

# INF RSE-EUROPE

International Network for Sustainable Energy

## Comments by INFORSE-Europe<sup>1</sup> to the Consultation Document "Towards a new Energy Strategy for Europe 2011-2020"

July 16, 2010

The EU countries have increased their cooperation on energy and climate since the internal market was agreed in 1987, and EU-level initiatives are now crucial for future success or failure of the necessary coming transition to sustainable energy systems in the European countries.

### General Comments

#### Need for a fair Market that can see the Environment

The internal energy markets are important parts of the current EU cooperation on energy issues. To function properly it is important that the markets are fair, i.e. have level playing fields, and that the markets can "see" the environmental and social problems via appropriate prices on environment and other social costs. It is crucial for a well-functioning electricity market that all suppliers are subject to equal environmental regulation and that imports are either coming from producers with same regulation as within the EU or are subject to a comparative price adder, such as the price of their CO<sub>2</sub> emissions. Without that, the market will not reach environmental or security of supply objectives, but will instead be a vehicle for increasing import of electricity from sub-standard production. The current internal electricity market legislation does not guarantee such a level playing field.

The EU internal energy markets also fail to treat energy efficiency in an equal way to supply, even though energy efficiency is a more secure solution than increased supply. To give energy efficiency a more equal opportunity compared with supply, it must have priority in investments, be included as demand-side options in power/energy sector planning, and have binding targets as renewable energy.

#### Change of EU-ETS Needed

The EU-wide carbon price with the EU-ETS is another important part of the EU-cooperation; but a part with large problems. It sets a universal price on emissions within the EU. To be effective for investments, this CO<sub>2</sub> emission price must have a minimum, so investors safely can invest in renewable energy and low carbon solutions. With the current unstable price of emission allowances, investors and their banks are not able to invest sufficiently in the sustainable solutions. Even if

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<sup>1</sup> International Network for Sustainable Energy - Europe (INFORSE-Europe) is a network of 75 non-governmental promoters of energy efficiency and renewable energy and has since 1994 promoted the increased use of these sustainable energy solutions.

prices of allowances would go up again, the risk of another downturn, for instance in a future recession, would scare away investors and their banks from many investments in sustainable solutions. The answers to this problem are change of the EU-ETS or a replacement of the EU-ETS with a carbon/energy tax. A change of the EU-ETS must introduce an adequate floor price, below which no emissions will be sold when the emissions are going to be auctioned from 2013. From INFORSE-Europe we propose a floor price of 30 €/ton of CO<sub>2</sub>, combined with a system to devalue excess emissions from the current period until 2012 and from external sources, such as CDM.

### **EU Funding Must Support Transition to Sustainable Energy**

EU funding, in particular structural funds, are key to the development in several EU countries, in particular the new member states. Unfortunately the current programmes do not support the necessary transition to sustainable energy. Instead they support to a large extent road infrastructure projects that lead to increased fossil fuel consumption and emissions. The structural and cohesion funds must be changed so they support the transition to sustainable energy. In particular:

- Energy efficiency and renewable energy investments should have high priority in CEE, allocating sufficient funding to enable the transition to sustainable energy
- Reduction of the energy demand of buildings should have a high priority. As part of that, individuals and housing associations should have more access to use structural funds, for energy renovation of houses.
- Small, individual renewable energy and energy efficiency projects should have better access to structural funds, and more enabling conditions with easier administration and better payment conditions.

### **Networks must be Evaluated Better**

While interconnections can contribute to security of supply, as stressed several times in the consultation document, recent history has shown that it is indeed inter-connectors that have contributed to all larger power disruptions in EU as well as in the USA in the last decade. Inter-connectors have had the problematic side-effect of transmitting a smaller black-out to a large area. To increase security of electricity supply and prevent larger blackouts, well-integrated local renewable energy supply and some smart grids solutions are of much larger value than inter-connectors. This must be recognised in future energy planning and strategies.

Regarding the lack of investments in inter-connectors included in the Trans-European Networks(TEN) , it is important to analyse the reasons for this in more detail, and take a critical look at the benefits of inter-connectors compared with local solutions that give the same benefits in the form of security of supply, matching demand and supply at all times, etc. While local resistance have held back infrastructure in some cases, in many other cases the potential investors have simply not seen the obvious business case in the proposed infrastructure investment, and in some cases for good reasons. The politically decided TEN projects might not all be obvious business cases. It would be very costly, and far from cost-effective to realise the proposed 2020 target of enabling gas and electricity flows without bottlenecks (target proposed in 2.2.3 on p. 10).

### **Energy Efficiency Needed**

Energy savings must be increased, as stated on page 5 in the document. In addition to the measures mentioned in the document it is important to mention regulation, that is used with success with the Ecodesign directive as well as with national building codes following the EPBD (buildings) directive.

### **Energy Efficiency is not Enough**

Energy savings are usually promoted with increase of efficiency, but it is time to also work with sufficiency. In many EU countries larger houses, more equipment, etc. does not necessarily contribute to increased well-being, while they do contribute to increased consumption, and jeopardise the benefits of energy efficiency. Limiting consumption by limiting equipment size and number to reasonable levels, should be part of future policies. While it is impossible to have absolute limits, labelling and other information as well as progressive taxation can promote use of appliances etc. that are sufficient to give the benefits needed without being oversized, and promoting that inefficient equipment is retired and not reused. This can be applied for household appliances, TV's, IT-equipment, vehicles, etc. It might also be used for services such as holidays.

