

Contribution to the debate on the Green Paper
Towards a European strategy for the security of energy supply

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| Name | |
| Organisation | VCI (Association of the German Chemical Industry) |
| What are your areas of interest? | |
| Contact person | Mrs Lydia Glauch |
| E-Mail | glauch@vci.de |
| Telephone | <u>+49 30 3438 1648</u> |
| Fax | <u>+49 30 3438 1950</u> |
| Address | Ernst-Reuter-Platz 8, 10587 Berlin, Germany |

Please add your answers after the question(s) which deal most closely with the subject(s) on which you wish to comment so that the Commission can deal with the remarks efficiently and swiftly.

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| 1. | <p>Can the European Union accept an increase in its dependence on external energy sources without compromising its security of supply and European competitiveness? For which sources of energy would it be appropriate, if this were the case, to foresee a framework policy for imports? In this context, is it appropriate to favour an economic approach: energy cost; or geopolitical approach: risk of disruption?</p> <p>Answer:</p> <p>The EU's Internal Market and the world economy rely on an international division of labour. This very principle has made the prosperity of Western national economies possible. The international division of labour obviously involves a dependence on imports which, however, should not be countered with a strive for self-sufficiency or import restrictions as they would reduce the present prosperity.</p> <p>Instead the response to import dependence should be a strategy of diversification and an intensive international dialogue in the economic and the political arenas, e.g. by</p> |
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| | <p>expanding trade and cooperation agreements.</p> <p>The security of energy supply is strengthened by a policy of broad diversification both of energy sources and countries of origin. An EU energy import policy should not be limited to individual energy sources but must comprise the whole range of energy sources that are available today and will be available in future.</p> <p>The market players (energy suppliers and energy consumers) should be able to decide about the energy mix. This demand combined with an intensive and cooperative political dialogue seems to us one of the best precautions against supply disruptions. We feel that an exclusion of individual energy sources, e.g. nuclear energy, will not help achieve targets in environmental and supply policies.</p> <p>In the possible development of an EU energy import policy, equal importance should be attached to economic and geopolitical aspects; economic aspects must not play a secondary role. Energy is an important production factor in many industries, and in state interventions in price formation (e.g. in the form of taxation) the competitive conditions on the markets must be given due consideration. It is also important that competitive energy imports are not kept out of the market.</p> <p>Environmental and socio-political aspects should be part of a European strategy, too. The aim should be to ensure a sustainable energy policy in the long term.</p> |
| 2. | <p>Does not Europe's increasingly integrated internal market, where decisions taken in one country have an impact on the others, call for a consistent and co-ordinated policy at Community level?</p> <p>Answer:</p> <p>The completion of the EU's internal market also requires a full liberalisation of the energy markets of the Member States and trading in energy sources and services. A faster liberalisation of energy markets throughout the EU, especially in those Member States that are lagging behind in liberalisation efforts, should be further pursued.</p> <p>We feel that existing competencies in European Treaties for the European Institutions in the pursuit of this aim are adequate and should not be extended in the energy sector, impairing the sovereignty of Member States. A coordination of national energy policies is desirable but no harmonisation at Community level is needed. Also in future Member States should be given enough scope for national instruments and strategies, taking into account specific national conditions and characteristics.</p> <p>The task of the Commission is to work towards a full opening of markets, to establish rules for cross-border trading and to prevent distortions of competition in the internal market. As regards competition rules, it must be ensured that EU-wide trading in energy sources and services is subject to the competition rules of the European Union. We think that e.g. a centralised European regulator for the electricity and gas market is not necessary. The option to choose between negotiated and regulated grid access should be maintained according to the principle of subsidiarity. The national implementation of EU Directives in the energy sector should be left also in future to national sovereignty</p> |

