initiatives), by setting technical and legal standards for new techniques (as it has done with carbon capture and storage), and by funding (as it does through the framework research programme). But, in its Strategic Energy Technology (SET) plan, the Commission says public and private investment in low carbon technology needs to be increased from Euros 3bn to Euros 8bn a year from now till 2020. The EP Rapporteur believes that we must find a new way to encourage private investment in the SET Plan and at the same refocus more of the 8th Framework Programme on Energy.

**External energy policy.** The Commission document lists the EU's many energy dialogues with international organisations, foreign partners and suppliers. But the most important external initiatives, from the crucial energy security aspect, are those focussed on:

- extending EU internal energy market rules to neighbouring countries.
- Seeking diversification of the sources and routes of energy imports.

The EP Rapporteur believes the first must be done via the extension of the Energy

Community and a strong engagement with Russia within the Energy Charter Conference forum and in the context of the negotiations for a new Partnership and Cooperation Agreement with Russia. Moldova is to be congratulated on completing its ratification procedures and aligning its gas laws with the EU's *acquis* and acceding to the Energy Community in May 2010. The same task still awaits Ukraine which acceded conditionally in December 2009 and still has to ensure that its gas laws comply with the EU *acquis*.

The second point should be supported by the construction of new Liquefied Natural Gas terminals, able to bring gas to Europe from all over the world. LNG terminals can add both new sources and new routes of gas imports. The development of the Southern Corridor through projects like the Nabucco pipeline also could give Europe new sources, as well as a new route for gas imports. The EP Rapporteur applauds the Commission for trying to think creatively about "*possible mechanisms to leverage the EU's buying power*", and to study new tools such as the Caspian Development Corporation, as a way of aggregating European energy demand in a way that would encourage Central Asian gas producers to sell to Europe.

With the possible exception of Nabucco, the EP Rapporteur believes that funding for increasing Europe's resilience to external energy shocks is, as a general rule, better spent inside the EU rather than outside the EU. This is because new gas cross-border interconnections and storage within the EU constitute a lasting addition to Europe's energy infrastructure, and are a practical expression of energy solidarity among member states. The current revision of the Gas Security Regulation will help this process. But work on creating a more integrated gas market needs to continue in the period covered by the new Energy Strategy. The EP Rapporteur therefore hopes that a synergy here between internal and external aspects of energy will be implemented by the Commission.