

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?	Biofuel
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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.	<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: The EU should make its best effort to minimise the dependence on external energy sources. We think that there are bigger risks with supply disruption, of a short or long term duration, than with price instability. The EU must favour geographical and technological diversification and must support the development of indigenous energy, particularly renewable sources. For imports it could be important to negotiate long term contracts, better for 20 years than for 10 years, in order to provide solid support for financial investment in new sources of energy.</p> <p>Because road transport is the most difficult energy oil-dependent area, it is</p>
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	<p>necessary to develop alternatives, especially biofuels, in the short term. This requires an economic approach because the development of biofuels need a fuel tax concession. But in the long term, it is expected that biofuel production will be competitive economically.</p>
<p>2.</p>	<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: It is very important to promote an integrated EU market for energy, to promote efficiency through competition and scale economies and security through diversified agents. That is no the reality on the present day. Not in the electricity sector, nor in the gas sector, nor in the renewables...</p> <p>In particular, renewables cannot travel through borders, because of different regulations and different levels of tax and state aids. A substantial increase in biofuels will require a co-ordinated policy. Nowadays there are several approaches in different countries with different policies. This way limits the biofuel potential market, and the result is a low contribution in the European Union to road fuel consumption. An EU biofuel policy should provide a framework where the biofuel market will not have internal border restrictions.</p>
<p>3.</p>	<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: The different taxes and state aids are big obstacles to an energy common market. It is necessary to harmonise policies taking account both energy and environmental objectives.</p>
<p>4.</p>	<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: For imports it could be important to negotiate long term contracts, better for 20 years than for 10 years that provide solid support for financial investment to develop new sources of energy. It is important to guarantee quantities with fixed or indexed prices or perhaps both.</p> <p>In particular, it is convenient to maximise opportunities with Russia in order to diversify and to help Russia to make a more fair transition. That is an urgent priority challenge for the EU</p> <p>It is very important to open energy markets with developing countries, especially for renewables. For example, Brazil could be an important supplier country of bioethanol to the EU. Regulations forbid this big opportunity which could contribute to the EU's Kyoto targets and to help developing countries to generate big markets for its products, whilst diversifying from oil and gas. It is</p>

	<p>important to globalise and open agricultural markets for non foods with developing countries. The EU could then receive more competitive feedstocks for biofuels.</p> <p>It is important to design ways for developing countries to profit partially from EU states aids for renewables, such as CO2 certificates, ecotaxes and other instruments. The CO2 problem is a global problem, not national, and requires global solutions. The initiative must be from us, the EU, and we must open a new friendly front in the trend towards economic globalisation.</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: The risk of physical disruption to energy supplies justifies onerous measures to develop renewable resources. The level of stocks must be negotiated. In the long term it is necessary to promote a more indigenous energy intensity, and to pay for it. Without financial and tax support renewable energy resources will not become competitive and will not be able to help overcome any potential disruption to energy supplies in the future.</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: It is necessary to eliminate technical and regulatory barriers. In the electricity sector there are countries like those in the Iberian Peninsula that are isolated physically. It is convenient now to solve concrete problems, and in the long term to promote a European electrical market. The gas infrastructures are not sufficiently well-developed.</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 long term approach is an internalisation of all the external costs and to achieve market competitiveness, but in the short term cofinancing could be a great solution. Renewable energy sources and biofuels in particular need major effort and a stable framework. A contribution from traditional energy sources that are now highly profitable would be helpful.</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: The EU must maintain and push the nuclear solution. For fission we must identify better nuclear waste management techniques like transmutation, and we should also push for more long term promising technologies like fusion. We think it is very important to provide financing for the ITER project. We think that the present national approach to fusion, with many different organisations involved in independent research is strategically poor, and is not a good and sufficient answer to the big challenge that fusion poses. We think that it could be important to create a big centralised EU or global fusion centre like CERN. We think that EURATOM is not enough. Nobody can guarantee now when fusion will be a practical energy solution, or if it could be at anytime. However, the EU must invest in this future option, providing sufficient financing for research and development.</p> <p>In a more long term approach, we must now solve the financial problems of the LHC project for CERN, without regard to short term practical solutions.</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: The most efficient and practical instrument is to promote urgently the CO2 credit market. It is very urgent to invest massively in CCGT plants. It is important to promote the demand saving policy of the Green Paper, but perhaps it is very optimistic. Do not forget cogeneration. Reinforce the research and development programmes.</p> <p>The efforts of the last four years in renewable energy development, since the Renewable White Paper of November 1997, have not been enough. Based on existing trends the goal of 12% is not going to be reached.</p> <p>Taking into account that transport energy demand will constitute 90% of the increase of the greenhouse gas emissions, research into biofuels must be a priority to reduce external dependence and CO2 emissions. Biofuels can be produced from renewable raw materials such as agricultural crops and biomass cultivated within Europe, or imported from the third world as a finished product or as feedstocks.</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: Nowadays national initiatives are limited to support 2% of the road fuel consumption and the aids are limited to tax exemptions. This policy does not ensure the use of biofuel in all Member State, although there are several initiatives. Biofuels require a co-ordinated decision to establish a biofuel consumption share of all road fuel. The tax exemption policy can be implemented via national initiatives, but it must define the same framework for all the biofuels in order to ensure free competition between the different</p>

	alternatives.
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: It is important to constrain demand, Perhaps in the short term it is more simple and easy to adopt incentives, and in the long term use regulations.</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: The energy challenge is complex and there is no single solution. For transport it is necessary to manage demand in combination with a policy that encourages biofuels.</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: Biofuels require a new directive in order to reach 20% of total road fuel consumption. The directive should establish an initial share in the short term and define annual increases in this share. Also the directive should define the possibility of a framework for biofuel tax exemption, where all the alternatives should compete and the international biofuel market would not have any restrictions.</p> <p>Such a framework is sought in the new Proposal for the Directive on the promotion of the use biofuels for transport and in the other Proposal that would amend Directive 92/81/ECC with regard to the possibility of applying a reduced rate of excise duty on certain mineral oils containing biofuels and on biofuels.</p> <p>The new Proposals indicate the need to create a European biofuel market, but the different levels of excise duties and national regulations between the Member States are a market barrier to a competitive framework.</p>
14.	<p>Any other questions or proposals:</p> <p>The Energy and Environmental challenges are global challenges and need global approaches. No single policy is enough. We identify these main areas:</p> <ul style="list-style-type: none"> <li>• Control the demand.</li> </ul>

- Eliminate barriers to markets and especially global markets.
- Diversify geographically and technologically
- Promote internal energy sources
- Internalise external costs
- A lot more effort on research and development

The new proposals must be complemented with a new revision of the Directive 98/70/EC relating to the quality of petrol and diesel fuels in order to permit the use of the biofuels.

The revision of Directive 98/70/EC must be coherent with the biofuel policy and consider the use of different blends of biofuels in mineral oils in the new petrol and diesel specifications, or define particular specifications for the biofuels and the blends.

The use of 10% of bioethanol in petrol is widely accepted by car manufacturers and it is possible without significant modification of the refuelling infrastructure, but Directive 98/70/EC only permits a 5% blend of ethanol in petrol.

Other petrol specifications must be reviewed in order to permit the use of ethanol blends, like limits on the Reid Vapour Pressure (RVP) and the distillation curve.

Also, the Directive does not permit development of other potential uses of bioethanol like the E85 (85% bioethanol and 15% petrol) flexible fuel vehicle or E-diesel (15% of bioethanol and 85% of diesel), which are already used as fuels in existing vehicles.

Thank you for replying to this questionnaire.