

Resolution on Europe and energy-----
Approved by the Central Council on June 7th 2013

1. The Economic and Social Commission (ESC) of the European League for Economic Cooperation (ELEC), meeting in Paris on May 28th 2013, discussed the theme "**energy in Europe**", with several experts: Agnès THIBAUT, European Commission, Directorate-General Energy; professor Jean-Marie CHEVALIER, Université Paris Dauphine; Olivier APPERT, president IFPEN; Professor Florent FLUES, *Centre for European Economic Research* in Mannheim; Bruno REBELLE, Cabinet Transitions, French National Commission on the energy debate; Jean-Marc JANCOVICI, former Professor, Manicoré company.

The ESC arrives at the following findings.

a) Energy is a crucial issue for the development and the environment in a world with a population that currently exceeds 7 billion people and could reach 9.3 billion by 2050 according to the medium scenario of the United Nations. Taking into account the needs of improving the standard of living, particularly in the countries in the South, the global annual consumption of energy around the world could double by 2050. Furthermore, despite saving efforts and the slowing down of consumption due to the economic and social crisis prevailing in many EU countries, the demand for energy remains at a high level in Europe. The fight against global warming is also a major issue which involves among other things a reduction of greenhouse gas emissions by 2 globally and by 4 in the more developed countries between 1990 and 2050.

b) Energy has been at the heart of European integration from the outset: ECSC in 1951, Euratom in 1957. It remains today an important community issue: participation of the European Commission on behalf of all Member States in the negotiations on climate change; emission trading policy; Community objective of 3 x 20% by 2020; gradual opening up of the European energy market; financing of networks for interconnection; fight against dumping of some non-European countries; development of standards (such as the EURO 5 pollutant emission standard), etc.. The Treaties (TFEU 4, art. 194) make energy an area of shared jurisdiction in a spirit of solidarity between Member States: this to ensure the functioning of the energy market; to ensure the safety of energy supplies of the Union; to strengthen energy efficiency and savings of energy and the development of new and renewable energies; to promote the interconnection of energy networks. But this European energy policy is fragmented and the results are clearly below the

objectives: collapse of the price of emission permits; long delays in the objectives of the 3 x 20% standards. The growing energy dependency of Europe, - already spending 3% of its GDP (500 billion €!) on imports of oil, gas and coal - remains a major concern in a geopolitical context that is unstable and faces strong growth of Chinese demand that competes with our needs.

- c) The cost of energy is a serious handicap for European competitiveness: Compared to the United States (lower energy cost thanks to the exploitation of shale gas), the European price of gas is 4 times higher and the price of electricity paid by companies 27% higher. This extra cost brings our companies in a worrying state of trouble against their competitors. Energy is also responsible for higher inflation in the European Union.
- d) In the current state of the European treaties, the energy policies of the Member States are still largely national and little coordinated. The negotiations with major suppliers of gas such as Russia or Algeria are conducted in a spirit of "every man for himself". The energy mix is very diverse. Strategic decisions are made unilaterally, without taking into account dependencies: decision to get out of nuclear power in Germany and Italy, much more limited and slow reduction in France; extensive use of coal in Germany; decision in principle in favor of shale gas in Poland, freeze in France; opposition to big interconnections; national taxation of hydrocarbons; differences in the level of support for renewable energies from one country to another, leading to contrasting levels of development; uncoordinated - or even competing – research on renewable energy, storage of CO₂, treatment of nuclear waste, decentralized storage of electricity, etc. Industrial production is in difficulties in some strategic areas: photovoltaic production, batteries, nuclear industry after Fukushima, etc. No European industrial policy emerges in the strategic field of energy, in particular because of the primacy of competition policy.

2. The CES supports those who advocate the establishment of a genuine European energy policy. In line with the conclusions of the European Council of May 22, our Committee makes the following recommendations.

- a) The most effective action in ecological and in cost-effective economic terms is **looking for energy savings**. This supposes a selective policy of encouraging energy savings: particularly in housing, where an extensive thermal renovation program is needed and that must be combined with the development of "smart grids", eco-areas and renovated town planning; but also in transport (supply of public transport, improving the performance of internal combustion engines, electric cars); the progress already made by the industry on energy savings and pollutant emissions should be pursued. Idem in the agricultural sector.

