

21 September 1995

A4-0212/95

REPORT

on the Green Paper 'for a European Union energy policy'
(COM(94)0659 - C4-0026/95)

Committee on Research, Technological Development and Energy

Rapporteur: W. G. van Velzen

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By letter of 24 January 1995, the Commission submitted to Parliament a Communication on the Green Paper "for a European Union energy policy".

At the sitting of 13 February 1995 the President of Parliament announced that he had referred this communication to the Committee on Energy, Research and Technology as the committee responsible and the Committee on Economic Affairs and Industrial Policy, the Committee on Social Affairs and Employment, the Committee on Regional Policy, the Committee on Transport and Tourism, the Committee on Environment, Public Health and Consumer Protection and the Committee on External Economic Relations for their opinions.

At its meeting of 22 March 1995 the Committee on Energy, Research and Technology had appointed Mr W.G. van Velzen rapporteur.

The committee considered the Green paper and the draft report at its meetings of 25 April 1995, 24 May 1995, 20-21 June 1995, 18 July 1995, 5 September 1995 and 19 September 1995.

At the latter meeting it adopted the draft legislative resolution by 20 votes for and 2 against, with 5 abstentions.

The following members were present for the vote: Scapagnini (chairman), Adam, Quisthoudt-Rowohl and McNally (vice-chairmen), W.G. van Velzen (rapporteur), Ahern, Argyros, Bloch von Blottnitz, Cabrol (for Pompidou), Chichester, De Gaulle, Desama, Estevan Bolea, Ferber, Graenitz (for Furustrand), Izquierdo Collado, Jouppila, Lange, Maset Campos, Mombaur, Plooij-van Gorsel, Rothe, Roving, Panagopoulos (for Nencini), Stockmann (for Linkohr), Tannert and Trakatellis (for Soulier).

The opinions of the Committee on Environment, Public Health and Safety, the Committee on Economic Affairs and Industrial Policy, the Committee on Social Affairs and Employment, the Committee on Regional Policy, the Committee on Transport and Tourism and the Committee on External Economic relations are attached.

The report was tabled on 21 September 1995.

The deadline for tabling amendments will appear on the draft agenda for the part-session concerned.

A.

MOTION FOR A RESOLUTION

Resolution on the Green Paper 'For a European Union energy policy'

The European Parliament,

- having regard to the Commission's Green Paper 'For a European Union energy policy' (COM(94)0659 final/2 - C4-0026/95),
 - having regard to its resolution of 12th March 1992 on the common energy policy¹,
 - having regard to the Commission's White Paper 'Growth, Competitiveness and Employment' (COM(93)0700)²,
 - having regard to the Commission communication: 'Economic Growth and the Environment. Some Implications for Policy Making' (COM(94)0465),
 - having regard to Article B of the Treaty on European Union on economic and social cohesion, and Article 2 concerning sustainable development,
 - having regard to the report of the Committee on Research, Technological Development and Energy and the opinion of the Committees on Economic Affairs and Industrial Policy, on Social Affairs and Employment, on Regional Policy, on Transport and Tourism, on Environment, Public Health and Consumer Protection and on External Economic Relations for their opinions (A4-0212/95),
- A. whereas the main feature of the energy market within the EU is the existence of national actors (producers, distribution enterprises, suppliers of local capacity, large and small consumers) as well as public authorities which are also national, and whereas it is necessary with a view to the functioning of the European internal market, long-term reliability of energy supply and environmental and safety factors, for the EU to play a more prominent role in this field,
- B. Expressing regret once again that the negotiators of the Maastricht Treaty completely rejected the Commission's proposal on energy, which would have allowed the principles of a genuine common energy policy (CEP) to be established by indicating its objectives, the means needed to achieve those objectives and the level of the legal measures intended for that purpose,
- C. whereas the EU can only create the conditions for long-term policy on security of supply, which rules out the Commission's taking a guiding and planning role;

¹ OJ C 091 of 13 April 1992, p. 297.

² JO C 091 of 28 March 1994, p. 124.

- D. whereas there are fundamental differences between the electricity and gas sectors which make different approaches essential,
- E. whereas maintenance of reliability of supply at EU level is a condition for creating more scope for competition and liberalization as the basis for optimizing price-setting and the provision of services,
- F. whereas the White Paper on Growth, Competition and Employment rightly pays attention to increasing the competitiveness of EU business, whereas a healthy economy leads to a high level of employment, and competitive energy prices are a condition,
- G. whereas it is therefore necessary to deregulate the energy market and increase competition between producers and distribution companies without jeopardising security of supply, the environment or the protection of the consumer,
- H. whereas security of supply is not only a question of availability of energy sources but above all is a result of policy in the field of organizing the energy market, the EU's trade relations with third countries, the research policy to be pursued and policy concerning energy stocks within the EU,
- I. whereas the diversification, flexibility (including small scale) of supplies, research and technology are also essential means of achieving supply security,
- J. whereas attention has to be drawn to the importance of the efficient implementation of the necessary health and safety norms in energy producing industries,
1. Takes the view that, in the light of Article 130 of the Treaty, the Council and the Commission should clearly spell out the EU's long-term policy with regard to energy, the way it relates to the Member States' policies in this area and the areas where there is a need for convergence;
 2. Expects the Commission to define, pursuant to Articles 130f, 130r and 130s of the Treaty and in accordance with the conclusions of the Energy Council of 1 June 1995, a methodology to strike a balance in the short and the long term within the general framework of the economic rules and freedoms of the Treaty between the three objectives of energy policy - security of supply, competitive prices and protection of the environment - for and in consultation with the various sectors of society (industry, small consumers and large consumers etc.);
 3. Draws attention to the fact that the difficulty in combining security of supply, reasonable prices together with environmental protection should not be further exacerbated by possibly contradictory energy policies at the Member State level;
 4. Takes the view that, given that the production of and trade in energy is largely carried out at the international level, the EU can defend its own energy interests more efficiently if the 15 are seen to speak with one voice;

recalls, in this respect, that the energy dependence of the EU is expected to rise from its current level of 50% to 70% by the year 2020;

5. Calls on the Commission to provide within the White Paper a clear statement of priorities regarding environmental pollution in relation to energy;
6. Calls on the Commission and the Member States to integrate the objective of economic and social cohesion into energy policy and, at the same time, to use energy policy to help strengthen such cohesion;
7. Stresses that the energy policy aspects of the ECSC and EURATOM Treaties and other energy considerations should be integrated within a common energy framework, helping to ensure overall cooperation with regard to security of supply and environmental protection and requests the Commission to include in its forthcoming White Paper a draft proposal for an energy chapter to be tabled at the 1996 IGC Conference for inclusion in the Treaty;
8. Calls also for the Commission and the Council to formulate, with due regard to the subsidiarity principle, a single coherent energy policy as a framework for the individual initiatives of the various actors and national authorities, and calls for them to have a single interlocutor for energy policy at the Commission;
9. Stresses that the future CEP must be based on the following criteria:
 - efficiency, which means competition must be encouraged,
 - respect for the market so that production adapts to demand,
 - maximum security of supply,
 - on-going research into new energies and the use of traditional sources,
 - control of the technology in order to avoid risks,
 - sustainable development which respects the environment;
10. Expresses the view that, owing to the need to guarantee supply security, the provision of a public service and protection of the environment there is a need for regulation of the energy market by both the national authorities and the EU, while keeping the level of regulation to a minimum so as to permit flexibility and the operation of market forces within these limits; in addition, environmental protection merits particular attention because market forces do not exert an appropriate influence here; environmental costs must be reflected in energy prices;
11. Calls on the Commission to negotiate arrangements for granting loans with the banks, particularly the EIB, in order to provide advance funding for energy saving measures and report to the European Parliament in due time on conditions and measures to be implemented;
12. Takes the view that it is necessary to define what is meant in the energy sector by universal service, and what service, of what quality, is supplied

to the consumer, notes that such service can also be provided by private undertakings;

13. Considers it essential to develop a real internal energy market and to define as soon as possible the rules governing it. The progressive implementation of the internal market must be based on the major principles adopted by the European Parliament:

- respect for environmental compatibility;
- the competitiveness of energy producing companies, whilst ensuring respect for security of supply;
- respect for tasks of general economic interest and public services, in particular at distribution level whilst taking into account competition and the conditions under which certain secondary activities, that do not relate to the energy sector, of distribution enterprises are acceptable under Title V of the Treaty;
- increasing the scope for co-operation between the different actors, subject to price transparency for which the Commission has to lay down guidelines and mechanisms;
- account transparency, in particular in vertically integrated undertakings, while upholding in this respect the principles of reciprocity, transparency and non-discrimination between suppliers;
- creating opportunities for new actors (e.g. suppliers of local power) to obtain a position on the energy market and to stimulate at the same time the supply of electricity produced from renewable energy sources;
- promoting fiscal harmonisation of energy prices, including among the various raw materials, by affording special treatment for renewable energy sources in the Union and promoting transparency for the user with regard to those components of the energy price which represent taxation and those which represent environmental costs;
- upholding also the principle of third-party access to infrastructure;
- organising access to the network on the basis of reciprocity, protection of the duties of public services and the conclusion of long-term contracts;
- the interests of the "captive consumer" should continue to be safeguarded.

14. Takes the view that the definition of the objective on overall competitiveness needs to be clarified, bearing in mind the following point:

- incorporation of a greater degree of flexibility into the production, transport and distribution systems, encouraging the decentralisation of production thereby avoiding wasteful long-distance transmissions of electricity, rationalising production, production methods and capacities, represent ways of contributing both to the competitiveness and efficiency of energy markets as well as to the protection of the environment.

