

# The Vienna Declaration



## A Sustainable Energy Policy for Europe



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**The Greens | European Free Alliance**  
in the European Parliament

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Climate change, scarcer oil and gas and the nuclear threat - notably increased proliferation - have been concerns for more than a decade but rising energy prices and apprehensions about security of supply have put the energy question high on the current media and political agendas.

On 8 March 2006 the European Commission is scheduled to adopt a Green Paper on a Secure, Competitive and Sustainable Energy Policy for Europe. This will then be discussed at a special Energy Council meeting on 14 March before being on the agenda of the Spring Summit on 23/24 March 2006. This is expected to set in train the adoption of a New Energy Policy for Europe. Against this background, the Greens/EFA group in the European Parliament is proposing the following priorities for future action:

### **1. Security of supply: reducing the world's oil addiction**

By 2030, it is forecast that 94% of the European Union's oil will have to be imported, up from around 70% today. This is as a result of an expected increase in demand and diminishing domestic production. Security of supply is further weakened by the fact that around 30% of global oil demand is provided by just one region, the Middle East, with Saudi Arabia accounting for nearly half of this total. The potential political instabilities in many oil-producing countries and the increased oil demand from emerging economies suggest that oil resources will become increasingly scarce, rapidly leading to even higher prices. Getting swiftly out of oil without delay must be a key policy for EU.

### **2. Not overestimating the impact of the EU on the world energy market**

The EU has to speak with the same voice outside Europe to ensure it has equal status with the well-organised US foreign energy policy and Chinese/Indian diplomatic efforts. This will require, not only better coordination between the Commission and Member State governments, but also the involvement of all other relevant European actors, notably NGOs, Parliaments and industry, to reflect the realities of the modern world.

The impact of purely supply-driven diplomatic efforts on world energy prices should not be overestimated however. On the contrary, helping to set global efficiency standards for goods like cars, appliances and electronics, and investing through joint ventures to this end (e.g. in the modernisation of the Ukrainian and Russian building stock) will produce greater results in reducing the volatility of oil and gas than all supply-side measures. Focusing on the fields where Europe is both in a political and a technological lead - like urban transport, energy efficiency and renewables - will be not only lead to better results for the global climate but also for EU businesses.

### 3. Transport policy is energy policy

In 2005, 96% of all energy used in the EU transport sector comes from oil. This is in marked contrast to the oil shocks in the 1970s when oil was also used significantly for electricity and heat generation. Consequently, rapid fuel switching away from oil is much more difficult than 30 years ago.

Energy policy is transport policy. It is impossible to try and address today's energy problems without tackling transport.

Consequently, the Commission must urgently begin the process of developing a master-plan for reducing the use of oil, through:

- Raising efficiency standards, notably of cars and trucks;
- A partnership with large EU cities to develop soft mobility chains and public transport systems;
- An EU policy for a single railway system and better train connections;
- Fair competition between all transport modes through ensuring internalisation of all external social and environmental costs of the different transport means, beginning with road and air transport;
- The increased use of certain environmentally-, socially- and climate-friendly biofuels, electrified systems and fuel-cells, based on renewable sources; and
- The introduction a windfall profit tax on big oil companies.

### 4. Competitiveness: the internal market for electricity and gas: a multi-billion euro misallocation of money:

The Lisbon Strategy was designed to increase the competitiveness of the EU's economy. Recent increases in energy prices could potentially undermine this process unless action is taken. Consumers in Europe are paying higher prices for energy in part due to higher world market prices. However, other factors are also leading to higher consumer prices, these include:

- The significant increase of profits by large energy companies: market dominance is enabling them to charge much higher prices than their production costs. It is estimated that during 2005 and 2006 the cumulative increased profits of the largest power companies in Germany and France alone will be in excess of €20 billion.
- 2005 saw the introduction of the EU's Emissions Trading Scheme (ETS). Although most electricity companies were allocated their CO<sub>2</sub> allowances for free, electricity prices on the power exchanges have risen 5 to 8 euro per MWh. These increases have been 'justified' by the internalisation of the costs for CO<sub>2</sub> into the prices of the energy exchanges, enabling a handful of power companies to amass huge profits to the detriment of society at a large.

