A SUSTAINABLE COMMON ENERGY POLICY FOR EUROPE

RECOMMENDATIONS TO THE EUROPEAN COUNCIL

PSE
Socialist Group in the European Parliament

FOREWORD

In the framework of our joint responsibility in this matter, we would like to express our gratitude to the many Socialist Group members who contributed to this position paper on a sustainable common European energy policy. It has been a common undertaking involving members active in a whole range of policy areas, including our colleague Eluned Morgan, Parliament's rapporteur on the Commission's Green Paper on energy policy. We also wish to thank our Socialist Group Secretariat for its work in this complex field of policy.

It will now be up to the European Council to meet its political responsibility by paving the way towards a truly European energy policy. If Member States fail to live up to this responsibility, the European Union will fail to address the multiple challenges it is facing with regard to security of energy supply, energy efficiency and, above all, the future sustainability of energy production and consumption as a key element in the historic fight against climate change.

Robert GOEBBELS, MEP
Vice-President

Hannes SWOBODA, MEP
Vice-President

November 2006

The history of humanity is inextricably linked with the use of energy of all kinds. Mankind has gradually been able to exploit the Earth's energy resources for heating, transport and cooking. Wood and mechanical wind power have been replaced by fossil fuels, while electricity transformed our way of life and our production methods.

Parallel to developments in the energy field, technological, geo-political and environmental developments influenced the supply and demand side of the energy markets. Energy resources are not evenly distributed across different geographical areas. The rise of energy prices is also influenced by different political developments in some supply regions .

The environmental impact of our energy use is at the centre of our discussions. The impact of CO_2 emissions and climate change are of general concern. The global energy model is on red-alert. Fossil energy resources are becoming more and more scarce – and scarcity means higher prices.

There are alternatives to fossil energies, but major technological breakthroughs are often needed to succeed in progressively eliminating over-polluting types of energy. The situation is urgent. Global energy consumption will continue to increase, due not least to the increasing global population (from 6.4 billion to 8 billion in 2030). There are hundreds of millions of people who hope for a standard of living comparable to that of the developed countries. The International Energy Agency reminds us that 1.6 billion women and men do not have access to electricity, that 2 billion have only wood to heat their homes and to cook.

Development in China and India (making up 39% of world population) will create enormous supplementary demand. According to the IEA, global energy consumption will increase by 60% by 2030. 125 million barrels of oil per day would be required to meet this demand, whereas current production levels are around 85 million barrels per day. The IEA also forecasts that $16,000 billion of investment would be needed by 2030 in order to meet global energy demand, half of which needs to be invested in developing countries.

The challenges are huge. If current consumption trends continue, global consumption of primary energy will at least double by 2030 (from 10 to 20 MGteps), 80% of which would stem from fossil fuels, making it impossible to stabilise the content of CO_2 in the atmosphere at 550 ppm in 2050. The facts are clear: electricity production (creating 40% of global CO_2 emissions), transport (24% of global emissions), and domestic use (17% of global emissions) have to be revolutionised. The European Union has a crucial role to play in this global battle for sustainable energy.

In this challenging context, the Socialist Group calls for a sustainable common energy policy for Europe. In coordination with the European Commission, Member States must significantly raise their level of cooperation in this field, as well as implement existing commitments and European directives. Furthermore, environmental action must be placed at the heart of a future European energy policy. Energy policy will provide a major test for Europe's broader political ability to address common challenges with ambitious long-term policies and shared commitments. Next year's Spring session of the European Council will have to live up to this expectation by demonstrating its willingness to defend the common European interest in energy policy. If it fails to do so, energy will become an ever greater source of risk for Europe's future prosperity, jobs and environmental quality – in other words, for the sustainability and success of the European model of development.

Common challenges call for common answers

Europe is facing a new energy reality. The most striking feature of this new reality is Europe's rising dependence on fossil fuels in a world in which global demand for oil and gas will continue to grow and in which global supply will essentially come from a very limited number of geographical areas – the Middle East, Russia and West Africa.

As a result, the recent surge in energy prices will become an increasingly problematic feature of global energy markets. Projections based on current policies indicate that Europe will reach an energy import dependence of nearly 70% of its total energy requirements by 2030, with 90% dependence for oil and 80% for gas. Following successive enlargements, the EU's demand for energy will rise, in particular because of increased trade and a rising standard of living in the new Member States. International competition among energy consumers is set to intensify as world energy demand grows – generating new economic instability and geo-political tensions – unless a new generation of national, European and global policies are put in place to address this challenge.

