

Lyon 2006 - Background papers and conclusions

EIN Summer University and European Ideas Fair

21 - 23 September 2006

EIN POLICY ROUNDTABLE

Energy and environment policy

Background



In the first two years following its creation at the summer university in El Escorial in 2003, the EIN working group on Energy and Environment Policy focussed primarily on environmental protection and the use of market-friendly instruments to promote sustainable economic development. Over the past year, in response to rising oil prices and events such as the Russian energy blockade of Ukraine, the emphasis has shifted to assessing Europe's energy security. In particular, the WG has noted that the use of more nuclear power looks unavoidable, as fossil fuels become both scarcer and more undesirable.

In the environmental field, the WG concluded that the greater use of market instruments - like tradeable permits, real resource pricing, and tax incentives - could be extended to most resources. Sound science should underpin all environmental policy design, including the precautionary principle. Regulatory cost benefit analysis and strategic environmental assessments should extend beyond projects, plans and programmes to policies themselves. Risk and impact assessments should wherever possible be conducted independently of the authorities making the proposals. Likewise, the precautionary principle should be balanced with the principle of proportionality.

More widely, there was a need to create a new concept of environmentalism and move beyond traditional green and socialist terminology in this field. Industry should present a more positive case and be less apologetic about largely or often overestimated risks. A prosperous economy is essential if EU member states are to respond successfully to the environmental and ecological challenges ahead.

At the 2005 summer university in Lisbon, the WG warned that policy-makers will need to confront energy shortages, given a likely doubling of energy demand by 2050. Liberalising the energy market, diversifying sources of supply, and reducing waste will be necessary. The greater use of bio-fuels looks to be one workable solution, but the use of hydrogen is hampered by production, storage and distribution problems. A shift to nuclear power was inevitable. It would require greater transparency in decision-making about nuclear issues, so as to increase confidence among citizens and consumers.



In April 2006, the WG met in London and concluded that high oil prices are likely to be sustained as energy demand continues to increase. Insufficient resources were being devoted to the exploration for new supply sources and to infrastructure needs such as

strategic storage facilities and refinery capacity. The market, it seems, is currently failing to provide sufficient incentives to invest in increases in supply or storage facilities, and this situation needs to be addressed urgently. Participants highlighted the need to develop pan-European electricity and gas grids to allow for increased connectivity, choice and competition. Without a common energy security policy the EU would continue to be vulnerable to external threats. Europe's future energy needs will require a coherent, horizontal policy response that should include environmental, diplomatic, industrial and technological dimensions. However, increases in supply would still need to be matched by reductions in demand through greater energy efficiency and real savings.

Conclusions of Lyon discussion

The discussion in the Policy Roundtable in Lyon focused mainly on shortages of energy and Europe's energy dependence. The main conclusions were as follows:

- Member states and market players need to admit that all kinds of energy are necessary to ensure economic development. This includes nuclear energy, which requires and deserves greater acceptance on the part of the public. Improved communication and use of independent bodies to promote transparency and security can play an important part here.
- A better energy mix at European level is a necessity as we are too dependent on fossil energies; greater convergence of the member states' energy mix is desirable. The use of renewables must be further encouraged.



- The progressive achievement of a European grid is an important element in building a functioning European energy market, with better coordination of high voltage lines.
- The possibility of a European regulator should be actively considered, to reinforce the role of national regulators which have diverse competencies and powers.
- Research and development is a crucial issue to ensure new technological solutions: for example, in nuclear fission with ITER, fuel cells and clean coal.
- Energy efficiency was widely considered one of the most important and achievable goals. The new European directive on 'end-use efficiency and energy services' is a good tool to help secure greater convergence of actors in the market (white certificates). Greater efficiency is particularly important in buildings.

- The role of emission permits is important and needs to be widened. Establishing individual 'carbon credit cards' should be considered.

- The transport sector, which is a big energy consumer, displays many possibilities for improvement: these range from biomass and bio-fuel, to use of electric cars, better coordination of research and development, improved capture of CO₂, and better traffic-light coordination.

Overall, there is a need for a bigger European role in developing the energy market and ensuring its efficiency. As energy policy is long-term phenomenon, a high degree of political consensus is a desirable and little can be achieved without favorable public opinion.