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## Dear CEEP members and fellow readers,



Beata Stelmach, Under-Secretary of State  
Ministry of Foreign Affairs of the Republic of Poland

by Beata Stelmach

It is with great pleasure that I am contributing an article to this month's CEEP Report. I use this opportunity to congratulate CEEP members not only for this excellent publication, increasingly popular and widely read within the EU and Europe, but first of all for CEEP's dynamic development, and for its success in presenting the interests of the Central European Energy Sector at the EU level, including vis-à-vis the European Commission and the European Parliament. It seems to me, that the association is becoming

one of the most important EU players, with an growing impact on issues related to energy security of the whole European Union. I wish for further success in this respect!

In this month's edition of the CEEP Report, I wish to briefly outline the aims and achievements of the V4 Group and CEEP, as both of them in their philosophy are striving for similar goals within the Central European region. Building a sustainable and well-balanced energy mix reflecting the specifics of the Central European countries, their economies and industries has always been at heart of all actions and initiatives undertaken by either the V4 and CEEP. Both of them promote investments in energy generation, transmission and other infrastructure elements corresponding with long-term energy security interests. And there are still many other synergies which need to be further explored. Cooperation between policy-makers and business stakeholders representing Central European markets is a necessity in order to successfully face the challenges of the 21st century and to shape our common future for the well-being of our citizens.

In this context, I have also a pleasure to announce, that the priorities and initiatives sup-

ported and promoted by V4 Group and CEEP will be broadly discussed during this year GLOBSEC flagship Conference to be held on the 18th-20th April, this year, in Bratislava. GLOBSEC conference is one of the most prestigious foreign policy and security forums in Central Europe (available via [www.globsec.org](http://www.globsec.org)). One of this year leading topic will focus on energy. A very distinguished panel on 'Energy Geopolitics of Central Europe' will include among others: Radosław Sikorski, the Minister of Foreign Affairs for the Republic of Poland, Gunther Oettinger, the EU's Energy Commissioner, Paweł Olechnowicz, CEEP's Chairman of the Board of Directors, and Reka Szemerényi, Chief Adviser for Foreign and Security Policy, at the Office of the Prime Minister of Hungary.

There will be also a special session on EU energy issues organized by CEEP which would allow for exchange of views and ideas among representatives of governments, business and non-governmental sector. An in-depth analysis of main topics discussed during the GLOBSEC Conference, is sure to feature in one of the forthcoming the CEEP's reports. In the meantime, I hope that you will enjoy reading about the worthy V4 Group, and the other contributions in this month's edition of the CEEP Report.

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# The Visegrad Group and the Energy Sector – a Polish Perspective

By Beata Stelmach

Formed on the 15th February, 1991, at Visegrad, Hungary, a regional forum for co-operation between three Central-European states: Czechoslovakia, Hungary, and Poland, was established, and after Czechoslovakia's dissolution in 1993 when its successor countries, the Czech Republic and the Slovak Republic joined the Group, became known as the 'V4', and a permanent feature in the international arena. The V4 has developed into a very pragmatic form of multilateral co-operation, in many subject areas, with energy being important one of them.

One of the basic lynchpins of the V4 is the '**Principle of Solidarity**', whilst its ultimate aim is the democratic development of Europe. The former is of utmost importance in terms of the **energy security** of each of our States, and the region as a whole. We all know that the world of energy is in upheaval. Energy markets are in a state of flux, with producer and consumer positions shifting dramatically. While continued globalisation of energy results in increasing interconnectedness and interdependence, global energy governance is still in its infancy.

Safe, reliable, and secure access to affordable energy is of strategic importance for the V4 States (and, of course, to all other countries in the region) - both from a political and an economic perspective.

In July, 2012, Poland started the Presidency of the V4 for a year. This Presidency comes at a time of serious economic and political challenges in the European Union, and globally. Its slogan is '**Visegrad 4**'

**Integration and Cohesion'.** The current, multifaceted crisis – which is both financial and identity-related – confronts Europe with new demands and the risk of renewed divisions within our continent. The critique of the implemented changes is becoming more pronounced. The Visegrad States, and indeed, all

of Central Europe, must not remain indifferent to these risks. The global competitive success of our region's countries – and of Europe as a whole – hinges on the continuation of the ongoing process of reuniting our continent and



## Visegrad Group

deepening its unity. This last point is where CEEP and its role for the Energy Sector in Central Europe have become so clear and vital, and closely relates to the ideals of the Visegrad Group.

**Energy security and regional market integration** are two inextricably linked, key co-opera-

tion issues under the Polish Presidency. A major task is to continue broad-based political support for the construction of the North-South gas corridor-the infrastructural backbone for the market in the region. This provide V4 countries with the impetus to deepen regional gas market integration by eliminating regulatory and trade barriers, and creating the functional, liquid market in our region. In order to achieve that, Polish Presidency was streamlining co-operation between competent authorities, regulators, and respective TSO's. The Presidency was also tackling the issue of shale gas extraction and the expansion of V4 co-operation on nuclear power. It is Poland's viewpoint, that V4 discussions should also cover the security of oil supplies, and the co-shaping of EU energy and climate policies.