The increases in windfall and other profits of the energy companies have lead to a rapid increase in proposed mergers and acquisitions, such as E.on-Endesa or Suez-Gas de France. This market concentration increases the economic and political power of the large companies and decreases competition and technological innovation. All market based instruments - like CO2 trading, green certificates, white certificates - will not function satisfactorily as long as the underlying electricity and gas markets are biased. In the light of this a number of steps must be taken:

- Introduce a 'windfall' profit tax (also called a stranded benefit tax) on utilities and reinvest the revenue accrued to compensate those consumers most hit by the market imperfections and to encourage new highly efficient market actors, ideally renewables, and energy efficiency services.
- Harmonise EU-level rules on mergers and acquisitions and measures to prevent market dominance.
- A third package of legislation for the energy sector in order to re-regulate the market and solve outstanding issues like ownership unbundling, access to storage and the segregation of nuclear decommissioning funds.
- Strengthening the European Emission Trading System and making sure that the different national allocation plans (NAPs) lead to a significant reduction in CO2 emissions from the power sector in the short term and do not favour coal power. To this end, the auctioning of CO2 allowances must be introduced for the second phase of the ETS.

## **5. Sustainability: establish a merit-based hierarchy for the different energy options**

The EU and Member States must clearly prioritise those actions under which everyone wins and which do not create additional risks. These include changes in mode of transport, realising the full potential of energy efficiency and conservation, securing the massive uptake of renewable energy sources and behavioural changes. Putting renewables and nuclear on an equal footing is not only morally and ethically unacceptable but also ignores the fact that both technologies have completely different risk assessments. Nuclear energy should be strictly excluded.

A new European Energy Policy for Europe must therefore be targets oriented towards:

- Phasing out nuclear energy;
- Keeping the rise in global temperature to below 2°C above pre-industrial levels; and
- Prioritising sustainable solutions.

Nuclear is a problem, not a solution

Nuclear is not a global technology. It is only used in 32 countries around the world and currently supplies around a mere 6% of commercial primary energy consumption. To considerably contribute to the safety of energy supply and climate protection, nuclear power production would have to be extended massively. Nuclear energy is therefore not a solution to either security of supply or climate problems. Furthermore, the unresolved risks associated with nuclear power - accidents, proliferation, terrorism, waste and pollution - makes it a non-starter.

Nuclear power must be phased out as it is too dangerous, dirty and expensive. The attempts of certain governments, like those in France and the UK, to revitalise the nuclear through the European level must be rejected. This would not only block any consensus among Member States but also undermine the legitimacy of the Commission, which is already regarded by many Europeans with distain rather than as an institution that encourages support from EU citizens for the European project.

Climate change

Last year, the spring European Council reconfirmed the goal of keeping the global temperature rise below 2 degrees Celsius above pre-industrial levels. Today's energy decisions must contribute, not only to meeting to the existing commitments under the Kyoto Protocol, but also to putting us on the right trajectory towards the deeper emissions reductions that are required in order to meet the 2 degree objective. In order to be fairly certain that it can stay below this temperature limit, the EU must reduce its greenhouse gas emissions by at least 30% by 2020 and by 80% by 2050.

Prioritisation of sustainable solutions

When considering the responses to the outlined challenges - climate change, oil, nuclear and geopolitical - it is important to analyse the advantages and disadvantages of different solutions. On the basis of this, priority must be given to those that are win-win, that can be implemented quickly and that can contribute to a number of different policy objectives.

