



Brussels, 18 January 2010

**Re: EURELECTRIC's Contribution to the European Union 2020 Strategy**

EURELECTRIC welcomes the opportunity to comment on behalf of the European electricity industry on the 'EU 2020 Strategy'. We have the following comments on the European Commission's working document:

1. EURELECTRIC agrees that working "*towards a smarter and greener economy*" represents an adequate exit strategy from the current economic slowdown: one that combines the need for short-term anti-cyclical management and the need for investment in low carbon technologies.
  
2. The EU 2020 Strategy lends support to the electricity industry's commitments to help Europe move to a low-carbon society. A declaration signed by sixty European Electricity company CEOs and handed over to EU Energy Commissioner Andris Piebalgs in Brussels in March 2009 aims to achieve a carbon-neutral power supply by 2050. EURELECTRIC's recent Power Choices Study examines how this commitment can be realised. The study reveals that, within the context of a liberalised electricity market, carbon-neutral power in Europe by 2050 is achievable, provided that strong and consistent political action is taken to enable the use of all low-carbon technology options, by ensuring very substantial investment in:
  - Large-scale uptake of renewable energies
  - Early deployment of carbon capture and storage technologies
  - New nuclear power plants
  - Highly efficient conventional power plant including CCGT and co-generation
  - Smart grids
  - Widespread deployment of energy efficiency measures in our economy and society

It must not be forgotten that a secure supply of both primary energy and electricity is at the heart of a competitive European economy. We stress that Member States and industry must have the opportunity to actively develop all energy options. It is also important that EU policies promote diversification of primary energy sources and routes.

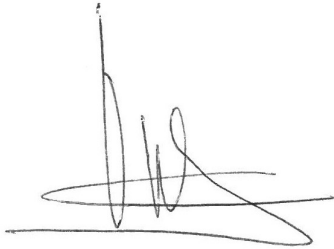
3. EURELECTRIC's own strategy can be summarized in the words: "smart, green and integrated". We first strive to generate and deliver electricity in a smarter way, which means doing more with less. Concretely, this means investing in power grids which are able to balance demand and supply more intelligently, thereby optimizing the use of renewable energy and enhancing demand-side management measures. With smart grids, the network will be gradually transformed into a dynamic, automated energy delivery system. This step-change will empower the customer by providing close to real-time, detailed information about his energy use.
4. By the same token, energy should also be consumed in a smarter way. More efficient use of energy contributes to a more sustainable economy. Efficient use of energy is necessary to minimise environmental impacts, to protect against increasing fuel price volatility and to make social energy targets more affordable. Above all, effective energy efficiency policies can substantially contribute to the competitiveness of the European economies. Energy-efficient electricity applications are a key part of the solution to the energy-climate challenge. For example, wider market penetration of heat pumps and electric vehicles will make Europe's energy consumption more efficient.
5. However, efficient use of energy requires an adequate incentive system. It requires a CO<sub>2</sub> price that reflects the cost of abating carbon dioxide. Attaining significant emission reductions also requires that all sectors - both in Europe and internationally - are also subject to that carbon price. The development and diffusion of energy-efficient technologies needs the support of public authorities, e.g. by adopting standards and, where appropriate, setting incentives to encourage consumers to invest in those technologies.
6. Bearing all these challenges in mind, EURELECTRIC would draw attention to the recent upsurge in regulatory activity among governments, which our industry sees as a significant threat to the future recovery of electricity investments. Markets are best suited to deal with the allocation of resources. It is important that electricity and carbon markets are allowed to function properly in order to allow the industry to plan its investments properly.
7. Competitive markets, not increases in regulation and government intervention, are the driver of efficiency and innovation. To achieve these goals, a stable and favourable political and regulatory framework plus a well-functioning internal market are essential.
8. However, targetted efforts by the European Union are urgently needed to accelerate innovation by granting funds for R&D investments. In this regard, EURELECTRIC welcomes the SET Plan. We strongly support the ongoing attention that the EU is giving to energy R&D and demonstration,

but we stress that these efforts must be increased. The new low-carbon policy priorities identified in the EU 2020 Strategy must therefore be reflected in the EU budget. The forthcoming negotiations on the Financial Perspective for 2014-20 offer an ideal opportunity to achieve this. We would support a radical refocussing of the budget towards a new intelligent energy economy.

9. In this respect, EURELECTRIC regards the Commission's concern to "*harness existing instruments in a new approach*" as a both appropriate and powerful statement for a successful 'EU 2020 Strategy'. Policy should be consistent and enable the objectives to be attained in an efficient way. Following the adoption of the EU Energy-Climate and Third Energy Market legislative packages, policymakers should now not burden the electricity industry with additional new regulation but rather encourage the industry in its efforts to achieve carbon-neutrality.
10. As an example, EURELECTRIC strongly calls on the European Union to use available powers to encourage Member States to use CO<sub>2</sub> emissions as the standard tax base for car purchase, and to apply circulation taxes to incentivise the deployment of electric vehicles.
11. With regard to the social aspects of the 2020 Strategy, EURELECTRIC fully supports the European Commission's vision that "*the exit from the crisis should be the point of entry into a new sustainable social market economy, a smarter, greener economy, where our prosperity will come from innovation and from using resources better and where the key input will be knowledge*". In this context, EURELECTRIC strongly believes that all three pillars of the Corporate Social Responsibility dimension are fundamental, and remains convinced that competitiveness and the success of our industry are inevitably linked to our ability to make activities sustainable on the social and environmental plane.
12. EURELECTRIC believes that a green economy can trigger new, challenging business opportunities: in particular, a properly trained workforce will be needed to respond to these challenges. In this regard, EURELECTRIC regularly engages in a sectoral social dialogue with trade union bodies EPSU and EMCEF, the main focus for 2010 being on the forward-looking management of skill needs and competences, arising from the transition towards a low-carbon economy and the parallel development of green technologies (*Just Transition Project*, jointly with EPSU and EMCEF).
13. EURELECTRIC supports the proposal on page 7 to "*develop a smart and upgraded energy infrastructure*". Likewise, we fully agree that the "*development of a European electricity Super-Grid will enable a considerable increase in the share of renewable electricity and decentralised generation*".

We kindly ask you to consider these twelve points carefully and trust that you will take the views of the electricity industry into account in the important political work you are undertaking in this field.

Sincerely,

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Luc Van Nuffel

Chairman,  
EURELECTRIC Management Committee

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Hans ten Berge

EURELECTRIC Secretary-General