In order to resolve the existing backlogs within the scope of regulatory framework and infrastructure, the Presidency is acting towards:

- further work on timely implementation of North-South axis in the Central Eastern Europe as enshrined in the Memorandum of Understanding on North-South Interconnections in Central and Eastern Europe,

# The Visegrad Group and the Energy Sector – a Polish Perspective

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signed in Brussels on the 23rd of November, 2011;

- determining potential fields for joint actions and defining main obstacles to the regionalization of the V4 gas market and concluding the Presidency with the Road Map - towards the creation of the regional gas market setting short- mid- and long-term priorities for the V4 region for upcoming years;
- co-ordination of positions on the proposal for a regulation on guidelines for trans-European energy infrastructure and repealing Decision No. 1364/2006/EC (COM(2011)658) in order to reflect, to the maximum extent, the interests of V4 countries;
- facilitating the co-operation of TSO's and regulatory authorities, i.e. through streamlining the work of competent authorities, supervising, in respective countries, investment processes and promoting legal solutions, thus speeding-up the realisation of identified infrastructure projects.

The Polish V4 Presidency aims to help diminish the vulnerability of the region to possible crisis situations in the gas, oil and electricity sectors. Poland favours further V4 and V4+ co-operation in the field of security of gas supplies by improving diversification of sources and routes, with a special concern given to the Southern Corridor. Not only this will decrease the level of dependence from the dominant gas supplier, but it will also have a positive influence on the liquidity and competitiveness on the market. We consider of great importance, a V4+ co-operation in the field of security of oil supplies (alternatives to the Druzhba pipeline), and promotion of the regional dimension of the V4's energy policies. We favour a common position on the European Commission's legislative and non-legislative proposals, exchanges of experience, and best practices in oil stock management (implementation of the new Directive 2009/119/EC on minimum stocks of crude oil and petroleum products), and identification of the cross-border impact of national programmes of the V4 States on demand restraint measures.

The Polish V4 Presidency is emphasizing the external dimension of the energy policy by broadening co-operation in the energy field with an Eastern Partnership and Energy Community, in order to maximise coherence of initiatives towards Ukraine, Turkey and Moldova. We are undertaking co-ordination and an exchange of positions on the main initiatives discussed within the EU agenda, which will have an impact on the V4+ region: MFF 2014-2020, Connecting Europe Facility, Southern Energy Corridor, External dimensions of the EU energy policy, Report of the EC on the functioning of the internal energy market, Communication of the EC on renewables, etc.

Poland speaks out for enhancing regional co-operation in the electricity sector within the scope of the V4, other CEE states and EU co-operation, e.g. working towards a common target model for progressive energy market mitigation of unplanned flows (loop-flows) in the power systems, network codes, and guidelines. We are contributing to co-operation in the area of electricity infrastructure development.

The Polish V4 Presidency is also undertaking action aimed at mainstreaming nuclear power as an equivalent source of energy (e.g. on a par with renewables or conventional – mainly coal, lignite and gas). We are fostering V4 co-operation in nuclear R+D (with special regard to generation IV reactors) and enhancing co-ordination by establishing a nuclear power working group (within the V4 process), in order to provide a platform for the exchange of views regarding policy-making and the regulatory aspects of nuclear energy.

I have focused on the broad topic of energy. However, the Visegrad Group is, of course, about much more in terms of international politics and security, socio-political development, and relations with our neighbours. The V4 is demonstrating an ever-stronger regional identity in spite of the natural differences between Member States, becoming a role model for successful regional co-operation.

**Beata Stelmach**

Under-Secretary of State, Ministry of Foreign Affairs  
of the Republic of Poland

# BACK-LOADING MEANS DISLOYALTY



Konrad Szymański, Member of the European Parliament, ECR Vice-Co-ordinator in Industry, Research and Energy Committee.

By Konrad Szymański

The European Union is a step closer to agreeing to postpone the auctioning of a number of CO<sub>2</sub> emission allowances. This sudden tightening of the EU's climate policy will bring billions of losses to our economy. By attempting to reject the back-loading proposal, we are not driven by the egoistic interests of one or another country. These actions are aimed at the protection of the competitiveness of all energy-intensive industries in Europe - such as paper, glass, cement, gypsum, steel, and indeed, the whole chemical industry.

The Polish and European energy sectors are changing towards low-emission technologies. Subjecting them to administrative

pressures is short-sighted. The budgets for investment, innovation and research will be the first victims of the high costs for the CO<sub>2</sub> emission allowances.

According to the proposal, for 2013 - 2015 there will be respectively 400, 300, and 200 million allowances withheld, which are foreseen as coming back to the market in 2019 - 2020 (respectively 300 and 600 mln). The aim of this operation is to artificially, by manipulating supply, raise the allowance price. The price may even grow threefold.

To understand the reasons for objecting to this proposal, we must remind ourselves of the background of this decision which is facing us now. 2008 was an extremely difficult year for many countries when compromise on the EU's climate policy was reached. It was quite quickly disturbed by the introduction of the reference to gas combustion (gas benchmarks).

Today, a further tightening of EU climate policy, by withholding the 900 million allowances, has been proposed to us. The European Commission is to gain new competences to replace the CO<sub>2</sub> emission allowances market with its manual steering. This is happening despite the fact that we are still very much on course to achieve the EU's emissions reduction target of 20% by 2020.

Therefore, the European Commission's action is not only economically harmful, but also extremely disloyal politically, to those countries which faced huge difficulties in accomplishing the EU climate goals from the outset.

I remember well why we took such a decision then. We wanted an 'effort-sharing' decision and a system for controlling CO<sub>2</sub> emissions that was flexible and price-effective. That is why we did not

tax emissions. Today, it is undermined simply because the market dictated a price that is not to the liking of Brussels bureaucrats and certain politicians.

Proponents of the changes point to the fact that the price of the allowances is much lower than expected 4-5 years ago. However, they consciously wished for a market of allowances and the market has just reacted. The reason for the allowances' price decline is a drop in industrial production in Europe since 2008. It is the crisis that is the main cause for the supply increase, therefore, the market responds with a correct price signal. The proposed intervention is changing the market into one of manual, administrative steering.

