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European Federation of Regional Energy and Environment Agencies

POSITION PAPER

"Green Paper - Towards a European strategy for the security of energy supply"

The following paper reflects the position of FEDARENE, the European Federation of regional and local energy and environment agencies to the "Green Paper - Towards a European strategy for the security of energy supply", COM(2000)87, 8.3.2000.

The discussion on security of energy supply and future energy supply strategies is of utmost importance and crucial for future economic development and welfare. For such an important strategy it is necessary to achieve broad consensus on policy level and the agreement of the citizens of Europe. Through its members FEDARENE is very close to Europe's citizens and SMEs on the local level.

From the point of view of Europe's regions demand side management (energy efficiency & energy services) and the development of renewable energy sources as well as the decentralisation in the electricity generation are the most important pillar of the strategies for a secure and safe energy supply in Europe. Both renewable energy sources and energy efficiency can significantly contribute to climate and environment protection, to economic development, job creation and cohesion in an "energy intelligent Europe"

According to the Green Paper "forecasts confirm that... renewable energy does not reach its target of 12 % share of primary energy...." (p.69). This forecast should not be accepted and urgently policy measures should be started to support the faster market penetration of RES and improved demand side management.

FEDARENE acknowledges that recent policy documents (such as the "RES-e directive" or the draft building directive) are important steps in the right direction, but increased efforts will be necessary to speed up this development. FEDARENE therefore calls upon all European institutions - the Commission, the Parliament and the Council - to establish a legal, institutional and financial framework on European level included the peripheral regions to ensure a rapid market penetration of RES and a significant decrease in energy demand. Activities on the level of the European regions have shown that many of them are willing to make a significant contribution within their own sphere of influence and will continue to do so in the future.

Renewable energy sources, together with increasing energy efficiency and energy services, are a solution for the security of supply in Europe, because:

- they decrease import dependence,
- they contribute to economic growth, technological development & job creation,
- they are a positive factor for environment and climate protection,
- they present new opportunities for the European agriculture (biomass) and for the cohesion of European regions,
- they are widely supported by the citizens of Europe,
- they offer affordable solutions and technologies.

A European policy committed to demand side management and renewable energy sources can achieve a secure, safe and sustainable energy supply.

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?

Action on the demand side (in buildings, transport and industry) is the first and most effective strategy against dependence on external energy sources, with the added benefit of increased competitiveness of Europe's industry and lower living costs for Europe's citizens, improving their quality of life.

FEDARENE does not agree with the Green Paper when it states that "the European Union lacks the necessary powers to act on supply conditions…" (p. 47). Renewable energy sources are locally available and enable the EU to decrease import dependence. FEDARENE therefore calls for increased efforts to improve security of supply and reduce import dependence by promoting renewable energy sources and energy efficiency.

FEDARENE also disagrees that the increasing energy dependence is valid for all forms of energy (p. 22). One main advantage of RES is that they are locally available causing no import dependence. Thereby they contribute to economic growth (especially in economically disadvantaged regions), they reduce imports and ensure regional added value.

FEDARENE therefore welcomes the commitment that RES should become a political priority (p.43) and very much supports the RES targets for example included in the "White Paper on renewable energy sources", COM (97) 599 and in the "RES-E Directive" COM(2000)884 final.

The estimated investment necessary to achieve these targets (165 billion Euro, Green Paper, p 44) is much less compared to the amount already invested in nuclear energy (400 billion Euro, see p. 32) and the continuous subsidies for fossil fuels (see above). FEDARENE calls for a fair discussion of costs and prices which must include all external costs and subsidies for conventional fuels and a favourable financial and legal framework for demand side management and renewable energy sources.

2. 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? What should such a policy consist of and where should competition rules fit in?

The functioning of an internal market depends very much on a well-defined legal and institutional framework which has to be controlled and amended - therefore a consistent and co-ordinated policy at Community level is necessary. That implies the recognition of a communitarian competence in the energy field, through the inclusion of an article "Energy" in the Treaties of the Union. Such an article, based on the principle of subsidiarity, would also allow the improvement of the necessary co-ordination between the various levels of political power.

3. *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?*

The competition policy in the field of energy must have, as basic principle, the guarantee of a genuine competition between the different sources of energy, including their external costs to society. The competition rules have to ensure a real control of the market of the competent authorities.

