



EUROCHAMBRES

Connecting **business** to Europe

Position Paper

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Energy Strategy 2011 - 2020

Response to the Commission Consultation on the new Energy Strategy for Europe 2011 - 2020



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Setting the path now for the future of European energy

The world's growing demand for energy and the objective to limit global warming require significant investment in new energy infrastructure, a wider use of existing low-carbon technologies and the development of future low-carbon or carbon-free technologies. The new European Energy Strategy must set a framework for the next ten years and beyond, which recognizes the importance of a secure and low-carbon energy supply at competitive prices and offers attractive conditions for the required investments as well.

In the past years a substantial amount of legislation has been decided upon, but full implementation has not yet been achieved. Before drafting new legislation it has to be thoroughly evaluated to what extent the full implementation of existing EU legislation will contribute to meeting the future challenges.

This consultation is asking for broad views on the future of European energy policy.

EUROCHAMBRES' view is that the focus should be placed on:

Energy Efficiency

The Commission states in the stock taking document that “energy sustainability means less energy and less greenhouse gas emissions *per unit of output*, not in absolute terms”. This statement should be taken as a starting point for future measures in the field of energy efficiency. We need more and better targeted information about ways to cut energy consumption in relation to the output of companies but no regulation constraining the absolute energy consumption of industries and businesses. Neither governments nor research institutes could assess and determine the “right” amount of energy that should be consumed. State-set energy consumption targets may lead to a limitation of economic growth. This would be detrimental, as the creation of jobs and additional revenue to reduce public budget deficits are vital to stimulate European economic recovery.

Investors and consumers must perceive the double dividend of enhanced energy efficiency which combines cost reductions and a contribution to the goals of climate and energy policy. Chambers assist companies with improving energy efficiency by providing information and connecting market actors. Highlighting the benefits of energy efficiency, especially the results which can be reached through no and low-cost investments is one of the most important aspects. Through projects such as CHANGE (Chambers promoting Intelligent Energy to SMEs) SMEs, are assisted by Chambers to become more energy efficient.

- While energy efficiency is generally seen as a win-win situation, it must not be attained at the cost of reducing quality. Reducing energy consumption in relation to the output has to be achieved through sustainable and long term actions. This should be attained by supporting (information, financial incentives etc.) companies to become more energy efficient. Businesses require adequate adaptation periods, in order to ensure that negative impacts on quality are avoided.
- Barriers preventing SMEs from becoming more energy efficient have to be removed and avoided. While standards at European level are necessary for certain product groups, enough room has to be given for regional specificities. Legal stipulations may not deter investors; e.g. owners of buildings must be able to pass on energy efficiency investment costs to tenants.

- While investments into energy efficiency are being made, the economic situation and its effects on investments have to be taken into account. As many companies are still struggling with financial restrictions, a reliable long-term schedule for financial incentives has to be established in the member states. This should also be applied to thermal rehabilitation of buildings, a sector that could deliver a considerable reduction in greenhouse gas emissions and energy consumption while simultaneously increasing the quality of housing.

Renewable Energies

EUROCHAMBRES supports the EU's goal to increase energy from renewable sources to 20% by 2020, but this goal has to be pursued in a cost efficient way. Low cost potentials must be identified and taken advantage of. Member states are called upon to further exploit the options foreseen by the Renewable Energy Directive for closer co-operation between Member States in reaching their targets. Furthermore, the Commission should develop a mid-term strategy for a European harmonisation of incentives to invest in renewable energies, especially with regard to tighter financial resources and in order to allow investors to focus on the most appropriate solutions for various regions.

Grid infrastructure

The European energy infrastructure, especially the electricity grid, has to be compatible with the challenges of the future: a growing percentage of renewable energies being fed into the network, security of energy supply and competitiveness. Substantial investments are required to adapt the grid infrastructure to these requirements. The actions taken by the EU and member states have a great influence on how investments in the grid infrastructure are made. The key to sufficient investment is the regulation of the grid. The regulatory authorities have to apply regulatory systems that do not neglect incentives to invest in new grid infrastructure and the quality of the existing grid. An adequate regulatory system must create a self-interest of grid operators to observe today's shortages of grid infrastructure and assess the need for new infrastructure to meet future demand. This is a more efficient way to allocate grid infrastructure than new large funds on a European level which might not allocate financial means to investment projects that actually reflect future market requirements.

- The intermittent character of electricity supply from wind and photovoltaic sources makes the task of keeping a constant voltage more difficult. However, this is indispensable for a reliable and stable supply of electricity. Therefore, options to balance supply and demand should be evaluated thoroughly in terms of cost and effectiveness. Intelligent grids and intelligent meters offer the opportunity to solve a part of this problem if tariffs give price signals to the market actors that a contribution to the stability is worth trying. The supply side could invest in storage facilities, e.g. pump storage hydro power plants, whereas energy consumers could manage their electricity demand (e.g. shifting peak loads).
- Permitting procedures for the construction of energy grids have to be optimised and regional barriers and resistances must be considered.

Internal Energy Market and national energy mixes

While the legal framework for the liberalisation of electricity *and* gas markets is already established on paper, in practice, changing one's gas supplier remains extremely difficult in many member states. The focus has to be on the full implementation of the 2nd and 3rd Energy Package. At the same time it must be guaranteed that the necessary infrastructure is available for implementation. However, provided that the allocated targets in terms of CO₂ emission cuts and of renewable energy share are being reached, national energy mixes must continue to be Member States' own choice and

responsibility. National energy mix choices should not be fully offset by interconnections and solidarity mechanisms within the energy market.

Innovation & Technology

Europe has to maintain its technological leadership, by guaranteeing an innovation friendly environment. Long term roadmaps have to set incentives for European technology development. For the development of sustainable technologies it is of utmost importance to increase substantially the level of public and private spending on research and development. For the allocation of financial funds a technology neutral but low-carbon approach is needed to allow for a wide choice of solutions for a sustainable economy. While fossil fuels will carry on playing an important role in the energy mix in the coming years, the development of new technologies has to contribute to climate and environmental protection. New technologies should contribute to a reduction in emissions, e.g. carbon capture and storage, and heightened security standards.

Beyond EU borders

Cooperation with neighbouring countries has to be continued and further developed. The EU has to ensure diverse supplier countries, energy sources and supply routes. As with conventional sources of energy, a diversity of supply routes for renewable energies should be pursued, ensuring benefits for both sides.

EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the only one so close to business. EUROCHAMBRES has member organisations in 45 countries representing a network of 2000 regional and local Chambers with over 20 million member companies. Chamber members employ over 120 million employees.

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