The Folketing's Energy Policy Committee and European Affairs Committee

The European Commission,
Energy Commissioner Mr. Andris Piebalgs,
B-1049, Brussels,
Belgium.

22 September 2006
Ref. 05-001323-89

Statement regarding the Commission's green paper on European energy strategy – KOM (2006) 105

Dear Andris Piebalgs,

The Danish Parliament's Energy Policy Committee and European Affairs Committee forward herewith a joint statement regarding the Commission's green paper on a European energy strategy.

The statement, which was adopted on 22 September 2006, is reproduced in the following.

Statement:

Initially, we would like to thank the Commission for the green paper on a European energy strategy. In our opinion, it is extremely important to work on the preparation of a unified, ambitious, and well-founded joint energy policy based on in-depth analysis and an open discussion of the major challenges we will be faced with at Community and national level in the coming decades: greater dependence on imported fuels, the reduction of greenhouse gas emissions, support for innovation, job creation, and economic growth. Denmark has many years of experience with these three key concepts in determining its national energy policy, and our comments should therefore be viewed in the light of this experience.

The Danish Parliament's Energy Policy Committee has been working with the Danish Board of Technology for eighteen months to set up a number of scenarios for 2025 with the aim of examining the opportunities for reducing CO_2 emissions by 50 per cent and oil consumption by 50 per cent by 2025. This work has been extensively discussed by a working party comprising representatives from a broad segment of the Danish energy sector and also discussed in four open, one-day arrangements in the Danish Parliament. The most interesting of these is a combination scenario which shows that by concentrating vigorously on energy conservation in particular, wind power, and biomass, it will be possible to reach the goal of a 50 per cent reduction without this costing more than it would do to continue along the existing lines. The benefit of these measures in the form of new jobs and an increase in energy technology exports has not been included in the calculations.

We realise that the Commission has had very little time to prepare the green paper and it is therefore understandable that it is based neither on more in-depth analyses nor on the latest information on global warming, for instance. However, we assume that there will be – and are looking forward to – a thorough analysis that could form the basis for further work on discussing and deciding which objectives, means, and policies will best serve an energy strategy based on the three connected considerations regarding the reliability of supplies, the reduction of greenhouse gas emissions, and ensuring innovation, job creation, and economic growth.

Our statement focuses on the following subjects, which we find particularly important – in the full knowledge that we have not covered all of the points in the green paper that we could have commented on:

1. Energy efficiency. The cheapest energy is the energy we do not use in our buildings and homes, and the energy we do not lose when producing and transmitting energy. Judged on the basis of the experience in Denmark, the goal of a 20 per cent reduction before 2020 is modest in relation to the potential. In spite of a major effort in Denmark, which has led to significant savings, and to the fact that we are one of the most energy-efficient countries in Europe today, we estimate (government figures) that there could be a potential saving of 42 per cent in homes and buildings during the next ten years. In 2005, a Danish objective of saving 1.7 cent of energy consumption (end-user consumption, excluding transport) each year up to 2013, and a series of specific means to realise this objective was adopted. It was agreed that the means of attaining this could be changed under way if the objective was not attained in full. We look forward to the Commission coming up with a proposal for an action plan on this with concrete deadlines and activities. The introduction of more rigorous demands on new buildings will have a certain effect, and we hope that the Commission will continue to insist that requirements on new buildings will be tightened up again in 2010 and 2015. However, we would still draw attention to the fact that the greatest potential lies in the existing housing stock, which the directive makes very little of. A far more intensive effort is required in this area, and we would call upon the Commission to put forward proposals regarding this. We also feel it is important to prepare a binding plan with clear deadlines for the implementation of the ECO-design Directive, in which the requirements on maximum energy consumption to fulfil specified energy services and maximum permissible stand-by consumption will be established for five years at a time, for instance, after which the requirements will be heightened. Clear marking should be carried out and there should be a prohibition against marketing the lowest quarter of the standards at each revision.

2. Sustainable energy. We support the proposal for a schedule for sustainable energy with concrete, ambitious goals for this in general, and for policies to ensure that the speed with which it is developed is increased considerably. Together with energy conservation, the development of sustainable energy is the most reliable method of reducing greenhouse gas emissions and the growing dependence on imports. Experience in Denmark has shown that ambitious policies which are followed up on an ongoing basis are a necessary condition for accelerating the development of technology and reaping its benefits in the form of falling prices for the individual sustainable energy technologies. In addition, there is the importance of long-term goals and policies to reduce the uncertainties – and the risk premium – of investors so that they dare commit themselves more strongly to sustainable energy. Where Northern Europe – and other parts of Europe – are concerned,

there is great potential in a considerable increase in the number of offshore wind turbines in the North Sea and the Baltic Sea. We call upon the Commission to prepare an energy action plan proper for building big off-shore wind turbine parks.

