

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

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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.

INTRODUCTION

We at the Institute for Economics, Transportation and Energy welcome this opportunity to take part in the debate on the Green Paper. We believe that the subject of this paper is of the utmost importance for the economic future of the Europe and the conclusions drawn from this discussion will shape the EU energy policy for many years to come. Although the acceptance of the Central European countries is still a few years ahead, we want to voice our opinions on the main issues of the paper due to the far-reaching consequences resulting from further implementations of the policy accepted by EU. The facts presented in the Green Paper are self-evident and the actions take by EU must be well balanced with respect to the interests of all the parties involved.

Given the broad scope of the paper and the diversity of the European energy market, we considered it necessary to narrow our contribution to the debate to the points with the most effect on Central European countries in order to make our contribution as valuable as possible.

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: An economic approach should be concerned with Net Economic Welfare indicators such as EU trade balance (economic), EU employment (social) and EU</p>
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	<p>pollution (environment). An evaluation of the risk of disruption should be extend to global terrorism and a vulnerability evaluation of energy systems (nuclear facilities, transmission lines and switchgears, accumulate hydropower dams, refineries etc.)</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: A consistent and co-ordinated policy at Community level is necessary in the public goods area, like a clean environment and functional legislation.</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: We do not think that tax and state aid policies are obstacles to competitiveness in the EU. But it is necessary that taxation, regulation and state aid are not asymmetrical. All these measures should designate specific goals, and these goals should be evaluated and the measures should be regularly improved (continual improvement approach). The question of which entities will benefit from the aid programs should always be addressed.</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: Joint ventures are safer than agreements.</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: Besides oil, gas and coal stockpiles, we see a necessity for electricity “stockpiles” through non-traditional micropower technologies (e.g. microturbines, fuel cells and renewables). We should be aware of vulnerability of traditional power supply schemes to global terrorism. Several weeks’ blackout can destabilize our economic system (and later the political system as well). We should be able to balance local grids (with decentralized energy sources) without transmission grid connections for several weeks. Centralized energy is cheaper, decentralized energy is safer and less vulnerable. Therefore it is necessary to produce both.</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>

	Answer:
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 - for aforementioned reasons (Net Economic Welfare and Security of Supply)</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: In this era of global terrorism nuclear facilities (power plants, external storage) are more vulnerable than ever before. In the future, the generation of nuclear technology underground installation possibilities should be considered.</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 policy should follow all three pillars of CO2 mitigation. (1) Energy productivity through low specific energy consumption per unit of goods and services. (2) Higher thermodynamic efficiency of overall EU energy systems through better energy conversion (like cogeneration) and lower losses during energy transport. (3) Greater utilization of renewable energy sources and recovering energy from waste (waste heat, municipal waste, ...)</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: We would prefer co-ordinated decisions. National initiatives are less resistant to lobbying.</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: Specific energy consumption standards are necessary. Especially during periods of low oil prices, it is important to keep incentives and energy consumption standards.</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</p>

	<p>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: Corrective action in the transport sector should be taken not only for energy use, but for different approaches to road transport (just vehicle use payment and no payment per km of road use) as opposed to railway transport (tariff contains vehicle and way payment as well). This situation is an example of asymmetric regulation and asks for corrective action. Intermodality can certainly reduce or at least slow down the increase in road haulage but the fact is that the imbalance between road and rail haulage is here to stay. Rail can never achieve the level of convenience offered by road, i.e. door to door service, anytime, at the competitive cost. Rail can seriously compete in transport of materials over long distances and specialized services. Both rail and road are struggling with the same problem, which is the under-utilization of assets. Although the physical infrastructure of both offer hardly much room for growth, new technologies such as ITS can make considerable difference and improve the efficiency of both.</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: The problem is linked with the time constant of the political structure (elections every 4 years) and the time constant of energy systems (15-30 years). We see a co-ordinated and common EU energy policy as necessary. This policy should balance the economic (EU trade balance and security supply), social (employment and safety) and environmental indicators. The EU energy policy should be open to such new technologies as decentralized systems (micro-grids, maybe even DC power distribution instead of AC in the farther future).</p>
14	<p>Any other questions or proposals:</p> <p>We see a possibility to use some of the new EU member countries as demonstration areas for the testing of new energy schemes for the post-September 11 era.</p>

SUMMARY

The EU must take a long term view in spite of the temptations to produce visible results achieved by painless but shortsighted measures.

On the supply side, with the further depletion of fossil fuel reserves the cost of those fuels will rise simply because the possibilities to increase the conversion efficiency of those fuels will diminish. This fact, combined with increasing dependency on imports and political instability in exporting countries makes it both an economic and security imperative to increase domestic European energy production. This can be achieved only through using new technologies and alternative energy. The EU should support the development and deployment of those sources as much as possible.

On the demand side, for reasons stated above, the further increase in energy efficiency is a must as well as conservation. The EU should increase its efforts and support well defined projects in Central Europe, where energy efficiency is still very low.

Thank you for replying to this questionnaire.