



EESC-Employers.Today

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EDITORIAL FOR A COMMON ENERGY POLICY

The EESC Employers' Group held an extraordinary meeting on 3 April 2007 at the Committee building, on the challenges of energy supply security for businesses in the EU. This meeting proved to be very productive, owing particularly to the quality of the various speeches and the constructive debate that took place.

The EU's employers have now realised that the era of low energy prices is over, and that a sustainable response must be found to the increase in demand for energy in Europe, and to energy dependency. It is against a backdrop of shrinking resources, climate change and a crucial need for competitiveness among European businesses that we must respond to the challenge of energy supply.

Today, we must think about what we, as employers, can do to meet the energy challenge. The debate revolves more than ever around the need for investment in energy efficiency, renewable energy, diversification of the energy mix and integration of European networks.

The investments made in the next five to seven years will determine the outcome for the next five decades. While states may not be able to cover these investments due to a lack of budgetary resources, they can create a legal framework for private sector investment

and encourage a real European energy policy. If a European energy policy is designed on the basis of specific, quantifiable targets, such as 20% renewable energy, then today it must have a legal framework that takes national, regional and local realities into account. Thus, heated debates have given way to concrete proposals: a legal framework for research, development and broader use of new clean coal technology, harmonisation and strengthening of European regulators, proper integration of trans-European networks through the uncoupling of producers and distributors and integration of a single European dispatching network, a reliable, clear information campaign aimed at leaders of Member States and economic players and, lastly, a legal framework for investments in renewable energies.

European entrepreneurs have called for a real common energy policy that takes the international dimension into account. It is high time that Europe spoke with a single voice and displayed greater solidarity, particularly towards more vulnerable countries, island regions, and countries bordering Russia and subject to its "diktats" on procurement.

Energy is one of the new frontiers of the new Europe that we must build...

Henri MALOSSE
EMPLOYERS' GROUP PRESIDENT

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SECURITY OF ENERGY SUPPLY



The first lever for action to improve security of supply is greater energy efficiency. In the industrial sector, the aim must be to promote it using non-bureaucratic approaches which underpin innovation and the expansion of companies providing energy management services, for instance.

Establishment of a truly open European energy market is another fundamental pillar to improve security of supply. Creation of this market entails governance reforms: stronger national regulators vis-à-vis political powers and upward harmonisation of their competences, in order to facilitate cooperation between them, notably regarding cross-border infrastructures.

The challenges of security of supply and of climate protection require the use of all available energy options (renewables, nuclear, combustion of fossil energy with carbon storage). In this context, an open and well informed debate on nuclear energy should be fostered. Definition of the Strategic European Energy Technology Plan must be the opportunity to increase the effectiveness of R&D funding in Europe, and of market pull measures.

Lastly, development of regional or bilateral cooperation on energy between the EU and its partners is vital. A common EU framework clarifying the principles, responsibilities and resources of such an EU external energy policy should be designed.

Philippe ROSIER
ENERGY WORKING GROUP CHAIRMAN
BUSINESSEUROPE





AMBITIOUS BINDING TARGETS



At the extraordinary meeting of the Employers' Group on 3 April the timely issue of security of energy supply was penetrated by several panellists and a lively

discussion. The Deputy Director General of DG TREN, Mr. Dominique RISTORI set the scene by explaining the objectives and contents of the Commission's "energy package" from January, which had been confirmed by the European Council in early March. **Combating climate change is set as the main political challenge**, and ambitious binding targets on greenhouse gas emissions and renewable energy have been agreed for this purpose.

From a business point of view it needs to be emphasized that the main objectives of energy policy in Europe are threefold: competitiveness, security of supply and sustainability, including climate change.

These objectives have to be taken into account simultaneously and in a balanced way. Win-win solutions should be sought. Renewable energy serves all three objectives, and so does nuclear power as well as other clean energy technologies, like potential coal capture and storage. Most win-win potential is offered by better energy efficiency in energy generation and use.

