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“Improving the Mix and Strengthening Ties:  
An Overview of European Union Policy on Renewable Energy  
and EU-US Energy Relations”

Speech to the Center for Strategic and International Studies  
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Ladies and Gentleman,

It is a pleasure to be here with you today at the Center for Strategic and International Studies. I want to share with you my thoughts on the European Union's renewable energies policy and EU-US co-operation in the energy sector.

When the CSIS was founded in 1962 'energy' was not strategic. In the US it was not particularly international. How times have changed. Energy is now one of, if not the, preeminent issue in strategic and international relations.

How has this come about? We all know the basic facts:

- Global energy demand is increasing – by more than 50% by 2030. According to the latest International Energy Agency (IEA) 'World Energy Outlook' energy demand in developing countries is likely to double by 2030;
- In Europe, domestic oil and gas reserves are dwindling. This is increasing import dependence from around 50% of supply today to almost 70% by 2030. To quote the IEA again, it is "very uncertain" whether there will be sufficient oil production capacity to satisfy global demand.
- Meanwhile the vast majority of the world's oil and gas supplies are owned by state or by state-controlled companies and a barrel of oil has reached the historic high of \$ 100.
- To maintain the world's energy system and satisfy demand would require investments in energy infrastructure amounting to \$22 trillion by 2030;
- And above it all looms the spectre of climate change with global CO<sub>2</sub> emissions set to rise by more than 50% between now and 2030, with unforeseeable costs for the global economy.

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Faced with these facts the European Union has recently proposed an ambitious but achievable package of measures:

On climate change we have made an independent commitment to reduce greenhouse gases by at least 20 % by 2020 compared to 1990 levels. If other developed nations join us we are prepared to extend this reduction to 30%.

We need to use less energy and, by being more efficient with the energy we use, we are committed to using 20 % less by 2020.

Lastly, on renewable energies we have agreed on a binding target of a 20 % share by 2020 with a minimum share of 10 % of bio-fuels in gasoline and diesel consumption.

Let me dwell for a moment on bio-fuels as they are an important part of the EU's climate and energy policy.

We are very aware of the political sensitivity of bio-fuels. We fully understand and agree that we can only implement our proposed goal of 10% biofuels in transport if we can ensure that biofuels we use meet clearly defined environmental sustainability criteria.

Consumers have to be confident that the bio-fuels they use are sustainable. The public must be reassured that the bio-fuels they buy do not increase greenhouse gas emissions, do not lead to the destruction of rainforests or other biodiversity-rich areas, do not exacerbate food shortages and are not unreasonably expensive.

To achieve this in Europe we have proposed legislation that sets criteria that ensures our bio-fuels are sustainable. The scheme we have proposed is simple enough to be workable and robust enough to be credible. Its aim is to ensure public confidence in bio-fuels and give a boost to their further development.

Sustainable bio-fuels have a key role to play.

In the short and medium-term, bio-fuel production from traditional agricultural produce increases the revenues of farmers both in the developed and developing countries.

In the longer-term, the so called “second generation” bio-fuels, made from waste or solid biomass such as wood, hold out the promise of much greater greenhouse gas savings and use raw materials that are not part of the food chain. To bridge the gap between “first-” and “second-generation” bio-fuels, we need cars made that run on bio-fuels and distribution networks that make fuels using a greater proportion of bio-fuels available at the pump. Refining and blending capacities need to exist.

For all these reasons we cannot postpone bio-fuel use. On the contrary, because they contribute to security of supply and environmental improvement, it is right that sustainable bio-fuels should be actively promoted.

Why do we put such store in renewable energy?

The numerous benefits of renewable energy - in terms of the impact on climate change, security of energy supply and the long-term economic benefits - are widely accepted. Our analysis shows that achieving our renewable energy targets will mean the following:

- Savings of 600 to 900 million tonnes of CO<sub>2</sub> emissions per year Reductions in fossil fuel consumption of 200 to 300 million tonnes per year, most of it imported – making energy supplies more certain for European citizens
- A boost for high-tech industries, new economic opportunities and jobs, the so called 'green collar' jobs.

