EUROPEAN CHEMICAL
REGIONS NETWORK

# ECRN Joint Position

**concerning the Green Paper of the European Commission**

**„A European Strategy for Sustainable, Competitive and Secure Energy“**

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The permanent working group of the ECRN decided at its meeting in Brussels, on September, 21, 2006 to take part in the consultation process on the Green Paper of the European Commission “A European Strategy for Sustainable, Competitive and Secure Energy” and adopted a position paper following the questions of the internet consultation.

The chemical industry highly depends on the energy sector and its developments. The sector is an intensive user of energy, not just in the manufacturing process, but also as a feedstock. For that reason an active participation of chemical regions in the discussion on the further shaping of the European energy policy and strategy is reasonable and necessary.

## A. Competitiveness and the internal energy market

**Question 1.:** *In order to achieve the goal of a genuine single market, what new measures should be taken at EU and MS level?*

The ECRN calls for consistent implementation of an open and competition-oriented internal energy market. The European Commission should develop a strategy to achieve this aim.

A market needs physical and legal infrastructure, information and transparency and the participation of all mayor players. Reinforced separation of network operation from production and supply (unbundling) and harmonised grid access, needs to be achieved to establish a genuine single market. The legitimate needs of energy intensive industry such as the chemical sector requires special consideration.

There is no need for another European Agency in the field of energy. The member states, National Agencies, the International Energy Agency and the EU are able to fulfil this task. The implementation of existing directives and strengthening of the responsibilities of National Agencies as well as granting harmonized conditions for all enterprises are efficient and flexible measures on this way.

The EU should keep existing structures of supply, in doing so guaranteeing the current responsibilities of municipalities in this field i.e. capacity to decide whether or not to use the energy supply services brought by municipal energy supply enterprises. It would also be

important to maintain the possibilities that current structures allow, for municipalities to cooperate with other local authorities to strengthen capacities of self-production.

**Question 2.:** *In order to develop a single European grid, what should a "European Grid Code" contain?*

The ECRN welcomes the aim of the Commission to strengthen the security of supply in co-operation with all member states. Transparency about energy savings in Europe is necessary together with the physical security of the infrastructure. Early awareness of likely shortfalls in supply and infrastructure will be necessary to ensure future security of supply.

The Commission should support the liberalisation of energy markets in all member states and watch the propriety of energy prices, avoiding discrimination in market entry.

**Question 3.:** *Apart from ensuring a properly functioning market, how can the EU stimulate investments in infrastructure and generation capacity?*

The ECRN would welcome an EU-wide agreed framework within a transparent market defining instruments for stimulation of investment.

The competency and responsibility of enterprises for investment in energy infrastructure and its financing should be taken into consideration.

European markets for electricity and gas must be further liberalised, because of the effect on competitiveness and energy efficiency and contribution to climate protection. Subsidies that distort competition must be eliminated. The instruments of taxation and economic intervention should only be used in those cases where market based mechanisms fail.
The E.U. Member States all face tremendous challenges to reduce the amount of waste that is land-filled and increase the rate of re-cycling one solution is to convert waste into energy via refuse derived fuel (RDF).

**Question 4:** *How can it be ensured that all Europeans enjoy access to energy at reasonable prices?*

The ECRN supports the Commissions aim to take measures to achieve a competition orientated, genuine single market for electricity an gas.

The ECRN agrees with the Commission that the importance of renewable energies, as part of the energy mix needs to increase in line with the rising cost of energy. This also means a decentralisation of energy production. The electricity networks are not especially prepared for this development. Studies and finally investments are necessary in this field.

Energy saving and the decreasing of dependence on expensive energy imports should also be a priority.

One avenue that must be looked at is the use of Refuse Derived Fuel (RDF).

The EU should

- ensure that technical requirements are in place to allow European internal trading, including surplus production;
- ensure that mechanisms are in place to avoid large discrepancies in energy prices,
- defend the single market against high prices and impacts resulting from unforeseen external supply limitations,
- define a non-discriminating responsibility for each Member State to create energy deposits.

**Question 5.:** *How can the internal energy market contribute to maintaining employment levels?*

Employment levels can only be maintained, if the innovation speed within the economy can cope with the rising energy prises.
The national markets should grant fair and free competition to stimulate investment. Better technical conditions are necessary, like the extension of the cross-border lead networks or other measures as well as the harmonisation of national legislation and the elimination of trade restraints and competition clauses.

**B. Solidarity**

**Question 6.:** *What can the Community do to prevent energy supply crises?*

Energy supply crises can only be prevented if there are stable political conditions in the main producer countries. EU foreign policy should contribute on that and develop good relations to those countries.

Due to the physical security of the European infrastructure the following actions could be taken:

As for the more decentralised production of energy in the future the European supply networks must be restructured. There should be found an optimum between energy (electricity) storage and the extension of electricity nets also between member states. Measures to create new strategies stimulating innovation in this field should be taken by the Commission.
Other technologies for the production of electricity are to be supported such as the use of Refuse Derived Fuel (RDF).

To secure the infrastructure common European standards cannot be defined. Differences between member states are too big. It should be in the interest of the member states to have high standards for the infrastructure.

**Question 7:** *Which measures need to be taken at Community level to manage energy supply crises if they do occur?*

A European solidarity mechanism could be developed to prepare for damages of the energy infrastructure. Ongoing monitoring would enable prompt early European response to emergency situations.

## C. Diversification of the energy mix

**Question 8:** *What should the EU do to ensure that Europe, taken as a whole, promotes the diversification of energy supplies?*

Renewable energy will play a vital role, however more focus is needed to learn from past and current experiences, to adapt policies that provide more sustainable and efficient solutions. One important area that must be looked at is the use of waste as an energy resource such as using Refuse Derviced Fuel (RDF). Renewables will, over the next 20 years, be a relatively small part of the solution.

