

Andris Piebalgs, the EU Energy Commissioner talks to the World Future in Abu Dhabi

03 December 2008

In an exclusive interview for the World Future Energy Summit 2009, Andris Piebalgs, the EU Energy Commissioner talks to the World Future Energy Summit about the status of new EU renewable energy directives and future US-EU renewable trade.

Commissioner Piebalgs will be speaking in Abu Dhabi on Jan 19th, 2009. It was agreed that this interview would be distributed for quotation by 3rd Parties.

In layman's terms, what is the status of COM (2008) 19 - the proposal for a directive of the use of energy from renewable energy sources? What more needs to be achieved? When does the Commission expect the directive to come into force? How is the Polish-led blocking minority being dealt with?

The European Commission made its proposal for a Directive in January 2008. This draft law is still being discussed by the 27 Member States in the Council of Ministers, and by the European Parliament. It is expected that the final text of the Directive will be agreed by the end of the year. In this case, the legislative procedures will be completed early in 2009 and the law should then enter into force. Poland has been vocal on the issue of flexibility, and the aim is for the final text to include flexibility mechanisms which are acceptable and sufficient for all parties, including Poland.

How will the COM (2008) 19 create wealth in the EU? How important is the EU market for renewable energy? How important is renewable energy for the EU market?

The full and proper implementation of the renewable energy directive will reduce administrative and other regulatory barriers to the growth of renewable energy. This will both reduce the costs of developing renewable energy and spur the growth of innovative hi tech sectors from niche markets to mainstream markets. The stable policy environment created by the full and proper implementation of the Directive including the binding 20% target will provide the financial sector with one sector where investments can be made in a stable policy environment, slightly protected from the current volatility of the market.

Whilst the market for renewable energy is growing around the world, the strong, stable policy driven growth in the European market will ensure a large local market for the sector, which should help the sector develop in Europe. Internationally, the renewable energy technology industry is dominated by European firms, particularly German, Danish and Spanish firms. Current EU turnover of the sector is over €20bn per year, and the sector already employs over half a million people. The growth of the sector will generate wealth and an estimated 400 000 net jobs by 2020 in a growing number of EU Member States.

What advice does the commission offer to the market on how to position for 2020 and its energy demands?

In January 2008, the Commission made proposals concerning 2020 on climate policies (emission trading (ETS) and effort sharing among Member States for sectors not falling under ETS) as well as on renewables (target to raise the renewables share to 20%). Moreover, the European Council endorsed in March 2007 the objective of saving 20% of the EU's energy

consumption compared to projections for 2020, as estimated by the Commission in its Green Paper on Energy Efficiency. The Commission has made and will make further proposals with a view to achieving this 20% energy efficiency objective.

The Commission expects that its proposals will substantially reduce energy consumption in 2020 through better energy efficiency in transformation and final energy use in all sectors. As a result of these policies, it is expected that the trend for ever increasing energy consumption, as has been observed for decades, will come to an end and that energy consumption by 2020 might be lower than today depending on the implementation of such measures in the Member States.

Moreover, as a result of climate change policies favouring low carbon energy sources and of having 20% renewables in 2020, substantial change in the structure of energy consumption can be expected. Therefore, energy markets can anticipate framework conditions in 2020 that are significantly different from current ones, encouraging in particular energy savings and low carbon energy sources. Internalising such expected change into today's investment decisions will put market participants in a better position.

At the same time, EU energy markets are confronted with two other issues. First, indigenous production of fossil fuels is bound to decrease given reserve constraints and high extraction costs in the EU. This means that oil and gas producers outside the EU can expect to broadly maintain or even increase somewhat export levels into the EU, which warrants strengthening investment in production and transportation capacities given still rising world demand and depletion of fields under production.

Secondly, also within the EU, existing energy installations, such as power plants, are aging and need to be replaced over the next decades against the backdrop of still rising electricity demand, given that growth rates for electricity exceed those of other fuels due to the strong role of electricity in modern societies. Together with the need to restructure the EU energy economy to deliver on commitments for greenhouse gas reduction and renewables, this offers important investment opportunities for present operators and newcomers alike. In short, the advice that can be offered is to be prepared for important change in energy markets and to seize the opportunities flowing from such change towards a low carbon and highly efficient energy economy.

What steps does the Obama administration need to take to strengthen renewable energy trade between the EU and the US?

The EU and the US combined economies accounted for nearly a third of world trade in goods. The EU and the US are each other's main trading partners. Trade flows across the Atlantic amount to around €1.7bn every day. There is already considerable renewables trade between the US and EU. This includes the fuel (biomass and biofuels) as well as the technology (EU companies selling wind turbines etc. in the US). Following the adoption of the Directive, all biofuel imports will have to comply with the Directive's sustainability criteria, so US exporters will need to understand these and take action to ensure that they comply.

Energy plans under the new administration are reported to include a carbon emission 'cap and trade' system (which would increase demand for carbon free renewable energy), and expenditure of \$150bn on alternative energy over 10 years, including tax credits for electric and other 'advanced' vehicles.

EU-US renewable energy trade is likely to continue to grow, as each party is developing strong incentives to boost the use of renewable energy, to help meet similar energy policy goals. The EU would certainly encourage the US to take part in a global climate change agreement and develop a stable policy regime and incentives. Such incentives should strive to be non discriminatory and should not impose unwarranted administrative or regulatory burdens on exporters or importers.

The more similar the measures and the greater the consistency in product regimes and renewable energy technology requirements and specifications, the lower the administrative costs. Each party would then benefit from the global growth of renewable energy in the most cost effective manner possible.

What impact will the EU decision to push back CO2 auto limits to 2015 have upon the auto industry?

In December 2007, the European Commission proposed legislation to reduce the average CO2 emissions of new passenger cars to 120 grams per kilometre by 2012. The proposal is a major step in lowering CO2 emissions in the EU. Improvements in vehicle technology would have to reduce average emissions to no more than 130g/km, while complementary measures, such as improving efficiency of tyres and air conditioning systems, would contribute a further emissions cut of up to 10g/km, thus reducing overall emissions to 120g/km.

A reduction in average emissions of CO2 from around 160 grams per kilometre to 130 grams corresponds to a 19% reduction of CO2 emissions for new cars and would place the EU among the world leaders of fuel efficient cars. As well as achieving environmental results, this proposal will also benefit consumers through important fuel savings. It will further improve energy security, and promote eco-innovations and high-quality jobs in the EU.

The exact elements of the proposal are currently being negotiated among the European Parliament, Council and Commission. Therefore it is too early to comment on the impact of the final measures adopted. In any case, all elements of the proposal should be considered as whole, and not in isolation.

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