Opinion of the European Economic and Social Committee on the Green Paper — Towards a secure, sustainable and competitive European energy network

COM(2008) 782 final/2
(2009/C 306/12)

On 13 November 2008, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the ‘Green Paper — Towards a secure, sustainable and competitive European energy network’

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 20 May 2009. The rapporteur was Ms BATUT.

At its 454th plenary session, held on 10 and 11 June 2009 (meeting of 11 June), the European Economic and Social Committee adopted the following opinion by 124 votes to one, with four abstentions.

1. Conclusions and recommendations

In reply to the questions raised by the Commission in its Green Paper, the EESC would make the following remarks:

On network policy:

1.1 Obstacles and levels for action: Standardised procedures which can be monitored in a democratic fashion would boost transparency in international relations, the EU’s choices, price setting and operators’ (network regulators’ and managers’) profits. It is essential to listen to the views of local residents and to keep consumers informed.

1.2 Differences of opinion: Member States must retain freedom of choice as to the type of energy they opt for. The Commission can play a coordinating role, taking account of the population’s requirements in energy supply and spatial planning. The role of the associated network managers (ENTSO-E) and the regulatory agency (ACER) (1) must be defined, as must the legal force and enforceability of their decisions.

1.3 R&D: the share of R&D funding should be assessed and can only be increased. Such funding contributes to the efficiency of networks, their maintenance and durability, as well as to energy efficiency which can loosen the noose of dependence and usher the EU into the new energy era.

1.4 Main activity: without losing sight of the interests of the end consumer, it is vital to complete the networks, as well as devising common strategic guidelines and the framework rules of the market and overcoming their shortcomings to ensure energy transportation everywhere in the Union, securing energy supply and storage and clearly defining competences and responsibilities. Promoting general interest means securing good networks, good quality service and everything which ensures universal access, security and continuity at affordable prices.

1.5 Relations with non-Member States: the Union should speak with one voice in the international arena on matters pertaining to energy and energy transportation networks; it should also tackle these questions as an integral part of the Union’s diplomacy (ENP) and propose governance standards in transit countries.

It seems a good idea to develop dialogue with Turkey. It is vital to carefully assess the investment risk in relation to expected advantages and to respect the rights of local employees and the link between energy measures and development policy. The Committee feels that energy, transport and the environment constitute three different parts of the same picture.

On the TEN-Es:

1.6 Approach, support and investment: only the Union can gain an overall view of supply and take cross-border action. EU diplomacy provides support when faced with local risks and other parties’ spheres of influence. The Commission should make clear whether it is speaking about infrastructure or supply. The TEN-Es are important for infrastructures. Decisions affecting them should be taken by public authorities and there should be specific EU funding for them, at whatever level is useful. The Community aid invested in these networks should not be recouped by raising the prices charged to consumers. Operators’ budgets should be transparent. Possibilities for Community guarantees for investors and loans to operators should be developed. The Union has to invent new public governance for investment.

(1) ENTSO-E: European Network of Transmission System Operators for Electricity; comprising 42 network managers from 34 European countries.

1.7 **Revision of the guidelines:** the EESC would like to see improvements in infrastructure efficiency through research, public recognition of the issues at stake and (i) the launch of genuine social and sectoral dialogue and (ii) studies on the timeliness and feasibility of a European energy SGI serving the public (2).

1.8 **Extension to include oil infrastructures:** This should be done to include oil infrastructures, reserving Community aid, after taking stock of the situation, for loss-making oil companies. The EESC would be against an extension to include CO₂. The EESC feels that extending the field of competence of the TEN-Es to CO₂ capture would be premature until it is established that it is worth while and safe to do so; this requires a major debate in society on clear proposals which will have to be set out in the proposal.

1.9 **New priority projects:** it is useful to stress interconnection failings; the EESC is in favour of connecting the network up to renewable energy sources, such as the Baltic and North Sea wind farms. For projects running up to 2050, connections with energy sources in the process of being developed (offshore sub-marine energy) should also be envisaged.