This new energy reality is intertwined with climate change. Increased use of energy from fossil fuels will increase global CO_2 emissions, unless energy policy – in Europe and worldwide – is drastically changed. Efforts to achieve major cuts in energy-related CO_2 emissions must be accelerated rapidly.

Tomorrow's energy policy for Europe must live up to three major challenges:

- how to achieve secure energy supplies at predictable and affordable prices, especially for economically weaker citizens?
- how to make energy policy far more environment-friendly, especially in order to tackle climate change by developing a low carbon-emitting and highly energy-efficient society?
- how to share these objectives with other countries on the planet?

It is our conviction that addressing these challenges will only be possible if the EU and its Member States can successfully combine several external and internal policies in a coherent and coordinated manner, and ensure that they are applied consistently at local, national and European level. It is also a challenge for democracy as such to guarantee equal access to energy for all citizens. All of this will require a profound change in European energy policies at EU and national levels – a visionary, far-sighted approach, with a new willingness in EU institutions and among Member States to work together for a common energy policy.

Development of this common policy should go hand in hand with the EU's policy on climate change and its commitments to drastic emissions reduction under the Kyoto Protocol. Far from hampering economic development, the Kyoto Protocol must succeed in changing production methods and technologies in the EU. It also offers an international frame within which exchange of best practices and new technologies should be encouraged, especially in emerging and developing countries. This is particularly important for producer countries which are exploited by an oligarchic and kleptocratic power. EU actions must promote better governance. Instruments used in the fight against money laundering should be applied also to illegal incomes from the energy sector, which is up to 80% controlled by States.

Relying on the market is not enough

The new energy reality will generate gradual changes in market behaviour. Higher fossil fuel prices will increase demand for other energies – whether for renewables or for nuclear energy – and change investment strategies. The completion of the internal market in electricity and gas will continue to generate changes in market structures, which should not be to the detriment of consumers, in particular the more vulnerable.

However, Europe cannot rely only on market-driven solutions to face the new energy reality. Our institutions at national and European level face a common responsibility in pursuing a **pro-active and long-term public policy on energy**. The quality of public policy in this field, from conception to implementation, will be the key to success. Europe and its Member States are confronted with a huge and complex challenge. A successful energy policy for Europe will have to bring together a wide range of policies – from foreign policy to environmental policy, from economic policy to agriculture, transport and housing policy. This can only be achieved if the European Council lays down a clear political framework, within which **relevant Council formations will effectively coordinate their policies**, with the support of the European Commission.

The essence of a sustainable and common energy policy for Europe must consist of five main pillars:

- a common foreign energy policy strategy
- a step-change in energy savings and efficiency
- a major push towards renewable energies as an ever increasing part of an energy mix favouring low CO_2-emitting and CO_2-free energy sources
- a boost to research, development and innovation in all cleaner energy technologies

- the completion of the internal market for gas and electricity, with energy solidarity between Member States, and the completion of the Trans-European energy networks.

In the longer run, **the EU must aim for a high degree of energy independence and efficiency, based mainly on clean energy production within the EU**.

The goal of energy independence should have three pillars:

- greater independence from fossil fuels and from individual suppliers;
- greater diversity of energy resources and of supply countries and regions;
- but also greater interdependence with major supply countries, notably through joint investment projects and joint ownership of energy distribution and energy transport infrastructures.

The EU should aim to become the **most energy-efficient region in the world**. This will make sense not only environmentally, but also in geo-political and economic terms. In most Member States, the goal could be achieved by raising the share of renewable energy sources in total energy consumption – combining the use of different technologies such as wind power, solar energy, hydropower and biomass – to at least 50% by 2040. Such a goal can only be reached if all actors, and industry in particular, subscribe to it.

Meanwhile, during the next 20 to 30 years, fossil fuels will remain a significant source of energy in most parts of the EU. This must be fully reflected in the EU's common energy policy. It would be equally foolish to regard an external energy policy as the only key response to Europe's energy worries, or to consider that a boost in renewable energies alone will provide a miracle solution. Energy presents us with a complex long-term agenda and must be treated accordingly.