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| | <p>and flexibility.</p> <p>The EU energy markets do not require sector-specific rules in competition policy. Essential to the functioning of the internal energy market is the enforcement of market economic principles including cross-border market access and the removal of trade barriers between the Member States.</p> |
| 3. | <p>Are tax and state aid policies in the energy sector an obstacle to competitiveness in the European Union or not? Given the failure of attempts to harmonise indirect taxation, should not the whole issue of energy taxation be re-examined taking account of energy and environmental objectives?</p> <p>Answer:</p> <p>In fact, differences between the respective national policies in energy taxation and state aid frequently cause distortions of competition in the EU Single Market. Harmonising energy taxation will not remedy these distortions but merely shift them to the EU's external frontiers. Moreover, before introducing an EU energy tax, an approximation of the degrees to which the EU's energy markets are open is called for, and uniform rules for the cross-border trading in energy products and services are to be adopted. As long as this is not ensured, harmonising taxation will not remedy differences in competitive conditions.</p> <p>A harmonised energy taxation would have to result in a de facto approximation of the tax burden for energy. This cannot be brought about by a system of minimum tax rates, as proposed in the Commission's draft for a Directive of 1997, because there is a wide range of tax rates with no upper limit. Such a system will most probably raise the energy tax burden to a higher level.</p> <p>Furthermore, in each European energy tax system the aspect of international competitiveness of the European industry must be duly taken into account. A large percentage of sales achieved by companies headquartered in the EU falls to the share of trading with markets outside the Community. Competitiveness on international markets must not be impaired by EU-wide rules. European companies must remain competitive also within the internal market where they once more compete with products from companies based in third countries. A European harmonisation of energy taxation must not result in unacceptable competitive disadvantages vis-à-vis international competitors and merely shift distortions of competition to the EU's external frontiers.</p> |
| 4. | <p>In the framework of an ongoing dialogue with producer countries, what should supply and investment promotion agreements contain? Given the importance of a partnership with Russia in particular, how can stable quantities, prices and investments be guaranteed?</p> <p>Answer:</p> <p>The international dialogue with countries rich in energy sources should continue intensively (e.g. extension of the political cooperation between the EU and the Gulf Cooperation Council). A wider partnership between Russia and the EU should also be</p> |

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| | <p>strived for. Generally speaking, trade and economic cooperation agreements with all producer countries should be extended and intensified.</p> <p>At the same time, political relations should be intensified to expose economic relations to the lowest possible degree of disruption caused by political events.</p> <p>Furthermore, a wider and deeper cooperation in development policy efforts worldwide can contribute to minimising political disturbances in the international division of labour.</p> |
| 5. | <p>Should more reserves be stockpiled - as already done for oil - and should other energy sources be included, such as gas or coal? Should the Community take on a greater role in stock management and, if so, what should the objectives and modalities be? Does the risk of physical disruption to energy supplies justify more onerous measures for access to resources?</p> <p>Answer:</p> <p>Energy supply security for all vital human, economic and security technical processes - also in long-lasting situations of crisis - is an ambitious aim. But this aim should be pursued with cost minimising measures.</p> <p>We regard a stricter stockpiling requirement (e.g. buffer stocks) beyond the oil stocks of the International Energy Agency as problematic. Existing rules for the stockpiling of mineral oil provide adequate protection against short-term disruptions of supplies. A tighter stockpiling requirement for mineral oil or a widening of this requirement to natural gas or coal would cause very high additional costs for industry. State stockpiling is generally a costly and short-term instrument: with any quantity stored, supply disruptions can be overcome for a limited period of time only.</p> <p>To avoid long-term supply risks, a long-term strategy with a worldwide orientation - based on good international political and economic relations - is needed.</p> |
| 6. | <p>How can we develop and ensure better operation of energy transport networks in the European Union and neighbouring countries so as to enable the internal market to function properly and guarantee security of supply?</p> <p>Answer:</p> <p>Energy transport networks inside the EU and at its frontiers should be further expanded. Therefore, network access rules must give incentives and ensure open network access at favourable prices for market participants. Also, comprehensive and functioning networks help improve the security of energy supply.</p> |

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| <p>7.</p> | <p>The development of some renewable energy sources calls for major efforts in terms of research and technological development, investment aid and operational aid. Should co-financing of this aid include a contribution from sectors which received substantial initial development aid and which are now highly profitable (gas, oil, nuclear)?</p> <p>Answer:</p> <p>The development and use of renewable energy sources is desirable but this does not render other energy sources obsolete.</p> <p>Costs incurred in the development of renewable energies must not be financed with cross-subsidies within the energy sector. In terms of national economies, cross-subsidising inside and between sectors causes distortions of competition and thus limits growth. For this reason cross-subsidising is generally rejected. Moreover, from the legal viewpoint it would be problematic to oblige some sectors to subsidise others even if they received government support in the past (lack of legal security).</p> <p>Should subsidies for certain energy sources be deemed desirable by the state/the EU, they must be financed with the general tax revenue/budget and not by other sectors or economic subjects. Climate protection and the security of energy supply are tasks of society as a whole.</p> <p>Instead of distributing subsidies at random following what is called in German 'the watering-can principle', it would be more efficient to promote renewable energy sources in the form of competitions, supporting the most efficient plants. Moreover any type of subsidy should be limited in terms of time and money and be digressive.</p> <p>We view the promotion of renewable energy sources through quantitative minimum targets prescribed by governments/public authorities - e.g. in the proposal for a Directive on the promotion of electricity production from renewable energy sources dated March 2001 - as a major and unacceptable market intervention. All technologies must be free to make their contribution today and in future. It is not ex ante foreseeable which market structures and technologies will be available in the long run and prove sustainable. It is up to the state to create a framework which leaves basically all options open and allows the markets or future generations to make a choice.</p> |
| <p>8.</p> | <p>Seeing that nuclear energy is one of the elements in the debate on tackling climate change and energy autonomy, how can the Community find a solution to the problem of nuclear waste, reinforcing nuclear safety and developing research into reactors of the future, in particular fusion technology ?</p> <p>Answer:</p> <p>Nuclear energy is a favourably priced and climate friendly technology whose use should be an option also in future. Nuclear energy makes an essential contribution in efforts to reach the Kyoto targets (see question 9).</p> |

