Energy Transition: A liberal perspective

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Preamble

The energy transition is of crucial importance to Europe.

Climate change, ever increasing dependency on energy imports and rising energy prices pose a triple challenge for EU Member States and Europe as a whole. Against the backdrop of an unprecedented economic and financial crisis in Europe, the challenges of a secure, sustainable energy supply and climate change are as urgent as ever.

It is important to remember that no single European country can solve these problems in an efficient and cost-effective way on its own. It is therefore important that action is taken at European level.

The European Union has proposed ambitious targets in order to help the EU to become a competitive low carbon economy. Member States have committed themselves to reducing greenhouse gas emissions (GHG) by 20%, increasing the share of renewables in the EU's energy mix to 20%, and achieving the 20% energy efficiency target, all by 2020.

The necessary transition towards a competitive low carbon economy means that the EU should prepare for reductions in its domestic emissions by 80% by 2050 compared to 1990 levels.

We must however always ensure that policy solutions to the energy crisis are helpful to economic growth and jobs, and do not inadvertently worsen the economic crisis.

Recent major accidents in the field of energy production such as those in Fukushima or the Gulf of Mexico reinforce the need for safe and economical low carbon electricity, particularly from renewable sources.

European Liberal Democrats acknowledge that a rapid transition to a new low carbon energy mix poses a great challenge to European societies and achieving this goal will require additional efforts beyond the agreed 2020 targets.

However, European Liberal Democrats also see the opportunities in our societies becoming competitive low carbon economies. Smart investment will not only have positive effects on the environment and will help address climate change but will also provide investment and jobs in new sectors that can bring a competitive economic advantage for Europe’s economy. Setting international standards in green infrastructure and development could give European companies a significant advantage and Europe could lead by example in what could be called a 'third industrial revolution'.

The ultimate objective of a Liberal energy policy is the decarbonisation of the energy sector while guaranteeing security of supply, affordability of energy prices and environmental sustainability.

The European Liberal Democrat and Reform Party Congress, convening in Dublin, Ireland on 9-10 November 2012,

Recalls:

- The conclusions and action points in the resolutions *Energy and Climate Change* and *Energy Transition Now* adopted at the 2009 and 2011 ELDR Congresses in Barcelona, Catalonia and Palermo, Italy respectively; recalls in particular the notion that while fossil fuel supplies are limited, they remain the primary source of energy in Europe and the rest of the world. The key is to act swiftly to reduce the cost of renewables and other low-carbon sources of energy so that in the long-term they become more commercially attractive than fossil fuels.

- That while the above mentioned resolutions called for concrete targets for and beyond 2020; very little consensus has been reached on this, and Member States are already lagging behind on the EU's 2020 climate and energy targets;

- The European Commission has proposed a “Roadmap to a low-carbon economy 2050”, an “Energy Roadmap 2050” and an Energy Efficiency Directive to reach targets of energy efficiency and lower emissions;

- The European Commission's Communication "Renewable Energy: a major player in the European energy market" published in June 2012 calls for better integration of renewable energy sources into the market, a more coordinated approach to EU Member State renewable support schemes and more trading of renewable energy.

A Liberal energy policy

Notes that:

- A Liberal energy policy should prioritise market-based instruments for the promotion of low-carbon energy sources in order to ensure that the energy transition takes place in the most cost-efficient way; notes that the liberalisation of energy markets to allow open access to infrastructure and unbundling of production and supply from transmission is also an important aspect of Liberal energy policy.

Considers that:

- The Commission's Roadmap to a competitive low carbon economy in 2050 should therefore be implemented, including its trajectory, and specific milestones for domestic emission reductions of 40%, 60% and 80% for 2030, 2040 and 2050 respectively, and the ranges for sector specific milestones, as the basis for proposing legislative and other initiatives on economic and climate policy.

- The European Emissions Trading Scheme (ETS), as a market-based instrument, is a liberal approach *par excellence* as it mandates the end result, and allows the market to discover the most effective means of delivery. However, the ETS carbon price has been too low to provide most sectors with clear market signals, and too high for some sectors that face global competition. The scheme desperately needs to be reformed and care must be taken regarding carbon leakage; a careful evaluation of the ETS should be undertaken to determine its effectiveness and how it could be improved;

- An EU-wide carbon tax should be considered for the sectors outside the ETS, but again care needs to be taken to not harm the competitiveness of EU industry;

- Within the overall limit on future carbon emissions, there is a case for a sector-specific cap on emissions from electricity generation. This would encourage all low carbon technologies – allowing the maximum role for the market in

determining success – by providing the certainty to investors necessary to spur new generations of generating capacity.