**D. Sustainable development**

**Question 9.:** *How can a common European energy strategy best address climate change, balancing the objectives of environmental protection, competitiveness and security of supply?*

The European Chemical Regions Network considers that the development of suitable technologies must continue and economically viable solutions have to be pursued. For a successful energy policy it will possibly not be enough to develop "conventional" alternatives such as sun- or wind energy. It is necessary to increase efforts to search for further technical solutions. For this it is necessary to have concentrated basic research, which includes all options. For this reason EU research has to be more focussed and clear priorities have to be set.

The consequences of climate change are not limited to administrative borders and can only be slowed down by adopting global solutions.

Initial assessments have shown the following shortcomings:

1 Emission trading allocation rules are biased towards reduction of production in energy intensive industries,
2 electricity prices have contributed to windfall profits for electricity producers at the expense of industrial competitiveness and consumer welfare,
3 current emission permit allocation rules cause serious distortions within and between sectors; production plants with similar performance receive different allocations in different Member States,
4 the general failure to (fully) reward companies for early action is not only unjustified but it will lead to the situation that new investments to reduce emissions are not stimulated in most cases and
5 investment in new plants lack the security and predictability of the allocation of emission allowances in many Member States.

Therefore the ECRN is initially proposing the following:

1 investment in Combined Heat and Power should be a preferred option and regulation should give credit for and/or encouragement for its introduction,
2 based on the experiences with the emission trading first allocation plan the allocation of the second phase must be simplified taking the following demands into account:
3 avoiding of multiple optional allocation methods,
4 reducing the exemptions to a minimum necessary for ensuring the market mechanism,
5 increasing the legal security for all participants of the scheme and
6 lowering of the transaction costs for existing companies and new entries.

In order to have sustainable framework conditions for the next generation of chemical infrastructure in Europe, immediate solutions for overcoming these problems are necessary. Therefore the ECRN will further take part in a debate on the future of the European Trading System.

From these experiences the following solutions could be proposed to avoid conflict between climate protection and future competitiveness:

- development and prioritisation of economic incentives to encourage development of climate protection measures;
- strengthening the competitiveness of European industry by encouraging innovation in hi-tech and higher-efficiency energy production and other technologies.

**Question 10.:** *What is important for the further development of clean and renewable energy sources in the EU?*

In the long run sources of energy that are based on fossil fuels will still be making a significant contribution to a secure supply of energy over the longer term. In addition, conventional power stations in the base load area cannot be substituted by specific forms of renewable energies without opportunities for storing energy. Incentives are needed to stimulate innovative measures to address the problems. Change in legislation is needed to facilitate the use of waste as an energy resource.

## E. Innovation und Technology

**Question 11.:** *What action should be taken at both Community and national level to ensure that Europe remains a world leader in energy technologies?*

More ambitious energy targets need a powerful encouragement of innovation (R&D, stimulation of implementation) and a much more active role of governments to provide the conditions to make it happen.

Even if there are regions in Europe being competitive on the world market, it is usually result of good regional conditions which are not adequate in the other parts of Europe.

More support needs to be provided to boost re-cycling and the use of energy from waste.

It could be interesting to further explore the production of plastics from renewable sources. A higher increment value during the subsequent treatment seems to be better than a “simple burning” of energy.

**Question 12.:** *Which topics/technologies should an EU energy technology strategy focus on developing?*

The development and utilization of existing potentials for reducing emissions must be supported by all technologies, while bearing in mind the respective resources and rising dependence on imports. Opportunities are also seen in the development into power stations that emit low levels of $CO_2$ or no $CO_2$ at all. Focus needs to be concentrated on fuel cells to store energy and on the treatment of nuclear waste.

EU support through mechanisms such as FP7 for research and development should focus more specifically on achieving diversification of energy supply, development of higher efficiency technologies and renewables, optimisation of networks and deposits.

## F. External policy

**Question 13.:** *What should be the priority of a common external policy on energy?*

The ECRN agrees that common external energy policy is of vital interest. It should be based on clear prior identification of EU interests and reliable risk assessments. The EU should envisage a network of energy correspondents. The High level group on Energy is a fist step on that.

The ECRN welcomes the proposal for an international agreement on energy efficiency and the initiative for the dialog with main energy consumer countries.

There is also not sufficient emphasis in the green paper about the role of energy imports (especially biomass sector) and the role of the WTO. We expect a clearer position from the EU on this topic.

**Question 14.:** *How can the Community and Member States promote diversity of supply, especially on gas?*

It will be necessary to construct–new terminals of liquid gas and new pipelines to producer countries. If this is combined with large scale gas storage close to the most intensive users then greater supply diversity can be promoted.

## G. European energy policy

**Question 15.:** *Do you agree that there is a need to develop a new, common European strategy for energy?*

The ECRN agrees that common external energy policy is of vital interest.

**Question 16.:** *What should be the core principles of European energy policy?*

The core principles of European energy policy should be sustainability, competitiveness and security of supply.

**Question 17:** *What should be the core principles of individual energy policy initiatives at Member State and regional levels?*

On national and regional level the core principles of energy policy should also be sustainability, competitiveness and security of supply.

**Question 18:** *Do you think that greater attention to energy at both EU and Member State level can substantially help to achieve the goals of the strategy for growth and jobs (Lisbon process)?*

Energy policy must be targeted in order to make a permanent contribution to lasting development and to strengthen competitiveness, for the purposes of the Lisbon strategy. They must be arranged so that technological innovations are truly promoted and the conservation of resources is speeded up.
The European Chemical regions are offering,

1 to take part in the future debate on climate policy,.

2 to reinforce efforts for the efficient use of resources at regional level.