

**EU-OPEC Energy Dialogue, 5th
Meeting
Director General Ruete's speech
(Delivered by Director H.
Hilbrecht)
Brussels, 24 June 2008**

Chairman, Ministers, Secretary General, Commissioner, Excellencies, honoured guests, dear colleagues

We need to develop new policies to face today's challenges. We already know a number of effective options available to us: energy efficiency and demand management, more efficient and clean technologies, intelligent networks and land-use planning, more renewable energy and local energy services, as well as international efforts to increase solidarity and reduce geopolitical tensions.

EU energy policy

In the EU, this is the route which Heads of State and Government have already agreed to follow. Even before oil prices reached three digits, other factors drove the EU to action: climate change, a level playing field in energy markets, and secure energy.

In March 2007, the 27 Heads of State and Government committed themselves to binding targets to reduce greenhouse gas emissions by 20% by 2020, rising to 30% with an international agreement, and to increase the share of renewable energy to 20% of energy demand over the same period. The first instrument to

make this happen must be energy efficiency, so we have also set ourselves the objective of achieving energy savings of 20% by 2020.

The EU is now implementing an intensive programme of action to change the course for energy in Europe, a long term programme which requires immediate actions.

Let me briefly recall **what we have done in the last twelve months**:

- A **new package** of legal measures, to open up the **European gas and electricity markets** was tabled in September last year. Ten days ago, the Council of Ministers reached a broad agreement on this 3rd package on the internal energy market, including the highly controversial subject of an **effective and efficient unbundling between entities dealing with generation and transmission of gas and electricity** in order to prevent distortion of competition. Although this is not the end of the legislative process, we are very confident that the second reading in the EP and the council can be achieved by the end of this year.
- Second, we have proposed a **draft directive, to enforce the 20% share of renewables in the energy mix in 2020** and to develop sustainability standards for biofuels in all Member States: the proposal sets national targets in a balanced manner and creates transferable guarantees of origin as a flexibility mechanism to ensure that the targets can be reached cost effectively. The flexibility takes also into account the need to protect national support schemes. The proposal includes the 10% target for renewables in the transportation sector, the fastest growing sector. The 10% target – which will be fulfilled mainly with biofuels – is an important first step for making the transport sector sustainable. But just as important is it to tackle rising energy demand in transport. The more we limit the growth of demand or even reduce demand, the easier our targets will be.

The sustainability scheme will impose mandatory criteria on biofuels to protect sensitive areas and to prevent deforestation.

- Third, an update of the **Emissions Trading System** to achieve cuts in greenhouse gas emissions, in particular from the larger industrial emitters, including the auctioning of a large share of the emission permits. Since the revised ETS will only cover less than half of the GHG emissions, an EU framework for national commitments will cover the remaining emissions – in buildings, transport, agriculture, waste and smaller industrial plants. This is why we also need tougher standards on CO₂ emissions from cars or in figures, an average of 120 g CO₂/km in 2012. *(130g have to be reached by engine technology and the remaining 10 by other means).*
- Fourth, I have already mentioned the importance of increased energy efficiency. It's important to implement the **EU Energy Efficiency Action Plan**, in all economic sectors, at all levels; from the International Partnership for an Energy Efficiency Cooperation, endorsed early June by the G8 energy ministers, and National Energy Efficiency Action Plans, through the covenant of mayors at the local level, to more labelling of efficient consumer goods for individuals. Energy efficiency is the single element of energy security which is totally within our control.
- Fifth, a **European Strategic Energy Technology Plan**, to enhance the impact of Europe's investment in RTD;
- Sixth, we have drafted a directive to tackle administrative and legal barriers to Carbon dioxide Capture and Storage projects. Fossil fuels will remain the primary source of energy worldwide for decades to come. This is why the European Council backed early action to make CCS the technology of choice for new power plants, including the setting up of up

to some 12 demonstration plants by 2015, which is still a great challenge for industry and policy makers alike.

The proposals in these six areas represent an unprecedented change in the legal framework for Europe's energy markets. It is not only climate concerns which are driving the timetable forward. It is also securing energy. Energy security is closely aligned with the climate issue. Both have their roots in the same issues: rising global demand for exhaustible fossil fuels resources. The solutions are interrelated – more efficient use of energy, alternative fuels and clean technologies. And the outcomes are complementary: secure, low carbon energy and sustainable economic development.

The Commission is now preparing a **second Strategic Energy Review** for the European leaders. This will confirm our commitment to our policy targets.

And it will underline the need to develop the international approach for energy for the EU as a whole. Building on our common targets and internal energy market, the EU is better equipped than ever to speak with a common voice in international energy discussions. As part of our second Strategic Review, the European Commission will explore a number of themes which are fundamental to the future of oil and gas markets.

A robust **external energy policy** is the natural extension of coherent internal energy policies. Already, the EU has a good record of collaboration in external energy affairs:

- Let me start by mentioning the excellent cooperation we have mutually developed in the EU-OPEC relations over the past three years, where we have learned about the concerns of oil producing countries (security of demand).

- We have an Energy Community bridging the energy markets of the European Union and the South East Europe, and a Mediterranean energy partnership of 37 countries in Europe, and North Africa.
- Negotiations for a new Partnership and Cooperation Agreement with Russia will start next month, while Memoranda of Understanding and other bilateral agreements have been agreed with a number of Caspian states.
- We hope that we can finalise a declaration for an International Partnership for Energy Efficiency. (*Agreed by G-8*)
- And we are building up international technology initiatives in several energy sectors, particularly CCS and possibly RES
- We are working to stimulate interest in carbon dioxide capture and storage technologies in third countries, including China and India. We must now move quickly to full-scale demonstration of this technology, both in Europe and internationally.

But European energy initiatives must go further than the production, supply and use of energy. They should also bring wealth and jobs, improve public health and living environments, exploit energy sources and bring real and tangible benefits to all our citizens.

Conclusion

What is true at EU level is also true globally. Fully exploiting every country's potential for energy efficiency and clean energy production, as well as removing damaging energy subsidies, is fundamental to our energy future.

Energy brings us together. It is up to all of us to make it work for the good and not for the worse. We all have common interest in sustainable energy. We have a common interest in clean technology, and we have a common interest in secure energy, of supply and demand.

The EU-OPEC Energy Dialogue can play a pivotal role in this direction.