Fresh faces in the newly-formed European Commission

Presentation by the President of the European Commission, Mr. Jean-Claude Juncker of Ms. Alenka Bratušek, the Vice-President for Energy Union, and Mr. Miguel Arias Cañete, the Commissioner for Climate Action and Energy – the candidates dedicated to energy issues, who need approval from the European Parliament following positive hearings.

Ms. Alenka Bratušek, as a Vice-President for Energy Union will work closely with the other Vice-Presidents. In her area of responsibility, she will steer and coordinate the work of several Commissioners, in particular:

- Commissioners for Climate Action and Energy;
- Transport and Space;
- Internal Market, Industry, Entrepreneurship and SMEs;
- Environment, Maritime Affairs and Fisheries;
- Regional Policy;
- Agriculture and Rural Development; and Research,
- Science and Innovation.

Three main objectives will be to bring about a resilient Energy Union, with a forward-looking climate change policy, by steering and co-ordinating the delivery of key initiatives. We need to pool our resources, combine infrastructures and unite our negotiating power vis-à-vis third countries. We need to diversify our energy sources, and reduce...
Fresh faces in the newly-formed European Commission

Alenka Bratušek the Vice-President for Energy Union

the high energy dependency of several of our Member States. I want to keep our European energy market open to our neighbours. However, if the price of energy from the East becomes too expensive, either in commercial or political terms, Europe should be able to switch swiftly to other supply channels. We need to be able to reverse energy flows when necessary.

And we need to strengthen the share of renewable energies on our continent. This is not only a matter of responsible climate policy. It is, at the same time, an industrial policy imperative if we still want to have affordable energy at our disposal in the medium term. I strongly believe in the potential of “Green Growth” and I want the EU to become the world number one in renewable energies. We should also enhance energy efficiency beyond the 2030 objective, notably when it comes to buildings. A binding 30% objective for energy efficiency by 2030 is to me the minimum if we want to be credible.

During her mandate, she will focus on:

Coordinating Commission efforts to ensure the EU achieves its targets in the field of energy for 2020 and 2030, including as part of the Europe 2020 Strategy.

Completing the internal energy market, by connecting infrastructures and engaging with regulators and stakeholders at national and European level in order to improve, reinforce and fully apply EU legislation in this area. Increasing competition should help drive down costs for citizens and businesses and boost growth.

Coordinating specific actions to strengthen energy security on a European scale, starting with the need to counteract any possible energy shortages over the first three to twelve months. Europe’s energy dependency should also be reduced by diversifying sources and routes of energy imports and pooling our negotiating power.

Supporting the Vice-President for Jobs, Growth, Investment and Competitiveness in the project to present, within the first three months of our mandate, the jobs, growth and investment package announced in the Political Guidelines. The package should help to mobilise additional public and private investment in infrastructure such as energy networks, as well as in renewable energy and energy efficiency.

Tapping the job potential of “Green Growth” and making Europe the world number one in renewable energy.
Mr. Miguel Arias Cañete Commissioner for Climate Action and Energy

He will contribute, in particular, to projects steered and coordinated by the Vice-President for Energy Union and the Vice-President for Jobs, Growth, Investment and Competitiveness. For other initiatives requiring a decision from the Commission, as a rule, liaise closely with the Vice-President for Energy Union.

He will contribute to establishing a European Energy Union with a forward-looking climate change policy. We need to pool our resources, combine infrastructures and unite our negotiating power vis-à-vis third countries. If the price of energy from the East becomes too expensive, either in commercial or political terms, Europe should be able to switch swiftly to other supply channels. We need to be able to reverse energy flows when necessary.

We also need to strengthen the share of renewable energies on our continent. This is not only a matter of responsible climate policy. It is, at the same time, an industrial policy imperative if we still want to have affordable energy at our disposal in the medium term. I strongly believe in the potential of “Green Growth” and I want the EU to become the world number one in renewable energies. We should also enhance energy efficiency beyond the 2020 objective, notably when it comes to buildings. A binding 30% objective for energy efficiency by 2030 is to me the minimum if we want to be credible.