15. Suggests that more importance be given to the new tasks and role of energy suppliers/utilities in as far as Demand Side Management i.e. the range and quality of services, is concerned. Increased competition should lead to greater energy efficiency, producing energy savings at all levels of the energy chain and in particular be used to promote energy efficiency services as a way of lowering the energy bills of the end consumers rather than focusing on the price of energy as such.
16. Calls on the Commission, when it proceeds with gradual liberalization, to exercise caution with regard to legislation, with the exception of legislation to control CO₂ emissions, giving consideration to other instruments, in particular an Energy/CO₂ tax applied equally to fossil fuels and nuclear power, and to formulate a separate strategy for the gas and electricity sector in this respect;
17. Takes the view, with regard to long-term supply security within the EU, that the Commission's task is to create the climate for strengthening a policy of diversification, by:
 - developing and using more renewable energy sources to obtain a reduction in CO₂ emissions and co-ordinating and encouraging research and demonstration projects in this field;
 - creating a framework for closer co-operation in energy policy matters with Russia and the countries of Central and Eastern Europe through the conclusion of the Second Energy Charter and with the countries of the Mediterranean region, Africa, Central Asia and the Black Sea region;
 - formulating objectives and a common programme for energy efficiency and savings and renewable energy sources compatible with the objectives concerning the emission of greenhouse gases, as agreed in Rio de Janeiro (1992) and Berlin (1995);
 - a much clearer policy recognition of the cost/economic effects, the efficiency benefits and the environmental advantages of CHP (Combined Heat and Power), the technology of which requires a more competitive market on the energy savings it brings; the Member States are, accordingly urged to remove the administrative obstacles affecting CHP;
 - developing as broad a range as possible of potential energy sources, whereby consideration should also be given to generating energy from waste;
 - ensuring that the EU creates a favourable climate for energy investments which promote employment, industrial competitiveness, research and development, as well as improvements in energy efficiency and environmental protection;
 - notes that the Member States of the EU are, in agreement with public opinion, still responsible for choosing their individual energy sources, but considers that abandoning nuclear energy does not make it easier to achieve the goal of CO₂ reduction, whereas, however, the decision on the location of nuclear power stations should remain a matter of national policy;

18. Calls on the Commission to stimulate research in order to increase the safety of nuclear energy through:

- the development of very safe so-called "new advanced nuclear reactors";
- the safe processing of waste and also the actualisation of theories concerning future safe waste processing;
- the re-use of fuel (mox fuel)
- promoting the development and processing of nuclear medical technology and of future applications and possibilities yet to be discovered;
- creating possibilities to help the countries of Central and Eastern Europe with a energy development plan with the aim of optimising the sources of electrical power;
- continuing research into thermo-nuclear fusion.

19. Stresses once again that the goal is to allocate the same amount of funds to renewable energies as to thermonuclear fusion;

20. Calls on the Commission:

- to draw up common European safety standards for nuclear power stations in the European Union;
- to draw up guidelines on safety requirements for power stations for which the European Union intends to grant loans;

21. Calls on the Commission and the Member States to adopt a binding programme with clear time-tables for CO₂ reduction, comprising inter alia the following components:

- an ambitious programme for developing and introducing renewable energies, with the emphasis on the use of biomass, wind energy and solar energy in the Mediterranean region,
- a development programme, in consultation with industry, to reduce the specific energy consumption of motor vehicles, trains and aeroplanes,
- environmental tax reform,

22. Considers that, before a new power station is built, a decision should be taken in each case on whether to give priority to energy-saving measures instead of construction, on the basis of a 'least-cost analysis';

23. Calls for the Commission, in cooperation with the EBRD, EURATOM and the World Bank, to draw up an ambitious programme in consultation with the countries of Central and Eastern Europe for improving the safety of nuclear power stations, the disposal of nuclear waste, reducing pollution of the environment by energy producers (NO_x-CO₂, SO₂), and improving diversification, energy savings and efficiency which may also lead to a strengthening of this industrial sector in those countries; calls on the Commission to work towards persuading the countries of central and eastern Europe to apply Western safety standards for their nuclear power stations; calls on the Commission to ensure that businesses in the EU, too, can fully participate in this programme;

24. Calls on the Commission and the Member States to support nuclear disarmament in the frame of SALT I and SALT II by making available the knowledge and capabilities of European research institutes and industry for the elimination of weapons-grade plutonium and highly enriched uranium;
25. Calls on the Commission to ensure that in drafting its White Paper on the EU's energy policy it pays more attention to environmental protection by laying down guidelines for the Member States to incorporate the cost of environmental protection in energy production costs;
26. Considers that it is of great importance that the Commission, as well as drawing up a list of the various methods for saving and producing energy, should specify what the consequences and positive implications for employment may be;
27. Takes the view that the EU's task with regard to energy policy includes the following:
 - formulating a common energy policy (CEP) which is internally coherent and which takes account of the position of the competent authorities in each Member State and of the other actors, public and private, in application of the principle of subsidiarity;
 - reinforcing the energy diversification policy within the EU with a view to long-term supply security and the competitive position of industry;
 - encouraging a gradual liberalisation and strengthening of the market effect of the energy sector, including arranging for arbitration in the event of disputes concerning prices for cross-border imports or exports;
 - formulating EU environmental policy by indicating the objectives in terms of energy savings and efficiency, together with the appropriate instruments and minimum standards etc;
 - the consolidation and stimulation of national and EU research programmes and demonstration projects in this area and the full development of technologies for the more efficient use of existing sources of energy including those aimed at new technologies for the use of coal (coal gasification) ensuring that the EU retains its leading position in the field of energy (new sources of energy, biofuels including wood, peat, agricultural biomass and biowaste, energy savings, safety, technology, etc.)
 - stepping up Community and national efforts to develop indigenous renewable energies (solar cells, solar heat, hydraulic, wind, biomass, geothermal tidal, etc.) with the aim of meeting 15% of the European Unions conventional primary energy demand by the year 2010;
 - using plants with fuel cells in an decentralised system for the generation of electricity and heat;
 - creating a favourable climate for TENS in the field of energy;

- drawing up and implementing an ambitious energy programme together with the countries of Central and Eastern Europe and with the countries of the Mediterranean area, Africa, Central Asia and the Black Sea region;
- creating a climate for energy investments which will stimulate employment, strengthen the economy and help to protect the environment; believes that the Commission must devote an annex in the Green Paper to the positive employment-related aspects of energy-saving projects and small-scale energy generating programmes.

28. Expects the Commission to take account of the above-mentioned demands in the White Paper on energy policy it has announced and expects above all the following specific measures:

- an indication of a clearer connection between the three objectives;
- an analysis on the energy market and the role which the Commission assigns to itself in it and those of the other actors;
- the role which the Commission intends to play in energy savings and efficiency by creating practical projects on which a start should be made as soon as possible
- a European-wide regulation, providing that in future all new public buildings must demonstrate low energy consumption;
- a SAVE II programme which is considerably more extensive than SAVE I;
- a new version of the TERMIE programme in which, besides lost subsidies, loans for advance funding of energy investments will increasingly be given a chance;
- calls on the Commission to use its new energy policy provisions to promote the role of co-generation and combined cycles - especially in the case of the use of gaseous fuels - to improve energy efficiency and to make more progress with energy-savings;
- an indication of what the desirable and attainable limit values of CO₂, NO_x and SO_x are;
- calls on the Commission to examine the possibility of establishing market mechanisms, such as negotiable emissions licenses;
- a proposal for enhanced co-operation with third countries on energy policy and on its funding;
- the release of more financial resources for research and development as regards renewable energy sources;
- the need to carry out a comparative study on the external costs of the various fuels.

29. Instructs its president to forward this resolution to the Commission and the Council.

B. Explanatory Statement

1. Introduction

There have been substantial changes on the energy markets since 1986. For example, there has been a considerable fall in prices, the environmental aspects of energy consumption have increased in importance (particularly with regard to effects on the climate) and the geopolitical context of energy policy has changed radically since the collapse of the Eastern bloc and the Soviet Union. A number of directives were drawn up by the Commission prior to the entry into force of the internal market: firstly, for greater price transparency and, secondly, to ensure that directives were available which would make it possible to supply gas and electricity via one network to a third network.

At present the Council is considering the Commission's amended proposal for achieving free transit of electricity and gas, improving supplies and increasing industrial competitiveness (the Desama report). The Commission is to submit to the Council and Parliament before the end of 1995 a report with harmonization proposals for the smooth functioning of the internal market for electricity and gas.

The Commission proposals on the trans-European networks are important not least with a view to strengthening the internal (energy) market. By improving inter-operability, interconnection and the development of networks the proposals seek to enhance economic and social coherence and to guarantee supplies within the EU. In addition to connecting up to the network isolated regions in the EU, there is also the question of connection towards Central and Eastern Europe and the Mediterranean region.

Another important initiative in the context of energy and Central and Eastern Europe is the Energy Charter. However, the Fourth Energy Programme is also stressing cooperation with Central and Eastern Europe, involving, for example, the energy centres set up by the EU. At the same time, PHARE and TACIS are being used to improve standards at the nuclear power stations of those countries.

Finally, attention is also being paid in terms of R&D within the EU to future requirements. A number of research programmes have been set up both outside (ALTENER and SAVE) and inside (Joule, TERMIE) the Fourth Framework Programme aimed at energy savings, reducing waste, nuclear safety and controlled thermonuclear fusion. It is against this background that a Commission Green Paper on energy policy could be extraordinarily useful as a means of generating a discussion - notably in the context of the Intergovernmental Conference of 1996 - on the Community's energy policy objectives and instruments, its medium- and long-term strategy and the priorities for its activities in this field.

2. The Green Paper

2.1 Background

Worldwide energy consumption will increase substantially because of the considerable increase in population in the third world in particular (there is likely to be a worldwide increase in energy consumption of 2% and in electricity consumption of 1% per annum). By contrast, as far as can be seen,

energy requirements in the Union will increase only marginally, mainly because of the use of better technology.

There appears to be no problem about the physical availability of energy up to the year 2020, although there will be noticeable shifts in the types of energy used (e.g. from oil to gas and the use of renewable energy), not least for reasons of environmental protection).

The Union's dependence on energy from external sources is currently circa 50% and could increase to 70% by 2020. There are likely to be closer relations with the energy suppliers of Russia, North Africa and the Middle East.

2.2 Objectives of a European energy policy

The Commission regards the main objective of energy policy as creating or maintaining overall competitiveness. As a production factor, energy has played an important role in the competitiveness of firms. For example, according to a report by the European Industrial Round Table, energy costs are 40% higher for European firms than for firms in America. The fiscal and administrative aspects of energy consumption are important for the competitiveness of firms because of the effect they have on industrial production costs.

The Commission regards as the second main objective of a future European energy policy the maintenance of security of supply. 'The introduction of wider freedom of movement for energy service products within the Community' (i.e. following completion of the internal energy market), 'necessitates a Community approach to security of supply based on the instruments of the Treaty'. This will be 'not simply the sum of the level of security in each Member State'. The main problems which the Commission identifies are:

- the limited availability of economically exploitable reserves of oil and natural gas,
- the unfavourable economic conditions with regard to Community coal and renewable resources,
- widespread public opinion concerns about nuclear energy, in particular because of the condition of power stations in Central and Eastern Europe.

The political measures accompanying security of supply are to consist of regular dialogue between the Union and its main energy suppliers, rehabilitation of the energy sector in the countries of Central and Eastern Europe and support for the developing countries (speeding up the process of transfer of technology and strengthening cooperation).

The third main objective of a European energy policy which the Commission identifies is protection and preservation of the environment. The Commission believes that the internalization of external costs is a key element in energy and environmental policy.