- b) The competitiveness of the European Union is a crucial issue. Therefore **the cost of access to energy must be maintained as low as possible**. This implies:
- Arbitration between consumers and producers, e.g. in regard to the price of electricity (electricity is charged at very different prices in different countries, ranging from 30 cent/KWh in Germany to 8 cent/KWh in Bulgaria). At the same time a safety net should protect the poorest of 'fuel poverty' (defined as spending more than 10% of their household income on energy);
 - Narrowing of gas price differences between Europe and the United States; this could be favored by renegotiating long-term contracts with suppliers (the Commission could potentially, as suggested by J. Delors, negotiate contracts procurement frameworks, which would be then be resold internally), by the intensifying competition, and by a European policy more favorable to shale gas, nuclear energy and clean coal.
- c) Also with a goal to increase diversification and to decrease energy dependency, **European shale oil and gas production capabilities cannot be neglected**. We need to learn more about our potential reserves, in quantity as well as in quality, and to proceed as soon as possible to cost-effective and more environmentally friendly extraction methods. This requires an important research effort, which must be authorized and contemplated in regions where exploitation of shale gas is currently prohibited. Our Committee recommends a major European program to be put in place to coordinate and fund efforts in this field, just as it is done for example for carbon storage.
- d) It is important to continue progress towards a **genuine European energy market unification**. A reduction is necessary in the share of tariffs administered at the national level and subsidies that exist in many European countries at the expense of the freedom of movement of goods and that distort the price signals of markets. Enhanced cross border transportation grids, with open access to each country, also are of the essence to reach this objective.
- e) To promote saving fossil fuels and reducing emissions of CO₂, **it is important to provide a significant and predictable cost per ton of fossil consumed carbon**. Such was the object of the European quota market that is overwhelmed today by overabundance. The European authorities must have the courage to take the decisions (freeze or postponement of allowances) that are required to animate this market. On the other hand, safeguarding European competitiveness and fair international trade rules require a system of neutralization at the borders of the Union (a "carbon added tax"), paid by importers and by local producer, and export deductible).

- f) **The development of new and renewable energy** (wind, photovoltaic and thermal solar, marine, biomass, but also hydraulic energy) **is a priority**. This requires considerable investments, which must be assured by individual countries but in a coordinated way and partially funded by Community framework loans (EIB, Project Banks). Furthermore, to reach technical market standards (progress on the '*learning curve* ') a substantial part of the European program for research and technological development should be devoted to research, development, innovation and the development of processes for the production of energy and for developments such as transport networks, storage of CO₂ and storage of electric energy (pumping, batteries, compressed air, hydrogen, nanotechnologies, metal hydride).
- g) **Nuclear energy which is cheap and operates continuously, will remain necessary for long time** in the European energy *mix*, even if some countries stay on the sidelines (Italy, Portugal, Austria) or decided to leave (Germany, Spain) at a significant extra cost for their population. It is nevertheless essential to further enhance nuclear safety, waste treatment and counter-proliferation precautions. It is also necessary to make progress on evaluation, encryption and provisioning of dismantling costs.
- h) New and renewable energy and nuclear power are not enough to cope with demand peaks (e.g. in winter). **A partial reliance on fossil energy is necessary, permitting power plants to start up faster and pollute less (gas turbines) rather than as is the current trend, by coal-fired plants**. Finally, a considerable effort of investment needs to be done to advance the CO₂ storage technology, develop new transport networks that are interconnected to electricity and gas. The goal should be to distribute the power produced by renewable energy, to better spread peak periods (which are not the same in EU countries) and also to deal with possible failures. These transport networks could even be intercontinental, as in the Desertec project, which would contribute furthermore to the common development of both shores of the Mediterranean.
- i) The consequences of the different economic benefits of the different choices in energy activity, should be more fully evaluated at the European level.
- j) All of the foregoing considerations indicate **the absolute necessity to develop a global and ambitious common energy policy**. It requires institutional changes allowing to suspend the rule of unanimity. Short of this, the (second-best) approach of an "enhanced cooperation" (coopération renforcée) could be followed. This policy must aim to ensure that producers have in a level playing field access to energy at competitive prices, while encouraging consumers to save energy. To achieve this, substantial investments must be made in research and innovation and at the same time networks and facilities (including new and renewable energy) and energy

saving programs should be developed. They must be co-financed by a community resource - possibly anticipated by a European loan - such as a tax on energy or on pollution (greenhouse gas emissions), the sale of carbon quotas or a tax equalization at the borders.

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