Several of the INFORSE-Europe members are also questioning the general assumptions of economic growth that can drive, and indeed has driven, an unsustainable growth of energy consumption as well as other material consumption. Therefore the transition to sustainable energy must have first priority, above economic growth. Another decade of growth without a major transition to sustainable energy will be like the victory of Pyrrhus that cost him much of his earth, and will make the EU increasingly vulnerable to supply problems.

### **Targets Needed for 2030**

It is important to look beyond 2020, as proposed with the "Decarbonisation of Energy Roadmap 2050". To succeed with such a strategy, it is important to have binding interim targets between 2020 and 2050. In particular an ambitious 2030 target is important, a target that must aim at large reductions of greenhouse gas emissions. INFORSE - Europe members have in their plans and visions proposed 70 - 100% reduction of energy-based greenhouse gas emissions by 2030, with current proposals for the UK and Denmark being the most ambitious.

## **Comments To The Chapter 2.2.1. "Priority areas for the future strategy"**

### **Modern, integrated grids**

Among issues for consideration the following must be included:

- evaluation tools, to ensure that the most cost-effective and sustainable combination of local solutions and grid development is chosen, in particular when EU support is used.
- support of infrastructure must be limited to support of renewable energy supply and energy efficiency

As mentioned above the economic rationale for infrastructure investments have not always been in front when deciding TEN projects, and if future EU funding shall be spent on infrastructure investments, it is crucial that the projects are not realised primarily with the economic rationale of attracting EU funding.

### **Progress towards a low-carbon energy system**

INFORSE-Europe is of the opinion that nuclear power should not be supported in the strategy, as new nuclear power is a costly energy option and as nuclear power have many unsolved waste, safety and reliability problems.

Carbon Capture and Storage, CCS, should also not be included in the strategy. CCS is not a mature technology and its role in reduction of emissions from fossil fuelled plants will only be incremental for the decisive next 20 – 30 years. Including CCS in the strategy will only lock-in coal use – or lead to a waste of investments.

Among issues for consideration must be included:

- setting targets for 2030 for greenhouse gas emissions as well as for renewable energy and energy efficiency
- encouraging the use of district heating in areas where the heat demand is sufficiently dense, including the use of EU structural funds. It must be followed by consumer protection that ensures district heating costumers low prices compared with for instance natural gas
- reconsider the increasing use of natural gas for domestic heating, as gas is a transition fuel, and new distribution networks with planned lifetimes of 50 years can easily end up as stranded costs in a low carbon future after 2030 with less fossil fuel use.
- consider some fuel shift in the power sector from coal and nuclear to high-efficient power plants for the coming 1-2 decades, to reduce greenhouse gas emissions and benefit from the current low gas prices.
- encouraging local renewable energy production, for instance with solar energy on buildings
- encouraging more use of local renewable energy solutions for instance with geothermal energy, also beyond the Covenant of Mayors mentioned in the document p. 13.
- change of the EU-ETS system to give a stable price of emissions, as described above
- change of the EU structural Funds as mentioned above

### **Leadership in technological innovation**

INFORSE-Europe finds it misplaced to promote 4th generation nuclear fission in the EU research programme. The proposed 4th generation nuclear technologies mainly include breeder reactor technology that has been given up after considerable research over the last 40 years. Furthermore, these technologies are likely to increase proliferation problems as they require higher grades of radioactive materials. The technologies will not be commercially available within the coming three decades, where the majority of the investments in fossil free solutions shall be made.

The SET-plan focus on some chosen technologies, and misses other, key technologies, such as solar

heating, geothermal energy, and wave-power. It is crucial for EU's technological leadership that important technologies are not "dropped on the floor" because of narrow priorities in the SET-Plan. A revision of the SET-plan to provide the necessary openness is crucial for this.

### **A Strong and Coordinated External energy policy**

Issue for consideration must also include:

- Address the lack of basic, reliable and affordable energy for a billion people in developing countries with local solutions, primarily based on renewable energy. The poverty issues must be solved in sustainable ways that do not increase the vulnerability of the poor through reliance on increasingly expensive fossil fuels. Such an activity will follow directly from the Lisbon Treaty, article 21 that clear states that the EU in its external actions is obliged to *"help develop international measures ..... with the primary aim of eradicating poverty"*. The activities can be integrated in EU's development policy.
- reduce the spreading of radioactive materials by assisting developing countries to identify and develop non-nuclear solutions for their energy problems, and by giving priority to limit the spread of nuclear reactors to more countries.
- that EU's external energy policy shall avoid support for actions and investments which contribute to increased GHG emissions
- external actions shall not be used to subsidize no new infrastructure for more imports of fossil fuels to the EU. EU-funding shall support EU's long-term climate commitments of 80-95% greenhouse gas reductions until 2050 and long-term supply investments are effectively going against that.
- Issues of human rights and democracy shall be mainstreamed to the EU external energy policy, making EU engagement depending on this. A current example of cooperation with Turkmenistan shows that this is not the case today.
- the roles of the European Investment Bank (EIB) in EU's external policies shall be integrated in the external energy policy, following EU's climate objectives. Several EIB projects show that this is not the case today.

### **Protecting the EU citizens**

Issues for consideration must also include:

- Establishing a right of citizens to be produce renewable energy and use the energy networks to sell excess renewable energy and transport renewable energy from production to consumption sites.
- Establishing citizen bodies able to obtain fully reliable information on energy issues and entitled to take part in planning and deciding their energy future.