Facing up to the foreign energy policy challenge

The EU faces growing dependence on foreign energy suppliers, while the largest oil and gas reserves are in politically or economically insecure regions. **Security of supply at affordable and predictable prices must be a major policy goal for the EU**, to prevent risks of disruption of supplies and abrupt price shocks.

Security of supply can be strengthened in a number of ways. External security of supply can be significantly increased over time by drastically reducing the use of energy, and increasing domestic production of renewables and, in some Member States, the use of nuclear energy. To provide clear policy guidance, **the EU should agree on a timetable for reduction of fossil energy dependence over the coming decades.**

Security of energy supply must become an integral part of the EU's common foreign and security policy, on the same level as development and trade policies. The EU must use its collective weight in dialogues with key energy suppliers. These dialogues need to ensure solid long-term partnerships and energy cooperation agreements especially with Norway, Russia, OPEC, the member countries of the Gulf Cooperation Council, Algeria and oil-supplying countries in the Gulf of Guinea. In cooperation with European companies and in partnership with producer countries, the EU must organise new energy transport infrastructures (oil and gas pipelines, methane terminals). At the same time, the EU's foreign energy policy must significantly diversify supplies and transit routes for both oil and gas, as an active part of the EU's Neighbourhood Policy. For this reason, the EU must be politically and financially more active in the geographical zones concerned, with financial assistance to facilitate transport infrastructure.

The EU must have a **common strategy** for relations with these countries and regions, in place of the disparate national approaches of Member States. Bilateral energy relations can reinforce worrying trends in global energy supply – non-transparency, arbitrary action, monopolies and rent-seeking. A common EU approach offers the best prospect of stopping these trends and contributing to the emergence of a sound and stable global energy market.

Partnerships and cooperation agreements must be mutually beneficial, especially with supplier countries like Russia and Algeria, with which the EU is interdependent. They must help to create stable but open regulatory frameworks in supply countries, to foster the massive investments needed in exploitation and transport infrastructures to secure long-term supplies. This must be complemented by agreements with transit countries to establish diversity of secure oil and gas pipelines. Partnerships and agreements should also be used as an opportunity to promote the EU's environmental agenda – establishing cooperation on renewable energies and promoting energy saving and energy efficiency at international level.

Russia continues to be one of the main energy providers to the EU. But Russia is just as dependent on our demand as we are on its supply of energy. The EU therefore has to insist on equality in energy relations, and demand that future partnership and cooperation agreements also include a conflict arbitration procedure.