3. COMMENTS ON THE GREEN PAPER

Importance of clarity with regard to the need for a EU policy

The Green Paper has produced mixed reactions. On the one hand, it has been written off as too vague, too general and insufficiently concerned with specifics; on the other hand, the purpose of the Green Paper is to generate

a debate on energy problems and on their possible solutions. Your rapporteur feels the main value of the Green Paper lies in this and in the fact that responses to it are building blocks in a coherent EU energy policy. The Commission will then have the opportunity of first outlining a coherent and comprehensive picture of EU energy policy, to provide a better context for looking at the initiatives it has taken in this field in recent years.

This means, however, that the forthcoming White Paper must set its sights higher: clearly indicating what the Council's and Commission's long term policy is on energy - clarifying the relationship between the energy policy of the Member States and that of the EU. In other words, formulating the added value of EU policy. In this respect, it is important for the Commission to indicate what it regards as the solution to the conflict between differences in national policy amongst the 15 Member States and EU policy in the longer term. What scope will remain for setting national priorities? In what areas does the Commission feel that convergence is needed, and how does it feel that this can be achieved? In addition, the Commission will have to define more clearly the conflict between the objectives and how this ties in with the means to be used. In this respect the Commission will not be able to avoid choosing its priorities for the coming years in the context of the programme that it wants to implement. It is important, precisely because the Commission still has to acquire a substantial position in this area, for the White Paper to discuss the relationship between national and EU policy; the White Paper must also discuss how the Commission intends to give substance to subsidiarity and how the Commission sees the division of responsibilities between Member States, the EU and industry etc.

The Green Paper sets out three objectives: overall competitiveness, security of supply and protection of the environment. The question is, however, what 'overall competitiveness' means. Does it relate to industry in the Union which has to be able to compete through lower energy prices on the global market? Or is it mainly about the need to increase competition between the energy producers and is it therefore a follow up to the liberalization of the energy market sought by the Commission? If it is the former, it would be appropriate to formulate the objective as energy supplies at competitive prices; if the latter, then it is substantially different to the other two objectives.

The impression is created elsewhere in the Green Paper that 'overall competitiveness' is the Commission's primary objective. If the competitive price - assuming that this is a correct interpretation of the Commission's objective - is the predominant objective, then this will be in conflict with the other objectives, since we would then be opting for those sources of energy which are most advantageous. This would undermine the policy of diversification. It would also increase the put pressure to seek alternative energy supplies because such supplies usually require considerable investments and therefore are not competitive in the short term. Establishing the price of gas would cause considerable problems because the point here is not the 'cost price plus' but the market value in relation to the price of coal and oil. The dominance of competitive prices would also cause major stumbling blocks to energy savings or to a shift to environmentally friendly fuels. In order to be competitive, European industry must also have access to cheap energy as is the case with firms from South-East Asia and the United States. The White Paper on growth, competitiveness and employment also called for attention to be paid to this point. Competitive pricing is of vital importance to the export industry and to those sectors which have to compete

on the overall market (both on the internal market and with exports). This presupposes that in this segment of the market the regulating factor for the economical use of energy is not so much the price but that the environmental objectives can be achieved through voluntary agreements (covenants) and standardization. The upshot of the foregoing is that the three market segments (large and small consumers and domestic consumers) are subject to different prices. Many people agree, for example, that quite apart from income effects, a small consumers levy on the CO₂ emissions by domestic consumers is socially acceptable.

3.2 The Commission's objectives and added value

The Commission goes on to say that the objectives are contradictory and that 'the difficulty will be to balance the different elements in such a way that the essential objectives can be satisfied'. Yet the Commission's task should be to indicate the connection in EU policy between the three objectives, and the balance between the weight of each of the three objectives, and where possible, the different market segments. However, because the Commission is unable to spell out the balance for the different segments, not least because of the major national differences, it would be appropriate for the Commission to offer a framework for these three objectives. It is interesting, for example, that the Commission does not specify when it discusses the environmental objective what contribution it expects from the energy sector for the various segments in the light of agreements made in Rio de Janeiro on restricting CO₂ emissions. Now that the Climate Conference in Berlin has decided not to specify the objective in terms of energy savings for another two years, it would be appropriate for the EU to make its position clear in this field.

The Commission says that 'synergies between the objectives of competitiveness, energy security and environmental protection need to be developed; in the case of conflicts between objectives flanking measures need to be devised'. Yet it is unclear exactly what this synergy means. Nor is the Green Paper clear about the practical consequences of the section on the 'internalization of external costs'. Does this apply to every market segment and, if so, only at EU level or at OECD level, too and, if not, what effect will this have on the competitiveness position of European industry and on employment?

The objective of security of supply is a fundamental part of energy policy. This is the predominant objective from the consumer's point of view: without energy, and electricity in particular, modern society cannot function. This objective should therefore be given extra weight. Yet with this objective in particular, and in view of the national responsibility and the role played by Parliament, it is of great importance for the Commission to spell out what its added value in this field is. Another factor is that the choice of fuels, contracts with third parties to guarantee secure supply, the creation of the required infrastructure and the maintenance of strategic reserves can only be effected nationally by governments, producers and distribution companies etc. The added value of the Commission in this respect is to create the conditions for security of supply within the Union in the long term. In this respect the Commission can create conditions for its diversification policy, particularly by consulting the relevant actors with a view to maintaining or extending the diversification policy. The Council and Commission could concentrate on supporting research into those forms of energy which are promising but which in terms of costs cannot (yet) be borne by any one Member State. In addition, a common energy research programme could help ensure the EU remains the

leading partner in this field, not least with regard to energy savings, sustainable sources of energy and environmental technology. The work of the EU in developing the trans-European networks for energy transmission is another example of the Commission's added value.

Finally, the Commission also needs to simplify the legislative framework of energy supply policy. We currently have the ECSC Treaty, EURATOM, the Maastricht Treaty and Energy Charter. The 1996 Intergovernmental Conference should consider the need of an energy paragraph bringing together, as far as possible, the main elements of EU policy and explicitly setting out the added value of the Commission in the field of supply policy.

It is ultimately advisable for the Commission to concern itself with gathering information on the measures which Member States, producers and gas and oil companies have taken with regard to prices and, where necessary, to ensure in consultation with the latter that the measures taken are better coordinated and are improved.

The Commission's White Paper should therefore be expected to provide the following:

- a normative framework concerning the three objectives of the energy policy; this would also discuss the question of how to strike a balance between the three objectives;
- details of the concept of overall competitiveness, with particular reference to the market segments where it is supposed to apply. The Commission might also consider the differences existing between the Member States in terms of specific contracts for major consumers, the differences in the tax burden on energy and the differences existing between Member States in prices;
- details of the contribution which the various market segments should make towards to reducing CO₂ emissions and to other environmental objectives;
- details of what the EU added value is with regard to securing the European Union's long-term energy supplies.

4. THE IMPORTANCE OF INSTRUMENTS FOR A EU ENERGY POLICY

The Green Paper devotes attention to possible instruments of a EU energy policy. The theme that emerges is that the Commission intends to use legislative instruments and competition. What is interesting is that while the Commission says that intervention by public authorities, including the Commission itself, should be confined to a minimum, there are many passages to indicate that the Commission intends to play an active role in this field and there is mention of considerable legislation to be announced at a future date.

4.1 Importance of an analysis of the energy market

What is lacking in the Green Paper is a clear analysis of the energy market in the EU - both as it is at present and how the Commission envisages the energy market in, for example, 10 years time. Nor is there a clear picture of the position which the Commission sees for itself on the energy market. This all creates suspicion on the part of the various actors as to the Commission's intentions, which is very regrettable. Nor does it properly relate the means to the three energy objectives, nor to other aspects of Commission policy, which serves to make the picture more diffuse. Nor is it clear to what extent the Commission intends to use the same instruments for

both the gas and the electricity sectors, while it is evident that there are glaring differences between these two sectors which demand a difference in treatment.

It would also be useful to know how the Commission intends to use these instruments given the major differences existing between the Member States with regard to establishing their own energy sectors. Some countries satisfy the 'single buyer model'. On the other hand, there is the United Kingdom, whose energy market is already reached a much greater degree of liberalization. Nor has any consideration been given to the consequences which the concept of 'public service' and supply security have for the way in which EU energy policy instruments are used. In this connection it would be useful for the Commission to give a clear indication of what convergence it seeks for national energy policy, what impact this will have on the nature of the energy sector and, finally, what means the Commission seeks to use to achieve the specific convergence objectives. At the same time, of course, account also has to be taken of the various powers and responsibilities.

4. Gradual approach

It seems to us that the scope for legislation is limited. Not for nothing has the 'Molitor Group' set about criticizing the profusion of rules in the EU. Given the differences between the telecommunication market and the energy market, a more gradual approach will have to be adopted for liberalization of the latter. This means that care must be exercised in choosing the instruments of competition. Nevertheless this will still leave plenty of other instruments which the Commission can use in shaping the EU's energy policy.

Important instruments for-acquiring a position on the energy market are conviction, consultation, and facilitating favourable developments. The Commission can also concentrate on making national research and development work in terms of energy coherence; in addition it can farm out its own research and development activities. The scope for developing new energy sources from electro-chemical processes, using solar energy and the application of biomass and medical nuclear research are very important areas for the EU's research and development policy.

In addition, the Commission should give substance to its role of creating favourable conditions with regard to supply policy in the long term by strengthening cooperation with the Mediterranean region, and developing a comparable energy charter with the Maghreb countries. It should also look into forms of energy cooperation with Africa, again in the context of a policy aimed at further development of that continent. Far more use could also be made of covenants, inter alia to reduce the weight of rules.

The discussion of a CO₂ tax has shown that fiscal measures need a lot of time and persuasion to be accepted by Member States. On the other hand, the implication of this form of taxation is that the EU is the lowest level at which it can be introduced and that the Commission has the major task of achieving some degree of fiscal harmonization in respect of setting energy prices.

It would also be useful if, as a result of changes in legislation in the Member States, the Commission were to encourage cross-border imports and

exports by distribution firms and of major suppliers of heat and power (co-generation).

Finally, the Commission needs to ask itself in what areas of energy policy it should be playing an active role. This is closely bound up with the instruments which are needed and whether use of such instruments is desirable.

In conclusion, we feel that a whole range of instruments is available to the Commission and that it would be undesirable at present to add any more.

5. THE NEED FOR ONE COHERENT EU POLICY ON ENERGY

An energy paragraph should be included during the review of the Maastricht Treaty at the Intergovernmental Conference. This paragraph could serve to incorporate the relevant sections of the ECSC and Euratom Treaties. It would also enable the democratic control of the EU's energy policy by the European Parliament to be strengthened.

At the moment, as a result of the lack of such an energy paragraph, responsibility for energy policy is divided among various DG's such as competition, environment, transport, research and even energy itself. This situation presents a fragmented image to those involved and to the national governments, while coordination is not simple.

Making the Energy Commissioner responsible for the drafting and implementation of one coherent EU energy policy would lead to greater consistency and provide those concerned with somebody to address themselves to, which would result in greater effectiveness and in greater clarity as to the Commission's position in this field.

