

Warsaw 2007 - Background papers

EIN Summer University and European Ideas Fair

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EIN POLICY ROUNDTABLE ON

ENERGY AND ENVIRONMENT POLICY

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Background

Europe's economic success relies on four pillars of prosperity - energy, climate, food and water security. The mutually reinforcing linkages between these provide the basis of Europe's economic development. The EU needs reliable, affordable and sustainable flows of energy. When today's leaders were born there were just over two billion people on the planet. Today, there are over 6.5 billion. With a likely doubling of energy demand by 2050, policy-makers will need to confront energy shortages, but this challenge presents an opportunity for progress and development. Liberalising the energy market, diversifying sources of supply, and reducing waste will be necessary. Europe should develop a coherent energy and environment policy, managing the potential contradictions by driving forward innovation and efficiency.

A competitive and efficient European energy market is a pre-condition to tackle climate change and to ensuring security of supply. Only with a functioning market is it possible to develop effective emissions trading mechanisms and a renewable energy industry that will meet the ambitious objective, agreed by the European Council, of ensuring that twenty per cent of the EU's energy mix comes from renewable energy sources by 2020. The working group supports the need to develop pan-European electricity and gas grids, so as to allow for increased connectivity, choice and competition.

In response to rising oil prices, Russia's negative use of "energy diplomacy", and continuing instability in the Middle East, the working group has shifted emphasis towards assessing Europe's energy security. Without a common energy security policy the EU is vulnerable to external threats. Europe's future energy needs require a horizontal policy response that includes environmental, diplomatic, industrial and technological dimensions - giving EU industries the chance to innovate.

The greater use of bio-fuels could be a possible alternative source of supply. But with international wheat prices rising by over 350 per cent in the past five years limits are emerging, as cars compete with cattle and consumers for access to finite crops. And the use of hydrogen is hampered by production, storage and distribution problems. With fossil fuels both scarcer and more undesirable, the working group noted that the use of more nuclear power looks unavoidable, although this will need greater public acceptance. A shift to nuclear power will require more transparency in decision-making about nuclear issues, so as to increase confidence among citizens and consumers.

During the 2006 EIN summer university in Lyon, the policy roundtable noted that the possibility of a European energy regulator should be actively considered, to reinforce the role of national regulators which have diverse competencies and powers. Research and development was seen as crucial to ensuring new technological solutions such as nuclear fission with ITER, fuel cells and clean coal. The role of emission permits was felt to be in need of widening, perhaps by establishing individual 'carbon credit cards'. Overall, Europe needs to be energised with cleaner, more efficient energy sources and use. Recent European Commission proposals to increase competition will need to be evaluated carefully.

At the March 2007 joint seminar with the Conservative Policy Review in London, and the Madrid meeting with FAES in June 2007, the working group looked to 2025 and the 'hot war' against global warming. Climate change will impact on the way Europe's economy and society functions - with the car, construction, aviation and power sectors likely to be affected - but this gives EU firms the chance to lead the way in inventing winning solutions and products. Different carbon reduction policies were examined, including tax-based and quantity-based options. To stimulate innovation, the EU could consider creating additional incentives and better use existing EU expenditure, alongside European Investment Bank funding, to bolster private sector investment. In short, Europe cannot afford to take a "business as usual" approach.

Five topics have been put forward for further examination at this year's summer university in Warsaw:

- ? Should the EU encourage a stronger European commitment to the use of nuclear power?
- ? Can the EU CO₂ emissions trading mechanism function, or would a carbon tax be simpler?
- ? What might be the impact of Brazil, China, India and South Africa on energy policy in 2025?
- ? Should the EU pay for technology transfers to developing nations that cut CO₂ emissions?
- ? Are there social, economic and political consequences of using food crops for biofuels?