

Competitiveness and energy: two sides of the same coin

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The year 2009 started with three crises: the economic one, the gas crisis between Russia and Ukraine and the bushfires in Australia. All three are intimately related to the energy industry and all three require a global response; in our case, a coordinated response at European level. This is why I would like to explain in this article how the European Commission plans to do a new industrial revolution based on a common energy policy so as to change the dominant paradigm based on fossil fuels and create a trend towards the energy of the future, an energy that improves our competitiveness, sustainability and supply safety.



In these times in which the financial and economic crisis forces to tighten the belt, we need to distinguish products and services that are really necessary from those that are not. Energy can be regarded as being part of essential services: we need power for our homes but also for our computers and transport systems – all in all, to have our economy work.

At European level, we are aware of the importance of energy for our economy's competitiveness and for our citizens' wellbeing. In fact, energy is one of the core items of the EU strategy to create economic growth and new jobs. For instance, the creation of a competitive energy market in the long term will help reduce the energy cost for our consumers, which will allow them to increase consumption in other areas, a key element to secure economic growth. Likewise, we have already seen the appalling effects of high energy prices on the economy as we suffered them in the first half of 2008.

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However, competitiveness is just one side to energy policy. Energy supply and production needs to be safe and sustainable. When I refer to safety, I do not only mean that energy needs to be protected from risks (both accidental and criminal) but we also need to make sure that every citizen and every company has access to affordable energy. This is intimately related to sustainability because it is obvious that we need to make sure that energy-related economic turmoil does not bring about climate change in the long term, for which the energy industry is especially responsible.

Ensuring clean, safe and affordable energy is a big challenge. The European energy policy will play an essential –though not exclusive– role to tackle it. We have a good starting point. Originally, the European Union was born from the will of sharing two very important energy resources: coal and nuclear energy (ECSC

–European Coal and Steel Community– and Euratom –European Atomic Energy Community– treaties). As time passed, the European energy policy was extended to other areas, particularly power and gas, creating a single market. Environmental awareness, especially following the signature of the Kyoto protocol, led to fostering clean energy sources such as renewable energies or the creation of a greenhouse gas emission market.

Based on all this, all EU institutions have worked to set out an even more ambitious strategy that allows to take on the challenges of the 21st century. Since 2006, the Commission has been setting the main lines of this strategy with a true European Energy Policy. The implementation of the 2006 plan has led to the famous three-fold 20% strategy for 2020: 20% reduction of CO₂ emissions, 20% of renewable energies on final energy consumption and 20% energy savings. At the European summit held on 11 and 12 December 2008, a final agreement on the main lines of this strategy was reached. This agreement clearly shows that the EU way of doing things still works and yields concrete results.

However, it is time now to look towards the future. On 13 November 2008, the Commission presented the action plan for the following years, the Second Strategic Energy Review. I would like to point out some of its elements.

The first is energy efficiency. In 2006, the Commission adopted an Action Plan for Energy Efficiency that sets the ambitious goal of reducing energy consumption by 20% as of 2005. If this goal is met, the European Union could save 100 billion euros every year and reduce CO₂ emissions by 780 million tons a year. One measure within this action plan is the decision to gradually take incandescent bulbs from the market, which shall allow to save energy equivalent to the consumption of 11 million households and inject 5-10 billion euros a year back into real economy.

The second element is competitiveness. In 2005, the Commission started a survey to identify

problems in the domestic energy market. This research concluded that there were big obstacles to safeguard competition in the market and freedom of supplier choice by consumers. To solve these problems, the Commission submitted an ambitious package in September 2007 aiming at market integration and non-discriminatory access to networks, with a clear separation of the competitive market side (generation and sales) from the monopolistic one (transmission networks). This measure was reinforced by enlarging the powers of energy regulators and creating a European agency aimed at integrating the rules of the game at European level.

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The third area of action is supply safety. The Commission recently presented an **Action Plan for Transmission Infrastructure Development**. This plan identifies the priority projects needed to bring about both the integration of European markets (power interconnection between France and Spain is a clear example for it) and supply safety (e.g. the Caspian Sea gas pipeline). The plan is completed by a true international energy policy based on the permanent dialogue with our main suppliers and a determined diversification policy related to energy sources, countries of origin and transmission routes.

In fourth place, there is a will to increase the ratio of renewable energies on overall energy consumption. In early 2008, the Commission presented a directive to increase the renewable energy rate from a current 8.5% to 20%. This ambitious and compulsory goal has now been accepted by all member states. This will create the necessary investment safety to develop a high-tech industry that will allow to curb external dependence, reduce emissions and create businesses and jobs in Europe.



▲ Andris Piebalgs and José Manuel Durão Barroso at a European conference on energy

The fifth element considers the will of the EU to promote these goals at international level by means of a big global partnership for energy efficiency that contributes to reach an international agreement on the struggle against climate change. To do so, a meeting will take place in Copenhagen in 2010. The European Council has also reached an ambitious agreement to reduce CO₂ emissions and to set up a CO₂ emissions market that places us at the forefront of the global struggle against climate change.

The European Union shall promote its goals at international level by means of a big global partnership for energy efficiency.

Within the sixth area, the Commission has presented an Action Plan for Technology Promotion aimed at all those technologies able to contribute to meet our environmental and renewable energy goals. These technologies can lead to a new industrial revolution based on clean

energies and intelligent networks that allow to overcome the depletion, sooner or later, of fossil fuels.

These six working areas show how the **Commission** works for the goal of obtaining clean, safe and affordable energy. With this strategy, the Commission also makes an important contribution to competitiveness of the European economy and the reduction of risks inherent to external dependence and energy price volatility.

It remains to be seen if the current economic crisis will be an obstacle or an opportunity to carry out this new energy policy. On the one hand, the financial crisis will make it more difficult to raise credits for urgent energy investments, but this would happen with any energy model anyway. On the other hand, many experts consider that in order to leave the crisis behind, public expenditure

on activities creating jobs and economic growth in future industries will be needed. Based on what I explained above, investment in energy efficiency, renewable energies, interconnection infrastructures and clean technologies means expenditure on industries with a great growth and job creation potential at the locations where the investment is done.

Besides, these investments will reduce the risk of external dependence, increase competitiveness of the European economy and place Europe at the forefront of those technologies that will ultimately dominate the energy market once oil starts running out or becomes too expensive to be considered a feasible option. For these reasons, I think that, as opposed to what others say, the economic crisis does not need to be a reason to reconsider the European energy policy but rather a reason to accelerate it.

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