

Green Paper: "Towards a European Strategy for the Security of Supply",

Response by the Department of Public Enterprise, Ireland

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?

Answer: Ireland sees no straightforward relationship between 'import dependency' and security of supply. It would prefer to avoid the use of the term 'dependency' since diversity is the key to security of supply and use of external energy sources tends to increase diversity and security of supply. In addition, an increase in the use on external energy sources does not necessarily damage security of supply: the important issues concern the location of these external sources, the quality of infrastructure and the strength and stability of commercial relationships between energy producers and European energy importers. Nor does greater use of external energy sources compromise European competitiveness - indeed, subject to security of supply being safeguarded, competitiveness is increased by European industry accessing the cheapest energy sources at the global level. It is not entirely clear what a 'framework policy for imports' might involve in practice, and in the circumstances, Ireland cannot indicate support or otherwise in advance of getting clarity on the issue. Finally, a distinction between an 'economic approach' and a 'geopolitical approach' seems meaningless. Any economic analysis of the situation would incorporate an assessment of the risks of supply disruption from whatever source, whether 'geopolitical' or technical, and an assessment of the costs of such disruption.

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?

Answer: the project to complete the internal markets in gas and electricity clearly needs to be driven forward through common measures at Community level. Ireland supports proposals for Directives to speed up and deepen this process. Environmental policy formulation must systematically have regard to the impact on energy security of supply. As set out in the Commission's progress report published in December 2001, a series of further proposals have come forward for co-ordinated community level policies and measures. Ireland does not agree that the fact that energy markets are increasingly integrated across the Union necessarily requires more co-ordinated Community policies. Ireland will assess proposals that come forward on a case by case basis, by the tests of whether a proposal would be a proportionate and effective response to

	an established problem and whether it respects the principle of subsidiarity.
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: Ireland does not agree with a suggestion that different tax regimes in Member States necessarily create barriers to the effective operation of an internal market in energy. Member States tax different energy products in different ways, reflecting their national circumstances, including environmental and competitiveness considerations. For example, none, some or all of the inputs to electricity may be taxed or electricity outputs may be taxed. A tax may apply to all sectors or only some sectors of the economy. Provided tax regimes are well-designed and are non-discriminatory in terms of how cross-border energy flows are taxed, they are not an obstacle to the internal market. Ireland sees no need for a wholesale re-examination of energy taxation, which has been exhaustively analysed over recent years, and would point out that taxation is properly a matter for ECOFIN, not for the Energy Council.</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: the Energy Charter Treaty covers arrangements for protecting investors and priority should be given to Russia ratifying the treaty. Ireland supports strengthened dialogue with producer countries, within a foreign policy aimed to reinforce stability in these countries. Detailed contractual arrangements are of course a matter for individual energy traders, and it is not clear what exactly is meant by 'supply and investment 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: it is unclear what the objectives of a policy of 'stock management' would be. If the idea is that the 'stock' could be used to manipulate the world oil price, this seems highly unlikely to be at all effective, and may in fact be counter-productive given the possible responses of oil producing countries. As far as other fuels are concerned, world coal supplies are plentiful and come from a range of generally stable countries. There are also relatively plentiful gas reserves and no indications at present of serious concerns. Ireland is unclear what is meant by 'more onerous measures for access to resources' and in general, is sceptical of the case for Community level action in the area of emergency stocks. As elsewhere, there is the IEA dimension to take into account.</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: Cross border issues are being taken forward in the Florence and Madrid processes and Ireland is strongly supportive of measures to speed up and deepen liberalisation and the development of the internal energy market. Improving networks with countries outside the EU is being dealt with in the Energy Charter context. The Irish Government has a particular interest in the feasibility of greater physical energy links to the United Kingdom, further to the construction of a second sub-sea gas interconnector between the Republic and Scotland. The Government has also recently funded a joint consultancy study with the Northern Ireland Executive on how the development of an all-Ireland energy market can best be taken forward and the two administrations are now agreeing concrete steps to move this process forward. An all-Ireland energy market would improve security of supply and spur economic development across the island by making energy markets more competitive, efficient and flexible. At the Community-wide level, it is important to develop and promote Trans-European Networks and to expedite consideration of the draft Regulation on conditions of access to the network for cross-border exchanges in electricity.</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: Ireland agrees that major efforts are required to promote renewables. Mechanisms to achieve this should principally be a matter for individual Member States, subject to the normal rules on state aids and on whatever support is provided to renewables being non-discriminatory between Member States and not impeding cross-border electricity flows. The gas and oil sectors in Ireland have not received substantial development aid. In general, arrangements for financing aid to renewables should be a matter for each Member State to determine, in the light of its own circumstances. In Ireland, renewables are supported through a modest contribution from all electricity consumers.</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: Ireland welcomes the prohibition on generating credits from nuclear energy through the flexible mechanisms within the Kyoto Protocol, since any perceived climate change benefits of nuclear energy are far outweighed by the associated public health, safety and environmental risks. Ireland believes that there is no future for nuclear energy given the risks associated with the operation of nuclear power plants, including associated activities such as the reprocessing of spent fuel, discharges (accidental and deliberate) of radioactive materials to the marine and terrestrial environment, the transportation of</p>