Key areas:

Contributing, as part of the project team steered and coordinated by the Vice-President for Energy Union, to the completion of the internal market for energy. You will have to identify and select infrastructure projects on which to focus, assess the need to add to the current legal framework and monitor very closely the implementation of existing legislation.

Contributing, as part of the project team steered and coordinated by the Vice-President for Jobs, Growth, Investment and Competitiveness, to the jobs, growth and investment package to be presented within the first three months of our mandate. I would like you to be very hands-on in terms of working with Member States to bring about the conditions necessary for investment decisions and ensure that the EU can be a catalyst for public and private investment. A particular focus of this additional investment should be in infrastructure such as energy networks, as well as in renewable energy and energy efficiency.

Increasing Europe’s energy security by diversifying sources and routes of energy imports and combining our negotiating power.

Steering the preparation and negotiations of the legislative instruments that will follow political agreement on the 2030 energy and climate framework. These proposals should be made early on in the mandate.

Continuing to develop EU policy for renewables. The EU should be a world leader in this sector. Similarly, you will need to guide work on energy efficiency.

Strengthening and promoting the Emissions Trading System to ensure we reach our climate goals in a cost-effective way.

Supporting the Vice-President for Energy Union in order to ensure that the EU plays a leading role in international climate policy, starting with the 2015 international climate conference in Paris.
On the 16th of July, 2014, over 70 organisations had an opportunity to address the Transatlantic Trade and Investment Partnership (TTIP) negotiators and acquaint them with the views and opinions of their respective stakeholders. CEEP’s presentation was the only one devoted to energy and energy-intensive industries, which we consider to be of great importance in the course of the TTIP negotiations.
CEEP Presentation for the 6th round of the EU-US TTIP negotiations

“I hope you will find the enclosed document useful and interesting,” – wrote CEEP’s Chairman of the Board of Directors, Mr. Paweł Olechnowicz, in a letter to the President of the European Commission, Mr. Jean-Claude Juncker, accompanying the document.

Here is the reply from Mr. Jean-Claude Juncker:

Dear Mr Olechnowicz,

Thank you very much for your letter of 19 July and copy of Central Europe Energy Partners (CEEP) recent presentation before the US-EU TTIP negotiating teams which you sent to me.

I have taken note of its content with interest.

Yours sincerely,

Jean-Claude JUNCKER
President of the European Commission

European Commission

Jean-Claude JUNCKER
President of the European Commission

Brussels, 28. 8. 2014
Arts (2014) 332/390
1. Central Europe Energy Partners (CEEP), AISBL, represents 23 energy and energy-intensive companies and organizations from 6 Central European countries, employing over 300,000 workers, with a total yearly revenue of more than 50 billion Euros.

2. Understanding TTIP as:
   2.1. A chance to further develop trade between the EU and the US;
   2.2. Viewing our respective economies, investments, and treatment in trade relations equally.

3. Greater transparency is needed:
   "We have to fight for more transparency in the negotiations. I’d like to see the fundamental negotiating documents, especially the EU mandate being made public as soon as possible", - Bernd Lange, Chairman of the Committee on International Trade (INTA), in the European Parliament.

4. Differences between the US and the EU economies in energy and energy-intensive sectors:
   4.1. CO₂ emissions
   With regard to CO₂ emissions, the US has a big advantage over the EU economy: The less onerous environmental regulations in the US makes its production much more cost competitive. But there is an environmental cost: CO₂ emissions per capita in 2012 amounted to 17 tonnes in the US. In the EU, the average was 7.5 tonnes. To be at the same level as the EU, the US should decrease its emissions by more than 56% immediately. The average cost of a decrease of one tonne of CO₂ is around $600 - which has been borne by the EU, but not by the US, to the same extent.
   4.2. Cost of gas and oil
   The price of gas is 3 times lower in the US than in the EU, and oil prices are some 15-20% lower. This provides US industries a significant competitive edge over their EU counterparts, especially those in the energy sector and those which are energy-intensive.
   4.3. The EU regulations (REACH and other)
   The EU has a very stringent set of regulations governing the chemical sector (REACH), as well as other industrial sectors. US industries are not burdened as heavily by such regulations, and this is another advantage they have over EU industries, one that too often enables US products to out-compete their EU counterparts.