The key answer to the present energy challenges is technology and innovation. Clean energy technologies could develop into a global market success for Europe. The competition is, however, developing fast, and some competing economies are already spending more on energy R&D than the EU. Europe also needs to take into account the future of its energy intensive industries. They need to stay competitive in order to be able to invest in new and better technologies, instead of being forced to relocate to areas with fewer restrictions, to the detriment of the environment and our economic wellbeing

Ulla SIRKEINEN
BUREAU MEMBER OF THE TEN SECTION



CAPTURE AND STORAGE OF CARBON



Carbon Capture and Storage (CCS) is a **promising technology to avoid CO₂ emissions** from coal as well as gas-fired power plants. **The Council has asked the EU to strengthen R&D** to bring it environmentally safe to deployment with new fossil-fuel power plants, if possible by 2020.

The expectations of this technology must not, however, mislead decision makers to decide concrete measures already today on the basis of a large industrial use of these technologies. The further utilisation of the coal required in the EU energy mix, due to its availability, security of supply and price, should not be linked to this technology being available at a specific date.

It is definitely sensible to plan **10 to 12 CCS demonstration installations for 2015** and to create the legal framework for these technologies. In the meantime, it is also sensible to continue to invest in efficient coal-fired power plants, especially when they replace less efficient, older installations. An investor-friendlier implementation of an Emissions Trading system by means of regulations covering a trading period could contribute to this.

Dr. Thorsten DIERCKS
GENERAL SECRETARY
EURACOAL

EU INTO A VERY VULNERABLE POSITION



Nowadays, the climate change has become the key issue of political debates throughout

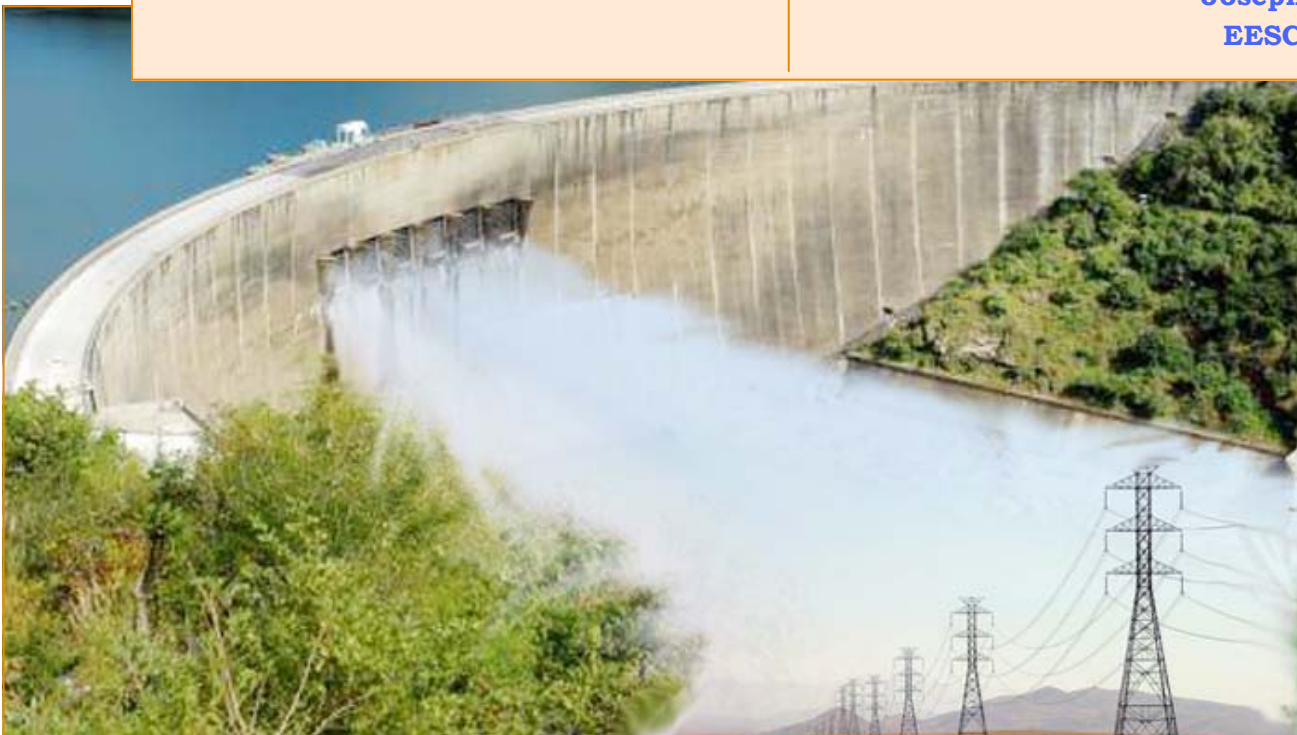
the world and we see much differentiated approach in different parts of the world. The EU has published the Green book on energy last year and we saw launching the Energy (and Climate change) package last January and, eventually, we witnessed the EU Summit meeting in March that set the EU goals to be achieved by 2020. Following the published and discussed documents one can see a very strong shift from the relatively balanced Green book position towards diminishing the role of two equally important factors as the climate change itself: sound economics and security of energy supply.