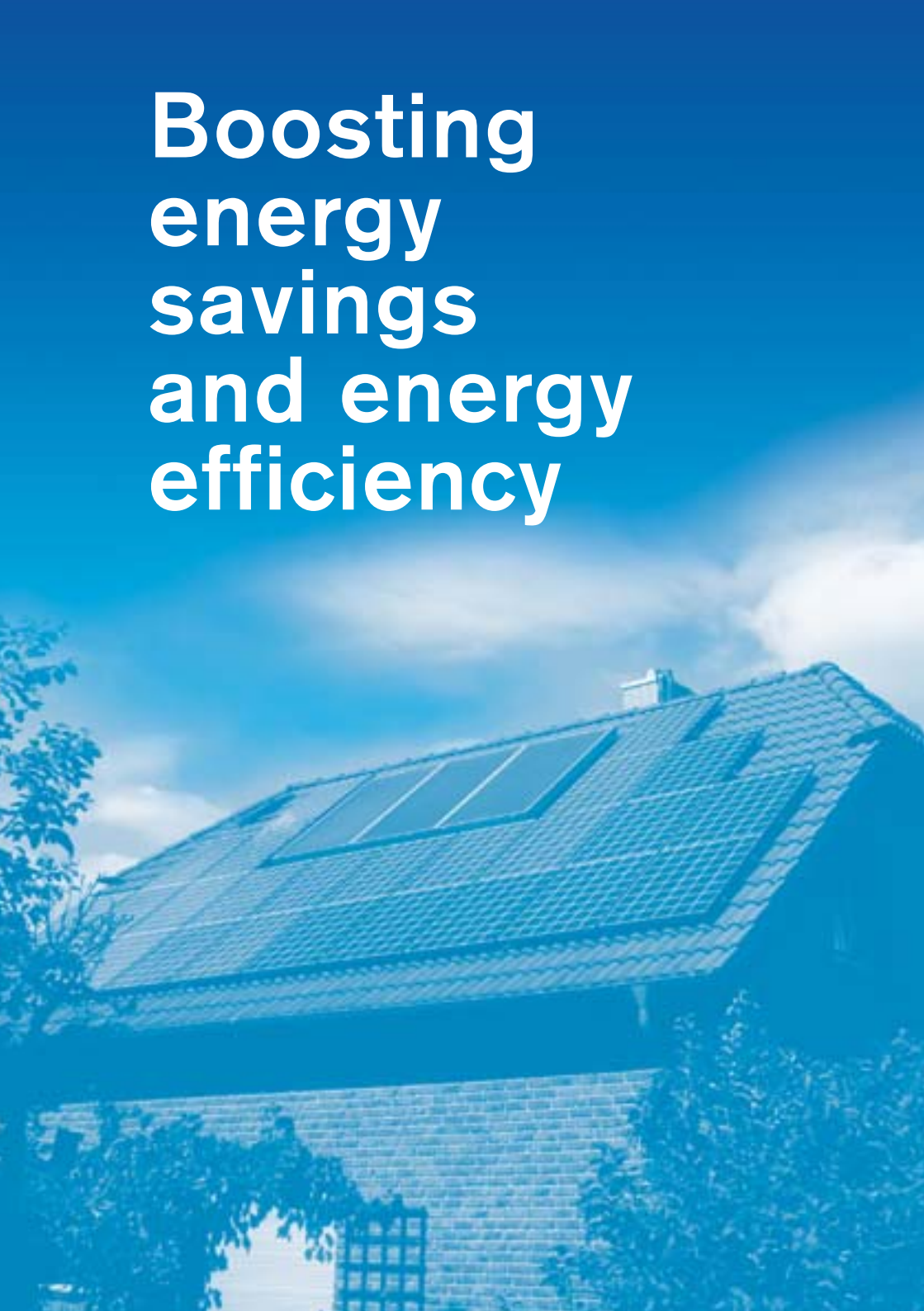
The EU and its Member States must ensure that their diplomatic, aid and trade relations with energy-supplying countries promote fiscal transparency, good governance and the role of local civil society as a watchdog over energy revenue management, through such frameworks as the Extractive Industries Transparency Initiative and Corporate Social Responsibility schemes. This is essential to counter corruption and misman-

agement of energy revenues which can destabilize such countries, undermining sustainable development and fomenting unrest that threatens the security of energy supplies. Building on the Transparency Obligations Directive of 2004, Member States could also use securities market legislation to promote greater transparency of payments by European energy companies to governments in the developing world.

The EU's foreign energy policy will develop in a global arena in which international competition for access to energy supply will continue to increase. A new form of political dialogue and cooperation among major consumer countries has become indispensable, especially with the US, China, Japan and India. The EU and the main energy-importing countries need to avoid ruinous competition for energy supplies. There must also be a dialogue between key consumer and producer countries, to develop a global approach to energy. These **new global energy dialogues** should aim to make global energy markets stable, secure and transparent. They should provide a continued boost for clean energy sources and energy efficiency in the framework of the global sustainable development agenda agreed in Johannesburg 2002.

Even with the best agreements in place, achieving 100% security of supply may not be possible. Economic and political uncertainties in many supplier countries are a reality and may cause temporary reductions of gas or oil supply, possibly associated with price peaks. As a precautionary measure, and in a system based on mutual and rapid solidarity among Member States, the **minimum oil stock** in the EU could be raised from 90 days consumption to 120 days. Equally, the EU should aim to develop a **minimum gas stock** of at least 90 days. These stocks should form part of an **integrated EU emergency mechanism.** This objective must take account of the geological and geographical features of the Member States, particularly concerning storage capacities and their proximity to sources of energy supply.

Boosting energy savings and energy efficiency



Energy savings and efficiency are the fastest and cheapest routes to energy security, external dependence, high prices and environmental concerns. **The EU could save at least 20% of its current energy use** in buildings, transport and industry, with huge gains for businesses and consumers alike, estimated at 60 billion euros a year, and with the creation of hundreds of thousands of new jobs. Half of this reduction in consumption can be achieved simply by improving the enforcement of existing legislation. The other half would need to come from innovative solutions.

