

**Berlin Foreign Policy Debate:  
"Energy and Security: Strategies for Europe"**

Vattenfall Europe HQ, Monday 28<sup>th</sup> February 2005, 6pm

Mr Chairman, ladies and gentlemen,

Thank you very much for inviting me to take part in tonight's debate.

Lenin believed that progress could only be achieved by socialism and electricity. Today we judge him wrong on the first count, but still correct on the second. Every facet of life in the 21<sup>st</sup> century depends on electricity and therefore a key responsibility of government is to keep the lights on.

But Europe now accepts a dual responsibility towards present and future generations: yes, a responsibility to secure sufficient energy, but also a responsibility to limit climate change and protect the environment.

The context in which we face this dual responsibility is challenging. Let's consider the three main problems.

**Firstly, against a continuing rise in energy demand, the EU's own energy resources are diminishing.** For example, next year, the UK will become a net importer of gas for the first time since exploitation of the North Sea oil and gas fields began. The Commission warned in its 2000 Green Paper that the EU will be 90% dependent on Russian oil by 2020. Today, Russia already supplies one quarter of the oil, one half of the gas and one third of the uranium imported into the EU.

**Secondly, at a global level, resources of fossil fuels are declining.** Many academics predict that we will reach global peak oil production in the next 5-10 years. But global competition for those diminishing energy resources is intensifying. China and India are growing explosively, and may be more attractive energy customers for Russia and others than a European Union prone to nag on about democracy and human rights.

**Thirdly, in terms of climate change the Kyoto protocol is only a beginning.** Global warming is happening and nothing we can do now can turn the world's thermostat down from its current setting. But there is a measure of academic agreement that the most serious, exponential climate change could be avoided if global temperatures do not exceed 2°C above pre-industrial levels. This would require cuts in CO2 emissions way beyond Kyoto – at least a 60% cut by 2050.

Faced with these difficulties, Energy Commissioner Andris Piebalgs has declared that the next five years will be a watershed period for energy policy. As well as attaining the Lisbon competitiveness goals, Europe must fulfil its Kyoto commitments and beyond, and guarantee energy security for its citizens.

**No small task!** To achieve it, the Commission has identified six key priorities.

**Firstly, and most importantly, energy efficiency.**

I can tell you, I wanted to hug Commissioner Piebalgs when he announced to the European Parliament Industry Committee that Energy Efficiency was his main priority for 2005. For energy efficiency can deliver on security of supply and Kyoto and Lisbon.

Europe could make cost-effective energy savings of 20% at the very least, on current technology alone. A savings target equivalent to 70 million tonnes of oil per annum is realistic for 2010. This represents a 4% reduction in dependence on external supplies of oil, emissions reductions of some 140 million tonnes of CO<sub>2</sub> and annual savings of €15 billion across the EU.

I'm the Liberal Democrat shadow rapporteur on the Energy End-use Efficiency and Energy Services directive, one of a raft of energy efficiency measures proposed by the Commission. The draft directive sets annual energy saving targets of 1% per annum - 1.5% for the public sector. These are modest and will, I hope, be cranked up by the Parliament.

However, the major battle will be getting Member State governments, not least my own, to agree. Tony Blair, despite proclaiming that climate change will be a priority of the UK presidency, is resisting targets that are mandatory. His position is so contradictory that I have to hope it will change.

### **The second priority is to promote Renewable Energy**

Like energy efficiency, renewable energy ticks all the boxes. It reduces dependence on imported fuels, combats climate change and improves Europe's competitiveness. We are the world leader in eco-technology.

The EU target is to double the proportion of total energy consumption from renewables to 12% by 2010, with a sub-target of 22% for electricity.

These are challenging targets. Are they achievable? Yes, if a full range of renewables is developed. Consider just one. At the start of this month the Commission launched an open consultation on developing a **biomass** action plan. Biomass can deliver a 10% share of renewable energy in the EU by 2010.