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| | <p>Research in disposal and energy generation should go on continuously to preserve our present-day knowledge for future generations and to enhance it.</p> |
| <p>9.</p> | <p>Which policies should permit the European Union to fulfil its obligations under the Kyoto Protocol? What measures could be taken in order to exploit fully potential energy savings which would help to reduce both our external dependence and CO₂ emissions?</p> <p>Answer:</p> <p>The obligations arising for the EU under the Kyoto Protocol should be met at the lowest possible cost. It should be left to the Member States which instruments they use to meet their respective national obligations. The Member States must be given also in future the scope and the flexibility needed to duly take into account particular national characteristics.</p> <p>The EU should only prescribe a framework consisting of an optional set of instruments that the Member States can use voluntarily and flexibly, depending on their individual climate protection strategies. Cumulative measures should be avoided. The large variety of options (e.g. voluntary agreements, emissions trading, energy taxation, etc) must be based on individuality with no multiple burdens for industry.</p> <p>In Germany, the voluntary climate protection agreement between industry and the federal government is the core piece of the national climate protection strategy, and it is demonstrably successful. The obligation of industry is to reduce green house gas (GHG) emissions by 35% until 2012 (basis: 1990). The German chemical industry is contributing a great share in reaching this goal: it will reduce its GHG emissions by 45-50% until 2012 (basis: 1990) in absolute terms and improve specific energy efficiency by 35-40% during the same time. The advantage of voluntary agreements is that they allow companies to choose with a sufficient degree of flexibility in what fields and by which measures that want to reduce CO₂ emissions - the instrument is therefore cost-efficient.</p> <p>A European climate protection strategy must not subordinate the other objectives of the Union, e.g. promoting economic growth and the prosperity of society in the internal market, to climate policy targets.</p> <p>In those CO₂ emitting sectors where further significant reductions can be achieved - transport and private households - this should be done by way of additional information and by creating incentive-oriented systems. A reduction of energy consumption through energy savings and improved energy efficiency is the best precaution against a rising dependence on energy imports.</p> <p>Energy sources and technology which involve little or no CO₂ - e.g. nuclear energy - should be increasingly resorted to, and research in this field should be intensified.</p> |
| <p>10.</p> | <p>Can an ambitious programme to promote biofuels and other substitute fuels, including hydrogen, geared to 20% of total fuel consumption by 2020, continue to be implemented via national initiatives, or are co-ordinated decisions required on taxation, distribution</p> |

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| | <p>and prospects for agricultural production ?</p> <p>Answer: ./.</p> |
| 11. | <p>Should energy saving in buildings (40% of energy consumption), whether public or private, new or under renovation, be promoted through incentives such as tax breaks, or are regulatory measures required along the lines of those adopted for major industrial installations?</p> <p>Answer:</p> <p>There is still a huge potential for energy savings in the private sector which can be realized at low cost, and this potential should be used to the full. Here energy saving measures in the building sector, e.g. promotion with tax incentives, can make a contribution.</p> |
| 12. | <p>Energy saving in the transport sector (32% of energy consumption) depends on redressing the growing imbalance between road and rail. Is this imbalance inevitable, or could corrective action be taken, however unpopular, notably to encourage lower use of cars in urban areas? How can the aims of opening up the sector to competition, investment in infrastructure to remove bottlenecks and intermodality be reconciled?</p> <p>Answer: ./.</p> |
| 13. | <p>How can we develop more collaborative visions and integrate the long-term dimension into deliberations and actions undertaken by public authorities and other involved parties in order to evolve a sustainable system of energy supply. How are we to prepare the energy options for the future?</p> <p>Answer:</p> <p>For a sustainable energy supply, concepts should be introduced at national level which</p> <ul style="list-style-type: none"> ● Promote research in the fields energy saving, improvement of energy efficiency, and emissions reductions ● Share the responsibility for energy and climate policies among all societal groups, i.e. no focus solely on industry ● Leave enough flexibility for companies to utilise own potentials for energy savings/ emission reductions at favourable cost ● Ensure the international competitiveness of industry ● Do not exclude any source of energy or energy generation technology for political/ ideological reasons, and |

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| | <p>internationally</p> <ul style="list-style-type: none">• Intensify the dialogue between energy producing countries and energy importing countries,• Intensify economic cooperations in trade and investment,• Increase the use of other instruments in the common policy areas such as development cooperation. <p>Any adopted political strategy should give sufficient planning and investment security to companies in the internal market.</p> |
| 14. | Any other questions or proposals: |