I have just finished reading Deloitte's report on the competitiveness of the global manufacturing economy (2013 Global Manufacturing Competitiveness Index). The only European country still in the 'first five' is Germany. All European countries are falling in the rankings. When we have a closer look at the reasons for the decrease of German competitiveness, we can clearly see two explanations. First is the cost of labour, and secondly, high energy prices.

By accepting the changes proposed by the European Commission, we speed up the decline, and the only European economy will continue to fall in these rankings. The adoption of the EC proposal on 'back-loading' will mean a deeper crisis in Europe and turning things around will take even longer.

This is why any further tightening of the climate policy is in conflict with the objectives declared by the same Commission on a much-needed re-industrialisation of Europe.

# Public Consultation on the Report from the Commission to the European Parliament and the Council

*the state of the European Carbon Market in 2012 (Brussels, 14.11.2012 COM (2012) 652 final).*

## Central Europe Energy Partner's position

### 1. General Remarks

**1.1. Central Europe Energy Partners (CEEP)**, EU Transparency Register ID: 87738563745-94, welcomes the opportunity to comment on the European Commission's public consultation on its Report to the European Parliament and the Council. We would like to consider the Report in the right perspective and adequate to the economic situation in the EU, bearing in mind the profound changes in the EU economy.

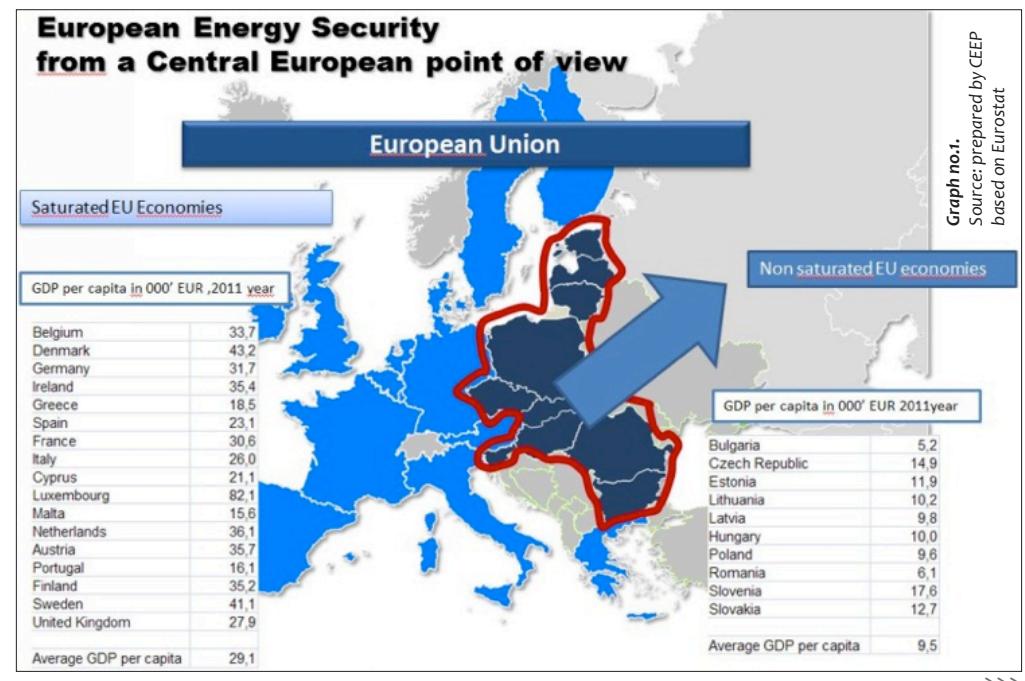
**1.2. CEEP expertise** is mostly in the area of the Central European energy sector, but is not isolated from wider developments within the EU's energy and energy security policy.

**1.3. The main challenge for the EU today**, is to overcome the crisis situation with all its hazards, and avoid negative phenomena, such as

shrinking investments, rising unemployment, and high energy prices in comparison with main competitors, leading to a decrease in the EU's competitiveness, vis-à-vis the United States, China, India, Brazil, and to some extent, Russia.

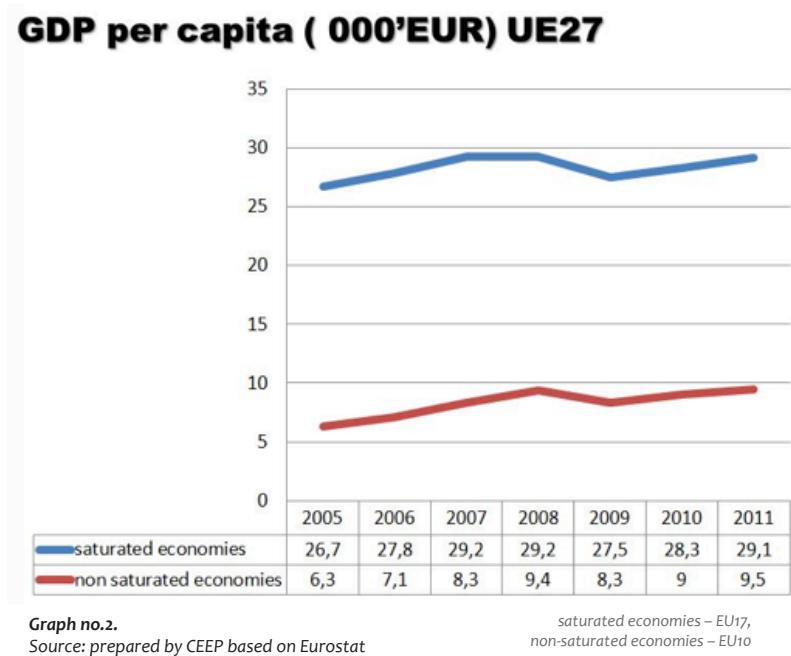
**1.4. Significant differences between the economies** of the EU-15 and the rest of the EU (Central European countries) still remain, despite the evident successes of cohesion policy. According to our calculations, based on Eurostat data, the average GDP per capita in Central Europe is three times lower than in the EU-15. A big challenge for the EU remains how to speed up the rate of progress of the cohesion and investment policy and allow the Central European countries to catch up with the rest of Europe.

