

January 10: IEA's Executive Director Welcomes EC Comprehensive Energy Package

The IEA applauds the initiatives announced in the European Commission's Comprehensive Energy Package. These constitute a significant first step toward developing an effective integrated approach to the energy challenges facing its member countries and are consistent with the main findings of recent IEA analysis such as the Alternative Policy Scenario of the *World Energy Outlook 2006* and *Energy Technology Perspectives: Scenarios & Strategies to 2050*.

The package takes on Europe's urgent need for an energy policy that integrates the challenges of creating a viable internal market with the reality of world markets. External market events are constantly buffeting our national policies as we have again seen in the past few days.

Concrete initiatives and bench marks are essential to measuring progress towards achieving a truly internal energy market, where competition flourishes to bring prosperity, diversity and reliability to European electricity and gas consumers. A clear separation of electricity and gas production, distribution and retail is necessary. Transmission System Operators hold the key to a contestable European Gas and Electricity market - they control access to the basic infrastructure necessary to transport gas and electricity. The operation of these networks must be effectively separated from generation and supply. Strengthened and harmonised regulatory control across Europe is essential to drive the process forward. Judicious regulatory control is necessary to promote cross-border trade, a unified European regulator is a useful ultimate goal to that end.

The huge investment required in electricity and gas infrastructure will require strong and clear policy and regulatory signals to the market.

Aggressive targets to reduce greenhouse gas emissions by 20% by 2020 provide a clear signal that cleaner technologies will be needed. A steadfast government commitment to the targets will enable the market to make informed investment decisions.

We believe nuclear energy is an essential component of a lower carbon EU energy mix without which a sustainable future is seriously compromised. More policy action is needed to facilitate investment in nuclear energy in those countries where it is accepted.

Energy efficiency has the lead role for the medium term in any sustainable scenario for the future. A target of a 20% reduction by 2020 sets the pace, but must be backed by concrete action, particularly in setting higher and stricter norms for appliances, buildings and transport. In this respect, the IEA is able to assist by sharing its findings and policy recommendations developed under its G8 mandate – recently backed by G8 leaders in St. Petersburg. Firm actions reflecting realistic policies are essential to reducing uncertainty for investors.

The European Commission proposes a very ambitious binding target of 20% for renewables by 2020. This is a very challenging target that demands an increase in research and development to improve known technologies and to force breakthroughs in less mature technologies as well as consideration of removing barriers to imports from more efficient renewable energy suppliers outside of the EU. The EU's proposed initiatives to increase research and development are welcome. There is an important role for technologies that are already well developed, such as wind power, but we need to evaluate the full implications for costs and reliability of integrating large shares of wind power uniformly across Europe.

The IEA is encouraged by its strengthened co-operation with the EC in our collective efforts to build a coherent integrated energy policy that will deliver clean, secure, affordable energy.

Claude Mandil
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