This energy savings target, which should be made binding at Member States' level, does not yet account for the additional incentive of investing in energy efficiency generated by the recent surge in energy prices. The next Spring session of the European Council should set more ambitious targets, to be achieved by all Member States by 2020. Commission estimates suggest that additional efficiency measures beyond 2020 could achieve a further 20% savings in energy consumption.

The EU can already rely on a set of legislative texts on energy efficiency – on buildings, co-generation, eco-design, energy end-use efficiency and labelling of household appliances. As a first step towards greater energy efficiency, these **existing directives must be fully transposed and implemented** as a matter of urgency in all Member States.

However, much more can be done, as set out in the EP resolution on the Commission's Green Paper on energy efficiency. In this respect, we welcome the Commission's **new EU Action Plan on energy efficiency**. Energy efficiency needs to encompass action in the following fields:

Transport: The transport sector offers a major potential for energy savings and efficiency, combined with the urgent need of

reducing CO_2 emissions under the Kyoto protocol. Nearly 60% of Europe's consumption of oil is taken up by the transport sector. At current trends, oil consumption in this sector alone is expected to rise by at least 30% until 2030, notably as traffic volumes are set to grow.

In order to soften the negative environmental and energy impacts of transport, environmentally friendly alternatives to road transport – such as rail, inland waterways and maritime transport – must be further strengthened. To achieve this, we need fair competition rules between transport modes. To make clear the real costs of transport, we need to internalise external costs, especially for road and air transport. The railways have to further increase their appeal and efficiency. Gradual opening of the national railways needs to continue and be implemented uniformly across the EU. Successful programmes to shift transport – such as "Marco Polo" must not fall prey to the shrunken EU budget. The promotion of safe, environment-friendly, efficient and cheap public transport systems, as well as car pooling, car sharing and non-motorised mobility and the expansion of public transport and the introduction of incentives to use it, are the most important steps towards reducing transport's negative environmental impact.

However, while European policy should reduce road transport as much as possible, it will still play an important role in the near future. We have to put more effort into reducing its energy consumption and pollution.

The EU should press ahead with proposals to harmonise taxation on car energy use and other car-related taxes, in order to reduce CO_2 emissions. It should adopt ambitious and binding CO_2 emission limits for cars, making them more fuel-efficient. In the short term, it is crucial to design a car consuming no more than 3 litres per 100 km at affordable prices for all users. Moreover, promoting the production of alternative fuels from

bio-mass must be an absolute priority. They have the potential to reduce the EU's dependence on oil and make a significant contribution to the reduction of CO_2 emissions.

Buildings: The buildings directive of 2002 should be evaluated and a revision initiated by the Commission, to gradually extend its scope to cover residential buildings below the 1000 m^2 threshold. Considering the need to tackle the social consequences of high energy prices, Member States' action should particularly support low-income families and individuals to achieve energy savings in their homes, thereby reducing their energy bills and their exposure to future price increases. Particular scope for such savings exist in most of the new Member States which too often have highly energy-inefficient urban infrastructures. This can be partly financed through the European Regional Development Fund and other European programmes.

Taxation: Member States' national tax systems should discriminate in favour of energy efficient practices. In the field of indirect taxation, the EU should propose an EU-wide scheme for the differentiated taxation of energy-efficient products, covering the broadest possible range of energy-consuming products, from electronic devices to heating systems and cars. These tax systems should be based on a "polluter pays" principle.

Public awareness: Energy efficiency can be significantly strengthened simply by influencing consumer behaviour. Campaigns for public awareness are needed. National energy efficiency plans, required as from 2007, should be made widely known to the general public in all Member States.

Energy efficiency must also be actively promoted at global level, turning it into a global priority. It should be incorporated in Europe's future foreign energy policy strategy and development policy.

Promoting renewable and bio-energies

The EU will neither achieve energy security nor radically reduce the environmental impact of its energy use without a **major shift towards renewable sources of energy and bio-energies in the decades to come**. We must increase the use of wind power, solar energy, hydropower, geothermal and biomass (including peat) for the production of electricity and fuels, as well as heating and cooling. This must be based on national energy strategies, taking full account of each country's geographical, geological or climate differences. However, national energy mixes should reflect EU-wide energy policy choices, notably for renewables or bio-fuels.