To achieve the proposals on increasing the share of renewable energy consumption and reducing greenhouse gas emissions by 20% in 2020 will not be cheap. However the additional effort required would be less than 0.5% of GDP by 2020. This amounts to about \$4 a week for everyone in the EU.

Furthermore, this investment will drive down the price of the renewable energy technologies that will form a growing part of our energy supply in the future, and with oil prices at today's levels, renewables are increasingly seen as an economically sound alternative. Even on the most optimistic assumptions of the Stern Report, the cost of inaction would be more than *ten* times that of our proposals.

What's more, every time the price of oil and gas goes up, the real cost of the package falls. Instead of costs, we really should be talking about *gains* for the EU. The dynamics at play are clear: falling renewable energy prices, rising fossil fuel energy prices.

Renewable energy also makes environmental sense.

Our renewable energy target is closely linked with our greenhouse gas emissions target. Without significantly increasing the share of renewable energy in Europe's energy mix it will be practically impossible to meet our objectives for reducing greenhouse gas emissions.

Fossil fuel energy causes environmental impacts all along the chain: from extraction and production to transportation and end-use. With renewable energy these negative effects are minimised, if not removed altogether.

Renewable energy means secure energy supply.

Our dependence on a limited number of energy sources, mainly oil and gas, is of increasing concern. From a security of supply perspective, Europe's renewable energy is mostly generated in Europe. It makes sense

to produce more of our own energy, and from a growing variety of renewable energy sources. A diverse supply of energy is a more secure supply of energy.

Last but not least Europe's citizens favour renewable energy.

According to an opinion survey undertaken in 2007, 55% of European citizens perceive great future promise in the use of renewable energies and 60% think that energy research should be a priority for the European Union, while 40% are prepared to pay more for energy from renewable sources.

These figures clearly underline the importance of renewable energies to Europe's citizens. More and more consider that increasing our use of renewable energy is fundamental in order to live in a clean, sustainable and safer environment.

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However, while the development of renewable energy is important, we also should not forget that energy efficiency and energy saving is particularly significant and an area where the global community should be doing more.

There is still significant and cost-effective energy-saving potential to be realised and most energy-use remains inefficient when compared with what is technically possible and cost-effective. Let me remind you that improved energy efficiency alone, according to the IEA, could cut around 20% of current global CO<sub>2</sub> emissions.

To work towards this objective, the EU adopted an Action Plan on Energy Efficiency in 2006 – including 75 measures needed to achieve this objective. The Action Plan includes concrete measures such as accelerated use of fuel efficient vehicles, improved energy performance of existing buildings, and tougher standards and better labeling for appliances, to name a few.

Additionally, the EU has been working closely with a number of its global partners, to put forward the proposal for the International Partnership for Energy Efficiency Cooperation. There are already many formats of bilateral and multilateral international cooperation in this area. However, at present, there is no clear overview of all these valuable but rather disparate activities. We need one place – one platform, for this work to be effective.

The Partnership, with its Secretariat within the IEA, would help to secure a clearer picture of international action on energy efficiency. It could enable us to develop a shared and strategic view covering these activities. Likewise, we would be in a position to identify jointly the existing gaps and maximising the impact and synergies of our individual actions.

We hope that the positive cooperation with Japan, the U.S. and the IEA we have experienced over the last several months will allow us to sign the draft declaration announcing the Partnership during the G8 Energy Ministerial Meeting on 8 June 2008 in Aomori, Japan.

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Ladies and gentlemen, I have given you a very brief over-view of the latest activities in Europe in the field of energy policy. But, as my last comments show, we are only one player on the global stage. Another important player is of course our great friend and ally the United States. Let me now take a look at the energy relationship between us.

The European Union and the US are the world's largest energy markets, although China is coming up very fast. Our trade and investment relationship is the largest in the world. We share common concerns on energy efficiency, security, market based energy policies and the environment. As key consumers we are in the front row of any action.