5.1 Structure of the energy market in the Member States

Those who advocate a far-reaching liberalization appear, for the sake of simplicity, to regard the telecommunications market and the energy market as being identical. However, if we look at the nature of the markets and at the way they function, it is clear that they differ greatly. Energy is a basic requirement without which society cannot function. The public service sector imposes higher standards for the energy market. Because of the need to safeguard supply and in view of the necessary environmental requirements, the energy market will be subject to a certain level of regulation both by the national governments and by the Commission. There are a number of tensions in the European energy market. Firstly, there are the monopolies of production and distribution companies. Secondly, there is talk of the distribution companies broadening their range of services (e.g. branching out into other unconnected areas such as waste disposal and telecommunications). Thirdly, the entry of new players (such as private generators) into the energy market makes central planning problematic, thus weakening the position of traditional producers. Fourthly, the liberalization of the energy market in the United Kingdom opens the way for large consumers to seek their energy supplies abroad. Finally, a change is taking place whereby greater stress is being placed on the consumer rather than on the production and supply structures. In this connection, energy companies should be able to compete with each other not only in terms of the lowest cost but also with regard to environmental activities and the range and quality of services offered.

The Commission has now submitted a number of proposals for a greater liberalization of the energy market structures and to increase competition. First, there was the third party access (TPA) model. This was followed by the negotiated TPA, and the Energy Council considered the modified single-buyer model at its meeting on 1 June. What is clear is that a gradual approach stands the greatest chance of success, though the right of Member States to go further with their regulations in the area of liberalization and the promotion of greater competition should remain untouched.

In order to maintain the principle of reciprocity, the Commission and the Council of Energy Ministers must reach a consensus on the basic features of such a gradual approach. Important issues to bear in mind are: increasing the possibilities for cross-border import and export of energy by distribution companies etc. and the creation of possibilities for new players to enter the energy market, such as local energy suppliers. It is also essential that there be no discrimination between different suppliers. A greater transparency in the setting of energy prices is also of importance in order to promote competition. In this regard, there is also a need to see to what extent the distribution companies would be able to engage in secondary activities without infringing European competition rules and how the financial risks would be covered. Finally, it is important that the Commission has some notion of where the developments of the structure of the energy market will ultimately lead. Administrative separation of the functions of production, transport and distribution, in whatever form, is an important precondition. What is important in this regard is that transport at least should be made independent.

The Commission has a number of instruments at its disposal in order to achieve this gradual liberalization. In view of the side-effects of legislation among other considerations, it is to be recommended that a restrained approach is taken with regard to legislation, placing the emphasis on other instruments.

5.2 Strengthening of the European policy on diversification

The safeguarding of a secure supply in the short term will be primarily a function of the production and distribution companies with greater or lesser involvement of the national governments.

As far as the longer term is concerned, the Commission may play a complementary role in safeguarding supply at a European level. The well-known energy scenarios are based on data such as the global increase in energy consumption and a significant increase in the number of sources of energy. We can see that a strong increase in energy sources creates wider implications for a diversification policy. As far as environmental pollution is concerned, the EU has a particularly important task, namely, where possible, to increase energy savings and efficiency and to develop sources of energy which can reduce harmful emissions. Clean energy is the objective.

The more optimistic scenarios, such as the one by Shell, assume that a strong reduction in CO₂ emissions can also be achieved in the next century through the diversification policy. By promoting research, financing pilot projects, etc., the Commission can ensure that the EU also becomes a market leader in this field, something which would also be of importance in connection with employment opportunities. The combination of and cooperation with national programmes and research bodies is of great importance. A safe supply can also be guaranteed in the long term through multi-annual contracts with third countries and undertakings in such countries. The regulation of investments

in the current Energy Charter is not yet 100% satisfactory; moreover, it remains to be seen to what extent Russia transposes the Energy Charter into its own legislation and how it implements it. Energy policy should in future aim at durable and clean sources of energy, limiting the use of fossil fuels in view of the finite deposits and pollution. Renewable sources of energy and nuclear energy both fit the bill if the EU makes further efforts to find a solution to the problem of the safe processing of waste, which should be technically possible in the near future. Because of a number of factors such as environmental considerations (limitation of CO₂ emissions), the level of energy prices, employment opportunities, technological development, competition and the need to help the countries of Central and Eastern Europe in the reconversion of their nuclear power stations, which therefore requires expertise, the EU continues to rely on nuclear energy. Knowledge in this field is growing apace in Japan and South-East Asia. The Commission should promote research into and development of new advanced nuclear reactors, including passively safe reactors, and the re-use of nuclear fuel and the safe processing of any remaining waste. There is also a need to place great emphasis on nuclear medical technology, including the development of new radiotherapy and scanning techniques (modem D) and to carry out further research on the safe processing of recycling residues (actinides). The decision whether or not to build a nuclear power station must remain the responsibility of national governments.

5.3 An ambitious programme for the countries of Central and Eastern Europe.

As a result of numerous factors, Eastern and Central European countries such as Ukraine and Russia lag behind with regard to the careful and efficient usage and management of energy. The Commission is pursuing a central policy, inter alia because of cost considerations. Discussions on the permanent shutdown of a nuclear power station in the past have shown this to be a complex problem. In this connection, issues are raised such as the following: who would supply the necessary energy in the short term and at what cost; what consequences would this have on the energy dependency of a given country; the nature, substance and duration of energy saving programmes; the conversion of military industry and the restructuring of obsolete energy-intensive industries; the improvement of energy management and transport as a whole, etc. An essential aspect which could be improved in the short term is the training of staff of nuclear power stations, the improvement of the organization and functioning of the stations and of safety procedures.

Such a programme could not possibly be completely financed by the EU. The involvement of third parties (EBRD, World Bank, etc.) makes sense if European undertakings are involved to a sufficient extent in the programme as a whole.

In this connection, it would be desirable to examine how the current programmes are put out to tender and why it is that European undertakings might fall by the wayside.

6. THE COMMISSION'S TASKS

Point 3.9 of the Green Paper is very abstract as regards the precise nature of the Commission's tasks. Your rapporteur has placed particular stress on the following:

- the development of an energy policy framework;
- activities aimed at creating favourable conditions;

- the complementary role of the Commission with regard to European long-term supply policy;
- the responsibility of the Commission itself with regard to, inter alia, environmental policy on the basis of the Treaty of Maastricht.

The above text naturally leads to a task definition for the Commission as set out in the resolution. It should be noted that this is concerns a provisional task definition. In the event of a decision to include an energy paragraph in the revised Treaty, it would be desirable to take another critical look at the Commission's tasks. This would naturally imply that consideration be given to the issues of the Commission's role (added value and subsidiarity) and the responsibilities of other actors.

O P I N I O N

(Rule 147 of the Rules of Procedure)

of the Committee on Social Affairs and Employment
for the Committee on Research, Technological Development
and Energy

Draftsman: Mrs Johanna L.A. BOOGERD-QUAAK

At its meeting of 27 April 1995 the Committee on Social Affairs and Employment appointed Mrs Boogerd-Quaak draftsman of an opinion.

The committee considered the draft opinion at its meetings of 11 April, 31 May and 23 June.

At the latter meeting it adopted the conclusions as a whole unanimously.

The following were present for the vote: Hughes, Chairman; Menrad, Vice-President; Boogerd-Quaak, draftsman; Balfe (for Skinner), Blak, Cabezon Alonso, Chanterie, Colombo Svevo (for Garriga Polledo), Crepaz, Gebhardt (for Torres Couto), Glase, Jöns, Kerr, Kreissl-Dörfler (for Wolf), McMahon, Megahy (for Andersson), Morris, Papakyriazis, Pronk, Ribeiro, Rocard (for Bredin), Schäfer (for Carniti), Schiedermeier, Schmidbauer (for Peter), Van Lancker, Van Velzen, Weiler.

Introduction

The Commission Green Paper which is the object of this opinion provides the basis for an EU-wide discussion on the future role of the Union in the energy field. The starting point is recognition of the important contribution energy gives to a whole range of policies for which the Union has specific powers, not least economic and social cohesion and environmental protection.

Your rapporteur cannot help remarking that the paper submitted by the Commission, possibly because of the complexity of the issue, does not provide a clear and simple picture of the situation. This makes the text rather unmanageable, especially for the lay reader.

The legal framework

The Union already has powers in matters of energy. These, however, are limited to specific forms of energy.

As far as coal is concerned the ECSC Treaty endowed the Commission with remarkable supranational decision-making powers with a view to ensuring equal access to sources of production, improving the productivity of the European coal industry and alleviating the impact of restructuring measures.

Nuclear energy is another example. In this case the EAEC Treaty sought to develop a European nuclear industry by encouraging common investments¹ and by disseminating know-how in relation to health protection. Security of supply and nuclear safety are also objectives of the treaty.

The Treaty of Rome, on the contrary, contains no specific provisions on other forms of energy. The establishment of a European Single Market, however, applies also to the energy sector. Moreover the emphasis on an environmentally sustainable economic growth, reinforced by the Treaty on European Union, has clear implications for the energy policy of Member States. Lastly the goal of economic and social cohesion, based on the development of, among other things, transeuropean energy networks, definitely requires coordination at EU level.

A series of Council resolutions on the need for a common strategy in matters of security of supply and energy objectives and decisions establishing EU programmes (THERMIE, JOULE, SAVE, ALTERNER ...) was therefore adopted after the 1970s oil crisis. Given the wide differences existing among Member States, due to different resource endowments, the EU set about defining common goals and political priorities with a view to establishing a coherent framework both for internal and external EU policies.

There is undoubtedly a need for a clear and coherent approach on the issue of EU powers in the energy sector. This is a task for the 1996 Intergovernmental Conference. On that occasion ways of integrating the ECSC and EAEC treaties into the Treaty of Rome must be found.

¹ Indeed this objective has met with little success as Member States regard nuclear policy as a matter to be decided at national level.

Some data

Following the 1970s oil crisis the Community dependence on energy imports has become less and less relevant in economic terms. According to the Commission imports now account for only 1.5% of the EU GDP. This was mainly achieved by means of energy efficiency (+ 25% since 1970) and decreased dependence on oil imports (- 50%) presumably due to diversification of energy sources and internal production (North Sea).

Despite this energy dependence will increase in the next few years up to 70% in the year 2020, with particular emphasis on gas.

Impact on competitiveness

Decisions taken in relation to energy policy in general, and, more particularly, to fiscal and regulatory choices in relation to the different forms of energy have obvious repercussions on the competitiveness of industry. This, in turn, affects employment levels.

