

## Green Paper "Towards a European Strategy for the Security of Energy Supply" (COM(2000)769 final)

### Comments by the Irish Energy Centre

The Irish Energy Centre welcomes the publication of this important Green Paper as a most useful framework for debate and development of responses to this important policy challenge. We are grateful for this opportunity to offer our comments on future strategy according to the guideline structure set out in the Paper.

#### General observation

This Green Paper was prepared against the backdrop of increasing Community dependence on imported fuels or electricity. The Paper itself estimates current dependency at 50%, projected to rise to 70% within 30 years. Reference is made to the desirability of considering security of supply issues within the framework of the objective of sustainable development as set out in the Amsterdam Treaty.

The introduction to the Paper reviews how energy matters sit within the various treaties, and notes that attempts to include energy matters in both the Maastricht and Amsterdam Treaties were unsuccessful. A defining sentence reads:

*"There has thus never been a real Community debate on the main lines of an energy policy. As a result, the energy problems which have inevitably cropped up since the Treaty of Rome was adopted, more particularly after the first oil crises, have been approached either through the mechanism of the internal market, or from the angle of harmonisation, environmental policy or taxation."* Over the past decade, of the three energy policy pillars of security-competitiveness-environment, the security pillar has not been to the forefront. The Irish Energy Centre therefore welcomes this observation, noting that many issues relating to Centre priorities and in this case specifically security of supply had been relegated from consideration while market-driven policies in particular have been implemented. We welcome the prospect of a rebalancing of the debate.

The Centre notes the three part structure of the report. Part one looks at energy facts and statistics. Part two sets the supply scene into the contexts of climate change and implementation of the single market in energy. Part three deals with firstly the risks inherent in the current energy supply arrangements, and then attempts to set priorities for the future.

The following three main points emerge from the analysis in the Paper:

- The European Community will become increasingly dependent on external energy sources; enlargement will not change the situation; based on current forecasts, dependence will reach 70% in 2030.
- The European Union has very limited scope to influence energy supply conditions; it is essentially on the demand side that the EU can intervene, mainly by promoting energy saving in buildings and the transport sector.
- At present, the European Union is not in a position to respond to the challenge of climate change and to meet its commitments, notably under the Kyoto Protocol.

To the last point could be added the concern that much of the conventionally proposed response to the Kyoto agenda, such as the "dash to gas" is leading towards an increased vulnerability to potentially unstable external sources of energy supply.

The Green Paper poses a number of questions under the "Guidelines for the Debate" to be answered as part of the process for deriving a future energy strategy. The questions, and a draft response to each, follow.