The graphs no. 1 & 2 below, illustrate this situation:



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**1.5. The ETS system is not able to solve the problems** but this is a good instrument to measure one of the EU's main goals, which is to decrease CO<sub>2</sub> emissions by 20% by 2020.

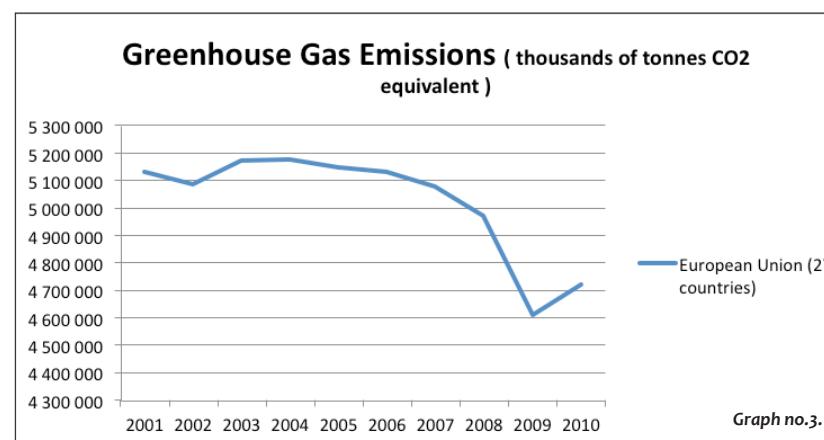
**1.6. How is the goal to be achieved?** Unfortu-

nately, the Report does not give any material answer but strictly refers to ETS regulations and laments on the price of CO<sub>2</sub> allowances. Thus, not answering what we want to reach: a decrease of CO<sub>2</sub> emissions, or to increase the price of allowances using an instrument called 'back-loading'. It also ignores the option of market forces.

According to the Report (see page 3) "since the start of the second trading period in 2008, emissions are down by more than 10%". Unfortunately, the Report does not answer the question how the decrease was achieved in

particular countries. Maybe the economic crisis is not 'the culprit', but in actual fact, the Best Available Technologies (BAT), which have been implemented.

According to us, the EU should be proud of results achieved by the EU 27 since 2001 as our chart below shows (Graph no.3).



**1.6.1. Best Available Technologies (BAT)** – one should realise that CO<sub>2</sub> emissions per capita in the EU-27 are much higher than the average,

for this indicator, for Central European countries. Yet, for Central European countries to catch up with the EU-15, they have to invest much more. New investments developing the country's potential can lead to more CO<sub>2</sub> emissions, but this is the most important way to redress the economic balance. We are convinced that CO<sub>2</sub> emissions will not increase per capita, if the CO<sub>2</sub> decrease policy, coupled with the investments policy (benchmarking), are observed by Central European countries. The best example of BAT are 10 newly-commisioned lignite power plants in Germany and one in the Czech Republic, where CO<sub>2</sub> emissions have been reduced by 30%.

# Public Consultation on the Report from the Commission to the European Parliament and the Council

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Europe has a lot of such possibilities, but not always the willpower to take advantage of them. A very pointed example is the Rybnik coal power plant in Poland, where a depleted power plant is to be closed down, whilst on the same site, a new one has been planned with a much higher efficiency, allowing a decrease of over 30% of CO<sub>2</sub> emissions. This project has been ‘put on hold’ due to inability of the EU to come up with supporting decision. In this case one cannot see due interest of the EC in the consequences in the late investment process: its social (possible unemployment) and sector impact (wrong message for investors prepared to observe stringent environmental requirements and benchmarking, potential loss of significant power capacity from the grid). It is hard to understand why this is happening. The EU is committed to fight CO<sub>2</sub> emissions and not the cheapest indigenous sources of energy.

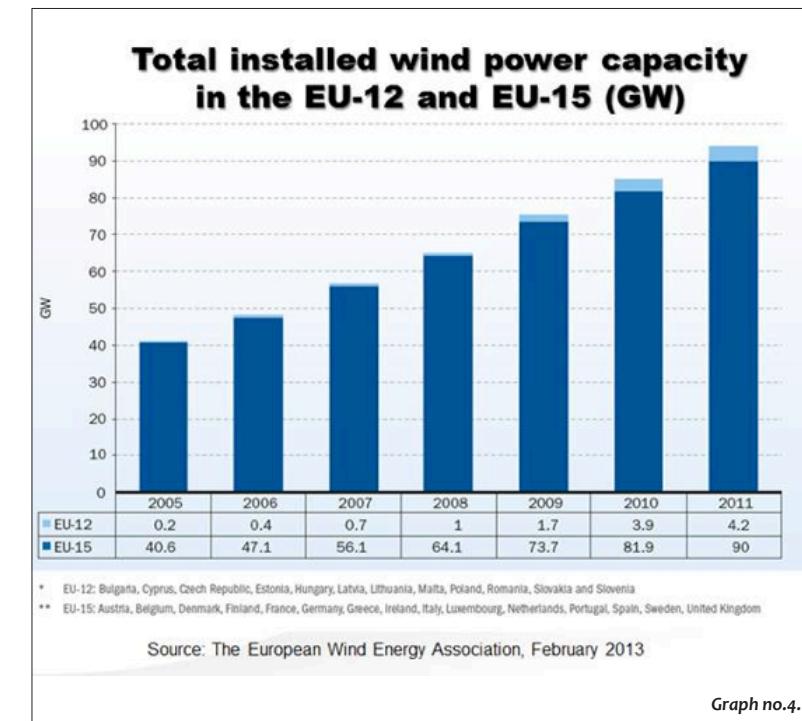
**1.6.2. CCS realistic or not** – One of the main reasons to limit CO<sub>2</sub> allowances is to increase prices of them to the level of about Euro 50- to make CCS investments profitable. CEEP, as a representative of the industry, welcomes CCS technologies which are economically viable. Practically, there is no technological barrier to