1.10 **Security of supply and solidarity:** evidence of this in the eyes of the public would be provided by good communication and reflected in retail price levels. The Green Paper does not spell out how solidarity should work between Member States. It supposes that everyone contributes to the movement of energy within the Union and that strategic stocks are built up which can be made available to other Member States in the event of an emergency. Together with the Union as a whole, Member States should advocate energy solidarity throughout the world and respect the principle of general public interest within the Union.

1.11 **Additional measures for a sustainable structure:** energy sustainability is supposed to be inherent in the idea of connecting renewable sources of energy up to the network, but it has not been established. For electricity networks, modernisation is necessary to remedy problems relating to line losses, frequency, voltage and the harmonisation of codes between Member States; for gas networks, the capacity and security of storage facilities have to be improved.

Moreover:

1.12 TEN-Es require high quality maintenance which calls for highly skilled labour. The EESC deems it vital to take account of social aspects, disregarded by the Green Paper, so as to keep to the Lisbon strategy and the sustainable development strategy. It believes that the know-how of European network professionals should be developed to safeguard expertise and jobs in Europe. It calls for a European consultative committee on energy and climate change to be set up.

1.13 The EESC advocates the creation of a European fund specifically for guaranteeing European solidarity in concrete terms for the public. An inevitable corollary of an integrated energy policy, a body of Community law on corporate responsibility towards the public, should be put together. The European Charter on the Rights of Energy Consumers should be applied.

2. **Introduction**

2.1 The Commission considers that the current state of Europe’s energy networks is preventing it from delivering energy policy goals (sustainable, competitive and secure energy) and the ‘20-20-20’ climate targets. TEN-Es and the network policy must therefore be updated. The Green Paper focuses on the review of the TEN guidelines and the financing tool for these networks.

2.2 The context has recently become even more strained, with a new gas crisis in the east, fresh conflict in the Middle East and a global financial crisis, all of which could affect the completion of the TEN-Es.

3. **Gist of the Green Paper**

3.1 The Union would develop its infrastructure policy focusing on eight regional priorities: network interconnection in the Baltic States; the south-east gas supply corridor; a Mediterranean ring; electricity connections from the centre and south-east of the Union; an action plan for liquefied natural gas (LNG); development of the wind farm in the north of the EU; creation of the TEN-E networks; and market integration.

3.2 The Union could envisage:

— devising a network policy, including import networks;

— developing supply security and solidarity between Member States, especially through infrastructure projects working towards a true European energy network;

— arranging for general studies to be carried out to benefit everyone, while supporting specific projects;

— connecting up new energy sources and ensuring the integration of carbon-zero options and new network technologies;

— encouraging private resources and moving towards a new funding instrument;

(2) OJ C 175 of 28.7.2009, p. 43.
— making aid dependent on national strategic plans dovetailing with European priority projects;

— justifying public sector intervention when the market does not deliver; and

— helping introduce more flexibility into administrative procedures.

3.3 The Green Paper wishes to promote public understanding and solidarity to achieve the 2020 objectives.

4. General comments

4.1 The title of and introduction to the Green Paper give the impression of a global approach designed to make the energy networks more secure and sustainable. Instead of that, it concentrates on setting up international links, without proposing to draw up an inventory of maintenance, workforce training and skills, or research and development - all important aspects of security and sustainability.

4.2 Competition is of interest to consumers when it is a means and not an end in itself, allowing them to save money while providing as reliable a service as under a monopoly system. Private finance and calls for partnership to complete TEN-Es are valuable, but they nevertheless underline the real barrier to the development of integrated European gas and electricity networks, namely the lack, at EU level, of strong public commitment backed up by substantial resources.

4.3 Energy provision is a service of public interest, and private investment is hard to reconcile with this in the long term. The market will not be able to secure the change to the new energy era heralded by the energy/climate change package by building on old means of production and transportation. The Commission, which wishes to encourage private resources to come into play, can act directly at cross-border level in order to devise a new comprehensive plan and propose a new form of public governance for investment in order to secure, through the networks, the continuity of a service of general interest, namely the supply of energy.

