



Statement of the Federal Government on the Green Paper of the Commission "Towards a European strategy for the security of energy supply"

1. The Federal Government welcomes the green book of the Commission as a basis for a broad discussion about the topic of security of supply. The Green Paper comprehensively presents the challenges of the energy policy, in particular the increasing dependence of the EU on imports and the need for integrating sustainability and environmental interests substantially more strongly into the energy policy.
2. The discussion on the green book offers a good opportunity to send important impulses to the various forums in the EU, in particular to the Post-Cardiff-Process and the European climate change programme about the topic energy policy and climatic protection. The Federal Government is of the opinion that, in the area of energy policy joint and co-ordinated measures in the EU are urgently necessary, in order to achieve the climate protection targets. The green book acknowledges this view. It indicates that substantial efforts in the EU are required, in order to achieve the climatic protection targets. And it indicates that substantial energy saving potentials are available in the energy sector.
3. The Federal Government welcomes explicitly that the Commission pleads for the development of renewable energy, for special efforts to increase efficiency and for an enhanced harmonisation of energy taxes. In particular in view of the substantial discrepancy between the Kyoto commitments of the EU and the recent development with respect to the energy-related CO₂ emissions, the directive on the promotion of electricity production from renewable powers, which came into effect on 27 October 2001, is an important step. The Federal Government regrets however that the Commission at the same time did not address the need for harmonisation of environmental standards in the energy sector.
4. With a view to dealing with a as broad as possible range of the Green Paper in time, the proposals of the green book should be divided into urgent measures to be implemented in the short term and into mid and long term topics.
5. The Federal Government sees urgent need for action in the the following areas:

(a) Measures in the area of energy efficiency

The EU needs an energy efficiency offensive. The Federal Government would have liked the Commission to be more courageous in that respect. For a safe and sustainable energy supply in the EU it is crucial that economic growth and energy consumption in all Member States will be de-coupled or, respectively, will be even more de-coupled. To this end, it is important to launch joint and co-ordinated energy efficiency measures on EU level, as in many areas, Member States cannot progress anymore on their own, since this would lead to distortions of competition or barriers to trade in the internal market. This applies for

example to the energy labelling of appliances and equipment and for the decrease of standby losses of electrical and electronic devices.

Therefore, the Commission should be clearly encouraged to propose measures at Community level in the energy efficiency field. The Federal Government welcomes that the Commission has already submitted proposals for the building sector. In the transport sector, the EU and the Member States must advocate a more balanced approach between the different modes of transport. Fair and comparable conditions of competition at European level – both between the various modes of transport and for the individual modes of transport within the Community – represent a crucial condition in that respect. Here, the principle of charging the polluter should not only be applied to all means of transport, but also more consequentially.

The importance of combined heat and power should be emphasised, too. Combined heat and power represents a particularly efficient form of the use of fossil sources of energy. The EU-wide development of CHP is a substantial condition for the achievement of the climate protection targets of the EU.

(b) Measures for the security of local sources of energy

Local sources of energy contribute to alleviate import and price risks for the EU. For this reason, they are of great importance. This applies in particular to renewable energy sources. If further expanded, they can reinforce the supply security of the Community. Furthermore, they facilitate the implementation of the Kyoto targets.

Member States must have the possibility of supporting domestic sources of energy for reasons of security of supply and climate and environmental protection. This applies in particular to renewable energy sources, but also to fossil sources of energy. A speedy provision on EU level is necessary, since many Member States make already substantial efforts for the development of renewable sources of energy, and since the ECSC Treaty, which secures hard coal, a domestic source of energy, expires in 2002.

Therefore, the Federal Government welcomes that the Commission on 25 July 2001 has submitted the proposal of a regulation of the Council on State subsidies for the coal mining. This is considered a first step for the introduction of a primary energy base (socle).

However, the Federal Government considers it necessary that the provisions for hard coal are made more concrete in the forthcoming discussions in the Council, in order to allow the mining industry sufficient planning security beyond the year 2007. For this reason, it will advocate that after a transitional period of further reducing hard coal production, a minimum level of production determined by Member States in compliance with Community state aid rules, could be maintained, in order to take the specific situation of the individual Member State with respect to energy policy into account.

(c) Intensification of the energy policy cooperation with producer states

A stable framework for investments in the producer countries is key for security of energy supply. The EU can contribute to the improvement of this framework through co-operation with the countries concerned. The EU should use their political and economic weight for this objective. New impulses for the co-operation, as already set up in the framework of Euro-

Med and the northern dimension, are welcome; the inclusion of Russia and further important energy partners is supported. In this context, however, the Energy Charter process must be taken into account. Furthermore, companies from the EU and the producer countries should become involved in the co-operation.