According to the conclusions of a Round Table of Industrialists which took place in November 1994 European industry has to bear higher energy costs (+ 30%) in comparison with its US counterpart. The establishment of a real single market in the energy sector was seen as an essential step towards the reduction of these costs. Higher energy costs, however, do not necessarily result in a loss of competitiveness: indeed they may lead to higher energy efficiency, where there is scope for it or may be compensated by acting on real wage levels¹.

All three main energy sources (oil, gas and coal) of European industry depend on imports. Their price is determined at world level. The competitiveness of industry is therefore influenced more by the "tax and regulatory framework of energy consumption"². The debate on the need to integrate into the price of goods external environmental costs resulting from their production calls for an increase in taxation proportional to the energy intensity of the production process. This has obvious repercussions on the competitiveness of industry, especially in the case of SMEs, given their financial constraints. For this reason the Commission rightly considers that the issue should be linked with the need for a global reform of company taxation. The objective should be an overall reduction of the fiscal burden weighing on European industry with a view to releasing the capital needed for investments in energy efficiency. Only within this framework would an increase in energy costs have little or no impact on overall competitiveness.

Competitiveness is not only a matter for energy consuming industry but also for energy producing industry to consider. The considerable long-term

¹ "If, because of insufficient political coordination the loss in disposable income [resulting from increases in the price of imported energy] is not reflected by a fall in real wages, the macro-economic effects are even worse", point 29, second indent, page 17; your rapporteur has read this statement with some concern and would like to have some clarification from the Commission.

² Point 31

investments these industries have to make (300-400 billion dollars in the next 15 years for gas and oil) call for the establishment of clear and foreseeable market conditions. Only on this basis would investments be considered profitable by economic operators. This regulatory and, in your rapporteur's view, fiscal support would have undoubtable positive effects on the employment situation¹ in this sector. This support could also provide an effective means of bringing about an 'ecological' conversion of the industry in question and favour the exploitation of renewable energy.

Economic and social cohesion

Energy has also important implications in terms of economic and social cohesion, one of the fundamental objectives of the Treaty on European Union (Article B). Undoubtedly access to energy sources varies from country to country, indeed from region to region. According to the Commission peripheral and disadvantaged regions are more dependent on energy imports than the EU average (68-97% against 51%). This is aggravated by the fact that these regions are generally more energy-intensive than their more developed counterparts. Energy prices are also higher than the Union average². Both factors have obvious repercussions on the economic and social development of the regions.

As already mentioned, energy efficiency can only be increased through considerable investments; this contrasts with the limited financial means of these regions. Similarly energy prices can be lowered by developing the necessary infrastructure. The Union, as indicated by the White Paper on Growth, Competitiveness and Employment, has a major role to play here. Through its regional policy instruments, in particular the Structural and the Cohesion Funds, it can promote the development of energy networks which will greatly benefit the peripheral regions.

Your rapporteur particularly welcomes the fact that, over the 1993-99 period, 2.5 billion ecu under objective 1 have been earmarked for energy-related projects. However she wishes to stress that EU intervention must be focused on the development of an energy-efficient and environmentally sustainable use of energy resources. Priority should be given to projects optimizing the use of resources, focusing on low-impact energy production processes or on renewable energy.

Final remarks

Your rapporteur wishes to conclude her remarks on this Commission document with a note of criticism. Despite referring to the White Paper on Growth, Competitiveness and Employment on more than one occasion, the present Commission document does not seem to draw any practical lessons from it. The document does not glean any proposals for action from the development model

¹ According to the Commission European off-shore oil industry employs 200,000 people; nuclear power industry between 300,000 and 400,000 (point 39)

² In 1992 the price of electricity in Portugal was 66% higher the EU average (point 129)

put forward in Chapter 10 of the White Paper which clearly calls for a reorientation and strengthening of EU powers in this field. This is regrettable especially if one considers that, according to the paper, "the way energy is consumed is at the centre of the new development model"¹.

Conclusions

On the basis of the above the Committee on Social Affairs and Employment requests the Committee on Research, Technological Development and Energy as the committee responsible to incorporate the following conclusions in its resolution:

- whereas appropriate R&D, investment and planning is necessary so that we make the best use of the energy resources we now use and to satisfy our future requirements;
 - whereas energy cannot be seen as an unlimited resource and whereas the substitution of labour by capital has led to both an under-use of labour resources and an over-exploitation of environmental resources;
 - whereas energy is a necessity of life, fundamental to the general well-being;
 - whereas the consumption of energy is still increasing, as a consequence of population growth, industrialization and increasing prosperity in developing countries;
 - whereas sustainable development implies that one generation will not use up all the available energy sources, thus depriving the next generation of the necessary energy resources;
1. notes that many central elements of energy policy - conditions of supply, transport, distribution, etc. - have a European dimension, of which the Treaties do not take adequate account; notes also that powers in the field of energy are at present divided unequally between the various sectors and calls for the powers of the Union to be adjusted with the aim of fostering coordination between Member States and the Union;
 2. draws attention to the fact that the difficulty in combining security of supply, reasonable prices together with environmental protection should not be further exacerbated by possibly contradictory energy policies at the Member State level;
 3. given that the production of and trade in energy is largely carried out at the international level, the EU can defend its own energy interests more efficiently if the 15 are seen to speak with one voice; recalls, in this respect, that the energy dependence of the EU is expected to rise from its current level of 50% to 70% by the year 2020;

¹ Point 10.2, letter (c) (i) of the White Paper on Growth, Competitiveness and Employment

4. considers that the 1996 Intergovernmental Conference provides the best opportunity to look into ways of integrating the ECSC and EAEC treaties into the EEC Treaty, thus establishing a clear and coherent set of EU instruments in the energy field;
5. underlines the key role energy plays in every production process, and therefore its pivotal position when it comes to the competitiveness of EU industry;
6. calls for a global reform of company taxation in order to reduce the fiscal burden weighing on European industry with a view to releasing the capital needed for investment in energy efficiency; underlines the fact that this is the only way that an increase in energy costs would have little or no impact on overall competitiveness;
7. requests the immediate start to a phased implementation of a European-wide energy/CO2 tax as a major contribution to the fight against the greenhouse effect and to ensure that all forms of energy, including nuclear power, bear the costs of their social and environmental impact;
8. underlines the necessity for the EU to develop energy networks in order to reduce costs by making better use of existing capacities and thereby improving EU competitiveness;
9. draws attention to the importance of the efficient implementation of the necessary health and safety norms in energy producing industries;
10. notes that a summary of the various methods of both energy saving and energy production and their impact on employment is missing in the Green Paper;
11. believes that the Commission must devote an annex in the Green Paper to the positive employment-related aspects of energy-saving projects and small-scale energy generating programmes;
12. underlines the importance of THERMIE II, SAVE, JOULE and ALTERNER as practical moves towards finding new sources of energy such as solar, wind, biomass, etc.; calls on the Commission to look into the number of people who might possibly find employment in these activities;
13. urges the EU and the Member States to maximize their efforts to convince people to save energy.

O P I N I O N

(Rule 147 of the Rules of Procedure)

of the Committee on the Environment, Public Health and Consumer Protection
for the Committee on Research, Technological Development and Energy

Draftsman: Mr Carlos Pimenta

At its meeting of 22 February 1995 the Committee on the Environment, Public Health and Consumer Protection appointed Mr Pimenta draftsman.

At its meetings of 19 June and 10 July 1995 it considered the draft opinion.

At the last meeting it adopted the conclusions as a whole unanimously.

The following took part in the vote: Ken Collins (Chairman), Jackson, Dybkjær and Kirsten Jensen (Vice-Chairmen), Pimenta (draftsman), Blokland, Bowe, Breyer, Burtone, Caudron (for Apolinario), De Coene (for van Putten), Eisma, Estevan Bolea (for Valverde Lopez), Florenz, Gaigg, Gonzalez Alvarez, Graenitz, Grossetete, Hardstaff (for White), Johansson, Kokkola, Kuhn, Lange (for Roth-Behrendt), Olsson, Poggiolini, Sandbæk, Trakatellis, Viceconte, Virgin, Waddington, Whitehead

1. The Commission has indeed "launched a policy discussing" with this Green Paper. But not only that. The text is a patchwork of different services' inputs, which have not been properly coordinated and "synergized" and, therefore, it is incomplete and, sometimes, even contradictory lacking a coherent vision of an energy policy and its instruments. It can only be hoped that this consultation process will allow and force the Commission to remedy this situation when it is going to present its White Paper and, eventually, legislative proposals. While awaiting this, the Committee on the Environment, Public Health and Consumer Protection wants to highlight some unclear statements and misunderstandings, which in its view are contained in this Green Paper.

2. First a couple of remarks that would improve the understanding of the link between energy policy and the environment:

a. Article 2 of the Treaty of the European Union establishes sustainable growth respecting the environment as one of the prime objectives for the Community. There is overall recognition of integrating environmental protection into an overall strategic approach to Community energy policy. Pursuant to Article 130T Member States may take more protective measures at national level than those agreed at EU-level.

All this clearly points in the direction of a philosophy allowing protection of the environment to be not only on equal footing with industry interests, but to precede the latter in a situation of conflict. Clearly, industry needs policy and legislation indications which put it in a position to plan and invest. But in negotiating and implementing such measures, arguments about cost/benefit, cost effectiveness, prioritisation, risk analysis, etc. must not slow down progress towards environment friendly and environment protective energy sourcing and use.

The Commission must keep this in mind when discussing further with industry the possible use of an Energy Impact Assessment.

b. In terms of policy directions to improve the situation regarding the environment one should not only look at traditional forms of pollution and those linked to risk of climate change due to emissions of greenhouse gases from use of fossil fuels. Also, the use of nuclear energy creates severe problems, since no satisfactory solution to that use (slips, storage, etc.) has been found to date.

Most of the technological choices made in the area of energy have long term effects which impact future generations. A priori, we will have to prioritize options without irreparable negative consequences, which we are not able to remedy through present state of art knowledge.

c. The recent increase in EURATOM loan possibilities aimed at improving the safety and efficiency of nuclear installations in Eastern Europe must be managed with skill, flexibility, and transparency. The Commission must together with the other institutions make a rapid assessment of the overall situation and be very firm in its policy to seek to improve the installations and recommend the closing of the most dangerous ones.

d. In setting priorities for Community action concerning environmental protection the Commission recommends greater use of economic instruments,

such as taxes and charges, tradeable permits, deposit-refund systems and voluntary agreements. Again, according to the Commission, these measures are underlying and dependent on the objective of global industrial competitiveness. The concept of environmental prevention should be developed further and take priority over economic instruments. There is no reason why Europe should not set the agenda for innovation and take the lead in developing systems that secure application of clean energy technologies.

- e. The institutional framework for decision making must reflect the need to meet environmental objectives. With reference to the traditional and in particular, the on-coming challenges (climate change, nuclear) it is increasingly important that all members of the institutions take their responsibility and adopt audacious measures. Parliament being forward looking must be given an important say in this process, i.e. development of co-decision procedure in the new Treaty in accordance with the Roth-Behrendt opinion on the Intergovernmental Conference 1996.

