



**Mr Eamon Ryan, T.D., Minister for Communications,  
Energy and Natural Resources, Ireland**

**Meeting with BUSINESSEUROPE / IBEC delegation led  
by BUSINESSEUROPE President,  
Mr Ernest-Antoine Seillière**

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### **A. INTRODUCTION**

For BUSINESSEUROPE, European energy policy must coordinate and optimise actions targeting the following three objectives:

- enable users to have access to energy sources which are as diversified as possible in terms of both geography and technology, and reflect the need to reduce the carbon intensity of energy supply;
- establish dynamic competition within and between energy sectors; enabling users to benefit from the most competitive prices possible;
- address the environmental impact of energy production and use through policies reflecting a sustainable development vision.

It is important to ensure that these three objectives are properly integrated and that implementing mechanisms are mindful of the impact of pan-EU policy on smaller, geographically isolated economies. BUSINESSEUROPE considers the following three avenues essential to achieving these objectives:

#### ➤ **Fully implement the internal energy market**

Establishment of a comprehensive gas and electricity market is a critical factor for addressing all the energy-linked challenges. BUSINESSEUROPE calls for:

- improvements to governance through reformed competences for national energy regulators, improved accountability and more effective cooperation between them;
- an effective unbundling regime, which creates fair and equal access to the network, while encouraging investment in new infrastructure;
- elimination of bottlenecks in the area of cross-border infrastructure with adequate interconnection between markets.

#### ➤ **Move to a new energy model inspired by a far-reaching vision**

It is essential that Europe moves towards a less carbon-intensive society in a way that leaves all energy options open, and makes use of them. BUSINESSEUROPE calls for:



- supporting energy efficiency in all sectors;
- harmonising national support schemes for renewables across Europe, encouraging market-based approaches;
- increase R&D and innovation efforts substantially in energy technologies;
- allowing nuclear energy to compete with other energy sources on a level playing field;
- strengthening the EU external energy policy.

## ➤ **Foster an international solution to the climate change threat**

The EU 20% reduction target adopted for greenhouse gas emissions in 2020 is a very ambitious one. With a view to ensuring a balanced international climate policy, the EU must take all appropriate initiatives to ensure that other industrialised regions contribute to climate protection with similar efforts to this EU's 20% target. Pending a global agreement, the EU must adapt its internal instruments such as the Emissions Trading Scheme (ETS) to ensure that they do not place unreasonable burdens on European companies operating on world markets. This is an issue that should get the attention of the Energy Council.

## **B. SPECIFIC ISSUES**

### **1. Renewables**

While fully acknowledging the important role of renewables for meeting Europe's energy challenges, BUSINESSEUROPE underlines that the EU target of covering 20% of its 2020 energy consumption with renewables is very ambitious. We therefore urge public authorities to take great care when designing incentives for renewables, adopting only those with high economic efficiency

Development of twenty-seven separate national policies for promoting renewables cannot be effective. It is therefore important that concertation develops at European level to harmonise national support schemes and encourage the use of truly market-based instruments. Member States should have the possibility to trade renewable electricity in order to be able to meet more easily their 2020 national targets for renewables, which will be derived from the EU 20% target adopted by the European summit in March 2007.

### **2. Nuclear energy**

Many reports underline that nuclear energy is an indispensable element of the solution for meeting the economic and climate challenges linked to energy.

Bearing in mind the huge amount of electricity generation to be built in the next 22 years (in EU-15, a need for some 520 GW is foreseen for the 2000 to 2030 period, representing an investment of circa € 600 billion), the time has come to give back to nuclear energy the attention it has not received for a long time in energy strategy discussions.



If, through a lack of political initiative, the nuclear industry were not placed in a position to make a contribution to covering the EU's future electricity needs, under efficient conditions, this could make the cost of supplying Europe with electricity markedly more expensive in the long term. BUSINESSEUROPE therefore calls on governments to promote open and well-informed debate on the nuclear option at national level. Governments and the Commission should also take initiatives to:

- harmonise national nuclear safety standards;
- ensure that national plans are put in place for management of radioactive waste;
- support maintenance and development of the skills needed for nuclear activities.

**3. Initial reaction of BUSINESSEUROPE to the proposals of the Commission (19.9.2007) for developing the internal energy market**

Several elements of the package represent a positive step forward, in particular for improving governance. However, the package fails to pay adequate attention to the need to upgrade *all* the framework conditions which play a critical role in guaranteeing the long-term supply of energy to energy-intensive industries at competitive prices. The Commission and the Member States should give strategic consideration to the positive role that long-term contracts between producers and consumers can play in this respect and also for improving the long-term predictability of energy prices.

On more detailed issues, BUSINESSEUROPE's views are the following:

➤ **Governance**

The Commission September 2007 proposals rightly seek to give energy regulators more power and greater independence from government, in order to facilitate implementation of the internal energy market. BUSINESSEUROPE will look with interest at the proposal to create a European Agency for the cooperation of energy regulators, given the need to strengthen this cooperation in a way that it leads to effective joint decisions.

➤ **Unbundling of production/supply of energy and its transport:**

An effective unbundling regime is essential to create fair and equal access to the network, while encouraging investment in new infrastructure. The logical approach for establishing an effective unbundling regime must start with complete implementation of the existing EU legislation and full evaluation of its potential. Assessment of the pros and cons of a radically new approach (ownership unbundling or the ISO Model-Independent System Operator) should be made against that background. EU policy on unbundling must not discriminate between private-owned and public-owned energy groups.



➤ **Elimination of bottlenecks in the area of investment in cross-border infrastructure:**

Improvement of the governance and regulatory framework is vital to secure more private and public investment in cross-border infrastructure. In addition, BUSINESSEUROPE supports the initiatives at technical and financial level proposed in the EU Priority Interconnection Plan.

➤ **The need for a conducive framework for long-term contracts between producers and energy-intensive industries:**

Given:

- the absence of a truly open and competitive energy internal market
- the fact that the EU Emissions Trading Scheme is being implemented in that context
- the competitiveness handicap suffered by energy-intensive European industries under Kyoto

it is essential to create a framework in which energy-intensive industrial consumers can fulfil their electricity and natural gas needs in the medium and long term at reliable, internationally competitive prices, without hindering the development of the internal market. Long-term contracts between producers and users, oriented on the actual cost incurred by existing import contracts or generation facilities, i.e. not on short-term market indexes (like the day-to day-price applicable on electricity exchanges), can play an important part in solving this issue while having the advantage of guaranteeing planning stability for producers. Favourable conditions and incentives should be created for the development of such contractual arrangements, in line with EU and national competition law.

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