Fossil and nuclear energy sources have achieved their present market share by profiting strongly from state aids in many different ways and some of these benefits are still in place today and create a distortion of the market. Therefore, in order to create a level playing field it is necessary that renewable energy sources receive similar support as the advantages previously granted to the oil, nuclear, gas, and coal sectors. This support could be for example tax exemption or State aids.

4. 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?

From the point of view of the European regions, sustainable energy policies should not be limited to EU member states and accession countries. Agreements with Russia in the energy sector should include sustainable energy measures. Community aid should be closely linked to the Kyoto commitments - sustainable energy use also contributes to political stability and economic growth in other parts of the world, which is also beneficial for the Community.

5. 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?

6. How can we ensure the development and better operation of energy transport networks in the European Union and neighbouring countries that enable the internal market to function properly and guarantee security of supply?

In an optimally functioning internal market all external costs are included in the energy prices and these costs are transparent - this should also include support and aid received in the past.

Certification of electricity and other forms of energy can play an important role in a functioning internal market. FEDARENE calls for a full labelling of all electricity (not only limited to green electricity) which would offer end consumers a real choice.

7. 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)?

FEDARENE strongly supports European policy initiatives, which will lead to such a major effort in RTD, investment and operation aid - also with a contribution from the fossil and the nuclear sector.

However, the following should be mentioned on the Green Papers approach to renewable energy sources:

The Green Paper on many occasions draws a comparison between RES and fossil fuel/nuclear energy and thereby continuously neglects external costs. The Paper simply states that "conventional" sources of energy are highly profitable (p.14, p.45). The truth of the matter is that:

- hydro-power was not included in the cost comparison (p.90 ff)

- the oil price increased by 117% (15-36 Dollar/barrel between 07/99 and 10/00) and
- the gas prize increased +60% in 2000.

Therefore FEDARENE contradicts that "the most important problem (for renewables) is financial (p. 45)": FEDARENE calls for a fair discussion of costs and prices which must include all external costs and subsidies for conventional fuels. Taken into account the benefits gained by the increased use of RES, be it decrease in import dependence, contribution to economic growth, technological development & job creation or environmental issues and climate protection, RES are a viable solution and make sense also in terms of economy.

Reported for the European Parliament, estimations showed that inter-state and intra-state distortions due to direct state subsidies to the traditional energy industry amount to 15 billion Euro/year ("Turmes Report": Projet de Rapport, 11/02/2000). A fair comparison should take into account present and previous subsidies for conventional energy sources as well as the wide range of external costs (e.g. caused by air pollution, weather disasters or health risks). The same applies for nuclear energy (see below).

Also other so-called "obstacles to the development of renewables" (p.45) can be easily defeated. For example, the argument that "the economic and social system is based on centralised development": one main advantage of RES is that they are regionally available. In FEDARENE's opinion decentralisation is on the contrary an advantage, which contributes to security of supply and minimises external dependence. In many regions decentralised energy supply based on renewable energy sources are established and well functioning.

The Green Paper states, that "European electricity supply is based on coal, oil, gas & nuclear" (p.45), that "renewable energy sources have a modest role in the European economies" (p. 21) and that "renewable energy technology is still in its infancy" (p.21). This is not true either, in many regions/countries RES already play a significant role in the energy supply, for example:

- Sweden: 50% electricity from hydro, wind, other RES
- Navarra: 38 % electricity from wind
- Denmark: 13% electricity from wind
- Austria: 65% electricity from hydro and other RES
- Castilla y Léon 36% electricity from hydro and wind

Many RES technologies are mature and saw enormous increases between 1989-98, e.g. wind +2154%, solar +138%, biomass +36%. Nevertheless, FEDARENE agrees that "major efforts in terms of research and technological development" (p.14) in order to implement sustainable energy technology could still strongly contribute to technology improvements and cost decrease. FEDARENE would have hoped to find such clear commitment to RES technology as given to nuclear energy technology (p.34).

900,000 additional net jobs will be created between 1995 and 2020 if the renewable energy targets are met. It is up to a true European commitment to renewable energy sources to reap this benefit for the European society.