5. The state of EU energy policy

5.1 To the EESC’s mind, TEN-Es require coordination of all the stakeholders by a body which is perforce centralised; this runs counter to market logic. The Commission should state that the objective is to seek optimal cost-benefit solutions which can benefit consumers; otherwise the latter may query the purpose of the internal energy market.

The role of ENTSO-E and ACER is ambiguous in the Green Paper. They will be centres of coordination, but they must not be involved in decisions relating to the use of public funds. The EU should concern itself with ensuring continuity in research and development; this must not come under these agencies.

6. Specific comments

The networks

6.1 With increased resources, the networks would trigger energy solidarity. The Union should identify the missing links in its connections and focus its efforts on remedying shortcomings. The EESC feels that the successes of the European Neighbourhood Policy should guarantee success here too. It notes that there is no mention of the geographical limit of the connections, the way they are implemented, the organisations responsible for maintaining frequency and electric voltages, the policy to follow in the event of part of the network failing or the division of responsibilities and competences, including the Union’s coordination competences.

It feels that since the infrastructures are so very cumbersome, highly structured and long-lasting, the market prospects have to be explained to investors and the public in a completely transparent fashion.

The EESC would like studies to be carried out into the timeliness and feasibility of a European energy service of general interest for the benefit of the public, with a common approach to prices, taxation, financial security rules, continuity, economic development and climate protection.

6.2 Sustainability would be obtained through the connection to the renewable energy network (northern wind farms) and CO₂ transportation to storage facilities; this does not in fact concern the sustainability of TEN-Es. For electricity networks, the Commission should mention their modernisation to deal with problems of line losses, frequency, voltage, code harmonisation between Member States and the development of intelligent networks.

6.3 The EESC, although aware that technology now makes it possible to capture CO₂, believes that it is too early to open up TEN-Es to include CO₂ capture networks. This question should first of all be the subject of extensive public debate (\(\text{?}\)).

\(\text{?}\) For mankind, the ideal would be to be able to use CO₂ directly as a source of energy without it having to be fossilised first - could research achieve this one day?
Security of supply

6.4 For the EESC, oil imports could be made safer on two levels:

— on an international level: by reaching agreements on investment in third countries which could make a contribution; the proposal to incorporate oil pipelines into TEN-Es would alleviate the serious risks that the rising volumes of maritime oil transport pose to maritime security (4) and the eco-system, but this requires in-depth assessments because, from the public’s point of view, it might be risky for the EU to finance the construction of installations for rich oil companies, the cost of which the market would not have covered;

— on a national level: by developing renewable energy sources and boosting storage capacities and the physical security of the networks.

International relations

6.5 The EESC believes the EU should speak with one voice in the international arena with regard to energy transportation networks. Energy should form an intrinsic part of EU diplomacy and lay the foundations for new political solidarity between Member States and with neighbouring countries. The Green Paper could have mentioned concrete measures in this respect.

6.6 These networks must not become the focus of disputes resulting in armed conflict or areas of lawlessness, particularly for workers. On the contrary, they should be a vector for development policy. Dialogue on energy issues with Turkey, a strategic area, should be developed, as should the systematic use of the euro in transactions.

Solidarity

6.7 Energy solidarity works on three levels: between Member States, between the public and the EU and between operators. The Green Paper does not spell out how solidarity will be ensured even between Member States. Commercial and contractual practices between operators do not promote solidarity (shareholder demands), while they should be defending their energy solidarity in the world. All parties should contribute to the movement of energy within the Union, without refusing or hampering interconnections. The EESC favours regulatory tools which, in emergencies and based on collective decisions, would allow unused capacities to be placed on the market (mandatory resale as part of a ‘use it or lose it’ approach).

6.8 As well as pooling stored resources, the EESC believes that setting up a specific European reserve fund earmarked for emergency intervention could be another way to demonstrate European solidarity, in order to protect Member States and the public from risks linked to production sites and their geographical and geopolitical situation.

