



Current Status of Negotiations on the Key Issues of the Energy Package

CO2 Target:

In order to reduce dramatic consequences of climate change, the EU is committed to prevent the global temperature from rising more than 2 degrees Celsius above pre industrial levels, as recommended by the world climate scientific community. This will require a cut by developed countries of their 1990 greenhouse gases emissions levels of 30% by 2020 and of 60-80% by 2050. The EU must therefore adopt a unilateral 30% target, as already agreed by the EP, to both demonstrate that a scientifically justified 2 degrees objective is achievable and to show the necessary global leadership above all towards emerging economies like China and India which will only engage into a post-Kyoto regime if the EU is ready to cut domestically its CO2 emissions significantly. However, the Commission only calls for an unacceptable 20% target for the EU.

The arguments by UNICE and other industry lobbies of the negative impact on the EU economy of ambitious unilateral CO2 targets are not supported by statistical evidence from reports by the OECD and the Sir Nicolas Stern report. These in depth assessments show that the added value by EU businesses which are both energy intensive and also exposed to globalisation only represents around 3 to 5% of EU GDP. The specific problems of these sectors could be addressed by specific measures (e.g. border adjustment taxes). On the other hand, the gains from an ambitious EU energy and climate change policy will benefit EU business like the building industry, the public transport industry, the manufactures of all kind of appliances, lighting and process engines and also the renewable energy industries. These benefits will largely compensate the suggested negative impact on some energy intensive industries, boosting jobs, economic development and technology leadership of the EU.

Current Status of Negotiations

Reports from the negotiations on cuts on greenhouse gases (GHG) emissions between Member States do not suggest that the EU will adopt a 30% unilateral cut by 2020. However, this is the minimum credible level for scientific and political reasons, in particular to maintain the EU leadership role in the international negotiations. The Environment Council on 20th February 2007 will, most likely, adopt the target proposed by the Commission, at 20% cut..

Our Demand

Urgent action is needed, by targeted Environment Ministries, to **ensure an EU unilateral 30% greenhouse gases reductions target by 2020** is adopted.

Energy Efficiency:

Energy efficiency must be at the very centre of the EU energy strategy. It is by far the biggest and the most economic measure to diminish CO2 emissions and lower energy import dependency. The energy efficiency action plan adopted by the Commission in October 2006 is the cornerstone of future EU action to reduce pollution, enhance security of supply and improve the economic efficiency of the EU's economy. As such it must be given the absolute priority it deserves.

In this context, it is of paramount importance to note that the Commission has adopted an inconsistent approach towards future energy consumption which could lead to wrong political decisions. Indeed, in its Communication on an Energy Policy for Europe, the EU future energy needs are based on the new "business as usual (BAU) scenario" rather than the consumption levels resulting from the "Energy Efficiency Action Plan". In the BAU scenario, total primary energy consumption in 2020 would amount to 1890 Mtoe, while in the "Action Plan" scenario consumption will be reduced to 1500 Mtoe. The Action Plan scenario should be taken as the reference scenario.

Heads of States must commit to meeting their June 2007 deadline to submit ambitious national energy efficiency action plans, while the Commission must pledge to increase its capacity, both in human and financial resources, to facilitate the uptake of energy efficiency measures across all sectors.

Special attention should be given to the rapid deployment of combined heat and power and trigeneration (power/heating/cooling). The potential of these proven technologies is huge and they could be phased in rapidly to benefit climate protection, security of supply and the stability of energy prices.

The role of the EIB and of EIF to help finance the necessary investments in energy efficiency and renewables should be highlighted. Global loan facilities for energy related improvements of buildings, establishing heating and cooling networks and renewables energy infrastructure (North Sea cable infrastructure for offshore wind) and investments should be explicitly put forward.

Current Status of Negotiations

The Council does not propose a saving target anymore. The current draft only urges Member States to achieve the EU's 2020 estimated *potential* of 20% compared to a business as usual scenario estimated by the Commission. If adopted this would dramatically remove the incentive and requirement for Member States to this fundamentally important area of action.

Our Demand

The Council must set a clear energy saving target of at least 20% primary energy consumption by 2020. This would imply that Member States are required to increase in average their energy efficiency by at least 1% per year. It is also of vital importance that the National Energy Efficiency Action Plans, which are due by June this year, contain the concrete and detailed programme and measures that Member States intend to implement to reach this target.

Emissions from the Transport Sector:

The Commission has completely failed to address the transport sector in its energy strategy. Transport is already today 30% of EU CO2 emissions. Its fast growth leads to a dangerous oil addiction. Transport Ministers must be forced to consider the role this sector can play in solving the EU's energy problems. In order to draw attentions to this crucial sector, a special chapter of the Spring Summit conclusions should be dedicated to transport measures. The EU should also adopt a CO2 target for the transport sector as well as the necessary measures.

Current Status of Negotiations

Besides the biofuels aspect, the Energy Conclusions does not contain a position on transport.