5. What should be agreed:
   Refer to 4.1. Obligation of the US to lower its CO₂ emissions by 2030 by a total of 86% so that would match the emissions of the EU. That would include a 56% reduction of existing differences + 30% as advised by the EU. Moreover, the ETS system should be implemented within the US.
   Refer to 4.2. Ensure free access of the TTIP parties to energy markets and mineral resources, which means that they shall have

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Climate Change Sceptics: Who’s in denial?

In a recent Mori Poll across 20 countries, researchers found that the countries who are most active in climate change denial are the English-speaking ones! The US came top of the poll, followed by the UK and Australia, whilst Canada was in seventh place. One theory is that in the top three countries listed, the media is dominated by Rupert Murdoch’s empire, and that he is a climate sceptic. Russia and Poland were also in the same sceptics’ camp, coming in fourth and fifth place, respectively. Who was the least sceptical country? That was China, where pollution is the number one issue for the public, unlike the West, where the state of the economy and crime are seen as more important. (P.W.)

‘China installs equivalent of Australia’s total solar capacity – in 6 months’

China added more than 3GW of solar in the first half of 2014, which equalled Australia’s entire supply of power from sunlight at the end of
the right to buy energy carriers (for example: gas, coal, oil) on their counterpart’s internal markets, without any restrictions, and to be able to export these products. Refer to 4.3. A Special Advisory Committee/Body should be established to deal with this issue.

6. Bilateral safeguard clause:
The parties shall have the right to increase their import duties, informing the other party of the reasons for their decisions. Such measures should be obligatory through the validity of the TTIP.

7. What to do if the proposal, (see item 5), is not possible to be agreed:

7.1. CO2 Emissions
Energy and energy-intensive industries should be excluded from the ETS scheme to give them the same competitive advantages enjoyed by US industry. If the EU does not introduce such an exclusion clause, then under the ‘carbon leakage’ scheme, EU industries should get a guarantee of 100% free CO2 allowances (EUA), until the time when CO2 emissions in the US and the EU are at the same level.

7.2. Free access to energy and energy sources.
Until agreed, the TTIP should not come into force.

7.3. EU regulations:
As proposed in point 5, a Special Advisory Committee should be established to settle this issue.

8. Carbon leakage (if points 6 and 7 are not settled as suggested):

8.1. A chemical industry, based on gas as a raw material, might be eradicated in the EU within 5-10 years, which would cause massive job losses. We are already witnessing a transfer of the chemical industry from the EU to the US. 53% of total investments in the US chemical industry are being made by EU investors, as we speak.

8.2. The steel industry is a resource and energy-intensive sector. Its products are also heavily-traded globally. The EU’s capacity utilisation rate is ca 70%, and the output is shrinking. Last year, a major US steel maker announced that it was moving back to the US from the EU: its decision being driven by energy and climate-related costs. President Obama, who recently visited a steel plant in Cleveland, proclaimed: „This plant, if it’s located in Germany, energy costs are double, maybe triple; the same in Japan. So, this gives us a big edge. [...] And if you’re saving money on energy costs, that means you can invest in equipment, invest in workers, hire more people, produce more products”.

9. How to defend the EU’s energy and energy-intensive industries:

9.1. Provide the opportunity to have much cheaper indigenous energy sources as coal and shale gas, by supporting new investments, which employ BAT and are environmentally-friendly, as well as based on the best global standards.

