

**Opinion of the European Economic and Social Committee on the Communication from the Commission on the Second Strategic Energy Review — An EU Energy Security and Solidarity Action Plan**

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(2009/C 228/16)

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

*'Communication from the Commission on the Second Strategic Energy Review – An EU Energy Security and Solidarity Action Plan'*

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 12 March 2009. The rapporteur was Ms SIRKEINEN.

At its 452nd plenary session, held on 24 and 25 March 2009 (meeting of 25 March), the European Economic and Social Committee adopted the following opinion by 130 votes to 3 with 2 abstentions.

**1. Conclusions and recommendations**

1.1 The EESC welcomes the Commission's Communication, in particular for putting much needed emphasis on security of energy supply, and concludes that:

— the need for a common approach amongst Member States on energy policy, internally and externally, has again been strongly demonstrated by the recent gas crises,

— it is in contradiction with all three energy policy goals – security of supply, competitiveness and sustainability – that the third energy market package has not yet been resolved,

— the challenges of oil and transport have not got the attention they need by the Commission,

— social aspects of energy policies have been overlooked by the Commission in this context,

— the communication lacks a sense of urgency,

— the Communication on 'Overcoming Barriers to Renewable Energy in the EU', looking at renewables as a part of the whole energy system, is of urgent need,

— the Commission's intent to present a policy agenda for 2030 and a vision for 2050 is essential, as big technology and system shifts take time, and

— the update of the Nuclear Illustrative Programme has well taken on board the EESC's comments on the matter.

**1.2 The EESC recommends that**

— all EU instruments that can ease the risks of security of supply must be put effectively and urgently into use,

— after decisions on the recent legislative proposals the emphasis should be on implementation, avoiding new legislative proposals in order to keep the legislative framework as stable and predictable as possible,

— of the five areas of the action plan energy saving, whereby energy efficiency is a central tool, should be the first priority, as it has a big potential for cost-effective actions,

— the Commission should pick priorities amongst its high number of intents for action,

— the problems of isolated energy markets need to be addressed with particular urgency and the TEN-E completed,

- in addition to infrastructure investments, the large investment needs in power generation and the fundamental research to be carried out by 2050 merit more attention,
- in external relations, EU needs to develop a responsible and sustainable global energy approach, in parallel with policies for Europe's own energy security,
- a plethora of measures are needed to enhance energy saving, but overregulation on the EU-level should be avoided,
- EU needs to become the frontrunner in energy efficiency technologies,
- the Commission studies the feasibility of individual targets, whenever is possible, for different strands of energy use as an effective measure to enhance energy efficiency, in particular for services and products with an internal market dimension,
- decisions on the future of nuclear energy should be done urgently, in light of big investment needs in electricity generation, and
- the vision for 2050 need to include the global situation, as forming the framework conditions for EU's ambitions.

## 2. Introduction

2.1 The objectives of the EU's energy policy are sustainability, competitiveness and security of supply. Recently security of supply has not been in the centre of attention, which has been proved unfortunate by the repercussions of the dispute on gas transfer between Ukraine and Russia as well as the strong economic downturn and highly volatile energy prices. Dependence on external energy supply is not a problem as such, but the increasing concentration of dependence on suppliers, which do not play by the same rules as Europe, as well as still increasing demand of gas, increases risks of problems in supply.

2.2 The EU's main legislative proposals over the past two years are the third electricity and gas market package and the energy and climate package. The latter was agreed upon in a

record fast first reading in December 2008, leaving many key details to comitology. The market package has still not been resolved in almost two years, which is in clear contradiction with the necessity of a well functioning internal market in order to meet all three energy policy objectives.

2.3 The different energy policy objectives are interdependent and policies to meet them are to a large extent mutually reinforcing. But not in every aspect. The objective of security of supply must be put in the first place. People and enterprises must under all circumstances have a secure supply of energy, given the serious effects of interruptions or energy poverty.

## 3. The Commission document

3.1 The Second Strategic Energy Review (SER) was published by the Commission in November 2008. The Commission proposes a five-point **Action Plan for Energy Security and Solidarity**, focusing on:

- Infrastructure needs and the diversification of energy supplies;
- External energy relations;
- Oil and gas stocks and crisis response mechanisms;
- Energy efficiency;
- Making the best use of the EU's indigenous energy resources.

3.2 As part of the SER is an update of the 2007 Nuclear Illustrative Programme. It focuses on security of supply, investment needs, and conditions for realising investments.