At a time when energy prices were still relatively low, the EU adopted its Renewables Directive (2001). This set a target for the EU's share of electricity produced from renewable energy sources of 21% by 2010, contributing to the overall target of 12% of energy consumption from renewables by 2010. The EU also agreed in 2003 that at least 5.75% of all petrol and diesel should be bio-fuels by 2010. Unfortunately, latest reports indicate that most Member States are off track from their national indicative targets for both electricity production and bio-fuels, mainly due to a lack of investment and of an effective support system, as well as the entry barriers still maintained by existing producers of conventional electricity. In Member States with the highest share of renewables, however, it has been shown that, with clear political will, **renewable energy can be successfully developed**.

The motive for the promotion of renewables has traditionally been mostly environmental, related especially to Europe's Kyoto Protocol obligations. **The new energy reality has radically**

changed the case for renewables, which now rests on environmental imperatives, but also on security of supply, innovation and competitiveness. Environmental, economic and geo-political objectives are now complementary parts of a broader policy objective. We must grasp this new context in order to recognise fully the **new and strategic role of renewable energies.**

The development of renewable energies must be placed in a global context. The increased pressure on the demand for fossil fuels, and the urgent fight against global warming, will increase the attractiveness of alternative energy sources across the world. Even in emerging economies such as India and China, renewables are more and more regarded as an important part of energy policy. The demand for renewable technologies is rising steadily. **The EU must ensure that it keeps its current competitive edge and technological lead in this field.** This can best be achieved by creating a stable regulatory framework for a significant expansion of renewables in the EU in order to give investors the confidence to invest more heavily in renewable energy R&D and production capacity.

The EU and its Member States must show the political courage and determination to **agree an ambitious EU-wide mandatory target for renewable energy of up to 25% by 2020**, including national and sectoral targets for electricity, heating and bio-fuels. The European Parliament already called last year for a new, more ambitious target for 2020. The EU should also set itself a target of 50% of renewables by 2040, in order to send a strong political signal of its long-term commitment to a low-carbon and increasingly energy-independent society.

Setting targets will not be enough. As part of a **comprehensive EU Renewables Strategy**, renewable national energy action plans should be provided on a regular basis. They must clearly indicate the political measures needed to promote renewables

and overcome obstacles. We welcome the Commission's commitment to bring forward a Renewable Energy Roadmap. An EU Renewables strategy should include measures to:

- Ensure the **fair access of renewable electricity to the power grids**, with clear support from national public authorities, to be facilitated by the creation of a single common European grid and the completion of the internal electricity market; in this context, it is very important to work towards integrating off-shore windpower installations into a European grid;
- Provide significant **additional public investment** in R&D in renewables and the development of new renewables capacity, notably through the EIB and European structural funds, to stimulate sufficient private investment;
- Tap the full potential of renewable energy for **heating and cooling**. Heating accounts for an estimated 50% of EU energy requirements. Due to the initiative of the Socialist Group for a directive in this field, the Commission promised to table a legislative proposal in the near future.

Equally important is the **promotion of bio-energies**, on the basis of an EU strategy for bio-fuels, as recently proposed by the Commission, by developing a coherent policy approach covering energy, transport, agriculture, forestry, development and trade.

Europe's supply in energy, based on a significant share of renewables, also requires appropriate storage and usage capacities of these energy sources for concrete energy needs (electricity, heating, cooling, fuel). We demand, therefore, that the promotion of renewables goes hand in hand with the development of storage technologies. Hydrogen, in combination with fuel cells, provides clean and efficient means in this respect.

Ensuring a more intelligent use of traditional energies

Even if priority is given to renewable energy, **the world will not be able in the next few decades to do without traditional energy sources**. Socialists are divided on the nuclear issue. But whether we like it or not, this source of energy is regaining popularity across the world, as third generation plants yield more and emit less CO_2. The promises of 4th generation plants, being able to burn parts of nuclear waste, seem to some an even more promising option.

Nevertheless, nuclear energy continues to pose serious problems (safety, storage of nuclear waste, risk of proliferation). The nuclear option cannot become a European policy, but must rather be the result of democratic choices in each Member State. However, the European Union has the duty to finance research for better nuclear safety. The ITER programme requires significant further research and will not be available for decades to come. Still, the promise of nuclear fusion demands Europe's active involvement with its international partners. At the same time, Socialists will deploy efforts at international level against proliferation and in favour of a global surveillance of non-military nuclear power by the International Energy Agency, based on increased resources.

