Ladies and gentlemen,

It is with great pleasure I bring you the key messages of our new report on Austria’s energy policy. First, I would like to thank the Ministry of Science, Research and Economy for organising this event.

I am back from the press conference to launch the report and at this event, I will present our main findings in greater detail.

My visit here is timely; the topics of energy security, energy prices and costs, and climate and energy policy beyond 2020 are high on the political agenda also here in Austria.

Our review team visited Austria a year ago and their findings form the basis of this review. We have of course taken into account all relevant policy developments since then.
Our previous report on Austria’s energy policy was launched in 2008, so not so long ago, but we can all agree that Austria’s energy policy landscape has changed in several important ways in the six years since then.

The European Union’s role in the energy and climate policy of its member states has grown and is now stronger than ever. This leaves less room for purely national decision-making than in the past. The 2020 targets were adopted and the EU has also stepped up efforts to create an internal market for electricity and natural gas which increases the importance of regional cooperation in energy policy.

Let me note that Austria has made great efforts to meet its triple targets for 2020.

And now we also have the debate over what should come after 2020.

While the EU’s role has grown, we can also sense a shift in energy policy focus. A few years ago, climate change was seen as the main driver for energy policy, in particular with the 2020 targets. Now, with the situation in Ukraine and EU’s relative high energy prices, concerns over security of supply and competitiveness have gained more attention. Energy prices and costs are a real issue and the challenge for governments is of course to balance these three objectives.

Our view is that Austria has managed to balance the several objectives of its energy policy quite well. However, the future will bring more challenges and important decisions regarding post-2020 targets remain to be taken at the EU level. Against all challenges, we do expect that Austria will continue to play a greater role for the whole EU in the coming decades. Having said that, let me now turn to the Austrian energy policy more in detail.
Let's take a look at recent development in your energy supply.

Austria has been one of the best-performing economies in Europe in recent years. At the same time, energy supply has remained flat. Your economy has therefore become less energy-intensive.

What is remarkable, your economy has also become less carbon-intensive, as fossil fuels use has declined and that of renewables has increased. Today, renewables provide around one-third of all energy in this country, almost four times more than the IEA average! And it is a safe bet you will reach your 2020 target for renewable energy, as well.

A particular success story has been bioenergy. It has received strong government support and its supply has doubled since 2002. This has created jobs and improved security of supply.

So far, so good. In the following slides, I will focus on oil and gas security, electricity market integration, energy research and development, and carbon dioxide emissions from energy use.
Although you have managed to reduce the dependency on fossil fuels, they remain important and their secure supply is crucial.

First, let’s focus on oil. As in most IEA member countries, oil remains the most used fuel in Austria. Your oil security is on a sound basis, as oil stocks equal more than 110 days of net imports. Also, while oil products are mostly imported, the sources and routes for these imports are well diversified. This deserves to be applauded.

However, crude oil supply is an exception to this diversification, as the supplies come through one pipeline, from Italy. We encourage you to continue work for a pipeline connection to the Slovak Republic.

Now, let’s move on to gas. We all recognise the importance of security of natural gas supply and the developments in Ukraine very clearly underlined this point. Austria imports four-fifths of its gas demand and practically all of this gas comes from Russia. At the same time, Austria is a major transit country for Russian gas.

There are several ways to improve gas security and I have to say you have done a very good job here.

Your gas storage is exceptionally large, as it roughly equals 80% of the annual gas demand. Also, you have enabled reverse flow in several cross-border pipelines with Germany and Italy. It would be in your interest to see this reverse flow capacity expanded, also in other countries in the region. We encourage you to continue to increase flexibility and diversity of supply options. This would also help the hub in Baumgarten to become stronger and benefit the whole region more.

You should also explore your shale gas resources, because they could help reduce the need for gas imports. Today, exploiting this resource is effectively discouraged, because the obligatory environmental impact assessment process for each hydraulic fracturing well takes 3-4 years. We recognise the sensitivity of this issue and encourage the government to formulate a position regarding the potential use of the shale gas resources based on a solid scientific understanding of the resources as well as of new technologies and their environmental impacts.
Let's shift to **electricity**. The electricity sector in Austria and its neighbouring regions is undergoing two simultaneous major developments. First, the national electricity markets and systems are becoming integrated into an EU-wide single electricity market. This should improve security of electricity supply and yield cost-efficiencies. Second, large increases in variable renewable energy supply, driven by EU renewable energy targets, heighten the need for new, more flexible ways to operate interconnected electricity systems.

For the EU-wide electricity market integration, Austria’s electricity market needs to be developed in a regional, cross-border context. Austria should increase cross-border network capacity and extend market coupling with its neighbours to the east. The transmission system operator and regulator should continue to co-operate with, and co-ordinate their actions with, national regulators and TSOs of its neighbouring countries and the related EU-level bodies.

