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SUBCOMMITTEE I ON THE FREE MOVEMENT OF GOODS

EEA EFTA COMMENTS TO THE GREEN PAPER FOR A EUROPEAN STRATEGY FOR SUSTAINABLE, COMPETITIVE AND SECURE ENERGY

I EXECUTIVE SUMMARY

The EEA EFTA States welcome the Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy (COM (2006) 105 final). Since some sections of the Green Paper are EEA relevant, the EEA EFTA States hereby present their comments to some of the main issues with potential implications for the development of legislation, policies and programme activities covered in the EEA agreement.

Concerning the completion of the Internal Market, the EEA EFTA States state that there is still scope for improvements and endorse proper implementation of the internal energy market package. The EEA EFTA States find the proposal for a European Energy Regulator to be premature. The regional market approach should be reviewed more in depth as one major way forward. However, the understanding of the EEA EFTA States is that a continued strong cooperation between national European regulators is essential to the improvements of the European energy markets.

The EEA EFTA States support the Commission's view that the energy mix is the responsibility of Member States. The need for a standard European methodology to assess advantages and drawbacks of different energy technologies is being questioned by the EEA EFTA States.

With regard to mitigating climate change, the EEA EFTA States share the view that the energy sector is a key sector of action and that policies to promote energy efficiency, renewable energy and efforts within carbon capture and storage are in the forefront. The EEA EFTA States would, however, in future documents like to see a better strategic overview of the new and existing EU-legislation to promote energy efficiency.

The EEA EFTA States emphasise increased focus on energy research. They are of the opinion that innovative energy technologies within both renewables and cleaner use of fossil fuels, including carbon capture and storage, should play an important role in the 7th Framework programme. In principle, the EEA EFTA States support more systematic thinking and initiatives to build a bridge between the development of technologies and market introduction.

The EEA EFTA Comments are complementary to bilateral comments from the EEA EFTA States.

II GENERAL REMARKS

1. The EEA EFTA States have taken note of the Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy which was submitted for wide consultation on 8th March 2006. The text is relevant to the work undertaken by the EEA EFTA States under the EEA agreement. The EEA EFTA States hereby present some viewpoints on the main issues with potential implications for the development of legislation, policies and programme activities covered by the EEA agreement. The Green Paper is an excellent tool for further discussions on energy policy in Europe. The following comments are complementary to bilateral comments from the EEA EFTA States.

III SPECIFIC COMMENTS

3.1 Completing the internal European electricity and gas markets

2. The process of liberalising the European electricity and gas markets is addressed in the Green Paper. During recent years, the EEA EFTA States have closely followed the development of the internal energy market legislation, and implemented EU decisions which were EEA relevant. From the ongoing sector inquiries and the implementation of the legislation on liberalisation of the electricity and natural gas markets, the EEA EFTA States have noted that there is still scope for improvement. They endorse proper implementation of the internal energy market package.

3. The EEA EFTA States support further efforts to improve the functioning of the energy market in Europe. They propose that a more regional market approach in Europe could be one of the alternatives for liberalising the market, and should be reviewed more in depth. The Nordic electricity market is one such market, which could serve as a model. The EEA EFTA States have noticed that this market has been rated a success by the Commission in their progress reports and their sector inquiry.

4. Regional cooperation frameworks should be used to improve cooperation between national regulators and national grid operators. With regard to the Commission's proposal for a new European Energy Regulator, the EEA EFTA States find this novelty to be premature since implementation is currently taking place in the Member States and EEA EFTA States of the EU energy framework with the regulators being important actors in the process. The EEA EFTA States understand that cooperation between European regulators is essential to the improvements called for in the liberalisation of the European energy markets. The EEA EFTA States will closely follow the discussions on this matter in the Florence and Madrid fora.

5. The EEA EFTA States have noted some of the possible areas for future action. The proposed strengthening of collaboration between transmission system operators (TSOs) on a possible European Grid code should be assessed further. The EEA EFTA States would also like to be informed on any new initiatives such as the proposal for a European Center for Energy Networks.

3.2 *Diversification towards a more sustainable and diverse energy mix.*

6. The Green Paper addresses the issue of diversification of the energy mix. The EEA EFTA States support the position stated in the Green Paper that the choice of energy mix is the responsibility of the Member States. However, in parallel, the Commission has suggested having a more formal frame for analysing different energy sources. The EEA EFTA States are questioning whether it is possible to develop and agree on a European standard methodology to analyse the advantages and drawbacks of the different sources of energy. The EEA EFTA States are of the opinion that it would be very difficult to make clear distinctions between the technical analysis and political judgments in a Standard Methodology. This also goes for the foreseen Strategic EU Energy Review of different energy sources, including the indicated transparent and objective debate on the future role of nuclear energy.

7. Furthermore, the EEA EFTA States question whether it is cost-effective to define a benchmark or aim for a minimum level of overall EU energy mix, originating from secure and low-carbon energy sources. The means of defining and agreeing on a low-carbon energy source need to be found.

3.3 *Tackling Climate Change: Energy efficiency and renewable energy*

8. The EEA EFTA States have noted that the Green Paper conveys strong signals that the EU must continue to be the leader with regard to addressing climate change challenges and work towards the widest possible international action. The EEA EFTA States share the view that the energy sector is a key sector for action with regard to mitigate climate change, and that it is essential that energy policy makers participate actively in this work. However, policy instruments in these areas have to be balanced with the objectives of security of supply and effective markets.