9.2. Introduce import taxes, based on carbon taxes, to give industry the chance to compete with imported products from outside the EU, excluding the TTIP with its autonomous regulations.
Sooner or later – European Energy Union will emerge

For many years, the Economic Forum in Krynica-Zdrój, Poland, has been the platform where relevant opinions, ideas and propositions are exchanged. The Forum is a meeting place for the political, economic and intellectual elites of Central Europe, who talk about the future of Europe and the rest of the world. From its’ beginning, the Economic Forum in Krynica-Zdrój has been compared to the World Economic Forum held in Davos. The difference, however, lies in the fact that the Forum in Krynica is dominated by representatives from Eastern and Central Europe. Energy issues have been one of the main topics discussed during the Forum. In such discussion the active presence of Central Europe Energy Partners is understandable.

This year in Krynica, Central Europe Energy Partners, together with one of its founding members, Grupa LOTOS SA, organised a panel discussion: ‘An energy union for Europe – competitiveness, growth, security and solidarity’, which was introduced by Pawel Olechnowicz, President and CEO of Grupa LOTOS SA, and Chairman of the Board of Directors of CEEP. As always, the invited panellists were eminent experts, who presented a wide range of views on this extremely important subject, both for Europe and our members. The concept of an energy union and the significant challenges facing Europe were discussed by Günter Verheugen, former Vice-President of the European Commission and the Commissioner in charge of Enterprise and Industry and Enlargement, who moderated the debate; Janusz Lewandowski, Member of the European Parliament and former Commissioner for Financial Programming and the Budget; Dariusz Marzec, Vice-President of...
the question of energy independence has become more and more prominent as a result of the political situation, especially in the Ukraine. In this context, energy is one of the most important issues confronting Europe. In the coming years, huge investment will be needed to ensure that Europe’s energy infrastructure and independence will be enjoyed by future generations. The panellists pointed out that Europe should use this momentum to accelerate its release from the main, politically-driven supplier of gas. This cannot, of course, happen overnight, so we need, in Europe, to act strategically. We have to look far beyond today: one day, the crisis in Ukraine will be over, but the problems of energy will not. We need diversification in the long-term, and security of suppliers in both the long and short-terms. Diversification in this context means diversification of suppliers, sources and routes.

In the opinions of the panellists, the idea of a European Energy Union will become a reality, sooner or later. The sooner we establish a practicable Energy Union, the more cost-effective this will be. If we create a mechanism for commonly negotiating energy supplies for the EU, we will increase our bargaining power. If we have this effective mechanism, we will also have a mechanism for ‘gas solidarity’ in times of crisis. This can only happen, though, if we have enough infrastructural connection and interconnectivity. We should also not forget that an Energy Union can only be successful, if we find a good balance between national competences and the establishment of an EU framework.

The panellists agreed that we are better prepared than in the past because the EU has already begun work on interconnectors between countries, on building LNG terminals, and on providing greater reserve storage facilities. This shows that the first big step towards an Energy Union has already been completed.
1. INTRODUCTION

Mr. Watson in the well-informed European Power Daily (EPD) reported on the 18th of July, that the European Commission’s proposals from the 22nd of January, 2014, can be considered as fully adopted, claiming that: “Germany and the UK have voiced clear support for planned reforms, while Denmark and Sweden are also understood to be in favor. Some coal-dependent member states, led by Poland, are expected to oppose the measures, although the reforms could still be agreed in the EU Council under its qualified majority voting rules”.

In other words, the deal is already sealed. What about the MEPs? They will also back the proposed solutions. The EPD suggests that “many EPP members [the European People’s Party – EPP] who voted against backloading” will not want to “be ‘burnt’ over such a small issue again, so they will just not intervene”. The EPP, on its part, will not act against the will of its governments, which means that “the EPP will not take an opposing line as a whole”.

I could go on and quote statements reported by other news outlets which suggest that the cards have already been dealt, and those who try to take part in the ongoing discussion have no chance of convincing other participants that their arguments are valid.