While transmission grids are becoming more interconnected across national borders, the push for grid integration of large variable generating capacity from wind and solar, both in Austria and neighbouring countries, means cross-border electricity systems need to change. This slides gives you an idea of what remains to be done.

New investments in transmission and distribution grids are required, as are smarter systems for managing supply and demand. Permitting processes need to become more efficient. These should also be streamlined on a federal and provincial level, and the procedures should also ensure transparency and early involvement of civil society.

Austria has significant cross-border electricity flows and its reservoir and pump-storage hydropower plants could indeed represent a battery for the wider region. They can become an important source of flexibility for the power generation system and that will be needed to complement the growing but variable generation of wind and solar power in Central Europe.

You should continue to take an increasingly European approach to developing your electricity infrastructure, to your own benefit and to that of your neighbours.
Next, I’d like to highlight the positive developments on energy research, development and demonstration.

Technology solutions are essential for meeting energy policy objectives, and since 2007, the Austrian government has more than tripled public funding for energy RD&D.

Austria has also adopted a new Energy Research Strategy and launched several priority programmes, mainly in the areas of energy efficiency and renewable energy, but also on technologies for urban energy systems, for example. Responsibilities between institutions are clear, and priority setting is based on an open and transparent process. Publicly funded energy RD&D activities are also regularly monitored and evaluated using various approaches. All this deserves to be applauded.

We encourage you to maintain energy RD&D funding at the current levels, or ideally increase it. As government budgets are generally under pressure, you should also consider stronger incentives for more private funding, including venture capital, for energy technology development.
Next, let me talk about Austria’s greenhouse gas emissions. As we see here, the emissions peaked in 2005 and are trending lower. However, they are higher than in 1990, while the Kyoto Protocol obliged Austria to reduce the emissions by 13% from 1990 to 2008-2012.

Of the main emitters that we see on this slide, power generation and industry are mostly covered under the EU-wide Emissions Trading Scheme, and that leaves transport as the area where more action is needed. This is also because Austria’s efforts in the residential and services sectors to improve energy efficiency and promote renewables for space heating have been quite successful.

Emissions from transport have increased by more than 50% since 1990. Austria’s car fleet has expanded and transit freight transport has grown. At the same time, light-handed taxation has kept fuel prices relatively low, and fuel sales to foreigners account for up to 30% of total fuel sales in the country.

Austria has bridged the gap between its actual emissions and the Kyoto target by purchasing carbon credits from abroad. The tax revenue from fuel sales to foreigners is several times higher than spending on carbon credits, but it is unclear, for how long and under what conditions this policy can be continued as the global post-2012 climate policy framework remains to be defined.

Now, anyone who takes climate change seriously understands that emissions from transport must go down in the long term. In the longer term, these emissions will be limited by EU regulations on CO₂ intensity of new passenger cars and freight vehicles. However, in the short term, the simplest way to limit these emissions would be to raise fuel taxes to a level that would discourage fuel tourism. But this is a major fiscal question and would just move fuel sales to other countries. In any case, the government should further support alternative fuel vehicles and increased promotion of modal shift, for example.
Finally, our three key recommendations.

In 2010, the Austrian Energy Strategy was adopted to help implement the EU’s 20-20-20 by 2020 targets and to develop internal EU markets for electricity and natural gas. The Strategy integrated security of supply, energy efficiency and renewable energy sources as the three pillars of Austrian energy policy.

Currently, the EU is working on an energy and climate package for 2030 to rebalance the objective of competitiveness with sustainability and security of supply. In relation to the EU’s 2030 negotiations, Austria will need to formulate an evidence-based position on how to reach any possible targets cost-effectively.

Turning to our second key recommendation, Austria is an open economy and rising energy prices and costs are a concern in the country. Global price shifts are quickly reflected domestically, and decisions on energy prices and costs that affect the competitiveness of industry and welfare of citizens are only partly in the hands of national decision-makers. In addition, taxes on many energy products have been increased for fiscal reasons, and these reasons are likely to stay. Tariffs related to grid use may have to be increased to attract the needed grid investments.

The government, however, has several options to tackle the impact of energy prices and costs. One of these is the promotion of energy efficiency, and Austria has been both ambitious and successful in this area, in particular related to buildings. Another measure is to promote competition in the retail electricity and gas markets. This could be done by further strengthening the powers of the regulator, and by further empowering consumers and promoting supplier switching.
Finally, we simply want to underline the importance of market and system integration in building the single markets for electricity and natural gas.

You need to work closely with the neighbouring countries on market and system integration. At the same time, it is important to take a market-based, cost-effective approach to encouraging infrastructure investment, optimising demand response and integrating new renewables capacity to the system.

This brings me to the end of my presentation. And so, ladies and gentlemen, let me repeat my compliments. Austria has succeeded in finding a balanced focus on security of supply, energy efficiency and renewable energy sources. Challenges remain, but you are well prepared to tackle them.