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's implementation of the single market in energy has accustomed EU member states to work more in concert. The EU can accept an increase in its dependence on external sources of supply without compromising its security of supply providing:</p> <ul style="list-style-type: none"> <li>• The development of additional imports is not achieved at the expense of not developing appropriate indigenous sources, including renewables;</li> <li>• The development of additional imports is achieved within the context of increased interconnection of electricity and gas networks both within Europe and with other countries, as increased interconnection (provided too much reliance is not placed on imports) generally results in increased security of supply to end users. A preferred approach would be to establish an interdependency through interconnection which would increase system security. An "Energy Charter" approach is recommended.</li> </ul> <p>European competitiveness will be preserved if the long run marginal costs of supply through imports do not exceed the costs of further development of indigenous sources. Further work needs to be done to determine, for each EU member state and for the EU as a whole, the optimal mix of indigenous sources and imports which results in the least cost supply portfolio. Some of the available national and EU energy systems analysis tools could contribute to this work. Some of these are amenable to handling technological, economic and geopolitical issues as input data or policy constraints.</p> <p>It would be appropriate for the EU to complement any increased import dependency with an aggressive programme of indigenous resource development (particularly in sustainable / renewable energy sources) and energy efficiency measures.</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: Whether or not one subscribes to the view that perfect market operation renders policy interventions unnecessary, it is clear from the state of the market(s) in Europe today that emerging, immature or imperfect market conditions create situations which require policy intervention (e.g. capacity margin responsibility). There are a number of obvious areas where coordinated EU policies would aid national and EU energy policy objectives, e.g. energy efficiency labelling of consumer products and property, emissions trading arrangements.</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: The first question is too general. The response of European and US business sector to energy taxes has been to portray them as damaging to competitiveness and therefore bad, without considering the long-term effect of tax-induced reductions of energy usage on industry costs, or the possibility of shifting the tax burden from direct taxation (including employment taxes such as PRSI in Ireland) to indirect taxation (consumption taxes). We also note the observation by economic analysts that existing energy taxation regimes often appear arbitrary, arising from their historical and current roles more as national revenue balancing than as energy policy instruments. The answer to the second question is "yes".</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: It is not appropriate for the Irish Energy Centre to respond to this question.</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 EU and the International Energy Agency already provide frameworks for coordinated strategic oil stocks. The principle should not be stocks per se and the requirement to have them within the EU, but, given increased interconnection guaranteed access to fuel reserves in timely fashion at time of crisis. This approach of distributed and interconnected stocks is almost certain to be a lower cost, and probably a more equitable, option than fuel stocks in each EU country. The situation is analogous to privatised electricity networks, where electricity supply companies may no longer have their own power stations, but have contractual arrangements for power procurement which are designed to achieve the same security of supply.</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: Development should be demand-led. Concentration on sensible third-party access to transport networks, with network codes which are enabling and do not discriminate against new entrants would help, as would the encouragement or facilitation of more cooperation between energy regulators across Europe</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: Yes. The existing mechanisms whereby energy regulators finance their "public good activities" through a charge on the exploitation of depleting, non-environmentally-friendly fuels, levied on all users, could be used to achieve this.</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 policy response in Ireland to tackling climate change and energy autonomy does not include nuclear power; Ireland views with dismay any proposed increase in activity in this area. Given the relative imbalance in EU support between nuclear and non-nuclear R &amp; D support programmes over many years, further support for fusion technologies is not warranted. Attention does need to continue to be paid to nuclear safety, including decommissioning and safe disposal of nuclear wastes.</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 Irish government has produced a number of high-level documents which are intended to contribute to assisting Ireland to meet its Kyoto obligations; these include a Green Paper on Sustainable Energy and a National Climate Change Strategy, which propose an extensive set of sectoral and cross-sectoral policy instruments aimed at meeting its Kyoto obligations. These policy documents are respectively available in executive summary form in the attached .pdf document and on the Irish government website at <a href="http://www.gov.ie/tec/energy/greenpaper/">http://www.gov.ie/tec/energy/greenpaper/</a> .</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: Co-ordinated measures on research and development, demonstration and market making are necessary, as national measures alone will not achieve this target. Agricultural production is a sensitive area for Ireland and the subject of other EU policies; coordinated decisions in this area would be especially difficult to implement without taking account of non-energy issues.</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: A combination of both types of measure is necessary. Tax breaks are generally efficient for focussed activities; however increased regulatory activities affecting residential and tertiary sector premises should be enabling rather than onerous, and should be linked with appropriate research, development and demonstration measures directed at specific national or regional needs and circumstances in respect of the built environment.</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: For environmental as well as energy use reasons, strong measures to improve and facilitate public transport and reduce car usage in urban areas are necessary. Further work in this area needs to be undertaken, and appropriate EU support for this area is recommended.</p>
13.	<p>How can we develop more collaborative visions and integrate the long-term dimension</p>

	<p>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: The EU could foster research in this area and increased coordination between EU and national agencies, and between national agencies and local agencies, in order to achieve these aims. In Ireland, the Irish Energy Centre has initiated a process aimed at envisioning and gaining support for proposals for a national sustainable energy future. The EU could facilitate the exchange of and synthesis of best thinking from the various national bodies to inform the ongoing debate. (An example of a suitable action would be twinning between "best practice" and "poor practice" local authorities.)</p>
14.	<p>Any other questions or proposals:</p> <p>The closure of the period for responses to this questionnaire should not mark the end of the debate. The Irish Energy Centre request that the debate continues, and that further opportunities are afforded for participation in the evolution of a future EU strategy.</p>

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