The declared binding targets, unfortunately, had not been thoroughly discussed and

realistic measures and their potentials investigated before their adoption by the Council and, no matter of the best intentions, they miss both economic reality and also the significant issue of the paramount importance – sufficient security of energy supplies. It places the EU into a very vulnerable position threatening our economic and social status and, simultaneously, risk of not delivering the adequate, economically and socially sound transition towards low carbon economy.

Binding commitments and reliance on regulatory and/or low efficiency “market instruments” as well as low funding of research and development in the energy efficiency and other energy related issues would prove themselves highly demotivating. The climate change must be addressed by fostering both energy supply security and economic security, by accelerating the development and deployment of transformation towards clean energy technologies.

Joseph ZBOŘIL
EESC MEMBER





A STRONG AND PRO-ACTIVE POLICY



It is very rare that the internal structure of an institution is perfectly prepared to face new challenges and ideal for delivering the highest added value.

Talking about the

new energy policy of the European Union, this is the case in the EESC's TEN Section. Combination of terms of references adopted by the Plenary in July this year for the forthcoming four-year term: Energy, Transport, Infrastructure and Information Society on one hand, and the professional experience and knowledge of around one hundred members of the Committee on the other, is ideal to react or initiate actions in the field of highest priority issues like safe supply, minimalisation of CO₂ emission, climate change.

The European industry is world leading in different sectors of energy. In those sectors, the Lisbon Strategy targets are already met: the European enterprises are

the most competitive in the world, innovative, invest in R&D. Their economic performance makes possible not only job creation but also development of more sustainable, environment-friendly technologies. However strong and pro-active policy is needed to support the European actors of the global energy market.

The EESC, has been actively involved in EU energy policy making right from the beginning of the EU history, starting with ECSC and the Euratom Treaty. The industry always followed that closely, so no surprise, that the largest group in the TEN Section is the Employer's Group. The recent activity of the Section makes possible the complex handling of energy issues together with the most closely related transport and infrastructure, even information aspects.

The TEN Section has effectively proven to be the appropriate place to involve not only the European industry, but in general the civil society actively in the shaping of the European energy policy.

János TÓTH
TEN SECTION PRESIDENT

ONE POSSIBLE SCENARIO



Recent EU developments in the petrol and gas consuming industries are evidently related to:

- the increasing demand and ultimately an increase in prices;
- higher energy dependence on the countries' producers.

Assuming that the EU energy independence programme, based on the nuclear power industry, new energy sources and increased energy efficiency is successful, then the following scenario could be foreseen:

- Gradually reaching the energy *breakeven point*, EU resources of petrol and gas

delivered in physical volumes will not increase. EU economic development will then depend on internal energy resources.

- The possible response of the petrol and gas producers like Russia, OPEC and others, could be as follows:

Reduction in petrol and gas prices to stimulate consumption

Expected efficiency of the EU energy independence programme could be questioned.

Reduction in petrol and gas production

Low-probability of this scenario is determined by the fact that it could result in a long-term reduction in producers' incomes and a drastic slowing down of investments effectiveness in the exploration and development of new fields.

Launching programmes for up-to-date industrial developments on the basis of in-depth natural resources processing

These new developments could be extremely competitive due to the low internal price of the primary resource. Also the expected financial results could become a precondition for long-term dumping policies on the world market. Such policies could seriously endanger this type of industrial productions in the EU countries.