the capture of CO<sub>2</sub> for the time being. Unfortunately, all EU pilot programmes failed, due not only to the fact that capturing technology influences the price of power substantially, but also due to the main conceptual obstacle which is: where to store the captured CO<sub>2</sub>, and who will be responsible for the management of storage sites for the next hundreds of years. To our knowledge, there is not one country in the EU which has a clear concept of how to solve the storage problem. It means that the above economic problems, the problems of storage and management responsibility, have not been solved yet. One should calculate those costs, which are definitely much higher than Euro 50. According to the specialists, CCS or CCU will not help us to decrease CO<sub>2</sub> emissions, for at least another 20 years. That is why it should not be used as a justification for the higher prices of allowances.

**1.6.3 Energy Security** – The EU is still a very big importer of energy sources, which is why the importance of indigenous sources of energy is so vital. We should not be afraid of coal and shale gas, because BAT assures us of substantial decreases of CO<sub>2</sub> emissions, which is our main goal.

## 1.6.4. Unconventional sources of energy

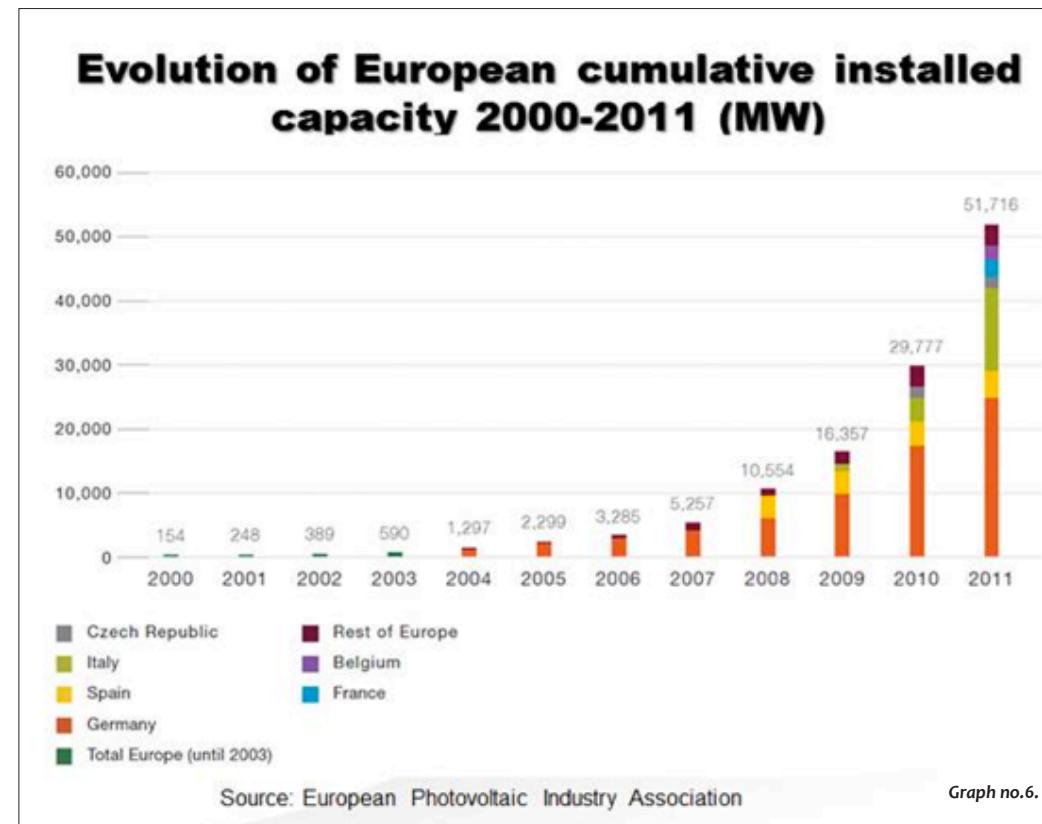
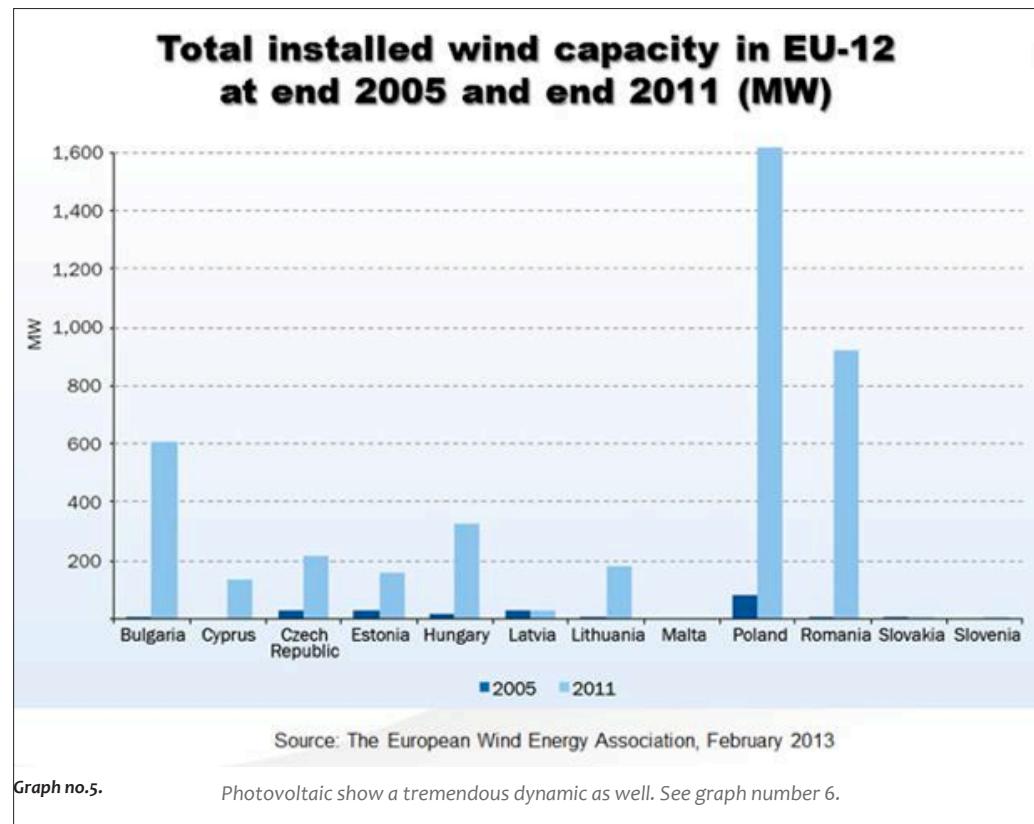
We are witnessing dynamic growth of unconventional sources of energy in the whole of the EU, though the total capacity is mainly achieved in the EU-15. Graph no.4. below, illustrates the total wind power capacity in the EU-15, which is over double capacity from 2005 up to 2011, whilst the rest of Europe starting from a very low level in 2005, increased their wind power capacity twenty times. The next graph, (no.5) shows the dynamic increase of wind capacity in the EU-12 (over 20-fold). Please notice that our members from Poland are very proud of



