

## **Summary of the commentary on the Green Book "Towards a European strategy for the security of energy supply"**

On 29 November 2000, the EU Commission submitted its Green Book "Towards a European Strategy for the Security of Energy Supply", and it must be welcomed that the EU Commission calls for a broad and intensive discussion on this subject. The German Lignite Industry has put together its comments and proposals in a detailed paper, from which, in our opinion, the following fundamental conclusions may be drawn:

- a) The overriding interests of the community, such as social stability, a reduction in unemployment, the adjustment of the different levels of the living standard within the EU as well as the integration of the accession countries require a steady and sustained economic growth. The prospects to achieve all this are bright. **Cost-effective and stable power supplies are a prerequisite to attain these targets.** The power supply must not become a bottleneck factor.
- b) The globalization of the markets, the free exchange of goods and services within the EU as well as the creation of fair conditions for all market participants represent the background against which the EU develops its political strategies in the energy sector. Setting the **necessary general conditions** in the fields of environmental protection, free exchange of goods and services and investments as well the EU should do so **without any structural pressure.**
- c) The technologies and the fuels in use to secure the energy supply in the EU member states are country-specific and vary from country to country. The EU **should recognise this diversity as a strength and promote it accordingly.** This would assure to attain important economic, regional and political targets in the energy sector.
- d) This diversity in the energy sector as well as the competitive approach will also pave the way for achieving the environmental targets at lower costs than would have to be expected, if economic dirigism, intervention and market regimentation prevailed. The numerous cases of misallocation brought about by an over-regulated market are demonstrated best by the current crisis in the agricultural sector with its steadily growing volume of subsidies. Consequently, the EU's **energy and environmental policies should be prevented from being centralised and levelled**, for which a decentralised approach that takes the regional conditions into account seems to be most promising.

- e) **The strengthening and further development of a well balanced energy mix in the EU is a strategy suitable to manage both the chances and the risks alike.** The advantages of coal and lignite, i.e. their availability, the price stability and the value-added potential for the internal market must also be utilised in the future. This does not only apply to the EU-15-member countries, but also to a number of accession states.
- f) **The rise in efficiency triggered off by the market forces** does not only strengthen the competitiveness of the European energy supply, the free competition for better techniques and technologies is also **the decisive force in order to attain the environmental targets. Clean Coal is both** a promising option to provide Europe with energy in the future and a potential export commodity.
- g) In view of the oil and gas reserves inside and outside the EU the **formation of cartels and oligopolies can only be effectively prevented by an intensive competition in the power and heat market.** However, this would require that the consumers and investors can still decide freely as they have done before, what final and primary energies they wish to use to satisfy their demands. As far as power generation is concerned, coal and lignite are economic benchmarks for competing power production techniques. As coal and lignite are available in large and moderately-priced quantities and as they can be utilised in environmentally friendly modern power plants, this option defines the price chargeable in electricity sector for oil and gas imported from outside the EU.
- h) When working out long-term strategies, **the EU should also pay particular attention to the conditions in the accession states that have large recoverable coal and lignite deposits.** The existing capacities and their development potential represent a chance for the EU in total.
- i) The EU as a whole and the individual member states should focus their policies on **creating favourable investment conditions for the energy sector.** The EU can only maintain a powerful and efficient energy sector if each single investment decision in itself is viable.
- j) The EU's instruments in the field of environmental politics are traditionally made up of standards that restrict the emissions and other environmental effects created in the process of generating and converting energy in accordance with the BAT to a level which excludes health damage or any intolerable environmental exposure to the largest possible extent. **The further development of the environmental law should be geared to international standards.**

- k) Because of all the economic and social aspects involved the **CO<sub>2</sub> reduction** striven after for environmental reasons **can only be regarded as an equal target within the target triangle of the security of the power supply, environmental protection and favourable prices**. The envisaged measures in the energy sector and those possible to be taken for reasons of precautions will have to be discussed openly under cost-benefit aspects and assessed in connection with the economic, social, regional and political targets in the energy sector.
- l) With regard to the reduction in greenhouse gas emissions the **strategy of a fuel change is out of the question**, due to the restrictions as regards the resources and the markets. Consequently, the strategy must be to **increase the efficiency at all stages of producing and utilising energy**. This, in turn, presupposes favourable investment conditions, which include internationally competitive tax laws and reasonable environmental standards that do not lead to a distortion in the competition between the different energy alternatives.
- m) Climate-relevant gas emissions are not a suitable parameter for the further development of the energy mix, as it would be the case if taxes were imposed on CO<sub>2</sub> emissions or if a CO<sub>2</sub>-oriented emissions trading system with certificates below state level were set up. First of all, the individual member **countries** of the EU themselves, but also some regions within the member states **would be burdened unequally**, because of the existing differences in the industrial and power supply structure in the individual countries. Moreover, systems of that kind applied below state level could not be aligned with the Kyoto decisions and the EU burden sharing concerning the reduction of climate-relevant emissions. Besides, **the relative positions taken up by different primary energies in the competition would be seriously challenged and changed**. This, in turn, would rather lead to a price-increasing pulling effect among the energy carriers with a low CO<sub>2</sub> content, such as gas, in favour of the producers outside the EU than to an increase in efficiency.
- n) The present EU-proposal regarding the taxation of energy, i. e. the (output) taxation on power and the tax relief for the (input) energy sources for the generation of the power, shows into the right direction. An EU-energy tax including a direct or indirect CO<sub>2</sub>-component, however, would deteriorate the energy-mix and particularly discriminate the solid fuels, while other environmental risks and supply risks in the energy sector would not be burdened by a specific kind of tax. This would be in clear contrast to the energy-political goals of the Community and the principles of sustainability as well.