The above considerations enable me to propose that the European Union should provide a long-term policy commitment, in order to reduce investments in the petrol and gas consuming, especially those related to the processing industries.

Bojidar DANEV
EESC MEMBER

SHOULD WE ONLY COUNT ON OUR RESOURCES?



Europe completely immersed in darkness – gas supplies to Europe were interrupted; crude oil supplies were diverted off Europe; hydroelectric power stations are not working because of drought; no wind is blowing; many countries abandoned nuclear a long time ago....

A CATASTROPHIC SCENARIO, FICTION, OR REALISTIC PROSPECTS?

Very rightly, we devote attention to the infrastructure for imports of energy materials and diversification of supplies of energy resources from various parts of the world and to relations with exporters. But are we not forgetting about what we actually have at home in Europe?

Are we not forgetting about safe and reliable indigenous energy resources, of which we have sufficient reserves, which are not subject to the whims of weather and which can be used in an environmentally friendly way? We have a saying in the Czech Republic – only what you actually have at home is yours. Let us therefore devote the attention they deserve to our safe and reliable indigenous energy resources, let us allow access to them, and let us not strangle their use by too restrictive non-economic measures. Let us approach them with the due care and wisdom of good managers. If, for example, we have coal reserves for up to 200 years in Europe, they can serve almost ten more generations. In addition to secure supplies they also guarantee jobs for thousands of EU citizens and offer a means for regions' development and future.

Renata EISENVORTOVA
CCMI DELEGATE

PROFESSEUR KUBO VISITS THE EESC EMPLOYERS' GROUP THE RECOVERY OF JAPANESE ECONOMY



Photo from left to right

*Henri MALOSSE,
Eve PÄÄRENDSON,
Professeur KUBO*

We can summarize the reasons for the recent significant improvements of the Japanese economy as follows. The first is the progress of the restructuring of private sectors, by reducing employments, production capacities and accumulated debts, thereby cutting average “breakeven points”. Amongst all, most striking restructuring measure is the reduction of employment; by giving incentives for early retirements, refraining recruitments of young people and replacing regular by non-regular workers. In fact, in the past five years, the number of regular workers decreased by some 3 million, while non-regular workers, such as part-timers, have increased by 4 million.

The second reason for the recovery is the increase in exports to the U.S. and China, reflecting booms in these countries. The third is reviewing Asian production strategies of Japanese manufactures, by maintaining R&D centres and high value-added production processes in Japan, while deploying low value added processes in other part of Asia with

relatively low level wages. As a result of it, R&D investments in Japan have increased significantly.

CHALLENGES OF THE JAPANESE ECONOMY

Although Japanese economy is in a recovery process, it faces the following challenges. The first one is the rising income disparity. As a result of the above-mentioned restructuring measures of employments, to replace regular to non-regular workers, nation-wide income gap has increased. According to the OECD, Japan's Gini coefficient, an indicator of income gap, is fourth, followed by the U.S., Italy and U.K among major advanced nations.

The second challenge is Japan's rapid demographic change, caused by its low birth rate and long life expectancy. On the other hand, even in a favourable business cycle, Japan' budgetary deficit is still serious. According to European Commission, the ratio of deficit to GDP is predicted to be 5% in Japan. Under such an environment, people are cautious in the sustainability of Japan's pension system, thus restraining its private consumption.

European economy also is facing very similar challenges; rising income gap under globalisation and rapidly changing demographic structure. Therefore, it should be useful that Europe and Japan could exchange their experiences and how to tackle with them.

Professeur Hiromasa KUBO
INSTITUT DE L'UNION EUROPÉENNE À KANSAI, JAPON

I have never imagined that I could have such a precious experience at the EESC. What I really appreciate is that I could involve in a task related to the Better Regulation that made me understand well how the EU dealt with crucial social issues. Above all, it was very interesting to see how civil society and the EESC tried to influence the EU policy which might not happen in Japan as far as I know. During this traineeship, I have become to realize important roles and missions given to the EESC far more than before. I believe that the EESC is one of the cornerstones of democracy in Europe.

Takeshi SHIMIZU
EMPLOYERS GROUP TRAINEE

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