

Mr. Chairman,

I am very pleased to have this opportunity of meeting your Committee, and of responding to your request for an explanation of Commission thinking on the rational use of energy. I ought to say at once that I am, of course, a generalist, and not an expert. Worse still in the energy field I am an infant generalist, having taken over the D.G. from Len Williams only last April. Nevertheless I have some things to say which I hope you will find interesting. I shall be happy, thereafter, to try to answer your questions. But if I get out of my depth, I shall say so. And I would therefore like to make it clear, here and now, that, if you want more detailed information than I have at my fingertips, then my experts are at the disposal of your specialist advisers to supply it. The latter are very welcome to telephone us, or better still to come to see us in Brussels, at any time.

I would also have to say that if, after dealing with energy saving, there is any time left before I have to go on to meet the Energy sub-Committee of the Lords' European Committee, I would be very willing to answer questions on other aspects of the Community's energy strategy.

So much by way of introduction. Turning now to the topic in hand, I would like to open with some general remarks about developments in the "philosophical" approach of Member States towards energy demand management.

What every Member State has in common today, is a much greater recognition of the effectiveness of realistic energy prices in promoting a series of relatively inexpensive energy saving devices: for example, adjustments to existing equipment and installations; and changes in habits of energy use e.g. as regards driving and space heating.

These developments are welcome. But there are limits on what they can achieve towards reducing energy constraints on economic growth. Moreover, higher energy prices, while they contribute to solving some problems, also have the effect of provoking others. Thus, they accelerate the obsolescence of buildings, plant and equipment. This is specially true in energy-intensive industries, most of which already face difficult problems of adjustment to the world trading conditions of today. They also increase the pressure on manufacturers of energy-using equipment - motor cars are an obvious example. And they make it essential to raise standards in the building industry - a formidable task in every country. This is as true of domestic housing as it is of factories, if low-income groups in particular are to be able to afford decent standards of comfort in the home.

The response of some Member States has been a radical one. They have begun to explore ways and means of promoting major renovation and replacement in key sectors of the economy. These go well beyond the relatively inexpensive adjustments provoked by higher energy prices in a generally restrictive economic climate.

The hope of these governments is that a new approach of this kind will stimulate major changes in energy demand. They also hope that it will help to restore economic growth, and hence a return to acceptable levels of employment. If their hopes are realised, the investment they make will also reduce the inflationary pressures caused by supply-side rigidities in the economy. Such thinking increasingly underlies policy developments in France, in Germany, and in the Netherlands; and, to a lesser extent, in Denmark and Belgium. It is reflected, also, in the conclusions of the European Council meeting which was held on 29th and 30th June in Luxembourg. It represents, if you like, a second-generation energy saving programme.

So far I have spoken in rather broad terms, let us now look briefly at what such a second generation programme means in practice? Here are some illustrations :

- First, in industry

- * It means developing substitutes to conventional oil and gas as feedstocks for the basic chemicals industry; for example, coal and lignite gasification and liquefaction;
- * It means actively promoting new technology through major R & D and demonstration programmes. This can lead to the opening-up of industrial and domestic markets for high-cost but also high-performance equipment. Such efforts to promote more rational use of energy represent a major marketing opportunity for some of the most advanced industries (such as computers, control systems and heat pumps), as well as for conventional industries (such as insulating materials, double-glazing);
- * It means promoting international agreements for the development of new product ranges. Cars are the best known example, and the Commission is working with industry at European level, at this time, to facilitate the introduction into petrol of a proportion of ethanol/methanol. Similar developments are to be expected for other products.
- It means accelerated scrap and rebuild programmes in energy-intensive industries;
- And it means special action to help small and medium-sized businesses which offer products and services in the field of the rational use of energy.
- Second, what does it mean in the domestic and tertiary sectors ?
- * It means launching an ambitious programme for the renovation of existing buildings;
- * It means taking actions designed to increase the economic efficiency of investors' decisions, for example by modulating financial support according in the equipment in question, by requiring energy audits, and by improved professional training.

- * It means promoting the use of best-practice design in new building regulations;
- * It means actively developing district-heating networks in suitable locations;
- * It means pursuing vigorously "in-house" exemplary programmes in the public sector.

