



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR ENERGY AND TRANSPORT

Towards a European strategy for the security of energy supply

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

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What are you areas of interest?	Energy – environment (author "Quelle énergie pour demain ?" (2000))
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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.

1.	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?
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	<p>Answer: the only way to address a geopolitical risk of disruption (short of the military approach of the United States) is to very strongly encourage domestic energy sources, including nuclear energy for which Europe has a strong industrial and technical leadership..</p>
2	<p>Does not Europe's increasingly integrated internal market, where decisions taken in one country have on an impact on the others, call for a consistent and co-ordinated policy at Community level?</p> <p>Answer: I find it difficult to understand how the Commission can both simultaneously push for strongly deregulated energy markets and for co-ordinated policies at the Community level. Should not the Commission look for the simplest ways to promote common policies, not necessarily taxes ? The Commission should set the long term rules of the energy game, so that the different actors may decide their own policies in an optimal manner (obviously, in the energy business, 10 years is not enough : natural gas transport infrastructures, hydro power, nuclear energy, ... need a 20 to 30 years visibility).</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: taxes are too often justified with virtuous objectives while later on it appears that their only real purpose is to supply money to the State. I believe that taxes should only be justified by the needs of the States (or of the Community). The emission permits, on the other hand, traded in an open market, would seem to be a much simpler and more efficient way of achieving the objectives of reducing CO² emissions. They would also encourage alternate energy sources.</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: we are not in an "angelic" world : if we become too dependent on Russia (and this seems inevitable if the European demand for natural gas reaches .6 Gtoe in 2020), we'll have to accept Russia's terms, whatever they are. Unless Russia simultaneously becomes dependent on Europe in vital areas. I don't know if this is possible ; if it is not, we should be extremely careful !</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: stockpiles should certainly be made at the European level. An existing "stockpile" is the natural gas in the North Sea, which should be drawn upon with</p>

	parsimony : how could Europe compensate Norway for that ?
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: for natural gas, I have some doubts on the objective ; the fundamental issue is that Europe will have to rely on a very small number of suppliers, and that the transport infrastructure has very little flexibility. Hence, long term contracts are probably the only way to guarantee security of supply .</p>
7	<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: The real question is not who will finance (the consumer in the case of contributions from the energy sector or the tax payer in the case of subsidies), but how much are we willing to pay for the development of alternate sources of energy. Once this question answered, then the question of who will contribute will have to be settled. Whichever solution adopted, it should be clearly explained, and decided by parliament.</p>
8.	<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: for the nuclear wastes, the Community should promote the idea of common long term geological storages, taking stock of the fact that the present boundaries are not eternal. For nuclear safety, the need is less for "reinforced safety" (the existing reactors in the Europe 15 are very safe) than for common rules. The franco-german effort for the EPR, which is based on joint recommendations from the German and the French safety authorities, is a first step in the right direction. Research into new technologies should accompany the industrial development of nuclear energy, as is the case with all technologies ; but in no case can it be a substitute for the industrial development of an industry which has been proved to be mature.</p>
9.	<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: emission permits, together with clear long term objectives for the reduction of CO² emissions : the Kyoto protocol should very quickly be supplemented with a perspective for 2020 or even 2030 ; the market would set an adequate price for emission permits.</p>

10.	<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 and prospects for agricultural production ?</p> <p>Answer: maybe, but an extensive use of biomass for energy purposes requires very thorough environmental impact studies, since they may have adverse effects on the use of land, on the emission of methane, and on the availability of water. They may also lead to genetically modified plants.</p> <p>Hydrogen is not a primary energy, but an energy vector. As such, it may prove very useful, either directly in fuel cells, or indirectly in the synthesis of liquid fuels : there are numerous ways to manufacture and to use hydrogen (including electrolysis and high temperature nuclear plants), and none should be disregarded prematurely.</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: both means are useful</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: any discriminating measures against the use of cars have been proved to be political suicide. As long as there are tax breaks for trucks, the plain citizen cannot accept to pay more. Moreover, there is a profound contradiction between the announced goal of redressing the imbalance between road and rail on the one hand, and diving tax breaks to trucks on the other hand.</p> <p>The problem should be tackled upstream : the rail companies should offer an efficient door to door transport service, with guaranteed delivery schedules ; low cost car parks should be provided in the suburban railroad, tram and bus stations (I have seen some in Strasbourg with the new tram) ...</p> <p>Another issue is that of transportation of heavy materials by boat. The Rhine-Rhone canal made sense : why was it abandoned without any political debate ?</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: I don't know, but not with a purely market oriented economy. The</p>

governments, and the Community, must set rules which will correct the short sightedness of the market mechanisms.

14.

Any other questions or proposals:

Beyond and above answers to specific questions , I would like to make a few general comment.

- a) To begin with, may I compliment the Commission both for the publication of this Green Paper on energy, and for asking for comments.
- b) The presentation of the various energy options in Part I is fairly well balanced and this, by itself, must be acknowledged.
- c) The importance given, in Part II, to the tax policies in the member states (12 pages out of 80) show that these issues are seen as fundamental by the authors of the Green paper ; but why is the issue of emission permits for CO² not mentionned at all (if it is, I haven't found it) ? Emission permits bought and sold in a free market would increase the cost of fossil energies on the same basis all over Europe (avoiding the difficult issue of the harmonization of taxes), and encourage alternate sources of energy.
- d) Another issue which is hardly mentionned is that of the compatibility of a free energy market with the long term perspectives needed in the energy sector. Take for example natural gas : the capital investment needed for transport infrastructures either by pipeline or as LNG is very high, and has to be amortized over long term contracts. The same is true for large hydro and for nuclear power plants.
- e) The Green Paper mentions a dramatic increase in the use of natural gas in both Europe 15 and Europe 30, from 0.2 in 2000 to .6 Gtoe in 2010. This may well be what will happen. But imagine that other parts of the world move in the same direction (for instance, India and China), the overall demand for natural gas could explode from the present value of about 2 Gtoe to 4 or 5. This would have tremendous consequences on the balance between supply and demand, a question which is not addressed in the Green Paper. In other words, I believe that Europe cannot be viewed as an isolated island, and that any European energy policy should be put in a more global perspective.
- f) One of the key issues for Europe, indeed for the world, is the price of energy. Cheap energy will mean increased demand. Dear energy will encourage both energy conservation and the development of alternative sources. The political message of the Commission isn't clear, when it demands more competition in order to lower the price of energy, and simultaneously proposes additional taxes on energy. Once more, as mentionned in (2), I believe it would be more consistent to set a clear long term objective for the reduction of CO² emissions and organise the market for emission permits : the price of energy would increase, but the different actors would optimise their economic decisions.:

Thank you for replying to this questionnaire.