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**Nordenergi response to the public consultation on the Commission's stock taking document  
"Towards a new Energy Strategy for Europe 2011 – 2020"**

Nordenergi, the joint collaboration between the Nordic associations for electricity producers, suppliers and distributors, welcomes the opportunity to comment on the stock taking document "Towards a new Energy Strategy for Europe 2011 – 2020".

**General comments**

To a high degree, we support the analysis and the general direction set out in the document. With the previous "energy packages" the EU has taken on an ambitious agenda and the next Energy strategy for Europe has to form a stable platform for completing the internal market and reaching the 20-20-20-targets in a cost-effective, practical and coordinated way.

As pointed out in the document, the current state of implementation of European energy legislation is overall poor. We would like to stress the importance of not taking new, more ambitious policy decisions before proper implementation of already taken decisions and existing legislation has been secured.

We would like to highlight some issues which are of particular importance to reach the overall goal of safe, secure, sustainable and affordable energy for all. Electricity and district heating should be seen as solutions to the energy and climate change.

**Networks**

In the near future there will be substantial need for investments in new interconnectors, reinforcements of national transmission systems and mechanisms to secure sufficient system reserves in order to incorporate new renewable electricity production into the electricity system. The EU 20-20-20 goals and related initiatives to introduce new renewable energy accentuate the need for further integration and development of the electricity markets. Well integrated and efficient electricity markets are a prerequisite for efficient use of new intermittent energy sources. An adequate development of transmission capacity and sufficient balancing and reserve capacities are prerequisites for system security, stability, and well functioning integrated markets.

We have already seen episodes with zero or negative prices due to congestions and locked in electricity. Frequency deviations is an increasing problem throughout Europe and the Nordic countries. As investments in renewable electricity increase, these problems will become increasingly frequent if the networks and balancing handling of the systems are not strengthened. This will have a negative impact on the functioning of the market and consequently of the public confidence in the market.

In summary, the policy intentions of the European energy agenda require massive investments in energy infrastructure, in particular electricity transmission capacity. We appreciate the focus put on the issue by the Commission and we welcome the envisaged "Energy Infrastructure Package". The effort must not be underestimated and we urge the Commission to put focus on getting the right preconditions set for the investments needed. Not only the investment as such, but also political will, public acceptance, licenses and long lead times as well as distribution of benefits and costs must be dealt with.

It is also important that the Commission supports the Ten-Year Network Development Plan 2010-20 (TYNDP). Joint European planning of the transmission infrastructure is a very important tool to obtain cross-border investments and internal investments that have an effect on cross-border transmission capacity.

It is important to supplement the more general plans with concrete policy proposals. One way forward would be for the European Union - before 2015 – to earmark 6 billion Euros in European infrastructure projects, corresponding to one fourth of the estimated investment needs in the overall transmission infrastructure.

Another way of strengthening the European energy infrastructure would be to make a European Super grid-analysis that could form the basis for an approach where the competitive advantages of different European regions would form the basis of future infrastructure investments, e.g wind in the northern part of Europe and the need to focus more closely on the special nature of developing and setting up offshore wind mills.

### **Electricity as a facilitator for energy efficiency**

Electricity plays a crucial role in reducing energy consumption and is a key element if we are to achieve a low carbon energy system through the continuous electrification of the economy. A long term view is required to allow electricity to play its role in a decarbonised energy system, and this will require the application of all low-carbon available technologies (RES, nuclear and future fossil-CCS).

Another crucial aspect of energy efficiency is the need to decrease carbon emissions by gradually phasing out coal and other fossil based energy sectors. Important tools in this regard are the increasing use of heat pumps and electric vehicles. It could also be considered to set up of requirements for eco-efficiency to all technologies providing heating, cooling and hot water.

There also needs to be a greater focus on demand response in order to limit peak load. There are huge commercial possibilities in developing new products in this area. Smart grids and smart metering are the most important tools. Achieving a more intelligent use of the energy systems will require a regulatory framework that gives network operators an incentive to invest in smart grids.

### **Research and development**

There is a large unused economic and environmental potential in developing new energy efficient technologies.

In order to realize this potential a radical change of approach of the current seventh frame work programme has to be made. The current funds in the existing seventh framework programme are spread out too thinly and the EU amounts dedicated to research and development are far too small. There needs to be at least a quadrupling of the existing funds in order to make the European Union able to become a global research and development leader. Moreover, a transformation towards more demonstration programmes is needed to show a cost effective way to reduce energy consumption.

Together with technological development there is a need to develop skills and human resources. In many areas of the energy field there is a need to increase education in order to guarantee the availability of skilful people for the investments, operation and maintenance of the new energy infrastructure

### **Transport**

It is crucial to develop a sustainable transport sector– not least when the fossil based resources will diminish in the future. If the European Union is to live up to its international obligations there is a need to develop alternative means of transportation. One way to do this would be to increase the number of electric vehicles develop common European standards and a European based regulatory frame work.

### **Reaching the targets**

The Commission paper gives an overview of current EU policies and makes a number of suggestions for further action.

The policy approach should be to continuously stress that the energy sector is the most important player in realizing the targets. But it must of course be borne in mind, that energy policy inevitably involves trade-offs between the three major objectives of competitiveness, environmental protection and security of supply. There are undeniably some conflicts between existing policies; for instance, developing a competitive European market is not entirely consistent with the mandating of a given market share for renewables, particularly when renewables are promoted via a series of national, predominantly non-market-based schemes. Similarly, some EU environmental policies cut across the development of renewables, key examples being the Habitats and Water Framework Directives. Emission trading is chosen to be a key instrument to ensure the decarbonisation. It is essential to avoid overlapping and conflicting steering instruments.

Such conflicts are inevitable, but steps can be taken to minimize their impact. For instance, renewables should be promoted in a way compatible with market structures, and environmental legislation can be implemented in a fashion which facilitates renewable development. It would be helpful if the Commission could tackle the issue of potential conflicts explicitly in developing its 2011-2020 action plan.

Yours sincerely,



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