Those are some of the vertical components of a second-generation energy-saving programme. But they need to be accompanied by measures of a horizontal character.

Under this rubric, for example, there has to be some adaptation of financial channels so as to be sure that money is available, on reasonable terms, for investment in the rational use of energy. I have in mind such concepts as an extension of the responsibilities of specialised banking institutions, like the Credit National in France or the Kreditanstalt für Wiederaufbau in Germany. New leasing schemes are being developed, aimed at households, and small and medium-sized enterprises in particular. Agreements for structural adaptation are being made between government and industry, combined with special credit facilities or loans and guarantees from government. A number of countries are considering steps to improve access to mortgage finance by households, for home renovation related to a more efficient use of energy.

Finally, in France, specialised agencies have been created - the "Agence pour les Economies d'Energie" and the "Commissariat à l'Energie Solaire"; and vigorous initiatives are being taken to bring responsibility down to the regional and local level for the management of energy saving programmes, and increasingly also for initiatives aimed at the development of local energy resources. Similar efforts are being made in the Netherlands and Belgium. Germany, Denmark and Italy already have structures of government which encourage a decentralisation of responsibility and local initiative. This is also the case, of course, in the United States of America.

Against this background, and if I may venture to comment briefly on the energy-saving situation in the United Kingdom, then I would say that there clearly exists a good "first-generation" programme. It was launched in 1978, and the UK was subsequently singled out for praise by the International Energy Agency. But, as yet, I do not see much evidence of the emergence of the kind of "second-generation" programme I have been talking about.

The fact that Britain is an island built on coal, and surrounded by oil and gas, is a possible reply. But is it a good one? The economic arguments I outlined earlier, in favour of a major effort of investment, would seem to apply equally to the United Kingdom. And there is the added point that, here in Britain, in a context of renewed economic growth, a very high degree of self-sufficiency in energy sources is likely to be necessary to maintain equilibrium in the balance of payments, at least in the near future.

I should like to close with a few words about the Community's own energy-saving programme. We are already active in the field of technology development, where the European dimension is clearly of importance. Our research, development and demonstration programmes account for about 10% of all national funding, and are acknowledged by the Member States as a valuable complement to national action. Certain normative measures we have proposed, for example in the area of appliance-labelling and performance standards for heat generators, should also contribute helpfully to the development of Community-wide markets for high-performance equipment. The Commission would wish to continue and strengthen Community activities in both these areas.

As regard demonstration projects in particular, you may be aware that the interest of industry and of local authorities has been so great that we are running out of money to finance our programmes.

The sums involved are not very large. The Council, in 1979, initially set a ceiling of 55 MECU'S for a four-year programme of energy saving projects. At the same time, it set a ceiling of 95 MECU'S for a parallel programme of demonstration projects in the field of exploitation of alternative sources of energy, to cover a five-year period. Because of the great interest shown, it soon became clear that a great deal of valuable demonstration could be done if the ceilings were raised. Last year, we proposed doubling them. So far, Member States, including the U.K., have been, to say the least, very reticent.

We shall, in a few days, send to the Council full reports on the running of both programmes. We believe that they contain strong arguments in favour of the proposed doubling. And we hope that the British Presidency of the Community will press for this to happen before the end of the year.

So much for demonstration projects.

We in the Commission will also give close attention, in the coming months, in the context of our regular reviews of national programmes, to two further elements :

- 1) energy pricing and taxation, and
- 2) investment in the rational use of energy.

We expect shortly to bring forward further proposals in both these fields, aimed at producing national or Community action, as appropriate.

Finally we shall continue to monitor the development of standards, as they affect the use of energy in buildings, plant and equipment, and to bring forward proposals where appropriate. We shall be guided in this respect both by the desire to promote Europe-wide markets for best-practice design, and by the need to avoid protection of national markets by the abuse of standards.

That concludes my remarks. I apologise if I have raised many broad issues without having had the time to make detailed comparisons of Member States' programmes in each respect. But I think that, in the time available, it was better to concentrate on bringing out the essentials.