

AN AMBITIOUS AND VISIONARY ENERGY POLICY FOR EUROPE

In 2010, the European Commission will be presenting its ideas for a new European energy policy for the period from 2011-2020 together with a road map as part of the work on establishing the vision for Europe's transition to a low-carbon, resource-efficient and climate-friendly economy by 2050. With this input, the Danish government wishes to contribute with elements for consideration on how a new European energy policy should be drafted in the short, medium-long and long terms.

An ambitious and strategic energy policy can help provide a specific contribution to embracing a number of the new challenges that Europe is currently facing. Most importantly, a strengthened energy policy must improve Europe's energy security and minimise the growing mismatch between consumption and supply of energy resources, dependency on a small number of supplier countries and transit countries, global price fluctuations of fossil fuels and increasing global demands for energy. The energy policy should also contribute to ensuring full liberalisation of the EU electricity and gas markets to obtain better and cheaper access to energy for the benefit of individuals and enterprises. An ambitious and visionary energy policy must also support the endeavours to combat climate change, and specifically help realise the EU's commitment to reduce greenhouse gas emissions by 80-95% by 2050.

Furthermore, an ambitious energy policy could contribute to create growth, employment, and develop a greener and more productive economy, where the potential for innovation and production in the energy sector is expressed in a cost-effective manner. Several of the initiatives in the energy policy will result in higher costs. However, at the same time, there is a number of positive elements connected to timely transition, including promotion of green technologies and European strongholds, as these will have a positive effect especially in the long-term, when the price of fossil fuels is expected to rise. Finally, the energy policy should be seen in a global context. Through a sound interaction between energy and foreign policy, the EU's internal energy security and the EU's external room for manoeuvre can be strengthened.

It is essential that the common energy policy for Europe is strengthened to take into account implementation and consolidation of the existing policy, and to create the frameworks for the development of a policy with a long-term perspective. The basis for a strengthened energy policy should therefore be the establishment of a long-term *vision for a Europe independent of fossil fuels*.

Overall, a very important prerequisite for being able to realise the 20-20-20 targets and complying with the long-term vision, is that the energy agenda is "mainstreamed" into all relevant EU-policies, e.g. research, development, transport, agriculture, foreign affairs and the EU-budget. In addition, energy policy must be attached greater priority in the financial perspectives from 2014-2020.

The Danish government believes that the following areas in particular should have a dominant place in the new energy policy:

- *Development of a green single market:* the energy policy should support the Europe 2020 strategy and development of a green single market, which focuses on a productive market and removal of market barriers for green low-carbon products, services and technologies. Focus should be on harmonisation and standardisation, i.e. allowing large quantities of renewable energy to be phased into the energy system and promoting new transport technologies, including especially electric cars. Establishment of super grids and smart grids. The structural

funds for convergence regions should be more focused on initiatives that support EU's climate and energy policies.

- *Continued liberalisation of the energy markets:* further development of the third Energy Liberalisation Package for full ownership unbundling in the overall transmission system.
- *Strengthening RD&D:* intensive development of new knowledge and exploitation of this is vital for Europe's competitiveness and technological innovation in climate-friendly technologies will benefit all of the EU, and could therefore quite naturally be pursued in common at an EU level to a much greater extent than previously. Research - particularly in energy and climate change - is among the most important areas and it should be afforded greater priority. Doubling of funds for research, development and demonstration in this area, including a vast increase in the EU's future budget, particularly for renewable energy, smart grids and energy efficiency, up until 2020, compared with the current level.
- *Energy efficiency:* in cooperation with the Commission, EU Member States should work together towards achieving a 20% increase in energy efficiency by 2020 by means of instruments and policies at EU and national levels. It is essential that the target is implemented in a way that rewards countries which have already adopted significant efforts. In accordance with the conclusions of the European Council from March 2010 the target will not imply burden sharing. At EU level, the Commission should present the necessary supplementary proposals for reaching the target.
- *Bioenergy:* the EU Member States should cooperate with the Commission on ensuring the necessary incentives for establishment of a sustainable market for deliverables of biomass from agriculture; enabling unexploited biomass to be exploited in the best way possible, and production and use of biomass for energy purposes to be done sustainably to ensure real greenhouse gas reductions that take into account the environment and biodiversity, and to be in line with food production.
- *Minimum standards for energy and emissions taxation:* as stressed by the Commission in the Europe 2020 strategy, the EU should shift the tax burden from labour and towards activities harmful to the environment. A common EU-approach should be considered to internalising the cost of polluting in non ETS sectors, for instance through minimum standards for taxation of emissions and higher minimum taxation of energy consumption. The Commission should present a specific proposal on "greening the taxes". The energy taxation directive should be revised in accordance herewith.
- *Long-term perspectives:* it is necessary to maintain a long-term perspective for the energy policy. Therefore, firstly, a long-term vision for a Europe independent of fossil fuels, also with time perspectives and for instance milestones and within a socio-economically sustainable framework, should be established. Secondly, the Commission should submit a proposal for a long-term strategy on supporting low-carbon energy supply and increased independence of fossil fuels in the transport sector. In this connection, the Danish government would like to contribute with knowledge and ideas.