One element of such a policy is to ensure a contribution of the oil, nuclear, coal and gas sectors. FEDARENE supports the proposition of the Green Paper to create regional funds to administer the money intended for the development of RES. Such funds could constitute an intermediary to avoid potentially negative effects of a direct investment of the "traditional" sectors in RES. Furthermore, as the RES sector still remains essentially local/regional, the management of

such funds at the regional level ensures a redistribution of sums available as corresponding as possible to the requirements of this sector.

8. 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?

FEDARENE believes that nuclear energy is no adapted solution to mitigate climate change and to secure energy supply.

Public acceptance should be taken into account when planning long-term energy strategies: according to the Eurobarometer 51.1. 61% of all European citizens are worried about nuclear power stations and a "Europe of the citizens" should take those fears seriously.

In a transparent European internal energy market, the high public investment in nuclear energy ("these investments exceed 400 billion Euro", p.32 of the Green Paper) should be taken into account. The Green Paper also mentions that "Europe depends on external supplies of uranium for 95 % of its requirements (p. 24)" - also a factor to be considered in a long-term strategy. Moreover external costs (caused by nuclear risk, radiation and waste treatment) are still not included in any economic calculation and the matter of nuclear waste remains unsolved.

9. Which policies should permit the European Union to fulfil its obligations within 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?

Energy efficiency and renewable energy sources are the solution for the security of supply in Europe which at the same time ensure that the European Union fulfils its obligation made in the Kyoto Protocol.

FEDARENE therefore calls for strongly increased efforts to increase the share of RES and EE by using appropriate legal, financial and fiscal, institutional and promotional instruments. FEDARENE calls for binding legal targets for all RES and EE sectors as well as monitoring mechanisms that ensure that these targets are met by the Member States.

Although the role of energy efficiency and energy demand management is stressed in many parts of the Green Paper, but no or little consequences are drawn from this.

Between 1975 and 1985, the improvement in EE was 24 %, whereas it was only 10% between 1985 and 1999 (p.31). A large EE potential is still not harnessed, as stated by the European Commission's Communication "Energy Efficiency in the European Community - Towards a Strategy for the Rational use of Energy" (Com(1998) 246 final), which estimates an overall economic EE potential of 18% (by 2010 based on 1995). Such figures clearly prove the necessity of intensified efforts. EU policies and budget allocation should therefore clearly give priority to measures increasing EE.

Instruments to be used include - among many others - a tax regime favourable to investments in sustainable energy solutions (for example: to include an environmental tax in the price of the electricity in order to allow green energies to be competitive), binding minimum performance standards for all areas of energy consumption, increased use of labelling and certification schemes (where possible, obligatory), the wider uptake of energy services, significant funding for the respective European programmes etc.

For any successful demand side policy, the local and regional level is of utmost importance. Here regional and local energy agencies and administrations have a very important role to play because they have access to the citizens and

the SMEs in their region. They can create awareness about EE & RES potentials, provide information on concrete actions (e.g. innovative technologies, financial aspects, specialised training, instalments and maintenance of energy systems etc.) and support their implementation. They can serve as a valuable interface between European policies and the end consumers in the domestic, commercial (SMEs) and institutional sector (especially municipalities).

The Green Paper states that "investment in modernisation has enabled European industry to reduce its need for energy" and moreover points out that in industry "energy intensity declined by 23% between 1985 and 1998" (p.15). The argument of enlargement is used to prove increasing energy consumption. FEDARENE believes that if it was possible to increase energy efficiency in the member states, it can and must be done in countries in accession, too.

The Green Paper position "the EU will become increasingly dependent on external energy sources, enlargement will not change the situation, based on the current forecast, dependence will reach 70% in 2030" (p.13), is therefore only one possible trend which can be counteracted by pro-active demand side policies on EU, national, regional and local levels.

10. 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?

Activities on all levels (Community, national, regional and local) are necessary to reach the targets set in the field of biofuels. In principle, FEDARENE welcomes such initiatives and calls for a stronger integration of agricultural policies in energy and transport initiatives, which should be taken both on Community level but also on national, regional and local levels. Examples from different European regions show how agricultural funding mechanisms can be used for energy installations (e.g. biomass and biogas district heating systems, which could also be associated to CHP processes, operated by farmers co-operatives), thereby contributing to agricultural, energy and environment objectives.