3.3 Coupled with the SER, the Commission presented:

- the 2008 Energy Efficiency Package,
- a proposal for the revision of the Oil Stocks Directive; and

- a revised proposal for a Directive setting up a Community framework for nuclear safety.

3.4 In the SER document, the Commission states its intention to propose:

- a refinement of the Gas Security of Supply Directive in 2010;
- promotion of the environmentally-compatible development of the EU's indigenous fossil fuel;
- a Communication 'Overcoming Barriers to Renewable Energy in the EU'; and
- a Sustainable Energy Financing Initiative as a joint Commission/European Investment Bank project.

3.5 Finally, the Commission will propose to renew the Energy Policy for Europe in 2010 with a view to charting a policy agenda for 2030 and a vision and a new Action Plan for 2050.

#### 4. General comments

4.1 The EESC welcomes the Commission's communication, in particular for putting much needed emphasis on security of energy supply and for its effort of a comprehensive approach to the timely challenges of energy policy. The EU has instruments of its own that can ease the risks of security of supply. These have been identified by the Commission, and must now be put effectively into use.

4.2 Action by the EU in the area of security of energy supply should, however, not mean more legislative proposals. After adopting the present packages emphasis should be put on implementation. The legal framework must be kept stable in order to have a framework as predictable as possible for actions needed.

4.3 The need for a common approach to energy policy by the Member States has again been demonstrated. To speak with one voice has been repeatedly called for, including by the EESC. However, as long as some, in particular big, Member States mostly look only after their own interest, the European energy scene will remain weaker, more vulnerable and more inefficient than its potential.

4.4 The EESC agrees with the five areas of the action plan, but would put energy efficiency first— or actually energy saving, because the objective should be to decrease energy use, whereby better energy efficiency as a central tool. Even the best results in this area cannot replace the need for urgent action in the other areas. But there is a big potential of cost effective actions for better energy efficiency that should be tapped and thereby avoid other, more costly measures. The most important example is the big potential of energy efficiency in buildings.

4.5 The EESC would have expected more attention by the Commission to the problems of oil and transport. 36 % of EU energy use is oil, mainly for transport, and as road transport is increasing, so are CO<sub>2</sub> emissions. In addition oil prices are expected to be very volatile and the trend is towards much higher prices. The EESC in January presented an Opinion 'Facing the Oil Challenges' on the request of the European Parliament <sup>(1)</sup>.

4.6 The Commission document also overlooks the social aspects of energy policy, which span from loss of jobs, creation of new ones in a greener economy, education and training as well as energy poverty. The Committee notes that energy should not be viewed in the same light as other commodities and that its distribution, which is a service of general interest, must comply with the principles of universal access and affordable cost.

4.7 The EESC misses a real sense of urgency by the Commission, which is severely called upon by past and recent problems of security of supply. The Communication presents numerous (over 45) intents of action – mainly communications – by the Commission. Selecting priorities amongst these seems necessary in order not to lose momentum.

<sup>(1)</sup> See Opinion CESE 46/2009 of 14.1.2009 on *Facing the oil challenges*, rapporteur: Mr Osborn.

4.8 The EESC also welcomes the intent to present a policy agenda for 2030 and a vision for 2050, to be supported by a new Action Plan. The Committee has referred to such a vision already in its Opinion on an optimal energy mix in 2006 <sup>(1)</sup>. Big technology shifts take time, as do real shifts of the energy systems, due to long life spans of infra-structure investments. Therefore a vision of the future, beyond today's limited potential of adjustments of technology and infrastructure, is essential.

## 5. Specific comments

### 5.1 *Promoting infrastructure essential to the EU's energy needs*

5.1.1 The EESC supports the Commission being active in this field, in particular because of concerns about continuing dependence on external energy resources. The EESC wishes to make the following comments.

5.1.2 The six priorities presented by the Commission seem very relevant, and only by selecting priorities efficient implementation can be expected. The Commission has since, in late January 2009, presented specific projects, within these priorities, to receive finance as a part of the EU recovery plan. It is difficult to take position on these priority projects without transparent information on them and other most potential projects, including information on projected financing from private and public sources.

5.1.3 It is to be regretted that the situation of the isolated energy markets of the Baltic States has not been acted upon earlier. Now it needs to be done with utmost urgency. At the same time, the energy needs of small isolated Member States should be catered for through interconnection projects with the European mainland.

5.1.4 As to the gas corridors, the EESC stated in its recent Opinion on the external dimension of energy policy that several projects seem to be needed for future gas transmission needs. In a political sense the projects should not be seen as competing options. It is now important to act urgently to secure the supply of gas, and this calls for concerted action of Member States and the Commission.