The European Union and the United States share a long tradition of working together to promote strong economic growth and improve energy security. We pursue this through multilateral mechanisms such as the International Energy Agency, and the G-8 initiatives. Meanwhile the EU-US annual summits have fostered bilateral cooperation. The annual EU-US Presidential Summits were the result of the November 1990 Transatlantic Declaration which for the first time formalised the United States' contacts with what was then the European Community.

The EU - US Summit in Vienna on 21<sup>st</sup> June 2006 marked a turning point in our energy relations. For the first time we agreed to develop an EU-US strategic energy cooperation to contribute to global energy security. We also agreed to launch a High Level Dialogue on climate change, clean energy and sustainable development. In practical terms this has led to bilateral cooperation being strengthened in such areas as clean coal and carbon sequestration, energy efficiency, methane recovery, bio-fuels, biodiversity and energy access.

At last year's Summit we also agreed launch a "Transatlantic Partnership on clean energy and climate change" taking into account the idea of a "Transatlantic Alliance for Bio-fuels'. It is in the area of bio-fuels that our cooperation is most advanced with a common work plan and a joint 'white paper' on standardisation. The 3<sup>rd</sup> meeting of our joint bio-fuels working group was held here in Washington last month, (21 Feb).

The EU-US Strategic Energy Dialogue is also making progress on energy efficiency, on technologies including carbon capture and storage and methane recovery and on promoting guiding principles when speaking to third countries about energy.

On clean coal technologies and carbon capture and storage, we closely monitor our respective research and demonstration projects and we also exchange information on our cooperation with third countries. The Commission has also joined the Methane to Markets Partnership and while I am here in Washington I will be signing the Terms of Reference.

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Of course energy is a global issue and as well as the EU and the US talking to each other about each other, we also coordinate our relations with key third countries: Russia, the Ukraine, the Caspian Sea Region, Turkey, China and India. We agree to have exchanges of views and send similar messages notably to China and India as we are developing fairly similar cooperation on clean coal and carbon capture and storage, energy efficiency, and renewables.

Let me expand a little on relations with Russia which I know is a particular interest to the CSIS. I recently had a meeting with Russian energy minister Khristenko in the context of the EU-Russia Energy Dialogue. We reached an agreement to establish an Early Warning Mechanism aimed at timely identification of potential supply, (including transit), and demand problems in order to minimise the impact of potential disruptions.

In this context, we were notified of the potential gas supply interruption by Gazprom to Ukraine. We were able to carefully monitor the situation and keep in contact with both our Ukrainian and Russian colleagues.

We continue to work closely with Russia in order to improve energy security in the short and long term. Fruitful exchanges and open lines of communication are extremely important, considering that the EU will remain Russia's most important energy export market and Russia will remain an important external energy supplier of the EU, currently accounting for over 25% of its oil and gas deliveries. The EU and the U.S. should therefore advocate a balanced approach toward this important partner.

There is scope for closer EU-US cooperation in this context, in particular on developing alternative pipelines routes and diversifying our supply, for which the Caspian Sea region is critical. New pipeline routes will promote competition and market liberalisation in the region, which would be a positive development both from an energy supply and energy policy point of view, benefiting producers and consumers alike.

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While I am in Washington I and my officials will be having a series of meetings with our American counterparts to carry out a strategic review of progress in the energy sector and to set targets for future actions.

All of this work will feed into the highest level negotiations of all – the next EU-US summit which will be held in Slovenia in June and where energy issues will feature prominently on the agenda.

Ladies and Gentlemen, in his recent State of the Union address President Bush said, "To build a future of energy security, we must trust in the creative genius of American researchers and entrepreneurs and empower them to pioneer a new generation of clean energy technology". Let me be bold enough to say that you can also trust European researchers and entrepreneurs to do their part. We face global challenges and although Europe and America can, and will, lead, the solutions will also be global. Working together we can achieve that.

Thank you.