(d) Supply security and liberalisation of the internal markets for electricity and gas

A rapid and complete market opening in all EU Member States is also indispensable for reasons of security of supply in the EU. Market opening, in particular, allows new supply and distribution routes and thereby reduces supply risks. In the gas sector, long-term supply contracts contribute to supply security.

At the same time it must be pointed out that electricity trade with third countries deserves special attention. Differences between the EU and third countries in terms of market opening, environmental standards and fiscal burdens can lead to distortions of competition, which can impair the energy production structure and thus, the security of supply in individual EU Member States. Therefore, the EU should conclude agreements with third countries, in which economic and ecological reciprocity is laid down. In the Council, the Federal Government will continue to advocate requesting the Commission to propose an appropriate negotiation mandate to the Council.

(e) Harmonisation of energy taxation

From the point of view of the Federal Government, fiscal tools play a very important role, in order to observe the climate protection aims of the Kyoto protocol. The Federal Government shares the assessment in the Green Paper that there is "a fiscal disorder" at present in the energy sector of the EU and that, in order to avoid distortions of competition, stronger harmonisation of energy taxes is necessary.

A Commission proposal for the taxation of energy products is available since March 1997. Going beyond the current EU-wide oil taxation, it provides for a harmonised concept on the minimum taxation of all fossil energy sources as well as electricity and the possibility of tax exemptions for renewable powers. The proposal should be adopted as quickly as possible, in order to finally arrive at a stronger harmonisation of the energy taxation in the EU necessary for both internal market aspects and environmental reasons. The internalisation of external costs represents, in the long term, an indispensable constituent of a strategy designed to integrate sustainability and environmental concerns into energy policy.

6. In the following areas, the Federal Government assumes that basic orientations are to be discussed:

(a) Nuclear energy

The Federal Government does not share the view that nuclear energy is indispensable. Therefore, it must be emphasised that the decision on nuclear energy use can only be a decision of the individual Member States. Besides, the Federal Government points out that

already the majority of Member States does either not use any nuclear energy or has decided to phase it out.

Furthermore, it must be highlighted that both in the EU and in the applicant countries concerned, in case of use of nuclear energy, the utmost level in terms of safety and radiation protection must be ensured for all processes including waste disposal.

(b) Oil stock-keeping

The existing oil stock-keeping system proved its worth. Its modification or extension is not necessary from the point of view of the Federal Government. It must remain with the fact that physical supply disturbances can trigger the release of reserves. Stocks are not designed for market interventions. Using them would not bring about lasting price effects.

(c) Transeuropean networks

The subject must not be restricted to the development of networks, but must also include maintenance of existing networks. Both network maintenance and network development represent business functions. Therefore, it is essential that investment conditions are put right for the companies in the individual EU Member States. In the opinion of the Federal Government, this includes a rapid and complete market opening in all countries of the EU. It will create important incentives, in order to further develop the energy transport networks.

(d) Development of renewable powers and development of back-up fuels

The Federal Government is of the opinion that the promotion of renewable energy must remain a priority for Member States also in the future. Provisions at Community level should support and safeguard Member States in their efforts - just like the EU directive on the promotion of electricity from renewable energy in the internal electricity market. In return, Member States must declare their support for ambitious targets on the further development of renewable energy.

As for the development of substitute fuels, it is necessary that Member States can set priorities in line with their national capacities. The EU state-aid regime must safeguard national measures. In the transport sector, the Commission should support Member States developing strategies for the introduction of alternative fuels in a co-ordinating manner.

An EU-wide system for cross-subsidising renewable energy sources through taxes on conventional energies is to be rejected. It contradicts the principle of subsidiarity. Furthermore, it could endanger domestic sources of energy and thus undermine the objective of security of supply. In order to achieve the internalisation of external costs mutually aimed at by the Commission and the Federal Government, further tax harmonisation, as indicated above, is a suitable instrument.

(e) Development of new technologies

It is welcomed that the green book emphasises the importance of research in the fields of energy efficiency, renewable energy and alternative fuels. In this respect, the efforts must be continued at both the level of the Member States and the EU. Putting these areas aside, the

importance of ' clean ' coal technologies should also be highlighted. They have an important role not only for power generation in the EU, but also as an export good of the EU, which could substantially contribute to the world-wide reduction of CO₂-emissions.