

Green Paper: A European strategy for sustainable, competitive and secure energy (08.03.2006)

In this Green Paper, the Commission proposes a common European energy policy which will enable Europe to face the energy supply challenges of the future and the effects these will have on growth and the environment. The European Union (EU) must act quickly and effectively in six priority areas to ensure that it has an energy supply which is sustainable, competitive and secure. The internal market, energy efficiency, research and an external policy will all contribute to making Europe a strong player on the international stage.

ACT

Commission Green Paper of 8 March 2006: "A European strategy for sustainable, competitive and secure energy" [COM(2006) 105 final - not published in the Official Journal].

SUMMARY

This Green Paper is an important milestone in developing an energy policy for the European Union (EU). If Europe is to achieve its economic, social and environmental objectives, it has to address major energy-related issues such as a growing dependence on energy imports, volatile oil and gas prices, climate change, increasing demand, and obstacles to a fully competitive internal energy market. The EU must exploit its position as the world's second largest energy market and as world leader in demand management and the promotion of renewable energy sources.

The Commission asks the Member States to do everything in their power to implement a European energy policy built on three core objectives:

- **sustainability** - to actively combat climate change by promoting renewable energy sources and energy efficiency;
- **competitiveness** - to improve the efficiency of the European energy grid by creating a truly competitive internal energy market;
- **security of supply** - to better coordinate the EU's supply of and demand for energy within an international context.

In the Green Paper, the Commission puts forward concrete proposals in six priority areas for implementing a European energy policy. Ranging from the completion of the internal market through to the implementation of a common external energy policy, these proposals should help Europe to ensure a supply of energy which is secure, competitive and sustainable for decades to come.

Energy for growth and jobs: completing the internal energy market

The first challenge facing Europe is the need to complete the internal gas and electricity markets. Many national energy markets are still beleaguered by protectionism and dominated by a few companies. These national reflexes are bad for consumers because they keep prices high and infrastructure uncompetitive.

Opening up these markets will create fair competition between companies at European level and improve the security and competitiveness of the energy supply in Europe. As of July 2007, consumers will have the legal right to purchase gas and electricity from any supplier in the EU. In order to make an internal energy market a reality, the following core areas need particular attention:

- a **European grid** with common rules and standards for cross-border trade is needed to give suppliers harmonised access to national grids. These common rules will be drawn up in cooperation with grid operators and, if necessary, with a European energy regulator;
- a **priority interconnection plan** to stimulate investment in infrastructure linking the various national grids, most of which are still not adequately interconnected;
- **investment in generation capacity** to meet peaks in demand can be encouraged by opening up markets which are truly competitive;
- a more **clear-cut unbundling of activities** to distinguish clearly between those which generate and those which transmit and distribute gas and electricity. The confusion which is being created in certain countries is a form of protectionism for which further measures at Community level could be considered;
- **boosting the competitiveness of European industry** by securing the availability of energy at affordable prices.

Security of supply: solidarity between Member States

Given Europe's dependence on imported energy and fluctuations in demand, action is needed to ensure that there is an uninterrupted energy supply. The EU must establish effective mechanisms to create emergency stocks and foster solidarity to avoid energy supply crises.

Opening up the markets is one way of guaranteeing a secure energy supply because it creates the stable, competitive environment in which companies invest. The Commission also proposes creating a **European Energy Supply Observatory** to monitor the energy market and identify potential shortfalls. A **mechanism for rapid solidarity** could be put in place for cases where a country's supply is in crisis following damage to its infrastructure.

The EU also needs adequate energy reserves to cope with potential supply disruptions. For this reason, the Commission proposes re-examining existing legislation from the perspective of security of supply, particularly with regard to the EU's oil and gas stocks.

Towards a more sustainable, efficient and diverse energy mix

Each Member State is free to choose its own **energy mix** from the sources available. These choices are important to Europe's energy security and could be coordinated at European level by means of a **Strategic EU Energy Review**.

This Review would offer Member States a clear European framework for choosing their energy mix. It would take into account the different energy sources available and their impact on the sustainability, competitiveness and security of energy in the EU. The Review would also serve as a basis for a transparent and objective debate on the role of nuclear energy in Europe and for formulating strategic objectives for the overall EU energy mix.

The EU at the forefront of tackling climate change

Increased worldwide energy consumption and greenhouse gas emissions are direct causes of global warming and its alarming consequences. This Green Paper proposes that the EU should position itself at the forefront of tackling climate change and developing technologies which will ensure that tomorrow's **energy is cleaner and more sustainable**.

Energy efficiency is the first area where the EU must continue to lead by example on the world stage. The goal is to decouple economic growth from energy consumption, i.e. consuming less and still being more competitive. In its 2005 Green Paper on energy security the Commission showed that up to 20% of the energy currently used could be saved by 2020. This target is a key element of the **Action Plan on Energy Efficiency** to be proposed by the Commission. The Action Plan calls mainly on the Member States to mobilise all political forces in the fight against excessive energy consumption.

The Commission also emphasises the role of renewable energy sources, a sector in which the EU already has half the world market. The Commission will put forward a **Renewable Energy Road Map** to create a stable environment in which to develop renewable energies. This Road Map must review the EU's general and specific objectives for 2020 and draw up a list of measures to promote the development of clean and renewable energy sources. It will also incorporate biomass initiatives and aid for electricity generated from renewable energy sources.

Carbon capture and clean fossil fuel technologies must be encouraged so that countries who choose to can keep carbon-based sources in their energy mix.

Research and innovation at the service of Europe's energy policy

The security of supply, sustainability and competitiveness of Europe's energy depends to a large extent on the development and deployment of new energy technologies. Research into energy efficiency and renewables has contributed significantly to enabling the EU to face the energy challenges of the coming years.

The EU's 7th Framework Programme for research aims to develop new energy technologies which will increase the efficiency with which energy is generated and consumed in Europe. The Commission also proposes setting up a **strategic energy technology plan** to help structure research efforts in the field of energy and bring new technologies to the market.

Towards a coherent external energy policy

International dialogue with the EU's energy partners is essential in ensuring the security of supply, competitiveness and sustainability of energy in Europe. An **external energy policy** must enable the EU to respond with one voice to the energy challenges of the coming years.

However, before looking abroad, the EU must formulate a common position with regard to its energy mix, new infrastructure and energy partnerships with third countries. On the basis of the **Strategic EU Energy Review**, the EU will be able to step up dialogue with producer countries and to respond more effectively to energy supply crises. Moreover, energy is bound to become an important element of international dialogue on issues such as climate change and sustainable development.

The generation and transit of energy also plays an important role in the EU's relations with its neighbours. The Commission therefore proposes that the EU's energy markets and those of its neighbours be integrated by creating a **pan-European energy community**.

Background

This Green Paper marks an important milestone in developing a common energy policy by regrouping the disparate range of energy policies into a common strategy for Europe. It also marks the start of a public consultation period during which a series of concrete measures will be launched in the field of energy. The Spring 2006 European Council used the Green Paper's recommendations as a basis for a new European energy policy.

(source: European Web Portal; www.europa.eu/scadplus)