



**The European Confederation of Young Entrepreneurs**

**Input for a  
New European Energy Policy**

**November 2006**

## 1. Background

The gas controversy which arose between Russia and Ukraine at the beginning of 2006 highlighted Europe's dependence on fossil fuels from unstable regions of the world and underlined the **need for a coordinated energy policy**.

Security of supply and competitive energy prices are among the essential factors accounting for the attractiveness of a location for business and industry. Thus, **opportunities for regional growth** and **secure jobs** are directly related to a secure system of energy supply. European policy-makers are therefore called upon to create an energy-policy framework which meets economic as well as ecological requirements efficiently and on a sustainable basis.

To date, the energy issue has only been discussed in the context of individual problem areas. Rising energy prices, the increasing scarcity of resources all over the world in conjunction with rising energy consumption, unstable energy infrastructure systems, measures required to combat global climate change, and the dependence on fossil sources of energy from unstable regions of the world – these are the crucial challenges of our day and age. If Europe is to pursue a **single, coordinated and efficient energy policy**, a **comprehensive policy framework** will have to be designed as a tool for the energy sector to take up the challenges of employment-generating economic growth, minimise dependence on external supplies and – at the same time – meet environmental targets, e.g. under the Kyoto Protocol.

## 2. Specific measures for the future of the European energy sector

### Security of supply

1. Establishment of a coordinated **ten-year plan** to eliminate bottlenecks in the European electricity and gas networks ⇒ Member States are to step up their own efforts to **eliminate bottlenecks** (above all 380 kV lines!)
2. Fast implementation of the **Nabucco Pipeline project**
3. Creation of a **European information system** for electricity and gas networks as well as gas storage facilities
4. Calling upon Member States to **speed up and simplify regulatory procedures** (e.g. approval procedure for the construction of power plants or transmission networks, etc.)
5. Promoting efficient and competitive **electricity generation from renewable sources** of energy

### Energy costs

6. Consistent implementation of the **second phase of liberalisation** of the internal market for electricity in order to stimulate competition
7. Review of EU measures on competitiveness for the **energy intensive industry** (impact assessment) to prevent competitive disadvantages of the European market

### Internal energy market

8. Develop more competition in order to reduce the EU's import dependency and boost economic growth
9. Implementation of the rule of "reciprocity" among Member States

### External energy policy as a priority of EU policy

10. Establishment of a **General Energy Plan for Europe**
11. Calling upon Member States to draft **general energy plans at the national level**
12. Building **awareness among Member States** for the need to develop a common external EU energy policy
13. Coordinated external EU energy policy based on a **common position** (speaking with one voice) regarding the security of primary sources of energy

### Efficient and sustainable use of resources

14. Consistent implementation of the **EU Directive on the Energy Performance of Buildings as well as the Green Paper on Energy Efficiency**
15. Intensified **innovation and research activities** (renewable energy, 7th Framework Programme, etc.)

## 3. Comments

### ➤ Security of supply

**Improvements** of the national and international **electricity and gas networks**, alongside measures to upgrade the European pool of power plants, essentially contribute towards the security of energy supply in Europe. Currently, there are about 12 bottlenecks in Europe impairing the efficient functioning of electricity and gas exchanges and delaying the complete liberalisation of the European electricity market. A coordinated European approach, e.g. on the basis of a **ten-year plan** aimed at removing these bottlenecks in Europe, is essential if problems are to be identified and eliminated fast and efficiently. In this context, the creation of a **European information system** for the European electricity and gas networks appears to be a meaningful step forward.

Europe's demand for natural gas is met from three sources (Russia, the North Sea, and Northern Africa), which places the European Union in a situation of increasing dependence. At the beginning of January 2006, Europe was made acutely aware of the limits to its gas supply, with essential gas pipelines running through politically unstable regions. Hence, it is imperative for Europe to **source its natural gas also from other regions of the world**, if stability of supply is to be guaranteed. Besides the construction of **new pipelines** (e.g. Nabucco), the transport of **liquefied gas** is an option to be taken into consideration. Here, too, a coordinated ten-year plan appears to be the key to future success in the gas sector.

Diversification of energy resources along with alternative energy systems is very important for the European Union. For this diversification, Turkey along with Russia, Ukraine and Norway, will be the most important arteries for the EU.

For instance, there are five potential gas pipelines from Iran, Turkmenistan, Azerbaijan and Iraq via Turkey to the EU by 2008. There are five other pipelines from Qatar, Egypt, Saudi Arabia, Kazakhstan, Turkmenistan and Uzbekistan via Turkey to the EU by 2015.

Some of the pipelines are already being constructed, such as: Turkey-Greece in 2006, Turkey-Greece-Italy in 2008, Turkey-Austria (NABUCCO) in 2009 and Turkey-Greece-Western Balkans-Austria.