3. REMARKS

Ad para. 11

The Commission states that the sector of renewable energy is immature and therefore not producing benefits to the extent desirable. The truth is, however, that those benefits are limited at present not only due to different obstacles to the development of renewable energy sources, but also to a large degree this sector is underestimated. As an example of the Commission contradictions it indicates that in the official balance for Portugal (Annex A5) there is an energy dependency rate of 96.7%, whereas in Annex A2 the rate of renewables is evaluated at 17%. Does that mean that also renewables are imported? If not, it is hard to make the figures match.

Ad para. 23

The last indent should be phrased as follows to reflect more precisely the situation:

'Strengthening economic and social cohesion also involves energy policy measures designed to foster, in the less-developed regions of the European Union, energy efficiency, the exploitation of local energy potential and access to the gas and electricity networks. At present, these regions have energy access costs and a level of energy intensiveness which are higher than the Community average.'

Ad para. 26

The low level of net cost of Community energy imports compared to GDP is not only a result of higher energy efficiency and a reduction of dependence on imported oil and petroleum products, but indeed also a consequence of the decrease in prices on energy raw materials and, especially, on oil. It would be interesting and more transparent to calculate the part of GDP also on that basis in order to evaluate the vulnerability of European economics. In para. 80, the Commission implicitly recognizes this situation.

Ad para. 28.1

It seems appropriate to include a comparison with the costs of energy for Japanese industry to get a better picture of the competitive challenge which EU-industries are up against. On the other hand, one should not draw any hastened conclusions on the link between overall competitiveness of industry and the costs of energy to industry.

Ad para. 29, second indent

Although the conclusion concerning the fundamental difference between the economic impact of (a) a drastic rise in energy raw material prices and (b) a rise in internal energy prices linked to new tax measures is entirely acceptable, the economic argument justifying it is threadbare and does not reflect recent history. It is well known that huge volumes of 'petrodollars' from the period 1974-1985 were pumped back into the economies of the OECD countries via the additional imports which the oil-exporting countries could afford and the investments they made with the financial institutions of the OECD countries.

Ad para. 36, first indent

The proposed increase in taxes for natural gas on account of "total fiscal equality between the different fuels" could hamper its use, which in turn would be contrary to the pursuit of environmental objectives. The hierarchy between economic and environmental objectives should be more clearly spelled out.

Ad para. 37.2

In the listing of energy industries' investments it is appropriate to include renewables.

Ad para. 39

The 300,000 to 400,000 jobs in the nuclear sector are to a large extent jobs in the electricity sector, not only in nuclear technologies. Actually, if nuclear power were to be replaced by, for example, the combined cycle, an important part of the jobs would be kept (alternate turbines, civil engineering, etc.)

The strengthening of competitiveness in each sector of energy is necessary to face competition from other developed countries in each of these sectors. It is, however, exaggerated to state that in order for a country to be competitive in one sector it is necessary for it to be so in all energy sectors. For example, Denmark is very competitive in costs on electricity production without being involved in all sectors (no nuclear production).

Ad para. 48

The Commission makes no mention of the "combined cycle", whereas it in Annex A2 (para. 101) underlines that out of a new capacity of 856 GW planned up to year 2000, 606 GW of this are gas installations. Nor does it seem to be concerned about the importance of Demand Side Management (suppliers of electrical power working out ways to satisfy customer needs by means of efficiency measures at the point of use rather than by increased supply).

Renewables may also be transformed into heat. The generated power from renewables is the most "safe" in terms of security of supply and, of course, also the least polluting.

Ad para. 53.2

The internalisation of external costs strategy is not to be preferred to a general tightening of environmental standards, but should be complementary to such a tightening.

Ad para. 58

The stated efforts on labelling are totally insufficient and make a retreat by the Commission compared to its former position. Labelling is a first step

but there is a need to set specific norms for consumption (refer proposal on refrigerators) mark in the EU and that on the basis of "best available technologies".

Ad para. 61.2

The English and French language versions are totally different. Which one applies? In the French text it is stated that it is uncertain whether the objective set by the Community to stabilize CO₂ emissions by year 2000 will be met. It is rather certain that it will not be met. Actually, all available studies (DG XI, XII, XVII) show that year 2000 emissions will be higher than those in 1990.

Ad para. 73 (iii)

The whole paragraph should be expressed in one phrase: The freedom to accept the nuclear option in accordance with the commitments entered into under the EURATOM-Treaty.

Ad para. 74

The answer to the questions under this paragraph is to embody regulatory powers at national and Community level.

Ad para. 77

A further point needs to be added to this paragraph: Cooperation with third countries and in particular with former COMECON countries and the underdeveloped ones is the only possible way to meet the objectives in terms of reduced global CO₂-emissions (refer conclusions from the Climate Conference in Berlin).

Ad para. 93

Generally, as far as all former COMECON countries are concerned the need for energy efficiency is the priority.

Ad para. 105, second indent

There is no reference to potential dangers from transfers of technologies concerning production of fuel NO_x.

4. CONCLUSIONS

4.1 What is the purpose of the Green Paper? Is the objective of the exercise to give new powers to the Commission in terms of harmonization, control of competition, setting objectives for security of supply and environmental standards and to promote a complete liberalization of the energy market? If this is the case, the Commission must clearly state this, and start by fully analysing the existing instruments (programmes, directives, norms), stating their shortcomings and explaining why, with the current dispositions and wording of the Treaty it is not possible to improve Europe's energy policy and situation. This is what the present document fails to do and without it, it is not possible to recommend any change of the Treaty apart from the ones already made:

- Co-decision with the Parliament in accordance with the Roth-Behrendt opinion on the Intergovernmental Conference 1996
- Full integration of EURATOM and ECSC Treaties in a single institutional framework

- Transparency and parliamentary accountability in energy matters namely as far as EURATOM is concerned.
- 4.2 The Environment Committee calls for a general framework for a common energy policy in accordance with the resolution adopted by the European Parliament on 10 March 1992 on a common energy policy on the basis of the Robles Piquer report.
- 4.3 The Commission should propose a least-cost planning directive as soon as possible.

O P I N I O N

(Rule 147 of the Rules of Procedure)

of the Committee on External Economic Relations
for the Committee on Research, Technological Development and Energy
Draftsman: Mr Jaime Valdivielso de Cué

At its meeting of 22 February 1995 the Committee on External Economic Relations appointed Mr Valdivielso de Cué draftsman.

At its meetings of 22 May and 21 June 1995 it considered the draft opinion.

At the latter meeting it adopted the conclusions as a whole unanimously.

The following were present for the vote: De Clercq, chairman; Hindley and Sainjon, vice-chairmen; Valdivielso de Cué, draftsman; Ferrer, Hautala (for Kreissl-Dörfler), Imbeni, Kittelmann, E. Mann, Novo, Nussbaumer, Sonneveld (for Verwaerde), Toivonen and van der Waal (substitute).

I. ENERGY PROSPECTS (see page 12 of Green Paper)

1. The physical availability of energy does not seem likely to create constraints between now and 2020; however, the fuel mix could be strongly influenced by environmental, technological, geopolitical and fiscal uncertainties.
2. Over this period, energy consumption in the European Union will grow slowly (1% a year), but the structure of demand could change markedly in favour of oil and gas. Environmental constraints could encourage increasing gas consumption, which could grow by 60% between now and 2020.
3. The European Union's energy dependence could increase from around 50% at present to 70% by 2020. Dependence on gas imports will increase most rapidly of all.
4. Energy consumption will grow fastest in the developing countries - so much so that, by 2020, these countries could account for more than half of total world demand and CO₂ emissions.
5. While it is uncertain how the energy supply mix will evolve because it can be affected by so many variables, it is clear that the nature of the demand for energy services will change. The pattern of demand will be determined increasingly by the needs of private individuals at home, in their cars or at work in the office. Traditional heavy industries, which consume a lot of energy, will play a less prominent role.
6. There will be a growing interdependence between western Europe, one of the largest energy users, and its immediate neighbours Russia and the Middle Eastern and North African countries, which are major energy exporters.
7. External relations will therefore play a key role: given the location of resources and the involvement of multinationals and governments, energy is an international commodity in terms of both production and trade. Commercial policy and the various international cooperation agreements will therefore play a central role. It is in everybody's interest to maintain security of supply as best as is possible.

II. SECURITY OF SUPPLY (see page 22 of the Green Paper)

The term 'security of supply' covers 'physical' security, economic security, continuity of supply and the quality of service provided to users, all of which are interrelated. However, a distinction must be made between two aspects:

- short-term security, which covers the capacity to avoid supply interruptions to users due to cuts caused by exceptional circumstances, and applies mainly to oil and gas;
- long-term security, defined as the capacity for the energy industry to guarantee an adequate, reliable and economic supply of energy in the long term.

The definition of security of supply differs according to the circumstances:

- correct functioning of the market should, by its flexibility, reach a balanced level where risk has been diversified, making it possible to ensure an economically acceptable supply of energy for both energy-using industries and for ordinary consumers, inter alia in accordance with the consumer policy provisions set out in the Treaty on European Union (Article 129a);

- nonetheless, appropriate instruments are required to ensure a swift response to shortages caused by a drastic reduction in available resources or any other threat to security of supply. Such measures will grow in importance as overall energy dependence increases while domestic reserves dwindle, and as supplies are increasingly sourced from politically unstable regions.

Price levels affect security of supply. Prices at too low a level can discourage operators from investing in new production or transport capacity, thus slowing down progress towards a diversification of sources of supply, and can discourage users from attempting to make energy savings.