Keeping in mind an integrated approach to energy and environment protection, FEDARENE underlines that biofuel production should respect environmentally-friendly agriculture practices.

Concerning the use of hydrogen as fuel of replacement, FEDARENE underlines the urgency to analyse seriously the energy cost (in physical units) of a complete cycle of production/transformation. The interest of the final product should not hide the global impact of its pathway of production.

11. 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?

FEDARENE agrees with the importance of the energy savings' potential of the building sector and reaffirms its strong support to the directive "Energy Efficiency in Buildings ", recently proposed by the European Commission. Clear and ambitious efficiency standards must be set by the member states and well-functioning monitoring mechanisms must be set up to ensure that real action is taken.

The buildings sector is very complex because millions of individual investment and behavioural decisions are involved: a mix of legal, financial and promotional measures are therefore necessary.

The role of information and awareness raising should be stressed and the energy agencies on regional and local levels are in a unique position to carry out such information activities - appropriate Community support of such activities would make a strong contribution to the realisation of the energy efficiency potential. In this context, training of architects,

plumbers and all related building trades should be stressed as one of the decisive factors in making energy efficiency happen in the reality of a construction or a remodelling project.

FEDARENE also underlines the exemplary role public buildings have to demonstrate the viability of energy efficiency measures, the use of combined heat and power systems and the application of renewable energy sources in buildings (especially solar thermal, PV and biomass heating systems). It is therefore necessary to set up a legal, financial and institutional framework that enables public authorities on Community, national, regional and local levels to fulfil this exemplary role.

Increasing the energy quality of buildings usually also means an improvement of the quality of life for the citizens living and working in such buildings - another important reasons for taking action in the building sector.

12. Energy saving in the transport sector (32% of energy consumption) depends on redressing the growing imbalance between road haulage 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?

Current imbalance between the transport of goods by road and by rail can not, and must not, be considered as a fate. On the contrary it calls for determined action intended to develop competitive alternatives to road transport. In developing such measures, it is advisable to keep in mind that the transport of goods, by its nature as well as by the infrastructures that it requires, involves all decision-making levels, from the local to the European. Here again, co-ordinated action is then necessary.

FEDARENE would like to underline that transport policy, both for freight and private car use, is a priority with regard to energy efficiency and the reduction of greenhouse gas emissions. Moreover, a fundamental contradiction exists between the liberal framework for the transport of goods on the one hand, and on the other hand, the will to transfer the transport of all goods from road to rail. FEDARENE strongly encourages the Union to resolve this dilemma. Energy efficiency and the reduction of the greenhouse effect in the transport sector can only be realised when a limit to road transport and an uniformisation of the rail network have been accepted.

Bearing in mind the calculations of the EEA (Environmental Energy Agency) that the transport sector will increasingly contribute to CO2 emissions (+39% between 1990 and 2010), FEDARENE reiterates that a sustainable transport policy is needed. This policy should stimulate combined transport systems, and promote financial incentives to reduce the use of road transport.

This policy should:

- urge town-planners to optimise different modes of transport;
- decrease individual motorised transport, also by providing financial incentives
- extend the use of alternative technologies and motor fuels; and
- stimulate combined transport systems.
- promotion and demonstration of activities of efficient transport, also urban ones (for example launching programmes to promote the purchase of hybrid and electric vehicles).

13. 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?

FEDARENE underlines the importance of the involvement of the regional and local levels in the actions implemented by the European authorities. This implication could be expressed through the recognition of the role of the regional and local actors in the field of information/awareness. The positive experiences already carried out in some regions, probe that regional and local agencies and authorities could also be involved in the practical implementation of projects to fulfil policy objectives.

Developing a more joint action requires that the highest number of actors of the energy sector is involved in the preparation and the implementation of decisions in this field. It has been often underlined why the implication of the local / regional authorities constitutes a priority. However, they are far from being the only ones whose voice deserves to be better heard. From then on, to make possible such a wide and open dialogue, it is advisable to encourage the existence of networks and associations that are able to federate, at European level, the numerous actors acting, directly or indirectly, in energy-related sectors. Opening the debate to a plurality of actors will also allow to put in evidence the variety of different stakes, opinions and realities, which is a pre-requisite to reach sustainable decisions on the whole set of energy-related questions in Europe.