ENTSO-E and ACER: planning

6.9 TEN-E planning must include a clear remit for ENTSO-E and ACER and define the mediation role falling to the EU. The Green Paper is not explicit enough on this point. The EESC regrets the fact that (a) the legal function of most of the European regulators is limited to establishing a competitive market, without reference to security of supply, and (b) the Commission’s competence is not clearly defined. Associating national regulators does not necessarily mean creating a European regulator. The EESC would query the legal nature of such a body, the extent of its powers and the monitoring thereof. It considers that one of the Commission’s roles should be act to prevent differences of opinion regarding the establishment of networks, involving local authorities in TEN-E projects quite far upstream in the process.

European dimension of general interest

6.10 This is cited in the proposal to justify public authority intervention in the event of market failure. While it is essential, the conditions have not been clarified, and the EESC expresses its regret at this fact.

Funding

6.11 EU funding (5) serves as a catalyst for the creation of new projects. Member States have to provide most of the finance; direct subsidies may be granted for specific projects. For the 2007-2013 planning period, Community financial aid remains relatively unchanged in relation to the previous period, and therefore has shrunk in real terms. The Commission is proposing to carry out studies for the benefit of all.

6.12 It seems that no consideration has been given to: (i) future consumption, (ii) the condition of networks and the cost of repairing them, and (iii) the impact of new technologies (new renewable energy sources, new ways of transporting them - such as smart networks - and consuming them, and energy efficiency).

6.13 The Green Paper is proposing to combine existing ways of funding these networks with increased recourse to private sector contributions. The EESC has noted that the market is not keen on investment which takes too long to bring a return; it does however favour seeking out innovative ways of paying for strategic projects, as long as they do not place too heavy a burden on the public purse. It feels that TEN-Es must be covered by public decision-making.


Network competitiveness

6.14 The Commission reiterates that TENs were ‘originally an internal market instrument’ for which ‘the assumption was that investments would be borne by the market players who pass the costs to consumers’. The EESC considers that since the Union is co-financing the TEN-Es, it should invent a new form of public governance for investment. The public money invested in these networks should not be recouped by passing the cost on to consumers.

6.15 The Green Paper does not state how the new situation will be more ‘competitive’, how more freely flowing energy transportation would lead to greater competition or how consumers would benefit from this. The EESC recalls the Commission’s hypothesis of linking all trans-European networks.

Research and training

6.16 The EESC believes that the EU should focus its efforts on research in order to keep technological expertise within Europe, which is necessary to secure energy efficiency and efficient energy transportation.

Employment

6.17 Since know-how is not always located in the same countries as the networks and interconnections, the EESC calls for an unrestrictive application of the ‘Posting of workers’ directive. The EESC wishes to see the creation of a European consultative committee on energy and climate change.

Public understanding and communication

6.18 The EESC recommends following the Commission’s proposals for promoting public ‘understanding’. The major projects funded by the EU should aim to improve people’s living conditions and to provide universal services, using techniques that ensure prices are as affordable as possible; this is not something which would happen automatically in a competitive market. Moreover, in order to help Member States come to the aid of the public when commitments are not met and/or networks are blocked, a European emergency intervention fund would help secure continuity of service despite network blockages (in the event of a force majeure, war, bankruptcy, stock exchange upset, etc). Network companies’ responsibility to the public could be investigated.

6.19 The supervisory and assessment bodies should be open to greater participation and should involve all stakeholders, both social partners and civil society.

6.20 In order to obtain public support, special efforts must be made that go beyond communication. The reasons behind the almost systematic hostility of local residents to interconnection projects (6) should be examined and dealt with in complete transparency.

6.21 The EESC feels that security of supply, solidarity between Member States and the fight against climate change can help promote new growth.

6.22 The EESC stresses that energy, transport and environment policies should be presented together as a three-pronged approach.

Brussels, 11 June 2009.

The President
of the European Economic and Social Committee

Mario SEPI

---