	<p>nuclear fuel, and the unresolved problems of management of nuclear waste. Existing nuclear reactors which cannot be upgraded quickly to meet acceptable safety standards should be closed and decommissioned. Ireland is opposed to any proposals which promote the expansion of nuclear fission power or which extend the life of existing reactors already operating beyond their original design life.</p> <p>In Ireland's view, EU emphasis should be on nuclear safety, radiation protection and emergency preparedness and not on the development of nuclear energy. It also notes that no widely accepted solution has been found to the problem of nuclear waste. With regard to nuclear waste, the Green Paper acknowledges that the practical problems of long- term storage remain to be solved and that research focussing on waste management has to be continued. While Ireland would not object to Community research into partitioning and transmutation techniques for reducing the hazards associated with waste, it would question whether research into processes for waste management and long term geological disposal is a matter for the Community. There has already been considerable research undertaken in the area of the management, storage and geological disposal of waste and, in Ireland's view, funding of such research should more appropriately be borne by the relevant Member States producing the waste.</p> <p>With regard to fusion energy, Ireland does not oppose the continuation of research in this area. However it believes that the value for money of any expenditure should be carefully assessed and monitored, given that research into fusion has been continuing for many years with little real progress having been made.</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: Each Member State has its own obligations under the Kyoto protocol to reduce greenhouse gas emissions and has developed its own national programme of policies and measures to enable it to achieve its target. Some types of measures can be pursued more efficiently and effectively by each Member State individually, others work better when co-ordinated at community level. Ireland assesses proposals for co-ordinated policies and measures on a pragmatic case by case basis – the test is always whether co-ordinated action would 'add value' and be more effective and deliver emissions savings more cheaply than national policies and measures. In this regard, we believe to be essential the timely and effective adoption of a Directive providing a framework for emissions trading, and its subsequent implementation.</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: Ireland's shares the doubts of some other contributors as to whether a</p>

	<p>20% target by 2020 is realistic. Nevertheless substitute fuels are important options for the future which could contribute to enhanced security of supply so need to be explored further, taking account of the technical, social, environmental and economic issues raised. Since the relevant technologies, such as vehicle manufacturing, would be likely to be applied commonly across a single European market, there is certainly a case for co-ordinated work to assess the potential of various alternative fuels, as a contribution to decisions on whether larger-scale R&D programmes are justified. Ultimately it would of course be for market participants to make decisions on investment in new technologies, given likely market demand and the fiscal regimes in place across Member States. Finally, Ireland would note that policies in relation to biofuels would impact on the agricultural sector, so would raise a number of complicated and interlinked issues that extend well beyond the energy sector.</p>
<p>11.</p>	<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: Ireland agrees that there is considerable scope for improvement in the energy efficiency of the building stock - both new and existing buildings; and has published a package of relevant national proposals in " Ireland - National Climate Change Strategy", November 2000. As part of this strategy, Ireland's national Building Regulations are being amended in mid 2002 to improve significantly thermal performance and insulation standards for new dwellings. The proposed Regulations will also apply to the replacement of certain building elements (e.g. windows) in existing dwellings. The Regulations will be further amended in 2003 to improve corresponding standards for non-residential new buildings. Ireland welcomes the political agreement in the Council on the draft EU Directive on the Energy Performance of Buildings.</p> <p>There are huge differences in the age and composition of the building stock across EU Member States, differences in the rate of new housebuilding (Ireland now has the highest housebuilding rate, at 13 per 1000 population, in Europe), and national variations in economic, social and climatic conditions. Accordingly, the appropriateness of regulatory or fiscal measures, and the balance between them, should be a matter for decision by each Member State. If the question concerning 'regulatory measures along the lines of those adopted for major industrial installations' refers to the possibility of extending an IPPC-type regulation to buildings, then Ireland would strongly oppose this.</p>
<p>12.</p>	<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: In the transport sector road transport accounts for far more energy use than rail. Modal shift from road to rail can clearly contribute to reductions in energy use and the Government is delivering a major programme of</p>

	<p>improvements to public transport, including new light rail and metro services in Dublin and improvements to suburban and inter-urban rail services, backed up by improved bus services, demand management policies and complementary land use policies. A scheme has also recently been introduced whereby commuters can offset the cost of public transport season tickets against tax. However, given the imbalance between road and rail usage, it is unlikely that modal shift on its own could contribute energy savings on anything like the scale required over the long-term, even though reducing car use in urban areas can generate very substantial improvements to the local environment. There is more scope for energy and emissions savings from improving the efficiency of the road vehicle fleet, and exploring the scope for using alternative fuels.</p> <p>Ireland's status as a small island state has so far tended to make rail freight uncompetitive against the road haulage alternative. A review of rail freight services will take place as part of a strategic review of the future development of the railway system in Ireland that has been initiated by the Minister for Public Enterprise.</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: Ireland welcomes the debate initiated by the Green Paper, which has raised the profile of a large number of important energy issues. It is important that energy options are developed in collaboration with all interested parties, including the social partners and countries and energy producers outside the EU. Other key players such as national regulators and monopoly system operators must be required to take into account Government national and regional policies on sustainability, in carrying out their functions and, specifically, in preparing plans for infrastructural development. They must also engage in public consultative processes in advance of taking significant decisions and should state the reasons for reaching those decisions in the light of their duties. Ireland sees the key role of national and Community institutions as being to create the framework within which energy market participants have the right incentives to invest in energy infrastructure, enhance security of supply and deliver environmentally sustainable, competitive energy to industry and consumers.</p>
14	<p>Any other questions or proposals:</p>