III. CONCLUSION

The Committee on External Economic Relations calls on the Committee on Research, Technological Development and Energy to incorporate the following conclusions at appropriate points in its draft report:

The European Parliament,

1. Feels it necessary for the European Union to diversify as far as is possible its energy supply policy in terms of both types of energy source and countries of origin, so as to reduce the risk of interruptions in supply and to maximize competition between producing countries and substitute products;
2. Considers that the European Union and its immediate neighbours have as yet unexploited extensive potential hydro-electric resources and calls for such resources to be identified and utilized to the best possible effect so as to reduce to the utmost the Union's dependency on third countries for energy supplies;
3. Considers that a certain degree of price stability should be achieved, inter alia through the negotiation of long-term supply agreements;
4. Considers that the private sector in the Community should be encouraged to invest in producing countries, in industrial sectors involved in the production, transport and distribution of oil and natural gas in particular;
5. Considers that, to protect security of supply:
 - regular dialogue should be established on both a bilateral and a multilateral basis between the Union and its main energy suppliers,
 - multilateral dialogue should be promoted within the International Energy Agency and within a broader framework such as that established

- after the Gulf War in the form of meetings at ministerial level between producers and consumers,
- the energy sector in the Central and Eastern European countries and the newly-independent states should be modernized;
6. Considers that, through cooperation, dialogue and common disciplines, implementation of the European Energy Charter should contribute towards the development of this industrial sector in producing countries, and towards security of supply for the Union and the transfer of technology;
 7. Considers that bilateral contacts established under the cooperation agreements concluded with strategic regional groupings should be extended;
 8. Urges the Union to step up technology transfers and cooperation with developing countries, to help them contain rising consumption;
 9. Calls for the establishment of an energy cooperation programme with energy-using and energy-producing third countries, with a view to establishing a permanent dialogue between them and the Union;
 10. Considers dialogue at ministerial level between producers and consumers to be particularly valuable;
 11. Considers cooperation with the Black Sea countries to be essential to security of transit towards the Union;
 12. Feels that cooperation with the countries of the Mediterranean area should be further stepped up with a view to an EU-Mediterranean partnership and that interdependence between the Union and these countries justifies a multilateral approach similar to that laid down in the European Energy Charter;
 13. Attaches the utmost importance to the development of trans-European networks linked up to third countries.

OPINION

of the Committee on Transport and Tourism

Letter of the Chairman of the Committee on Transport and Tourism to
Mr Scapagnini, Chairman of the Committee on Research, Technological
Development and Energy

Brussels, 26 June 1995

Subject: Green Paper "for a European Union energy policy"
(COM(94)0659 - C4-0026/95)

Dear Chairman,

During its meeting of 21-23 June 1995 the Committee on Transport and
Tourism has examined the above-mentioned Green paper.

During the same meeting, it has adopted the following conclusions.

The publication of this Green paper on a E.U. energy policy is a tangible
expression of the Commission's intention to open a large debate on this issue
and it should be considered bearing in mind this aim.

As a preliminary remark it must be noted, nevertheless, that this aim
could be better accomplished had the Commission clarified its own intentions
or basic ideas concerning the future of a policy for the supply of the energy
requirements, and the level of consumption in the European Union. Despite a
vast analysis of the present situation and the statement for the need to set
new energy policy goals in a unified single market, which will be essential
for attaining a sustainable and non-inflationary growth while respecting the
environment, the Green paper does not provide a concrete and comprehensive
action plan which could implement these objectives.

The need to have such a policy at European Union level is not to be disputed. Until now, energy issues are dealt on a case to case basis and the rules applying to energy issues are dealt with by the ECSC, EURATOM and certain provisions in the EU Treaties. It was only in 1983 that the need was felt for defining common energy objectives, stressing the need for Community coordination, the strengthening of national operations and the launching of specific Community actions. Since 1986, the changes in the energy markets have been substantial. In this regard, the environmental aspects have played a major role, particularly with regard to traditional forms of pollution and the risk of climate change linked to the emission of greenhouse gases, for which the use of fossil fuels is largely to blame. The smooth functioning of the internal market concerns also the energy sector and requires the free transit of electricity.

The Commission sets therefore three policy objectives for the energy sector: creating or maintaining overall competitiveness, security of supply while protecting the environment.

While it is not clear if these objectives are mutually compatible, the Commission only mentions the need to pursue these objectives by reinforcing the level of concerted action and cooperation between the decision makers and the operators of energy policy within the Community, and intends to create the framework and the mechanisms for these actions. It is not therefore clear if the means are adequate to achieve the objectives set mainly in an area where national priorities and national policies can be very divergent.

The Committee on Transport and Tourism fully supports the Commission's statement that energy policy cannot be developed independently from other policies and activities of the Community. This does not, however, mean that the energy market must be necessarily liberalised or, if so, according to a single and uniform model. The difference inherent in the energy sources require a different approach and the link between security of supply and public service is certainly more fundamental in the energy sector than in other sectors, i.e. telecommunications. On the other hand, one coherent E.U. energy policy is essential to the development of better competitive conditions for the industry, through the lowering of energy cost, better energy supply, through the development of research activities on alternative energy sources and a better environment.

While energy demand has increased by 6.2% in the Community between 1980 and 1991, transport sector's share of energy demand has increased by 26.8%, the largest increase of any sector. This energy demand is presented as follows:

Balance of the transport sector			
Share in Total- Final demand	Share in total CO2	Road transport share	Private car share
31%	22%	78%	55%

This trend is expected to continue in the future. As one of the major consumers of energy, transport is also one of the major pollutants.

In the framework of setting-up a E.U. energy policy, the Commission is promoting a two-fold solution to the problems created thus for the environment and the safety of supply in energy resources. On one hand the aim is to promote savings in energy and limit CO2 emissions through taxation. The other aim is to promote efficiency standards and to ensure a slow-down of polluting emissions. An other objective is the promotion, through research, of new alternative fuels (i.e. biofuels). There have been improvements in fuel efficiency and the establishment of new emission standards for vehicles. Improvements in fuel substitution for vehicles have been negligible but a major advance would be an improved organisation of transport systems, specially in urban areas, a more efficient management of mass transit fleets and an improved system of combined transport.

Given the expected growth of the number of private cars -especially in the urban areas- the Commission estimates that an energy saving policy in the transport sector is an absolute requirement. It proposes therefore measures in the field of tariffs (internalisation of external costs) and an efficient public transport network.

It is clear that the majority of these measures must be adopted at national or regional/local level. However, the Commission must build the framework for a coherent implementation of these measures where they can have a cross-border effect. This would concern the safeguarding of fair competition in industry, where large consumers could seek their energy supplies abroad, in business and in particular for the SMEs, where a cost/benefit analysis for each proposal will be required to ensure their economic viability and competitiveness. Tourism relies mainly on SMEs and is particularly vulnerable to changes in the economic environment.

Finally, the Committee on Transport and Tourism believes that the EU needs a coherent transport policy or strategy which would provide for better and more efficient solutions and outlets to related issues such as research, competition, environmental and consumer protection. This could be the framework for addressing and solving problems such as fair competition conditions for transporters in and outside the European Union, transport's dependence on supply of energy sources, special transport requirements for remote or peripheral regions or the social aspects of transport. The Committee on Transport and Tourism would therefore ask the Commission to include the findings of such a research into its analysis and propose such a transport strategy linked to energy, economic growth and environmental protection.

Yours sincerely,
(sgd) Pam Cornelissen

The following took part in the vote: Castricum, van Dijk, van der Waal (in the chair), González Triviño, Grosch, Simpson, Sindal, Sisó Cruellas, Schlechter, Stockmann, Watts

OPINION

(Rule 147 of the Rules of Procedure)

of the Committee on Regional Policy
for the Committee on Research, Technological Development and Energy
Draftsman: Mr Axel ANDERSSON

At its meeting of 23 March 1995 the Committee on Regional Policy appointed Mr Axel Andersson draftsman.

At its meetings of 24 May 1995 and 21 June 1995 it considered the draft opinion.

At the latter meeting it adopted the conclusions as a whole by 24 votes with 2 abstentions.

The following were present for the vote: Mr Speciale, Chairman; Mr Campoy Zueco, Vice-Chairman; Mr Axel Andersson, draftsman; Mr Azzolini, Mr Baggioni, Mr Berend, Mr Botz, Mr Castagnede, Mr Cellai, Mr Chichester (for Mr Decourriere), Mr Collins, Mr Corrie, Mr Costa Neves, Mr Fernandez Marcin (for Mrs de la Merced Monge), Mrs Frutos Gama, Mr Gutierrez Diaz, Mr Lage, Mrs McCarthy, Mrs Myller, Mr Novo (for Mrs Sornosa Martinez), Mr Podesta', Mrs Rusanen, Mrs Schroedter, Mrs Sierra Gonzalez (for Mrs Ainardi), Mrs Spaak (for Mr Teverson), Mr Vallvé, Mr Walter

I. BACKGROUND

1. Your draftsman congratulates the Commission on its Green Paper "For a European Union Energy Policy" which aims to provide the European Institutions with a basis for evaluating whether or not the Community has a greater role to play in energy policy, as well as to stimulate a debate concerning the future energy policy within the Union.

2. The result of an analysis of the Green Paper is that there is a clear need to reinforce the level of concerted action and cooperation between the decision-makers and operators of energy policy, so as to meet the need for collective prioritisation of political actions at Community and national level. The Community as a whole will have to respond to challenges such as industrial competitiveness, security of supply and environmental protection.

3. Energy is central to economic and social activity, and therefore the conditions of supply, transport, distribution and consumption of energy are of interest to all. Energy is one of the driving forces for economic development and energy policy has a decisive influence on the fundamental parameters of economic and social cohesion such as employment.

4. That energy is a factor of economic and social cohesion is evident from the existing discrepancy in energy prices and energy intensity in these regions, compared with the central regions of the Union and has already been pointed out in a communication.¹ Energy options and decisions have both direct and indirect effects on employment, which is why the establishment of an energy policy must examine the consequences of a European energy policy on the various regions, and integrate the objective of economic and social cohesion.

5. The energy prospects presented in the Green Paper show that the energy dependence of the European Union will increase from around 50% at present to 70% by 2020. The physical availability of energy is however not judged to involve any constraints before 2020. The fuel mix could be influenced by environmental, technological and geopolitical uncertainties. Looking at energy consumption it will grow slowly in the Union (1% per year), but the structure of demand could change in favour of oil and gas.

II The European Union energy policy

6. It is recalled that the Treaty on European Union covers no specific responsibilities for energy policy apart from those which are specified in international agreements and those sectors covered by the provisions of the ECSC and EURATOM Treaties. Efforts to formulate a common approach did not materialise in rights and obligations bound to by the EEC Treaty. Neither was it later incorporated in the Treaty on European Union though many of the provisions in the Treaty have an impact on the energy sector.

¹ Energy and economic and social cohesion, COM(93)0645 final

7. The energy crises of the 70s lead to the formulation of a number of common objectives for energy policy¹ most of which have remained the same up until today namely diversified and secure energy supplies, energy efficiency and energy savings and production and use of alternative/renewable energy sources.

8. Even if the energy situations vary in the different Member States, it is characteristic that energy sector operators in most countries have enjoyed protection from monopolistic positions. Only more recently has more competition via deregulation been introduced in the energy market. For decades governments have been obliged to make a distinction between economic viability criteria of the energy industry on one side and public interest on the other. Public intervention has always been necessary to ensure that all consumers have access to energy, an element vital to economic and social cohesion.

9. The establishment of a common energy policy is however not easy since it involves a complex set of factors, imperatives and interests as well as differences in national and regional resources and energy balances. These objectives are often contradictory. The energy policy of the Community has to answer to these challenges and optimise the diversity of national and regional settings.