Technological progress can reduce the environmental and climate impact of fossil fuels. Industry should be encouraged to invest in clean coal technology and coal gasification, with CO_2 capture and storage.

Thermal plants need to yield more, cogeneration and tri-generation must be encouraged, using the heat produced to fuel industrial processing, or even large-scale heating and cooling. Technologies for the capture and storage of CO_2, and for capturing methane to produce energy, are making progress. We must support their rapid spread.

More rational use of currently dominant energy sources could make a significant contribution to energy saving and energy efficiency, thus reducing environmentally harmful emissions. A whole range of new innovative technologies are emerging and need to be promoted through appropriate policies and regulations (examples are energy-saving LED lights, or lower energy use of stand-by functions in electronic devices).

Making a quantum leap in research and development

Developing a truly sustainable European energy system in the long run will to a large extent depend on the emergence of new and better clean energy technologies in production and end-use. **These technologies will require major investment efforts in R&D**, to allow for an accelerated deployment of renewable and clean energies, and of energy-efficient products. This must be backed up by adequate public resources in the form of major on-going expenditure on energy R&D, thus encouraging more adequate investments in R&D in the private sector, in favour of a sustainable energy policy.

At EU level, the successive RDFPs have allocated fluctuating amounts to energy R&D since the first programme was launched in 1983. This covers research in hydrogen and fuel cells, renewable electricity generation, renewable fuel production, renewables for heating and cooling, CO_2 capture and storage technologies, clean coal technologies, smart energy networks, energy efficiency and savings, and knowledge for energy policy making. The 7th Euratom RFP finances research for fusion energy (ITER) and for nuclear fission and radiation protection.

But at member state level, energy R&D funding has decreased over the years and this reduction now puts the EU behind other industrialised countries. EU energy R&D investments are now substantially lower than in Japan or the US. Furthermore, most European funding has been directed to conventional energy sources, and over half to nuclear. Today, only 10% of these public funds are allocated to R&D for renewables, which represents half of the total R&D funds in this field. There is clearly a need to create, at least, a **new level playing field between conventional and renewable energy sources with regard to energy R&D.**

Therefore, we have to prioritise renewable energy and energy efficiency in European Research programmes, including the Competitiveness and Innovation Programme.

Figures show that **there is an increasing gap between R&D in energy and the needs of a sustainable energy policy.** International comparisons show that the EU's technological and competitive edge is at risk in the longer run. The EU's and its Member States' energy R&D policies need to undergo a re-think if they are to live up to the challenges of the new global energy reality. The next Spring summit, in March 2007, must ensure that Europe's future energy policy is backed up by an **ambitious R&D strategy**, with public funding providing strong incentives for increased private R&D, especially in renewables and other clean energy technologies, including longer term technologies such as hydrogren. This strategy would best be placed within the framework of a true **European energy research area** – fostering close coordination in order to maximise research synergies and the diffusion of expertise and knowledge. Due to the long-term nature of investments in energy R&D and new technologies, these incentives must be generated by a stable and predictable regulatory framework for energy policy.

Specific measures should be identified in order to move ahead. A possibility would be to implement a tax for each litre of petrol, diesel, kerosene and gas consumed in the EU by just one cent of one euro, and to invest this tax revenue in R&D for renewable and clean technologies – a measure likely to generate around 10 billion euros of new funds for energy R&D every year. Furthermore, the oil companies which have seen their profits surge recently as a result of the rise in prices should be encouraged to increase their private investment in clean technologies. The EU should re-open the debate on taxing CO_2 emissions, with a corresponding reduction of the tax burden on labour in all countries of the EU.

Achieving an integrated European energy market

A decade ago, the EU agreed to put a single market in place for electricity (1996) and then for gas (1998). Both directives were reviewed in 2003. However, as acknowledged by the Commission, this **policy has so far almost entirely failed**. The process has not created a competitive European market. In practice, prices have not fallen across the board. They continue to vary significantly between Member States. In countries where the energy market has been deregulated as a first step towards an integrated market, private consumers have had no apparent benefit, which should be the main objective. Most national gas and electricity markets remain dominated by a few major players. There is **very limited internal market integration in terms of interconnections** between national suppliers as part of a European grid of electricity and gas.