### **The third priority is to strengthen nuclear safety and security**

I will be frank with you. I'm no fan of nuclear power. I came into politics via a campaign to stop the building of a nuclear power station at Druridge Bay on the Northumberland coast. I cannot support nuclear power while there is no agreed method of dealing with nuclear waste.

But I am realistic. Nuclear power is an important part of the energy mix, currently producing a third of the Union's electricity. So a priority must be to make it safe and secure. I welcome the Commission's proposal to draw up a legal framework for nuclear safety and a final waste management programme for the disposal of radioactive waste.

Should nuclear energy be expanded to 'plug the gap' left by diminishing fossil fuels? No. Nuclear's legacy of radioactive waste is not only dangerous, it is expensive. In the UK, for example, the clean up costs have recently been estimated at €9 billion. That money would be better spent on investment in new environmental technologies. Furthermore, nuclear power isn't self sufficient - it relies on uranium imports.

**The fourth priority is to develop a fully functioning internal energy market.**

This is an essential precondition for security of supply. The blackouts and price hikes suffered by a number of countries in recent years have been due to a malfunctioning internal market rather than any absolute crisis of under supply. Measures on Trans-European Networks and Access to Gas Transmission Networks are in the pipeline, as it were. But some measures which are theoretically already in place have still not been properly implemented. Several national energy markets are still not open to European wide competition. And a fully functioning European energy market must be not only a market for energy supply but also a market for energy services, delivering those crucial energy savings.

**Fifthly, the EU must engage politically in order to ensure that external supplies are secure**

An EU-Russian Energy Dialogue was launched in 2000. The Dialogue establishes a forum for closer cooperation and seeks inter alia to facilitate investment in Russian oil and gas, and develop transport infrastructures and interconnections, especially a pipeline link to Europe. The signing by Russia of the Kyoto protocol should lead to emissions trading and other joint projects.

But Russia is not the only energy partner. Last week, Ukraine's President Yuschenko addressed the European Parliament. He had a very clear message: the Ukraine wants to be an EU member. That is the vision driving Ukrainian policy. And, in Yuschenko's own words, "Trans-European energy networks will flesh out co-operation in concrete terms".

**Last but not least, we must look ahead and invest heavily in research and development.**

Fusion energy on a commercial scale is 40 years down the road, but it needs R&D commitment now. So does hydrogen, which has the potential to make our use of energy much more flexible.

The Commission is looking for a doubling of the budget for the 7<sup>th</sup> R&D Framework Programme running from 2007-2013. Whether that will be possible will depend on the overall financial perspective and the willingness of member states to contribute.

The Commission will announce its formal proposal on the 7<sup>th</sup> Framework Programme next month, but the three key energy-related areas are likely to be energy efficiency and renewables, nuclear management and clean coal technology.

That brings us to the question:

**What about fossil fuels?**

They still have a vital role to play within the European energy mix – but in a framework of technological advance and improved efficiency.

Take CHP. The Commission estimates that the energy efficiency of gas turbines can be improved by 38% through the use of high-temperature CHP technology. We need to set targets for Combined Heat and Power, including targets for micro CHP at a domestic level.

And it is significant that the Commission has flagged up clean coal technology for the 7<sup>th</sup> Framework Programme. The message is that coal, used cleanly, is not just a fuel of the past but has an important role to play in 21<sup>st</sup> century Europe.

**Ladies and Gentleman,** does this energy plan add up? Can Europe manage to turn down the planet's heat and keep its own lights on? Yes, because improvements in energy security and environmental sustainability are mutually compatible.

But there is no one simple solution. It has to be a diverse and dynamic approach, and one that involves political actors at all levels.

The European institutions alone cannot deliver on energy policy. National, regional and local politicians and planners must be engaged.

Ultimately, security of supply is not just about the high politics of foreign policy. Equally, it is about the nitty-gritty of loft insulation and low energy light bulbs. It is an energy policy in which we all have a role to play.