5.1.5 The idea of a block purchasing mechanism needs more clarification. The question also arises, why targeting the Caspian region only.

5.1.6 The challenges of security of supply are not solved by energy transport infrastructure only. Power generation needs to be replaced for an investment value of almost EUR 1 000 billions. This has partly been taken up by the Commission in the section on indigenous energy sources, but would need attention also in the context of investment needs and their financing.

5.1.7 A key question as to investments is the role of different players – the EU, its financial institutions, Member States and companies. Companies make the investments, and they do it when the right conditions are met. Even if mistakes take place in a turbulent energy market, companies are best placed to evaluate the market and carry risks. The public sector and politicians can act in order to create the right framework conditions and, within given limits, give incentives and political support. Therefore the EESC strongly supports the Commission's intention to collaborate more closely and effectively with the private sector and financial institutions.

### 5.2 *A greater focus on energy in the EU's international relations*

5.2.1 The EESC presented in January 2009 its Opinion on the external dimension of energy policy. The comments, conclusions and recommendations of this Opinion are still relevant, and in line with the Commission's proposals in its Communication. The Committee is stronger on, in particular two points: the need to act in order to make the supplier countries apply the same conditions as the EU, like access to infrastructure, investment protection etc, in the energy market; and, in particular, that Member States, when supporting negotiations on commercial contracts, make a commonly agreed framework of such conditions a prerequisite for their support.

5.2.2 The EESC also presented a two-pillar approach to external energy relations. One being security of Europe's energy supply, and the other a responsible and sustainable global energy approach. Aspects of the latter, Europe's global responsibility, has only been briefly mentioned by the Commission. This responsibility merits serious attention, and will not be met by EU's leadership in international climate negotiations alone.

<sup>(1)</sup> See Opinion CESE on *Energy mix*, rapporteur: Ms Sirkeinen, OJ C 318 of 23.12.2006, page 185.

### 5.3 *Improved oil and gas stocks and crisis response mechanisms*

5.3.1 The EESC agrees with the Commission's present view on the issue of security of gas supply. The solution to the need of emergency measures must and can be found by other means than costly obligatory gas stocks. The alternative measures cover diversification of sources and supply lines, LNG, co-operation with neighbouring countries, interruptible contracts and fuel switch.

### 5.4 *A new impetus on energy efficiency*

5.4.1 The EESC has given several Opinions on energy efficiency, including detailed discussion of practical measures. The Committee agrees with the Commission's approach, but wishes to add a few observations.

5.4.2 There is a vast, practically limitless choice of measures to use and produce energy more efficiently. The Commission has presented a line of legal measures, like those on buildings, energy labelling, ecodesign etc. More seems to be in the pipeline. The EESC would recommend that the Commission pays particular attention to ensuring that these measures avoid overregulation, and that the best possible use is made of innovation potential. Policy measures – regulation, public support etc. – to enhance energy saving is needed, but it should be carefully designed to be most cost-effective and least market distorting for each target area. EU measures should only address products and services with an internal market dimension. The EESC would like to see more emphasis on the possibilities of voluntary action and self- and co-regulation, including standardisation.

5.4.3 Europe is the front mover in energy efficiency. It needs also to be the front runner in energy efficient technologies. The possibility of profiting from the early mover position must be fully exploited. Measures to support this cover R&D financing, support to innovation and risk financing, appropriate standardisation, open markets in Europe and globally, an effective international climate agreement and international co-operation on energy efficiency.

5.4.4 While the EESC strongly supports the 20 % goal of better energy efficiency it is hesitant about making this an overall binding target. Energy efficiency covers all areas of human and economic activities and the measures to enhance it are almost limitless. How would, for instance, a fair efforts sharing be designed in such circumstances? Instead the Committee recommends that the Commission studies the feasibility of individual targets, whenever is possible, for different

strands of energy use as an effective measure to enhance energy efficiency, in particular for services and products with an internal market dimension.

### 5.5 *Making better use of the EU's indigenous energy reserves*

5.5.1 The EESC agrees broadly with the Commission's messages on the use of EU's own energy resources. It is important to have a realistic view on the development of energy demand as well potentials, limitations and conditions for the development and use of different energy sources.