3. Transport. There is a pressing need to reduce energy consumption in the transport sector, which is almost entirely dependent on oil and is responsible for steadily increasing emissions of greenhouse gases. We agree that there should be a commitment to the development and use of second generation bio-fuels in particular – and the introduction of other fuels. The description of this in the 2000 green paper was more ambitious. Alternative fuels, however, can not stand alone. It is absolutely decisive to concurrently establish binding standards for the energy efficiency (range per litre) of new vehicles based on the best available technology for energy efficiency and emissions of other substances, and proposals should be put forward regarding the way in which the tax and duty instrument could be used to reduce the transport sector's increasing emissions of greenhouse gases. Some few steps have been taken by the automotive industry to utilise existing technologies to manufacture vehicles that have a far lower fuel consumption than what is standard at present, such as Volkswagen's Lupo (3L). In our opinion, it is important for the Commission to introduce proposals that will provide the automotive industry with a strong incentive to use the best available technologies and commit to their further development. The existing voluntary agreement with the automotive industry has proved to be inadequate. Minimum requirements should also be introduced for tyres in order to reduce the energy consumption of vehicles and ensure that tyres contain no other harmful substances.

4. Oil. The fact that the green paper takes no concrete stance on the EU's increasing dependence on imported oil, but broadly speaking focuses only on gas, although oil and gas can only substitute each other as fuels to a limited extent, gives cause for concern. In reality, this is a question of two energy markets, not just one: one for electricity, heating, and refrigeration, which it is possible to supplement with sustainable energy, energy conservation, and by changing between various types of fuels – and another for the transport sector, which is essentially wholly dependent on oil. The emission of greenhouse gases from oil products is growing rapidly and is now cancelling out the reductions being made in other areas. Oil is that resource which, to all appearances, we will run out of first, and is the fuel that has the most direct – negative – effect on the EU economies. This makes it important to carry out a thoroughgoing analysis of the EU's growing dependency on oil and to prepare an ambitious strategy regarding how we can move away from this dependency. We would also point out the need to decouple gas prices from oil prices. The existing close coupling has resulted in significantly increased gas prices and a related tendency to promote coal at the expense of sustainable energy and gas, which has less impact on the environment – but is also a resource with a limited life.

5. Transmission systems. The green paper focuses sharply on gas transmission and contains only a brief evaluation of electricity transmission. The extension of the transmission systems should only be evaluated in relation to natural gas, and extensions should be based on the quantities of sustainable energy that will be aimed at in the years to come. For instance, it would be decisive for an increase in the number of wind turbines that there is such a plan as a basis for making decisions as to where there should be a commitment to the extension of electricity transmission systems. The same

applies to the opportunities for conserving energy and for intelligent energy control that would be capable of reducing loads on the EU's grid. An analysis of this kind would also improve the opportunities to create well-functioning, joint system responsibility in the EU and to incorporate increasing quantities of sustainable energy.

6. Liberalisation. Considerable progress has been made in the Nordic countries in connection with electricity and gas liberalisation. Denmark has implemented the electricity and gas directives to the full and, together with Sweden (and Norway), has gone on to separate the ownership of the grid and production. Concurrently with the implementation of the directives, however, electricity prices on the Northern European market have increased. Given the knowledge we possess at present, we do not know whether prices might have increased further without liberalisation. However, we feel the assumption that the full implementation of liberalisation would lead to a decline in prices may not be tenable. Previous experience seems to indicate that the market adjusts to the marginal price of the most expensive electricity production. We therefore feel that there is a pressing need for a thorough, impartial analysis of the special characteristics of the electricity market and an in-depth discussion of the way in which the electricity market functions so that we can avoid setting up a long-term EU strategy on the basis of assumptions, but rather base them on thorough analyses of the electricity markets' patterns of reaction (production and transmission).

7. The quota directive and the quota market. The EU's CO_2 quota-trading system and the national allocation plans (NAP) were intended to be one of the central, market-based instruments to achieve cost-effective reductions in emissions of greenhouse gases in the EU. During the trial period from 2005-07, the allocation plans have been characterised by the fact that excessive quotas were issued, and we are concerned that this could also be the case with the allocation plans for 2008-12. Quota prices have been relatively high in spite of the liberal quotas. But this has not resulted in any significant investment in sustainable energy or energy conservation and, as far as we can see, there has been no restructuring from coal to natural gas, but rather a tendency towards the opposite, and there have been considerable windfall profits for the production companies. There is a need for much longer time horizons than the existing short agreement periods that do not harmonise with the long-term investments of the energy sector and the need for major reductions in greenhouse gas emissions, cf. the EU's endorsement of the objective of avoiding an increase in temperature in excess of 2° Celsius during this century. We recommend that NAP (2008-12) should be tightened up considerably with the aim of further tightening them up after 2012, and that the quota directive should be adjusted with the aim of reducing environmental impact. There should also be an evaluation of the potential benefits that could be derived from holding an obligatory auction of a major part of the quotas from 2012 and thereafter. We also feel that the EU's rules for new investments should prevent subsidies being given in the form of free quotas for fossil-fuelled power stations.

Yours sincerely,

Eyvind Vesselbo, Chairman of
of the Folketing's Energy Policy Committee

Elisabeth Arnold, Chairwoman of
the Folketing's European Affairs
Committee