9. The EEA EFTA States have noted that the Green Paper brings three areas of action to the forefront: energy efficiency, renewable energy and carbon capture and storage. The EEA EFTA States already cooperate successfully with the EU in these three areas. Therefore, they welcome the continuation of common efforts, by the use of mechanisms of the EEA agreement concerning consultation on new legislation in the pre-pipeline and pipeline phases.

10. On energy efficiency, the EEA EFTA States are currently revising the adopted directive on promoting end-use energy efficiency and energy services 2006/32/EC. It is important that the relevant energy legislation is logically consistent and could be effectively applied in states with different energy situations and policy drivers for undertaking energy efficiency. The EEA EFTA States would like to cooperate with the EU on the implementation of cost-effective energy efficiency policy measures.

11. In the follow-up to the Green Paper and in the Commission's future Energy Efficiency Action Plan, the EEA EFTA States would like to see a better strategic overview and assessment of all current and new legislation in different sectors. The impact of legislation in force on energy savings and CO₂ reductions should be evaluated as part of this assessment. The EEA EFTA States have taken note of the new ideas to be explored, such as the "white certificate systems". The EEA EFTA States ask for further information on progress in this field.

12. On energy efficiency, it would be useful to hold a debate on the balance between new legislation at European level versus more tailor-made action at national level. Furthermore, it would be useful to assess the extent to which existing EU legislation could already contribute to the 20% potential.

13. Furthermore it would be beneficial to analyse to which degree energy efficiency cross-border investments projects could contribute to the fulfilment of joint implementation and CDM which could mean cost effective CO₂ reductions in the future. The EU approach on this would be of importance and interest to the EEA EFTA States. Future means of applying these mechanisms with regard to energy efficiency could be one of the issues which could be assessed further.

14. On renewable energy, the EEA EFTA States have adopted the renewable directive 2001/77/EC. Renewable energy resources are well developed in EEA EFTA States, particularly in Norway and Iceland. Future action and policy declarations from the EU will therefore be followed very closely. The policy instruments applied to promote renewable energy have not been harmonised in the EU/EEA, even if directive 2001/77/EC has been in force for some time. Different schemes at European level still seem to exist. The renewable directive did not take a position on further harmonisation of policy instruments and neither did the first follow-up report.

15. The Green Paper clearly states that a Renewable Energy Road Map will be presented to cover key issues. The EEA EFTA States support future work on renewable energy at European level. This should be based on the full recognition of hydropower and geothermal power as an important renewable energy source. Since the renewable directive entered into force, both in the EU and in the EEA, it is very important to consider the real added value of new directives at this point in time. There may still be significant discrepancies in the scope and direction of harmonisation at European level.

16. It would be useful if a Renewable Energy Road Map were to invite stakeholders to discuss how the renewable directive could have been better used with regards to the status of European harmonisation and further steps including new directives in the pre-pipeline. The renewable directive already indicates milestones in developing policy instruments and indicative targets in a "road map". Notwithstanding the fact that there could be a need for a Renewable Energy Road Map, the EEA EFTA States would carefully like to draw attention of the importance of the "road map" which is already part of the renewable directive 2001/77/EC. Improved information exchange of which policy instruments that are chosen within the current framework of this directive will be very helpful in order to improve national policies.

17. It is the view of the EEA EFTA States that it is very timely and urgent to undertake an overall study on the effects and the relation between directives related to climate change, security of supply, energy efficiency, renewable energy sources and the rules and guidelines on state aid. This is necessary to secure consistent implementation of EU rules on the handling of the various frameworks and support systems, e.g. feed-in tariffs.

3.4 Encouraging innovation. A strategic European energy technology plan

18. Increased efforts should be put into energy research. This is the clear message in the Green Paper. The EEA EFTA States fully participate in the major R & D programme (7th Framework programme) under the EEA Agreement. The EEA EFTA States are of the opinion that innovative energy technologies within both renewables and cleaner use of fossil fuels, including carbon capture and storage, should play an important role. The EEA EFTA States have a very strong interest and wish to strengthen efforts on hydrogen technologies.

19. A strategic energy technology plan has been suggested as a new framework for action to get new technologies to the world market. The question could be raised as to how this plan should relate to the 7th Framework programme and other policy instruments to reduce entry barriers? Given the strong interest in energy technologies in the overall priorities of the EEA EFTA States, the next steps in any strategic energy technology plan will be closely followed, since this clearly is relevant for the EEA EFTA cooperation with the EU.

20. The EEA EFTA States have noted the increased focus in the Green Paper on the interplay between energy technologies/ R&D and other policy instruments. The EEA EFTA States would have to assess any new initiatives in this field under the EEA Agreement. However, in principle, the EEA EFTA States support a more systematic thinking, as well as initiatives to build a bridge between the development of technologies and market introduction.

IV CONCLUDING REMARKS

21. The EEA EFTA States consider the Green Paper to be a milestone for future European energy policy and welcome the close cooperation with the Commission in this regard, since some sections of the Green Paper are EEA relevant.