As conventional energy producers continue to control production and transmission of electricity, due to a lack of unbundling of generation from transmission of energy, **the market continues to discriminate against electricity provided by renewable energy** producers in a number of Member States. Free access to networks must be guaranteed as part of a well-functioning internal energy market.

As a result of the obvious diversity among the Member States, the emergence of regional energy markets (in the Iberian Peninsula, in the Nordic and Baltic countries, France, Germany, and the countries of the Benelux…) is proceeding. This "region-alisation" of the internal market can contribute to accelerating the integration of the EU energy market if no new barriers will arise.

The lack of a European grid is very problematic. It limits the EU's capacity to manage electricity and gas supply disruptions and to put in place **effective solidarity mechanisms between Member States**. The non-completion of the internal energy market also acts as a **bottleneck to new investments in infrastructure**, especially in the field of renewable energies.

The creation of new energy capacities can take more than ten years in Member States from the planning to the operational phase, due to long delays in authorisation procedures, sometimes required from European legislation. Even the implementation of a wind-power plant requires an authorisation procedure of 5 years. It is in the public interest to reduce such delays, to generate a **more investment-friendly regulatory environment.**

In the absence of a clear European-wide energy policy strategy, Member States continue to pursue their own national strategic advantage based on national policy choices and imperatives, thereby leaving **very little scope for policy cooperation at EU level.**

While the Commission has started to put pressure on a whole range of energy companies across the EU on the grounds of alleged anti-competitive behaviour, there are conflicting views about what market liberalisation can achieve within the current legal framework, with regard to price changes and to the massive investment needed. The current debate on the future of energy policy provides a critical opportunity for the completion of the internal market. **In March 2007, Member States should come up with a broader vision of the common European interest in the energy field, in order to place the completion of the internal market in the clear political framework that is currently lacking.** Without such a framework, the completion of the internal energy market is unlikely to be achieved.

Conclusion

The European Union and its Member States are facing difficult and complex strategic choices:

How can we ensure adequate economic development to support a high standard of living based on full employment and social cohesion, while safeguarding the protection of the environment, biodiversity, and sustainable development?

How can we reduce greenhouse gases in the EU (even beyond the 8% agreed in Kyoto) without jeopardizing European competitiveness?

How can we avoid the EU becoming dependent on imports for 70% of its energy by 2030 as projected, and how can we guarantee the security of European energy supplies in a world where conflicts over access to sources of energy are likely to multiply?

How can we contribute, both by means of example and by diffusion of the best possible technologies, to a fundamental reorientation of global energy consumption so that it is compatible with ecological and climate needs?

The Socialist Group calls for more solidarity in energy policy:

- **solidarity within the EU;**
- **solidarity with the developing countries;**
- **solidarity with all those fighting against climate change.**

The market cannot by itself guarantee that the energy sector is working for growth, investment and jobs, and for improving the environment. This requires politics. The Socialist Group is formulating an energy policy which can at the same time generate sound economic development, address the social consequences of rising prices and improve the environment through higher energy efficiency and sustainable energy production.

Our dependence on fossil fuels must steadily decline. To do so:

- The first priority is economising on energy and using energy more efficiently.
- The second priority is the development of renewable sources of energy, hence reducing our energy dependence.
- The third priority is a more intelligent use of traditional technologies, which should be made cleaner and more efficient.

Generally speaking, we face an urgent need to foster all forms of research, thus encouraging emulation between the different forms of energy, especially in order to limit CO_2 emissions.

The common goal of the EU must be to create the best possible energy mix which is both intelligent and feasible, and as economic, efficient and ecological as possible. Within the EU, energy challenges are common in nature, despite the somewhat heterogeneous energy situations among member states. Each member state should assume its own responsibilities, according to its resources and its climatic, hydraulic, geological and geographical conditions, but as part of a common European strategy.

The Socialist Group calls on the European Council to establish a clear strategy for a sustainable common energy policy based on European solidarity.

www.socialistgroup.eu

socialistgroup.climatechange@europarl.europa.eu

EN © 2006 v1 Printed and published: David Harley, Secretary General, Socialist Group in the European Parliament, rue Wiertz, 1047, Brussels – Graphic design: M2M