III Energy policy and economic and social cohesion

10. The instrument by which a balance between these objectives is to be obtained is the free operation of market forces, where the Commission states that the intervention of public authorities has to be restricted. Regulation has to be limited to measures necessary for the maintenance of effective but equitable competition between the actors. The role of the Community is to place all its horizontal or sectorial instruments at the disposal of these objectives, which as well as supporting national policies implies convergence of these policies and convergence between national policies and the policies of the Community. This is why it is important to formulate clear and transparent common objectives which can serve as a framework of action both for public and private enterprises.

11. In the long run the cost of access to energy is judged to decrease for most industries and other Community consumers. However, the least developed countries and regions are not only handicapped by having insufficient access to energy supplies but are also the least efficient in their use of energy. The benefits of the internal energy market will not be equal for the different regions within the Community as remoteness could make it uneconomical to extend the infrastructures to these areas.

12. Regions lagging behind are to a much larger extent dependent on energy imports than more affluent regions, they have the lowest energy consumption, are also inefficient in their use of energy i.e. suffer from technological backwardness and less diversified sources of energy supplies; they have little or no access to the big trans-european networks for energy. It is evident that the less developed regions do not constitute the most attractive markets for the energy industry.

¹ Council Resolution of 17 September 1974

13. For the least-developed regions some public intervention could be necessary. The Commission has made a list of areas where public authorities may intervene in proportion to the objectives compatible with the Treaty; protection of public service, security of supply, environmental protection and energy efficiency. The analysis of the consequences of the internal energy market for less developed regions, as well as of the supporting measures needed, is very limited in the Commission paper and needs to be further developed and given a more central place.

IV The importance of supporting measures

14. Within the context of its Structural Funds the Community has already taken a number of energy-related initiatives¹ such as improvement of energy infrastructures (REGEN), improvement of energy management and energy efficiency (THERMIE, VALOREN and promotion of regional and urban energy planning). Within the Community Support Frameworks of the least developed regions some 2 500 mECU are expected to be committed to the energy sector within the Objective 1 regions in the period up to 1999.² Other Community Initiatives where energy cooperation could be included are INTERREG and REGIS which promote cross-border cooperation projects, focus on the most remote regions and cover energy saving investment and local energy production.

15. Nevertheless large disparities remain which means that those energy related measures and initiatives which can help strengthen economic and social cohesion must be consolidated and expanded. If greater integration between the energy systems in Europe is to help to reduce those disparities, energy policy must include the objective of cohesion and equal access to energy must be recognized as a vital factor for the establishment of new enterprises and industry in peripheral regions or regions that are lagging behind and therefore also for job creation in these regions. The Community and the Member States must be prepared to play an important part in achieving that objective.

16. To make it possible to correct regional asymmetries, the Commission proposes the reinforcement or the extension of infrastructures, the development of energy efficiency and of renewable energy, by giving the economic agents favourable conditions and by contributing to regional planning. The new policies for trans-european networks are perhaps one of the most promising developments for the energy sector. The Commission states that the strengthening of economic and social cohesion and access to island, peripheral and isolated regions by the trans-european network should be included in energy policy actions. The work on planning and coordination has largely been done but the financial question remains to be solved.

17. To promote energy efficiency and make optimal use of indigenous energy potential, mainly renewable energy resources, would also be important measures to promote economic and social cohesion in the Community. Most of the less developed regions could use renewable energy resources to a much greater

¹ Exposed in Annex C in the Green Paper

² During the period 1989-1993 1 712 mECU was assigned for the improvement of basic infrastructures

extent. This would generate economic activity, that is creating added value and new jobs and also increase the competitiveness of local firms. Renewable energy in some Member States is beginning to play an important role in a great number of local communities and in individual households and still has the potential of being developed further.

18. Transfer of technology, the use of less energy consuming processes, the search for and utilisation of renewable energy and energy saving are all areas which could contribute very positively to the improvement of the energy balance, and therefore also to employment, for the less developed regions. The exploitation of local energy resources, as well as the extension of trans-European networks to peripheral regions, demands however major capital expenditure which means that this is only economically viable in a medium to long-term perspective and will have difficulties in attracting private operators. An important task for the Community would therefore be to help with some of this funding (eg. REGEN). The same goes for the promotion of energy efficiency which would imply major investments (financial and human resources) to acquire the technical competence and know-how where support could be given by the THERMIE programme.

V Conclusions

The Committee on Regional Policy therefore asks the Committee responsible to include the following considerations in its motion for a resolution:

1. Calls on the Commission and the Member States to integrate the objective of economic and social cohesion into energy policy and, at the same time, to use energy policy to help strengthen such cohesion;
2. Recalls the importance of introducing a set of supporting measures such as financial, technical and human resources when establishing the internal market for energy, relating to energy infrastructure, energy efficiency and the exploitation of regional energy resources;
3. Calls also on the Commission to make the Member States aware of the energy perspectives for the European Union and their important role in promoting the production and use of renewable energy sources and minimizing the environmental impact of production and use of energy.

O P I N I O N

(Rule 147 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy
for the Committee on Research, Technological Development and Energy

Draftsperson: Ms. Heidi Hautala

At its meeting of 6th April 1995, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Ms. Heidi Hautala draftsperson.

At its meetings of 24 May, 18-20 July, 06/07 September and 18 September 1995 it considered the Commission's green Paper and the draft opinion.

At the last meeting it adopted the conclusions as a whole by 33 votes in favour and 4 votes against.

The following took part in the vote: von Wogau (chairman); Katiforis (vice-chairman); Hautala (draftsperson); Areitio Toledo, Argyros (for Friedrich), Beres (for García Arias), Billingham, Blokland (for de Rose), Bowe (for Metten), de Bremond d'Ars, Cassidy (for McMillan-Scott), Caudron, Christodoulou, Cox (for Watson), Donnelly, Garcia-Margallo, Garosci, Garriga Polledo (for Lulling), Gasoliba I Böhm, Hendrick, Herman, Hoppenstedt, Kestelijn-Sierens, Konrad, Kuckelkorn, Langen, Murphy, Peijs, Podesta (for Mezzaroma), Randzio-Plath, Rapkay, Read, Riis-Jørgensen, Rönnholm, Secchi, Thyssen and van Velzen (for Spindelegger).

I. Conclusions

The Committee on Economic and Monetary Affairs and Industrial Policy asks the Committee on Research, Technological Development and Energy to include in its report (Van Velzen, PE 212.872/rev) the following amendments:

- having regard to the Commission's White Paper: Growth, Competitiveness and Employment (COM (93)700),
- having regard to the Commission Communication: Economic Growth and the Environment, Some Implications for Economic Policy Making, (COM (94)465
- Whereas energy policy has both a strong European and a strong local dimension: rules guaranteeing fair competition can best be applied at EU level, while energy efficiency can often be maximised at local level, for example through the development of power and heat co-generation.
- whereas the diversification, flexibility (including small scale) of supplies, research and technology are essential means of achieving supply security.

A. Competition / Liberalization of markets:

1. Takes the view that the definition of the objective on overall competitiveness needs to be clarified, bearing in mind the following points:
 - a) the discussion on the internal market should not be considered as an ideological debate, but an attempt to place a more efficient energy sector at the disposal of the European economy and its citizens;
 - b) one of the main aims of the trans-European energy networks should be to rationalise and make more efficient both production and transmission capacities, promote renewable energy sources and as an instrument of integration contribute to the sustainable competitiveness of European industries;
 - c) incorporation of a greater degree of flexibility into the production, transport and distribution systems, encouraging the decentralisation of production thereby avoiding wasteful long-distance transmissions of electricity, rationalising production, production methods and capacities, represent ways of contributing both to the competitiveness and efficiency of energy markets as well as to the protection of the environment;
2. Suggests that more importance be given to the new tasks and role of energy suppliers/utilities in as far as Demand Side Management i.e. the range and quality of services, is concerned. This should be done by having in mind the proposed Commission directive on Integrated Resources planning (IRP), which should include the least cost planning concept as requested by Parliament. Increased competition should lead to greater energy efficiency, producing energy savings at all levels of the energy chain and in particular be used to promote energy efficiency services as a way of lowering the energy bills of the end consumers rather than focusing on the price of energy as such. Also, transmission/distribution

companies should be required to reward customers who reduce demands on the system, thus enabling them to avoid new investment.

Furthermore, the price transparency directive for gas and electricity (90/377 EEC OJ L 185 of 17 July 1990) should be extended to all industrial consumers and should further include cost transparency.

B. Security of supply / Relations to third countries:

3. Calls also for the Commission to give clearer indication as to the means of securing supply and in doing this to emphasize the following:
 - a) create a long term competitive edge for the EU giving priority to cutting down energy consumption by eg. creating favourable conditions for the different actors, setting stricter targets for energy consumption and savings for all, prioritizing investment in new/efficient technologies and by encouraging reconversion of industries towards less energy intensive sectors;
 - b) recognize renewable energies as the main long term energy sources and to therefore focus the bulk of research effort into this field with a view also to establishing Europe as a leader in these technologies;
 - c) recognize the role of energy efficiency as a least cost means of ensuring long term security of supply and promoting competitiveness;
 - d) take full account of the external costs created by different energy modes, to reflect fully their environmental-, social- and risk costs; this could give rise to new forms of technology and shed new light on the discussions on balancing correctly the competing energy supply alternatives;
 - e) close down the unsafe and inefficient Central and Eastern European reactors and replace them with efficient power generation and demand side efficiency improvements more quickly and at lower cost;
 - f) co-operate in energy matters with Central and Eastern Europe, Russia, North Africa and the Middle East in a coherent and responsible manner taking into account the long term effects of different policy options on all parties involved.

C. Taxation / harmonized legislation:

4. Feels that in the Green Paper too little consideration has been given to a possible taxation reform / fiscal harmonization in the energy sector; suggests therefore that the Commission when elaborating the White Paper should, inter alia, take into account the conclusions of its Communication on Economic Growth and Environment, (ideas already indicated in the Delors White Paper on Growth, Competitiveness and Employment).
5. is of the opinion, that the proper functioning of the internal market may be placed in jeopardy by divergent national environmental policies

and fiscal approaches. Some Member States already have functioning energy tax models in place. Ecological policies are, however, in danger, if the energy markets are simply liberalizing without taking into account the need for harmonization on other related issues as well.

D. Environment : Needs of industry, the economy and employment

6. believe, that environmental protection must be one of the central objectives of energy policy. Economical, rational use of energy, the development of power and heat co-generation and of renewable energies should, for both environmental and economic reasons, be incorporated into the objectives of the energy supply undertakings.
7. considers, that since energy is a production factor, its price and availability have a central role to play in industrial production and employment; a balance must therefore be found between an approach based on environmental concerns, and an approach taking account of the needs of industry; these two approaches can be compatible; the development of new energy technologies can help to solve environmental problems, while giving European industry an important first mover advantage.