Low-carbon energy sources

Notes that:

- The decarbonisation of the power sector in the 2030s requires an increase in the share of clean low-carbon and renewable energy in particular;
- Nuclear power plants, while attractive in the short-term to reduce CO2 emissions and increasing security of energy supply, continue to create worries about safety and environmental risk and increased efforts by EU Member States must be made to find a permanent solution to nuclear waste.
- Revenues from European Emissions Trading System auctions should go towards the promotion of Carbon Capture and Storage to ensure that fossil fuels can be used – at least during a transition period – while keeping CO2 emissions out of the atmosphere in the future;
- There are considerable solar and wind energy resources across the Middle East and North Africa region which could potentially provide both the Middle East and North Africa and Europe with significant supplies of green electricity; notes the DESERTEC and Medgrid initiatives to connect Europe and the Southern Mediterranean via a number of high voltage direct current (HVDC) transmission cables;

Calls for:

- The energy mix, within the low carbon family of technologies, to remain a Member State competence;
- Renewable energy sources to be supported in order to kick-start the sector, but those sector-specific subsidies to be phased out as the industry grows and competes freely with other low carbon forms of generation;
- In line with the Pittsburgh G20 summit declaration, ending subsidies for fossil fuel consumption is a win-win for level playing field and the environment. Europe should tackle examples of these outdated regimes where possible, such as the longstanding multilateral treaty that ensures lower fuel excise duties for diesel for shipping on the Rhine and ending existing state aid for coal mining. Furthermore, it is worth investigating whether European countries are offering de facto differing taxation rates for energy intensive industries, and if so to agree on a harmonised minimum level of taxation;
- The Commission to encourage sustainable biomass and in particular biowaste production; the EU's target for the use of biofuels must not result in the release of disproportionate quantities of greenhouse gas; highlights the importance of second and third generation biofuels;
- The Member States that are not complying with the 2009 Renewable Energy Directive to do so immediately;

- The portion of the EU's research and innovation spending to be devoted to renewables under the Horizon 2020 programme on secure, clean and efficient energy to be increased.

Energy efficiency

Notes that:

- Energy efficiency is key to the energy transition as it provides for significant energy savings that cut GHG emissions, reduce our dependency and expenditure on fossil fuel imports, and make us less vulnerable to global price shocks;
- Setting international standards for energy efficiency is a potential competitive advantage for European companies in developing new products and processes.

Calls for:

- The full and speedy implementation of the EU Energy Efficiency Directive in order to get the EU back on track towards meeting the EU's 20% improvement in energy efficiency by 2020;
- More ambitious energy savings in the building sector and in particular regarding commercial buildings as 40% of energy consumption in the EU relates to buildings; calls for the full implementation of the 2010 EU directive on the energy performance of buildings;
- The setting of ambitious levels and targets for efficient energy use and implementing measures to broaden the Ecodesign Directive and energy performance certificate to improve the environmental performance of buildings and related products.

Energy security

Notes that:

- Secure and affordable energy is extremely important for Europe’s citizens and businesses as they both need to be able to rely on energy being available at all times and at an affordable price;
- Energy efficiency and reducing energy consumption is another way of reducing expensive energy imports, especially those from undemocratic and illiberal countries.

Calls for:

- More coordination among EU Member States regarding energy security to provide greater bargaining power vis-à-vis exporter countries such as Russia and countries in the Middle East;
- A diversification of primary energy resources such as oil and gas;
- Increased energy efficiency measures and increased use of domestic European renewable energy resources such as wind, solar, geothermal, hydro, ocean and biomass power.

- Cooperation with neighboring energy exporter countries outside the European Union to make sure safety standards apply and human rights are respected.

Energy infrastructure

Notes that:

- Increased use of low carbon electricity generation, often located in remote locations, depends on Europe-wide long-distance electricity transmission infrastructure;
- A diversification of energy supply routes are a crucial part of reducing import dependence on any one exporter country;
- Electricity is a basic commodity and yet trade is smaller than in the European economy as a whole due to a lack of interconnectivity and regulatory obstacles;
- Increased interconnectivity can help lower electricity prices and thereby reducing production costs for European industry;
- High Voltage Direct Current electricity cables, necessary for long-distance electricity transmission, are only made by European companies and therefore investment in this area will lead to European jobs;
- Investment in electricity infrastructure could therefore be a key part of the new EU growth pact.

Calls for:

- Encouragement for private investment in energy infrastructure to facilitate, among other things, cross-border electricity interconnections and trade in electricity between EU countries in order to help European countries meet demand at peak times;
- Greater European coordination to remove regulatory barriers and to promote a convergence of standards in order to allow for such cross-border (as well as intra-regional and inter-regional) electricity transmission; calls for research into why in some parts of Europe there is excess cross-border transmission capacity that is not being fully used. The Commission should play an active role in these areas.
- The Commission to uncover any obstacles and propose solutions for increase investments in cross-border interconnections.
- The development of smart grids that allows for locally produced energy to be fed into grids in a decentralized, for energy storage and for energy-saving as a substitute for generation (for example through temporary switching-off of appliances during periods of peak demand);
- Member States to upgrade their energy grids by encouraging private sector investment where possible and only using already strained national and EU budgets to facilitate the completion 'missing links' that are not commercially viable.