Europe will continue to depend on fossil sources of energy in the decades to come. Given last year's oil price developments, growing interest has been shown in coal as a source of energy and the construction of new **thermal power plants** is being considered as an option. However, given the high costs of fuel transport, power plants will have to be located either at coastal sites or along inland waterways to be economically justified. According to estimates by the International Energy Agency (IEA), about 600,000 MW of generating capacity – to be provided either through the renewal of existing generating units or the construction of new plants - will be needed in Europe by 2030 to meet the growing demand for electricity. Capital expenditure for this purpose will range between EUR 600 and 1,000 billion.

As regards **renewable sources of energy**, Europe has an enormous potential, above all in the field of **hydro power**. The candidate countries in Eastern Europe, in particular, have vast, untapped hydro-power resources. According to expert estimates, no more than one third of the economically useful hydro-power resources is currently used for electricity generation. Moreover, **regional differences** should be taken into account in the design and implementation of support systems aimed at promoting the use of renewable sources of energy.

Regardless of the possibilities of improving and upgrading electricity generation, the European energy supply system should be based on the **broadest possible energy mix**. The only way for Europe to reduce the risk of supply shortages and environmental hazards is to minimise its dependence on a small number of suppliers. However, when diversifying their energy sources, **Member States should be free to decide** for themselves on the most appropriate energy mix and the relative weight of the individual components.

#### ➤ **Energy costs**

If a well-functioning competitive environment is to be created in Europe, the **liberalisation measures** adopted by the European Union need to be fully implemented at the national level. Hence, markets have to be liberalised completely and consistently according to the agreed time schedule, though within the framework of a sufficiently stable regulatory framework at the national level. A secure and stable framework is indispensable for an attractive investment climate. The challenges arising in the European energy-supply sector can hardly be met without private capital. However, investors will not be willing to provide enough capital unless they can expect a satisfactory return on their investment.

➤ **Internal energy market**

Domestic energy must be made more competitive in order to reduce the EU's import dependency. A common electricity and gas market will boost growth and jobs; citizens and businesses will enjoy all the benefits of security of supply and lower prices and be free to purchase energy from any EU supplier.

But it is essential that the EU Commission establishes common rules and standards, defining effective legislation and regulatory frameworks.

Above all, we have to implement the rule of "reciprocity" that must be applied among member States: national markets must "open" in equal measure and investments and buy-outs should be mutual (Enel vs. Gaz de France).

Privatizations must be made in consumers' interest: strategic sectors (such as energy) can remain of State competence as long as security of supply and infrastructure monitoring is guaranteed.

➤ **External energy policy as a priority of the European Union**

The European Union needs a comprehensive **General Energy Plan** in order to meet all future challenges and to avoid pursuing conflicting or even mutually exclusive targets. Designed as a general European framework, it must provide the basis for a coordinated European energy policy and serve as a foundation for Member States to develop their own national energy policies. Geographic, economic, regional, climatic and structural differences between the Member States should be taken into consideration and a common security-of-supply strategy should be agreed.

Based on the European General Energy Plan, the Member States are to develop their own **national energy plans**, outlining their own projects in the field of "security of supply, energy costs, and a sustainable and efficient use of resources".

The European Union is one of the main players in the global energy market. To pursue an **efficient external energy policy**, it needs to take a well-coordinated position and speak with one voice. Hence, the Member States should become fully aware of the importance of a common external energy policy and abandon their policy of acting in isolation on the basis of bilateral contracts.

➤ **Climate Protection and Nuclear Energy**

The European Union has pushed for the Kyoto Protocol and is taking strong action against global warming. However, to accomplish any positive effects through CO<sub>2</sub>-reduction, Europe needs to convince its partners to join the climate protection initiatives, in particular the USA.

Renewable energies and higher consumption efficiency alone will not be sufficient to deal with the upcoming challenges facing world climate. An open debate about energy sources able to provide a permanent basic load - independent of wind, sunshine or other naturally determined effects - must be initiated Europe-wide.

Consequently, for the European Agenda the European Young Entrepreneurs actively veto an exit from nuclear energy over the next couple of years unfortunately promoted in German politics. Instead, ongoing research regarding nuclear power safety and new technologies in this field may constitute a contribution to a balanced climate protection policy.

➤ **Subsidies for Energy Sources**

In general, governments should not permanently subsidise certain energy sources. If selected technologies do never have to face real competition in the free market, Europe will be exposed to the problem of giving monetary aid for inefficient sunset-industries after a time. *As a strategy for the future governments may help forward-looking industries to grow, but after a certain start-up period subsidies need to be discontinued step by step.*

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**YES for Europe, the European Confederation of Young Entrepreneurs**, is the main association of young entrepreneurs through Europe (representing around 35.000 young entrepreneurs) and aims at improving the economic and social performance of European entrepreneurship. Its members (Austria, Belgium, Cyprus, Germany, Greece, Italy, Portugal, Spain, Slovakia, Slovenia, Turkey, the Netherlands and Ukraine) include the major national associations of young entrepreneurs in the fields of industry, trade and services.