Our Demand

EU Heads of State and government must adopt greenhouse gases targets reduction for the transport sector along the line of the general climate targets, i.e. these targets must be in line with a 30% and 60-80% GHGs reduction compared to 1990 levels by 2020 and 2050 respectively.

Renewable Targets:

The Commission is proposing that by 2020 20% of the EU's energy must come from renewable energy sources (whilst the Parliament has called for a 25% target) The achievement of such an objective will reduce emissions, create jobs, improve energy security and lead to more stable energy prices. The renewable energy road map will require Member States to submit an action plan which outlines how this target will be met in each energy sector: electricity, heat and cooling and biofuels.

We are concerned that the Commission proposal will not really promote renewables in the EU. A binding EU overall target is of little use; it is a mere political declaration. Two possible options could than be considered. Governments commit themselves to national binding targets to be agreed under a burden sharing process. Second option could be that governments give Commission the mandate to make this happen through a set of sectorial legislation with targets building on the existing directives on electricity from renewables and biofuels and adding a specific legislation on renewables in the heating and cooling sector. This will strengthen investor confidence, bring clarity and further the rapid development in each of these sectors and would also help to have a more coordinated approach compatible with an internal energy market.

Current Status of Negotiations

The results of the Member State negotiations currently show that there is no agreement on either the need for the targets to be binding or the level of renewable energy by 2020—currently proposed as 20% for the overall renewable energy target or the 12.5% target for biofuels-. Furthermore, the draft says that Member States should decide if they wish to fix sectorial targets.

The current position is a major step back from the unacceptably weak position as originally drafted by the European Commission.

Our Demand

Ministers must agree on binding sectorial targets for RES (separate targets for each sector, i.e. electricity; heating and cooling; transport) that result in at least 20% of the EU's energy from renewable sources in 2020.

The principles established in the existing EU Directive 2001/77/EC on the promotion of electricity from renewable energy sources -such as obligations to guarantee connection, transport and distribution of RES-E and priority access to the grid for RES-E - must be kept an referred to in the Council text.

Sustainable biofuels could only be accepted if they are part of an overall transport emissions reduction strategy and fulfill environmental and social sustainable criteria.

Market Reforms:

The sector inquiry put forward by DG Competition has noted that market concentration is generally high and hinders fair competition. The introduction of a level playing field that enables new market actors and facilitates the introduction of new technologies must therefore be a priority. This can only be achieved through a revision of the existing legislation with full ownership unbundling as the minimum goal, enhanced power for national regulators and an EU regulator which will be exclusively focused on solving the cross border problems. These measures are a precondition but not sufficient, to eliminate the negative effects from market dominance.

Therefore ultimately, measures must be considered that limit the market share of companies, both on a domestic and pan-European level unless market concentration levels are improved.

Current Negotiating Position

The Commission already bowed to commercial interests by suggesting that there were two mechanisms to address the fundamentally important issue of reducing the market power of large companies; ownership separation of transmissions from generation/retail companies or the creation of fully independent transmissions system operator. Now the draft Energy Conclusions suggests that these are just some of the option under consideration. Furthermore, the suggestion is for additional analysis to be undertaken prior to any Council decisions. These proposals, pushed by France and Germany, further delay and weaken action that is essential for the sustainability of the energy sector.

Our Demand

As proven by the Commission, full ownership unbundling must apply in every Member State should the EU be serious to work towards a level playing field and to accept new entrants on the energy markets. This has to be acknowledged by EU Heads of state and government and be implemented immediately.

Nuclear Power:

Nuclear power is a dangerous and expensive distraction from the measures that are needed to address the problems of the energy sector. Despite the fact that only 20% of the EU public supports nuclear power, compared to 80% for solar, the European Commission continues to advocate the use of nuclear technology and is proposing to reintroduce measures to expand its use.

All mechanisms outlined in the PINC paper that intend to give even further financial support to nuclear technology, such as the Euratom Loan facility or the Strategic Energy Technology Plan, should be suspended to allow resources to be directed towards technologies that are supported by the public and that can deliver sustainable solutions to climate change. As we move into fully integrated internal EU electricity market, the internalisation of external costs should cover all liabilities of power production. However, it is important that this principle is applied to all energy sources and not only concerning CO2 emissions - through the ETS (but without grandfathering rights). Nuclear should also have to meet

its full environmental obligations and should have to pay its full costs for decommissioning, waste treatment and the liabilities (insurances) on the risk it poses to society.

Current Negotiation Position

Although there is a clear recognition of the subsidiarity principle on the choice of energy sources, France is pushing hard to increase the support for nuclear power.

Our Demand

Due to the existing of the Euratom Treaty an explicit requirement for nuclear power to conform to market rules must be inserted into the text. Failure to do so opens the door to circumvent the rules placed upon all other energy sources.

There is no reason for the establishment of new nuclear bodies, such as a High Level Group or a "Forum" as suggested by the Commission, to create rules or conditions for nuclear power in the Union. Instead of that EU Heads of state or government must call for an Intergovernmental Conference on reforming Euratom.