

EUROPEAN COMMISSION

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Dear Lord Boswell,

The Commission would like to thank the House of Lords for its very interesting and complete report on EU energy policy, responding primarily to the Commission's Green Paper on A 2030 Framework for Climate and Energy Policies {COM(2013) 169 final}, the Green Paper on Long-Term Financing of the European Economy {COM(2013) 150 final} and the Energy Roadmap 2050 {COM(2011) 885 final}.

This report comes timely as the Commission intends to come forward, by the end of 2013, with a more concrete outline for the 2030 framework for climate and energy policies, following the adoption of a Green Paper on the matter in March 2013. The report raises a series of issues of the highest relevance for future energy and climate policies at EU and national levels.

First, a long-term approach to climate and energy policy is of fundamental importance to provide certainty and predictability to stakeholders and investors. In this regard the Commission takes note of the House of Lords' support for a 2030 target for greenhouse gas emissions reductions of 40% and a revised EU Emission Trading System. There is a broad agreement between policy makers at EU level that a 2030 target for GHG emissions reductions will be necessary to reach the aspiration of an 80-95% reduction by 2050. The Commission also notes the support to a 2030 target for renewable energy. Higher shares of renewable energy should indeed be a central element of the future energy system. In parallel to the discussions on a potential renewables target for 2030, the Commission envisages in the coming months to publish guidance for Member States on renewable support schemes with best-practice examples, in order to improve the coherence within the EU and to avoid overcompensation and over-capacities and thus distortions of the internal market. A risk of market distortion also arises in the context of plans by several Member States to install so-called capacity mechanisms, in an effort to ensure security of electricity supply. With regard to the topical issue of generation adequacy, the Commission plans to publish guidance this summer. Finally, the Commission is working on the revision of the guidelines for State aid for environmental protection, to ensure a consistent and "market integrating" approach. It is the Commission's strong belief that being part of the internal energy market also implies for

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Member States that they look across their borders when designing new energy policy, as their actions will by definition have cross-border effects.

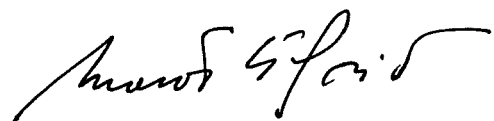
Second, EU energy policy must be defined and implemented in a way that supports competitiveness and economic recovery. One of the fundamental objectives of EU energy policy is to ensure competitive domestic and international energy markets, and prices which are internationally competitive and affordable for business and consumers. Potential impacts on energy prices must therefore be carefully considered when defining new policies. At the same time, energy policies can drive demand and growth in the low carbon economy and make our economy more resilient to energy costs through efficiency measures. The EU must maintain leadership in clean and more energy-efficient technologies, products and services and must pursue ambitious yet realistic policies.

Third, the EU is working to put in place a regulatory framework to drive the creation of an open, integrated and competitive single market for energy by 2014. The internal energy market is not an end in itself. It is a key instrument in delivering what EU citizens aspire to most: economic growth, jobs, secure coverage of their basic needs at an affordable and competitive price, and sustainable use of limited resources. To achieve these goals, we urgently need to invest in generation, transmission and distribution infrastructure, as well as storage. The Commission fully understands the concern of the House of Lords on the massive investments needed for energy infrastructures and is therefore committed to act as a catalyst to encourage further private and public investments via a large number of instruments, such as the future Connecting Europe Facility, the EU Cohesion Policy and Horizon 2020. These instruments will help getting strategic infrastructure off the ground while assuring a multiplier effect. Without them, many necessary infrastructure investments in the energy sector may not happen if dealt with purely at national level. In this context, the Commission underlines that the European Energy Programme for Recovery has proved to be an effective tool to implement infrastructure projects during the current crisis, notably for the electricity interconnection between the United Kingdom and Ireland.

The Commission would like to thank the House of Lords for its recommendations on the main aspects of energy policy according to which a more coordinated EU strategy would be needed. The Commission is confident that, with Member States' support, the European Union will be able to find the needed answers to the rising challenges in this area.

The Commission hopes that these clarifications address the concerns raised by the House of Lords and looks forward to continuing our political dialogue in the future.

Yours faithfully,



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Vice-President