Poland’s progress in RES, which will be advancing very quickly. Poland is not only a “coal-oriented country”, but a leading one in RES in Central Europe.

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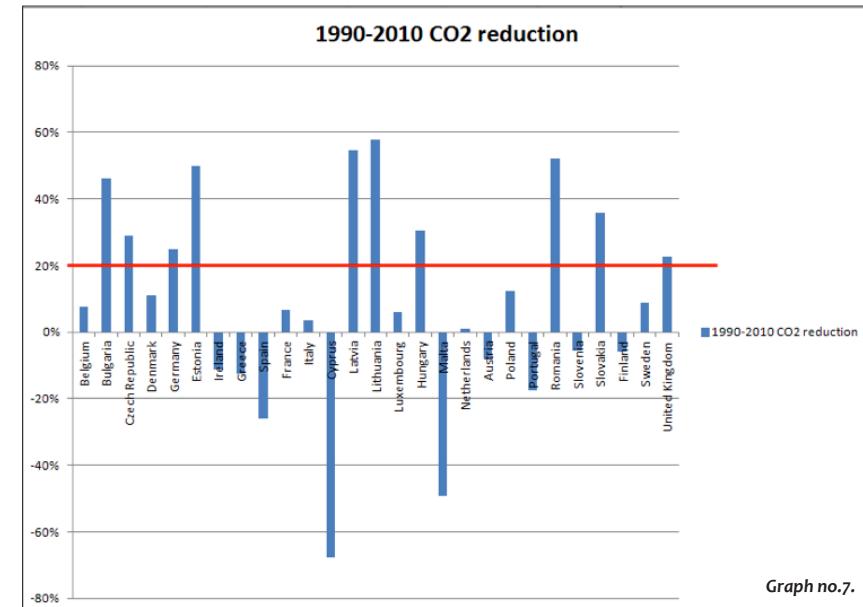
**1.6.5. The RES versus price of energy** - For Central Europe, the low price of energy is truly vital for industry and local populations. In terms of population, the latest protests in Bulgaria illustrate the importance of low energy prices. The situation concerning, for example, the steel industry, which switches its investments to countries offering lower energy prices, (for ex. the USA), speaks for itself. Unfortunately, RES power prices are much higher than power prices based on indigenous sources of energy. Nevertheless, as the graphs above shows, the EU should not be worried about RES development, and no changes in ETS are required in this respect. On the other hand, as RES are very much subsidised, one can easily notice a problem with the final price of electricity generated by the usage of fossil sources of energy (not mentioning countries other than Germany and the Czech Republic).

**1.6.6. Who needs the higher prices of allowances?** Definitely, Central Europe does not need higher energy prices, as this would be a direct cost for those countries. In the case of Poland, it means extra expenditure of around Euro 1 billion till 2020. Who can withstand such an economic burden at a time of economic crisis and increasing unemployment?

