

Denmark

13 October 2006

A Comprehensive Energy Policy for Europe

The global demand for energy is increasing. Oil prices have tripled within a few years, with gas prices following. The EU's dependence on imported oil and gas is rising, and the supply situation is suffering from a lack of investments. In the future, the EU runs the risk of becoming dependent on imported energy from only a few regions in the world, notably the Middle East, North Africa and Russia.

EU energy policies and measures must contribute to reducing emissions of CO₂ and other environmentally damaging substances and to fulfilling the EU's obligations, cf. the conclusions of the European Council regarding achievement of the two-degree target. The EU must take the lead in the fight against global climate change by means of a responsible energy policy, i.a. through energy efficiency improvements and renewable energy.

In March 2006, the Commission presented a Green Paper on sustainable, competitive and secure energy for Europe. The Green Paper and the Conclusions of the Spring Summit of the European Council provide a good basis for the creation of a coherent and coordinated European Energy Policy.

The overriding objectives of the EU Energy Policy should continue to be:

- Security of energy supply
- Environmental protection, including climate change mitigation
- Competitiveness

The EU Energy Policy must be based on markets and competition. Effective interaction between the contribution from energy efficiency and the choice of energy sources and technologies is necessary, bearing in mind Member States' free choice of energy mix.

Ensuring a well-functioning internal market for energy for Europe is essential in order to safeguard security of energy supply. In this context, there is a significant need for ensuring further investments in European energy infrastructure – especially in cross-border interconnections.

On this basis, Denmark proposes that a comprehensive energy policy for Europe aimed at reducing EU dependence on fossil fuels should be based on the following objectives and initiatives:

The EU should be the most energy efficient economy in the world. Setting an ambitious energy efficiency target must be seen as a contribution towards strengthening the development and utilisation of new technology. Hence, an increased focus on energy efficiency, also in the transport sector, is necessary:

- With a view to reducing dependence on the import of energy and at the same time achieving the environmental targets, a binding energy savings target amounting to 1.15 per cent annually, including transport, for the EU as a whole and for Member States individually up to 2017 must be adopted. The ambition will be to maintain this objective up to 2025. In

National Energy Action Plans, the Member States must give an account of the way in which the total energy savings target is expected to be distributed over the individual sectors.

- The EU should establish binding minimum standards for the energy efficiency of new passenger cars and light trucks (more kilometres per litre) through ambitious agreements with the automobile industry and direct regulation, etc.

Increased focus on renewable energy:

- The EU must adopt a target of a 15 per cent renewable energy share of EU energy consumption by 2015. Denmark prefers binding targets, fully respecting the individual Member State's different possibilities.
- Before 2015, a decision should be taken regarding the adoption of a new target for 2025. This target should be at least 20 per cent and up to 25 per cent, depending on technological developments.

Member States must have full freedom to decide how to fulfil these targets, but at the same time they should be required to report on the initiatives taken in order to reach the targets in their National Energy Action Plans. Member States' individual contributions to the achievement of the overall EU target for renewable energy should be negotiated separately.

The most efficient way of ensuring the achievement of targets is by using market-based schemes, thereby ensuring a resource-efficient effort. Efficient and co-ordinated economic instruments must be established at EU level in order to ensure energy savings and the promotion of renewable energy. In order to fulfil this purpose, Denmark proposes:

- That the Commission explore the possibilities of promoting renewable energy and energy efficiency by establishing markets in Europe for certificates for energy savings and certificates for renewable energy in the electricity sector. Such markets presuppose binding targets for the promotion of renewable energy and energy efficiency.

The internal market for electricity and gas must be strengthened in order to contribute to economic efficiency, ensure security of energy supply and reduce price fluctuations. Specifically, Denmark proposes:

- That the rules of the internal market be strengthened and further developed with the aim of improving competition and infrastructure;
- That solidarity regarding gas supplies be strengthened;
- That the Commission be requested to submit a plan for the development of European electricity and gas networks, possibly based on regional development plans, with the aim of securing energy supplies and enhancing the scope for trade.
- That the Commission draw up an action plan proposal for the development of offshore wind farms in EU territorial waters as well as a plan for the associated electricity infrastructure;

In the long term, a focused R&D effort with the aim of developing new and cleaner means of energy supplies is crucial. Hence, Denmark will endeavour to achieve the following in the EU:

- That EU funds for research and development of renewable energy and energy efficiency be doubled in connection with the mid-term review of the 2007-13 budget and the next budget period;
- That R&D funds be offered in open competition in order to spur competing research environments, encouraging efficiency and adaptability and thereby enhancing the EU's opportunities for taking a global lead in the development of new energy technologies.

The attached annex provides further details concerning the proposals mentioned above and contains a number of specific proposals for policies and measures.