5.5.2 The EESC particularly welcomes the Commission's intent to table a Communication on 'Overcoming Barriers to Renewable Energy in the EU', and urges the Commission to act urgently on this. The important issue of increasing the use of renewable energy, which in future will become the most important and environmental domestic energy source should have, already earlier, been analysed and approached as a part of the whole energy system. Important issues here are, as the Commission mentions, constraints on the grid, but also the question of back up power. The analysis should also consider whether possible 'back-up power' could under certain circumstances may render the renewables effort negative vis-à-vis emissions or security of supply. Another issue is problems of planning and authorisation.

5.5.3 The Committee also supports the position that obligatory CO<sub>2</sub> emission standards for power plants should be considered only after results of industrial demonstrations of CCS have been evaluated.

5.5.4 As to nuclear power, the EESC has for long represented the view that all options have to be available for power generation in order to meet energy policy objectives. In view of the need of large scale investments in electricity generation in the near future, decisions on the future of nuclear energy needs to be done urgently in those Member States which have opted – or will opt – for nuclear. According to the Commission's projections, nuclear generation capacity in the EU would fall by a fourth by 2020, and if this is not replaced by new nuclear, a part of it will be replaced by gas or coal fired plants, increasing problems of emissions and security of supply. Nuclear safety needs continuous attention as well as involvement from public authorities; decisions have to be made on management of nuclear waste. The EESC gives a separate Opinion on the revised proposal for a Directive setting up a Community Framework for nuclear safety.

5.5.5 The EESC is favourable to the intention of the Commission to present documents on the needs for energy production capacity, be it oil refining or electricity. But it needs to be strictly kept in mind that the EU is not in a position to decide on energy capacity investments, nor even make recommendations, as it cannot carry any responsibility for potential risks. Collecting and analysing relevant information, including modelling, can be very useful, and cooperation with the IEA on this is recommended.

#### 5.6 *Towards a vision for 2050*

5.6.1 The EESC supports the Commission's intent to propose a new Energy Policy for Europe in 2010, with a policy agenda to 2030 and a vision for 2050. It also supports the idea of basing this on a broad consultation on possible long-term objectives.

5.6.2 The EESC further sees – preliminarily – the areas presented by the Commission – electricity decarbonisation, oil dependence of transport, buildings, electricity network and a high efficiency, low carbon global system – as truly central long term challenges. To meet these challenges, all technological options, including fusion and hydrogen, have to be kept in the picture.

5.6.3 The global situation and developments need to be included in the vision, as forming the framework conditions of EU's own ambitions. Fast growing energy demand in developing countries, a changing climate and – hopefully – internationally agreed actions of mitigation and adaptation, availability of fossil resources etc. influence our situation and choices in many ways. A timely example is the shifts of concerns regarding oil – yesterday shocks of record high prices, today fear of insufficient production due to low prices.

#### 5.7 *Update of the Nuclear Illustrative Programme*

5.7.1 The EESC notes with satisfaction that its comments presented in its Opinion on the draft Nuclear Illustrative Programme in 2007 <sup>(1)</sup> as well as in an Exploratory Opinion on investments in nuclear power <sup>(2)</sup> have been well taken on board by the Commission. The starting point is the important role of the EU to develop further the most advanced framework for nuclear energy in conformity with the highest standards of safety, security and non-proliferation. Issues of radioactive waste management, secured long term funding of decommissioning, the threat of terrorism and the need of a harmonised liability scheme are addressed in line with views of the EESC. The EESC emphasises that all the costs arising in connection with these issues should be borne by the operators of nuclear power plants.

5.7.2. The EESC, once again, agrees with the significant role of nuclear in the future energy mix of Europe in mitigating climate change and securing supply of electricity. It also agrees with the need and proposals to meet public concerns. The EESC supports the recommendations on common reactor safety levels and consideration of new build only corresponding to generation III-levels of safety and security. Some measures to facilitate financing of new construction are justified, in particular in present economic circumstances, but state subsidies or EU budget resources are not to be used for this purpose. Although some Member States have indicated that they will be more clearly open to the construction of new nuclear power plants, the construction, financing and operation of such plants together with radioactive waste management is a matter for private companies; governments merely provide the framework for this to happen. Information on projected nuclear facilities should be presented openly and comprehensively, including costs, as early as possible for public discussion and participation.

Brussels, 25 March 2009.

The President  
of the European Economic and Social Committee  
Mario SEPI

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<sup>(1)</sup> See Opinion CESE on the *Nuclear Illustrative Programme*, rapporteur: Ms Sirkeinen, OJ C 256 of 27 October 2007, page 51.

<sup>(2)</sup> See Opinion CESE 1912/2008 of 4.12.2008 on the *Future investments in the nuclear industry and the role of such investments in EU energy policy*, rapporteur: Mr Iozia.