We are not going to analyse industry by industry (which should have been done in the Report), but higher prices concern, amongst others, the refinery industry, which is mainly located in the EU-15. In 2009, there were 97 refineries in the EU, now we have 87, with a further steep tendency to close down even much more by 2020. At the same time, we are witnessing a dynamic new throughput outside of OPEC countries. The refinery products will come to the EU, because we are not as competitive as the non-EU countries, who are not obliged to fulfill very stringent regulations. One can find, the following statement in Concawe's position:

*"DG-CLIMA is expected to announce the final allocation of free allowances to each ETS installation in March 2013. This announcement is of utmost importance for EU refineries, as it will define the distribution of an additional operating cost burden which could reach €1.3 billion per year for the EU refining sector as a whole (based on a CO<sub>2</sub> price of 30 €/tonne). The average EU refinery will be required to purchase allowances to cover about 30% of its emissions, but for some refineries, this could reach 50-60% of their emissions".*

Investment into energy should be enhanced, but not discouraged, if we want to overcome the crisis and social unrest in the EU-15. Only well-placed companies want higher prices to curb competition within the EU, which means that the cohesion policy will never be achieved, and differences inside the EU will never be levelled, as shown in graphs 1 and 2.

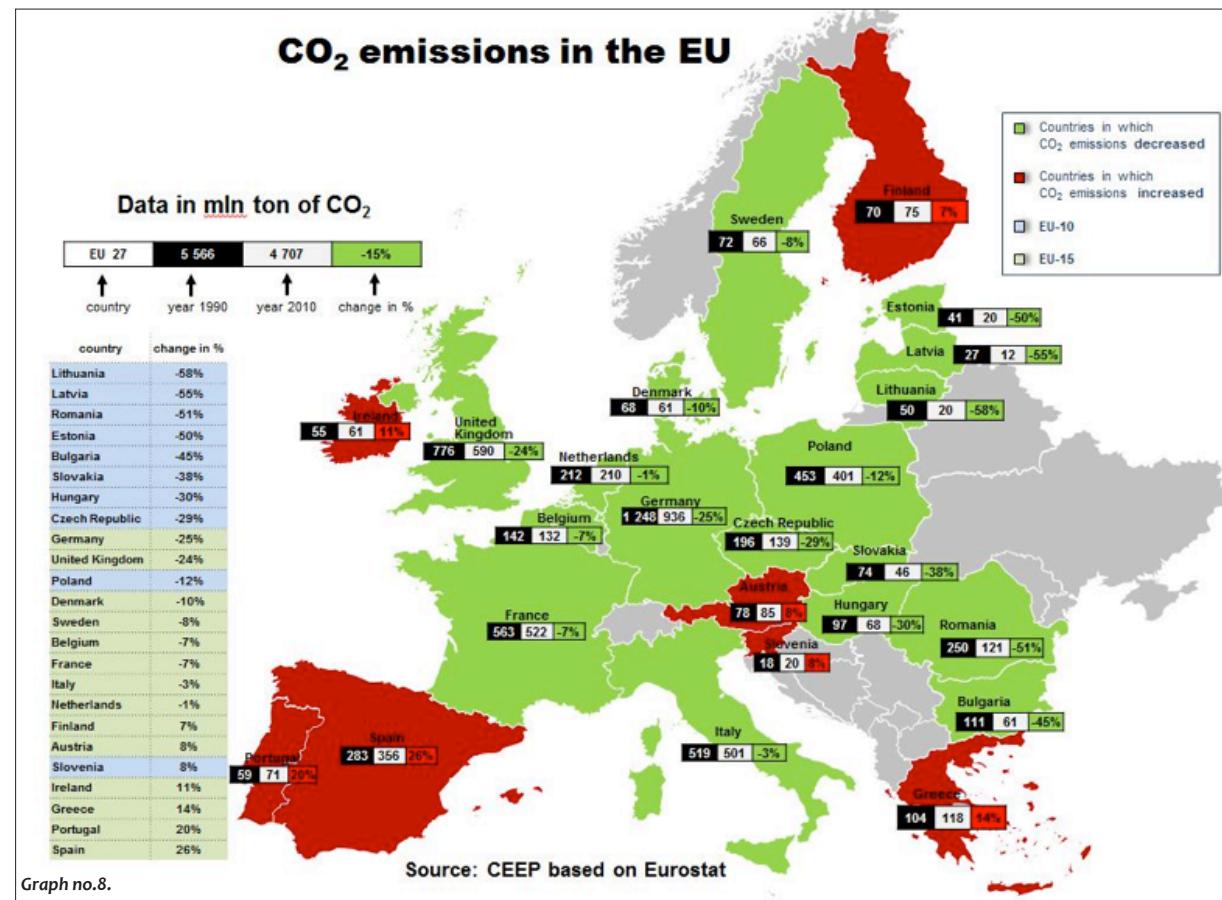


Graph no.7.

by 2020, by 30%, in order to catch up with the EU-11, for whom a decrease of 20% by 2020 will put it on a par with the EU-15. Graph no.7 and no.8, illustrate this situation.

# Public Consultation on the Report from the Commission to the European Parliament and the Council

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**1.6.8 Better is worse – (circulus vitiosus )** The Commission proposal does not solve anything, because if countries are more eager and successful when implementing new BAT, they will decrease CO<sub>2</sub> emissions. Consequently, more allowances will reach the market (higher supply) which will have an influence on the lower price of an even increased demand. Thus, the prices of allowances will go down. Such a situation would not satisfy the Commission, and again, it would be suggesting cuts (practically speaking, ‘backloading’ means cuts): and so on, and so on. Do we want to stop the development of technology?

ETS is a very good instrument for measuring the price of allowances in the market situation. If due to the ETS indicator, the price of allowances is low, it means that the EU fulfills its CO<sub>2</sub> obligations with great success. If it is high, it means that (mainly) industry does not develop at the expected pace. Some measures to boost industry, (but not to burden it as with the Commission’s proposals), and

outside of the ETS frame, should duly be taken.