Based on this, a clear hierarchy for energy choices could be established:

- *The Champions League*  
There are five no regret solutions, which have no (or very low) risks associated with their further introduction:
  - transport avoidance and mode changes (or transport efficiency)
  - end use energy efficiency
  - renewable energies
  - efficiency in energy production (Cogen)
  - behavioural changes

- *The 2nd Division*  
There are other solutions that combine a number of risks and advantages. They are second class solutions, and some involve so many disadvantages and risks that they should be excluded from any future scenarios/policy options:
  - gas
  - coal

## **6. A new energy policy for Europe to become the most energy efficient economy in the world by 2020**

Energy efficiency already saves more energy than any one supply option provides, however more, much more, can be done, in particular in the following sectors:

Transport: without a substantial change in the world's transport use patterns, there is no sustainable way to solve the world's energy problems. There is an urgent need to create a new transport culture in which those solutions which reduce the environmental consequences have to clearly be prioritised.

Electricity: there is considerable potential (both technological and financial) both to improve the end use of electricity (by setting minimum standards, labelling, modern financial concepts like third party financing) and to improve the currently poor level of efficiency in fossil fuel power production. Existing coal stations operate a level of efficiency of approximately 35%, whereas modern gas stations operate at around 60%, with greater gains possible if the escaping heat is also captured.

Buildings: the building sector accounts for 40% of energy use in the EU. An accelerated renovation of the existing building stock and the use of modern technologies for new construction projects can dramatically reduce the amount of energy used to heat and cool buildings. If this policy is combined with the modernisation and extension of central district heating systems and renewables, not only can CO<sub>2</sub> levels and energy costs be reduced, but also additional gas can be used in EU power market.

## **7. The renewable century: ensuring the breakthrough of a wide range of renewables**

Experience shows that new technologies are usually expensive when first introduced but their costs fall as accumulated production grows. A general rule applicable to renewable energy technologies is that the cost per unit power falls approximately 20% every time the accumulated production doubles. Experience

in Europe has demonstrated a halving in the cost of wind power over the last 15 years.

There are three main sectors in which the development of renewables is occurring, these are:

- Heating and cooling: EU-wide binding targets of 25% by 2020 are urgently needed.
- Electricity: further development can be achieved, in particular by capturing the huge potential of offshore wind in the North Sea and harnessing biomass. Further research is also needed in wave, tidal power and solar thermal/PV.
- Transport fuels: they have some potential but consideration must be given to the overall energy and climate balance and its impact on sustainable farming methods.

Further measures must be taken to ensure a target of 25% for renewable energy by 2020 is adopted, which is crucial for investor confidence, while further measures must be taken to accelerate the use of combined heat and power, above-all on industrial sites. Renewable solutions have the added-advantage of being broadly endorsed by the public, as underlined by the recent results of the 2006 Eurobarometer on energy.

## **8. A new approach: A partnership for a new energy and transport culture**

If the EU wants to really take up the challenges outlined in a sustainable way then a completely new approach is needed. There needs to be a transformation from a centralised, elite and short-term profit driven policy to one which is driven by democratic participation and sustainability. As the last weeks have demonstrated, a coherent EU policy cannot merely be a combination of national policies. The following partnerships have to be put in place:

- A global partnership for energy and transport efficiency and the development of renewable energy.
- A European-national level partnership, including better coordination between the EU intelligent energy agency and national energy agencies.
- A regional-local level partnership. Whereas most of the policy framework is set at European and national level, most investment and decisions are taken at regional and local levels.
- A partnership with the big European cities. Particularly in the area of transport policies, little will change as long as the big cities do not enter into a partnership with each other and at EU-level for greener cities.
- A partnership with progressive businesses. Further efficiency gains and economies of scale can be achieved by Europe wide cooperation.
- A partnership with citizens. Ultimately, a cultural change in the approach to all energy and transport changes will also be needed. As the recent

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Eurobarometer has shown, citizens are largely ready for this change. Promoting nuclear energy is not the way that the EU will win the hearts and minds of European citizens and the civil society.

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*This document can be downloaded for free from [www.stopclimatechange.net](http://www.stopclimatechange.net)*

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