

Business Key Messages on Energy Policy

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Linked to the presentation of the Commission Energy Package

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Available for Q&As

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BUSINESS DEMANDS A COHERENT ENERGY POLICY

Introduction

Today the Commission will publish eleven communications which will set out an approach for an overarching energy policy. I wanted to underline the importance that UNICE attaches to the debate on energy policy which starts today and will continue throughout 2007.

European companies see a real and urgent need to develop a European energy policy and a European climate policy which integrate effectively and in a balanced way the **key challenges** of:

- competitiveness of European companies,
- security of supply,
- and environmental protection.

I am positively impressed by the fact that, within a short time, the Commission has produced a range of policy documents which address all the dimensions of energy policy. A broad basis for discussion is on the table, and I think that the political will is there to examine the issues in depth and to achieve concrete results.

UNICE, the Confederation of European Business wants to participate in this debate, in particular in advance of the March European Council. That is why we have asked you here today, to share with you and society how important this issue is for enterprises. Also, to raise a number of ideas on how to put in place a coherent energy policy, and one that works, in the light of the challenges I have already mentioned.

A. In order to address the key challenges, I have outlined, UNICE considers it essential that the EU strategy is designed on the basis of the following **five principles**:

1. The Commission's initiatives should essentially adhere to the philosophy of market economics. Recourse to mandatory energy objectives set by public authorities should be the exception, and arrived at on the basis of a very detailed impact assessment.
2. Protection and strengthening of EU competitiveness must be at the heart of energy strategy. This is particularly important to protect the competitiveness of European industry, which is essential to underpin a high level of innovation and environmental investments across society.
3. Bearing in mind the magnitude of the economic and environmental challenges, all energy options must be kept open, including nuclear and clean combustion of fossil fuels.

4. Economic or regulatory initiatives deployed internally at EU level must be complemented by an active external policy in the area of energy. The present crisis is a perfect example of the need for this external policy.

By strengthening bilateral and multilateral dialogues with energy-producing and energy-consuming countries, the EU will be able to tackle the key challenges for energy security: access to supplies at stable, competitive prices. A policy to promote international cooperation on energy efficiency would contribute simultaneously to security of supply, pricing and environmental objectives. However, the two immediate external energy challenges for the EU are to respond to the geopolitical realities of oil and the risk of a gas shortage over the medium term.

5. The better regulation principles must be implemented in all future initiatives, which means feasibility and impact assessment.

B. From what we know about the EU proposals, there are numerous elements that we will be able to support in the Commission Energy Package.

A first very positive general point is that the Commission's initiatives will emphasise raising awareness about the need for a genuine European energy policy. This energy policy should facilitate a strengthened coordination of national actions.

Furthermore, we expect that the Commission specific initiatives will have positive effects on:

1. the **competitiveness** of Europe, which calls in particular for completion of the internal electricity and gas market. We support the search, by the Commission, of an effective unbundling system which makes third-party access a reality. We will carefully examine, with a view to commenting on them in the next few weeks, any proposal that the Commission might make in the area.

We are satisfied that the Commission has placed the issue of the independence of national energy regulators on the table. We also support the initiatives that are due to be proposed to upgrade interconnections between networks and improve the day-to-day operation of cross-border trade.

With regard to the **adaptation of the energy mix** with a view to reducing energy dependence and to protecting the climate, UNICE insists that the EU does not implement a short-sighted approach consisting in increasing in a disproportionate way the level of renewable energy in the EU overall energy mix.

Work by the Commission shows that if the contribution of nuclear energy does not increase in the EU in the future or, even worse, if it shrinks, the increased

demand for renewable energies will be such that their price will skyrocket, making the envisaged EU energy strategy virtually impossible to sustain.

In this context, we also expect the Commission to demonstrate a strong political will to give an impetus to synthetic fuels technologies and to the development of clean combustion technologies for fossil fuels (carbon capture and storage).

2. **Security and diversity of supply.** We expect the package to give an impetus for acceleration of cooperation in the area of external relations to guarantee supply of oil and gas at competitive prices.

With regard to **external relations**, I would like to highlight three points:

- **Transatlantic cooperation** should be encouraged in order to reach an understanding on key energy policies for the future – including environmental, energy efficiency and technology policies. As major consumers of energy, the EU and the US should develop joint activities to promote more market-based approaches to the development, extraction and trade of key energy commodities such as oil and gas.
 - **Russia** will remain the EU's most important gas partner for the coming years. A pragmatic approach by both the EU and Russia, which recognises the potential mutual economic benefits from cooperation on energy and other economic issues, is the best way forward. Therefore, the EU and Russia should reformulate their relationship on the basis of equality, mutual understanding and reciprocity by negotiating a mutually beneficial strategic partnership covering energy, investment, trade and cooperation on regulatory and technology policies.
 - The EU must improve, both between the Member states and within the Commission, the **coordination of external trade, development, and diplomatic policies** which can contribute to an EU-level external energy policy. The EU collectively is the leading global trader in goods and services, is the biggest provider of development assistance (55% of world total) and plays a vital diplomatic and stabilising role in international politics. Greater efforts should be made to leverage these policy instruments to secure more access to competitively priced energy imports.
3. Working towards a global solution to the problem of **climate change** and facilitating the transition towards a less carbon intensive society. In this connection, there are a number of issues that we will evaluate and wish to discuss with the Commission.

In November, Vice President Verheugen proposed a so-called “twin-track” approach whereby:

- the EU would first propose ambitious objectives for reduction of greenhouse gas emissions by all industrialised countries by 2020, and
- it would set for itself more limited emissions reduction objectives for 2020 in the event that international negotiations fail.

For UNICE it is essential that this approach does not in reality constitute an alibi for implementing a unilateral EU emissions reduction policy quickly and easily.

Business needs predictability but far-reaching unilateral EU targets for reducing emissions of greenhouse gases are unacceptable. Until the rest of the world follows EU leadership in the field of climate change, then such targets could jeopardise the future of business within the EU. EU business strongly supports the battle against global climate change but the EU cannot win this battle by going it alone. Data from the EU Environment Agency demonstrate that business is leading the EU's fight against climate change by making substantial reductions in emissions. Studies by the Commission itself (in particular by the Institute for Prospective Technology Studies) show the extremely high level that the carbon price could reach in Europe in the case of far-reaching unilateral approaches, and the resultant very damaging consequences in economic terms, at macro and sectoral level. Let us not harm the one sector within the EU that is making a difference.

Ladies and gentlemen, integrating all the policy requirements will not be easy, but we have no choice and time is also short. We face a unique opportunity for the EU to make decisions that will secure growth and jobs.
