



DET KONGELIGE
OLJE- OG ENERGIDEPARTEMENT

*The Royal Ministry of Petroleum and Energy
The Minister*

Mr. Andris Piebalgs
Member of the European Commission
European Commission
B-1049 Brussels
Belgian

Your ref

Our ref

Date

20 September 2006


Dear Andris,

Thank you for your hospitality and an interesting and fruitful meeting in Brussels earlier this month.

Let me state that we welcome the opportunity to comment on the European Commission's Green Paper (COM (2006) 105 final), and the subsequent discussions within the EU. Enclosed you will find Norway's final comments.

The Green Paper represents an excellent point of departure for further discussions on the energy challenges facing Europe. I look forward to follow-up our discussions in this respect.

Yours sincerely,


Odd Roger Enoksen

20 September 2006

MEMO

The Norwegian Ministry of Petroleum and Energy

Comments to the Green Paper on A European Strategy for Sustainable, Competitive and Secure Energy

Norway welcomes the opportunity to provide comments and views on the European Commission's Green Paper (COM (2006)105 final), and the subsequent discussions within the EU on the paper. These discussions are highly relevant for us. Firstly, a new energy policy for the EU will have an impact on the future formulation of legal framework with relevance for the EEA agreement. Secondly, the discussions on energy security and developments of effective and functioning energy markets are significant since we are a major energy producer and exporter and physically integrated with the EU in energy trade in gas and electricity. Thirdly, the pursuit of a coherent EU external energy policy will undoubtedly have implications for Norway.

First of all, we would like to communicate our overall view: We can subscribe to the basic principles underlying the Green Paper. The paper represents an excellent point of departure for further discussions on the energy challenges facing Europe.

The Green Paper sets out a vision for an Energy Strategy for Europe and how a European Energy Policy could meet the core objectives of energy policy: sustainable development, competitiveness, and security of supply. It is our view that these important goals need to be fulfilled in a balanced manner.

The Green Paper refers to Norway as one of the most important strategic energy partners to the EU. We look forward to continuing the existing broad dialogue with the EU on energy, and energy related issues. Furthermore, we welcome political dialogue on global energy issues.

We note that the EU fully respects Member States' sovereignty over primary energy sources and the choice of energy-mix.

Norway is fully integrated in the Internal Energy Market. The relevant EU acquis has been adopted and implemented. We look forward to continuing to participate actively in the development of new legislation within the EEA. It is equally important that relevant legislation in this field is proper implemented in the whole EEA Area simultaneously.

Norway supports efforts to improve the functioning of energy markets in Europe. Even if improvements in the energy markets have taken place, there is still substantial scope for improvements in the continental Europe. Two important prerequisites for a well functioning and liquid European energy market are fair and equal access to infrastructure and freedom for market actors to enter into contractual arrangements, which fit their individual risk profile, without restrictions on duration and/or price mechanism.

It is important to ensure a full, effective and transparent implementation of existing internal market legislation. Some concerns exist relating to the fact that the European downstream market is still not fully open (e.g. third party access/tariffs) and also to the fact that a concentration exists on the buyer side. Producers' full access to the market is important in order to achieve the long term investments in gas projects needed to establish security of supply. Furthermore, it is important that consumer countries contribute in building confidence in gas as a preferred choice of energy. Attractive market conditions will contribute to the development of new resources. Taxation of gas which distorts competition and is not based on relative environmental merits relative to other fuels may discourage investors. The same goes for subsidies on competing energy sources.

The importance of transparent and predictable markets is shared by Norway. Long term contracts will still play an important role in facilitating large upstream investments. Together with short-term, spot and swap contracts they constitute the backbone of international gas supply security.

A coherent regional regulatory process should be accompanied with a careful monitoring at European level in order to ensure that regional markets are developing in a consistent manner. The Nordic electricity market has been a model for developments on EU level. It is important to recognize the importance of regional approaches within the European frame.

A European Grid Code seen as a common market access code would be an important step in the development of an integrated and efficient transport network and make it easier to trade electricity and gas across Europe.

The Green Paper underlines the importance of improving energy efficiency and promoting renewable energy. Norway is already cooperating closely with the EU in this area. At the national level these goals are being pursued within our ENOVA system. Internationally, Norway places priority on supporting renewable energy supplies and energy efficiency measures in our European assistance programs.

In the long run energy security will be strengthened by development of alternatives to oil in the transport sector, where almost all energy needs today are met by oil based

fuels. In this respect the EU's support for bio fuels is welcomed and a step in the right direction. We see this as a supplement to conventional oil supplies. If we are to succeed in our efforts at mitigating climate change, we have to inter alia emphasise the transport sector, and bio fuels are CO₂ neutral and thus also an attractive option in a carbon abatement strategy. Generally Norway welcomes strengthened development of energy efficiency and renewables, and sees these efforts as necessary supplements to the development of our petroleum activities.

The Ministry welcomes the integration of solutions to mitigate climate change in the EU's energy policies in the Green Paper. We envision an important partnership with the EU in the area of carbon capture and storage. Injection and permanent storage of CO₂ potentially represent an important measure for mitigating climate change. In addition, there can be benefits in terms of enhanced oil recovery.

Market-based mechanisms, such as the EU Emission Trading Scheme - Joint Implementation - Clean Development Mechanism, are important to foster cost-efficient investment in zero- and low-carbon technologies.

Oil and gas R&D should be reintroduced to the research agenda in order to increase the energy security of Europe. A Strategic European Technology Plan should include issues such as advanced reservoir operation, advanced and environmentally friendly production technology applicable in the North, and technology to refine heavy oil and upgrading.

We note the support expressed in the Green Paper for facilitating Norway's entry into the Energy Community and look forward to contributing to the proper implementation of the Treaty.

Whilst recognizing Europe's growing import dependence, Norway believes that the importance of current and prospective EEA resources deserves greater attention and recognition.

The Green Paper lends support to Norway's efforts to develop resources in the high north of Europe in a sustainable manner. Sustainability is a key principle for Norway in developing the resources of the Barents Sea. The Government's Integrated Management Plan for this region is based on an integrated, eco-system based approach to resource management, which allows for co-existence of fisheries, petroleum extraction, and maritime transportation. Consistent with this plan, petroleum activities in the Norwegian part of the Barents Sea will be conducted in accordance with the highest health, safety and environmental objectives. It is also our goal, which we are pursuing in a dialogue with Russia, that these objectives should apply to the entire Barents Sea.

In conclusion, the Green Paper covers many issues where the Commission and Norway are in agreement. This has been demonstrated through the energy discussions held after the publication of the Green Paper. We look forward to continuing the dialogue with the EU through our established energy partnership, including the Cooperation Group and the EEA Agreement.