## 2. Conclusions

**2.1. Market Forces** - We are of the opinion that the ETS Directive is fully acceptable to CEEP members, who feel themselves wholly responsible for its fulfillment as members of the EU’s community. Yet, we are of the opinion that no changes can be acceptable, unless unanimously adopted by all national governments of the EU’s member states, otherwise this will constitute a violation of the Treaty. The Directive can only be changed in 2025.

We believe that the ETS has become a kind of a European trademark and must be maintained. However, the stability and predictability of the ETS system remains crucially important. Therefore, the existing general approach until 2020 should be maintained. We strongly support the position that prices for allowances should be regulated only by market forces.

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**2.2. Withholding of power plant investments** - Instability of the binding directive and its regulations does not enhance economic activity, but is the main factor hampering or even abounding new investments, due to a lack of opportunities for preparation of reliable feasibility studies, which is a crucial factor behind any investment decisions. Acceptance of the proposed changes in ETS, together with approval of a principle that further changes are acceptable, must ultimately lead to a reluctance in taking positive investment decisions for big investments. It is commonly known that investments in energy generation should have a high capex. The situation when there is no investment leads to a shortage of power in countries' electrical grids, and as a consequence, in pan-European grids.

**2.3. Is the 'Road Map 2050' obligatory?** - According to point 4.3., of the Report, the Road Map 2050 seems to be presented as an obligatory piece of legislation, which is not so, as discussions on it are still being carried out, and the EC should not base its proposals on what is not yet an obligatory, agreed, or even a completed document and impose unacceptable solutions.

**2.4. Voluntary obligations** - As many countries wish to go ahead with CO<sub>2</sub> reductions, we are not against this, as long as they do this by their own voluntary declara-

tions, and without imposing any extra obligations on any other country. This solution seems to be very sensible and useful, especially as many countries are 'lagging behind' as concerns their level of CO<sub>2</sub> decreases (see graph 7).

**2.5. Options for structural measures** – Bearing in mind the above presented situation, all of the options are not acceptable, as they will lead to an increase of CO<sub>2</sub> price allowances, and in consequence, to increased energy prices, and prices in the whole economy.

## 3. Observation

It seems that this Public Consultation is not correlated with the European Parliament, where on February 19th, 2013, the decision of ENVI is almost 'obligatory', and all of our arguments will not be taken into consideration. This begs the obvious question: 'What is the purpose of a Public Consultation?' We strongly believe that such decisions arising from it will not be accepted by the Parliament, as changes to the ETS Directive should be unanimously adopted by the EU's 27 members.

*Janusz Luks*

CEO, Central Europe Energy Partners, AISBL

## 8<sup>TH</sup> ANNUAL WORLD BIOFUELS MARKET

We have pleasure in informing you that CEEP will be a Media Partner at the **8th Annual World Biofuels Market**, the number one event for biofuels. 1500+ attendees from over 65 countries will convene in Rotterdam, the Netherlands, for this unmissable event, providing you with the chance to network with leaders from across the globe.

The 8th Annual World Biofuels Market will take place from the 12th to the 14th March.

Not only will you get the chance to meet a variety of market leaders, but you will also be exposed to in-depth analysis of the hottest areas in biofuels from over 250 of the industry's notable expert speakers.

To claim your 10% discount – simply quote 'CEEP10' at the time of booking. If registering online, insert the code on the 'Your Registration' summary page, before confirming your booking.

To register please contact CEEP at [brussels@ceep.be](mailto:brussels@ceep.be)

# ENERGY AT THE REICHSTAG

By Sibylle Pflüger



The 34th Energy Dialogue at the Reichstag, at the invitation of Prof. Dr. Friedbert Pflüger, Janusz Reiter, and Central Europe Energy Partners (CEEP), discussed the German Federal Government's Mobility and Fuel Strategy on February 22nd, 2013.

Dr. Ulrich Eichhorn, Managing Director of Technology and Environment at the German Association of the Automotive Industry, and Dr. Klaus Picard, Managing Director of the Association of the German Petroleum Industry, discussed ways in which their respective industries could make a constructive contribution towards meeting the German Federal Government's aim, which is to come to a strategic understanding between government, industry and academia on the medium and long-term prospects for fossil fuels and fuels based on renewable sources of energy, along with promising drivetrain technologies and supply infrastructures.

Dr. Eichhorn started the discussion by pointedly reminding the audience of the significant progress the automotive industry has already made over the past few decades in regards to safety, emissions reduction, and efficiency. He further suggested adopting a two-

fold strategy: carry on the strong focus on enhancing the efficiency of automobiles (e.g. more efficient engines, transmission, aerodynamics, etc.) while gradually substituting fossil-based fuels with alternative and less carbon-intensive fuel forms, such as biofuels, liquid gas, and hydrogen. At the same time, he emphasised that conventional fuels will continue to play a central role in the transport sector over the next few decades, even if significant technological progress is made.

Dr. Picard argued that the Federal Government's strategy is primarily a 'fuel strategy' that aims to reduce mobility and fuel consumption in order to achieve its goals. However, he found this approach to be counter-productive pointing out that mobility is a key prerequisite for economic growth. Instead, he argued for a greater focus being placed on finding the most efficient combination of vehicles and fuel types. Moreover, Dr. Picard underscored the German petroleum industry's willingness to encourage the greater use of alternative fuels, from natural gas to hydrogen, but only if there is a rational business case for it. Given the favourable market outlook for natural gas, both speakers generally agreed that there is still an untapped potential, regarding this particular fuel source, for the transport sector.

The next meeting will be held on March the 15th, 2013. We will provide you with more detailed information in the near future.

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