Having said this, I suggest applying a more holistic approach and use this opportunity to direct your attention to a few key facts which perhaps will reach the minds of policy-makers in the EU and MEPs.

2. EMISSIONS OF CO2 AND OTHER GREENHOUSE GASES

Putting aside all arguments on whether greenhouse gas emissions are detrimental to our climate or not, I believe the efforts to ensure that the environment is kept clean on our planet deserve our full support. We have to take into consideration that the world population is expanding at a very fast pace, and that its current level of over 7 billion will, over the next three decades rise to as much as 9 billion. Our children and grandchildren will be the ones to live with the results of our present-day attempts to limit CO2.

3. HOW OTHERS DEAL WITH CO2

There are no countries which disregard the issue of environmental protection. All try, according to their capacities and the popular awareness of their societies, to implement relevant activities in this field. As the factors which impact on the environment are very diversified, so are the implemented measures. Under the influence of the EU’s philosophy, the effectiveness of the states’ activities has been evaluated through a comparison of the percentage of decreased emissions of CO2 with previous periods. This method of evaluation is flawed, because, if a given country has a low level of emissions due to it being poor and undeveloped, then conversely, its economic development will trigger a per-

By Bogdan Janicki
Have the cards already been dealt in Climate Policy and CO₂?

REPORT

Percentage increase in its emissions.

What seems considerably more fair is to use an easy and clear indicator (although also saddled with small imperfections) which shows a country’s emissions of CO₂ throughout a year in tonnes per capita. This way, it is easier to relate its level of CO₂ emissions to the countries which have a similar level of economic development, and also to states which have a low level of emissions. A certain regularity can be identified here. Countries with a higher level of economic development emit more CO₂ per capita than those less developed. This, in turn, allows for an easier and more reliable evaluation than the percentage-based method.

Below, is a table which shows emissions per capita in the EU Member States and the so-called reference countries: (see the table)

The table clearly shows that, in 2012, the average emissions per capita in the EU stood at 7.42 tonnes, and in the US it was 16.36 tonnes. This means that to be able to start the race from the same starting line as the EU, the US should cut its emissions ‘overnight’ by 55%, and only then negotiate the global climate package.

The US was the first country to launch an attack against global warming, initiating a long series of programmes with this aim, and its efforts have been cheered by EU officials and the Greens. Although I have joined the ranks of enthusiasts, I would like to direct their attention to the far-reaching pragmatism of the so-called ‘Obama Programme’. Firstly, the US does not differentiate between the CO₂ emissions which are covered by the ETS in Europe, and those which are not. I agree with the US: emissions are emissions. They require action in every field, as their source is irrelevant for the climate. Anyhow, the EU is exceeding the US in many fields of CO₂ emissions. Take, for example, car emissions: according to Obama’s Programme, a decrease in the average fuel use of cars from more than 17 litres in 2010, to slightly over 7 litres 100 kms in the years 2017 to 2018, was achieved. This means that the US will not be able to catch the EU up in this field, at least not until 2030.

Another spectacular feature of the Obama Programme is the fact that it imposes CO₂ emission limits on coal-fired power plants which currently cannot be complied with. This triggers a continuing shutting down of such plants (of which 80% should al-

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Table of emissions of kg of CO₂ per capita (Source: Joint Research Centre - JRC)
Have the cards already been dealt in Climate Policy and CO$_2$?

>>> CONTINUATION from p.11

ready have been phased out due to their obsolescence). However, if one is to look closer at this policy, what is noticeable is the far-reaching pragmatism of President Obama, who does not want to destroy US industry, but to further develop it. Shutting down US coal-fired power plants enables exports of US coal to global markets which are happy to purchase it, because it is cheap.

Another example can be produced in the natural gas sector. It is estimated that natural gas is competitive in relation to coal-powered power plants who are paying US$100 for one tonne of coal, if gas is priced in the range of US$250 – US$260 per 1,000 m$^3$. In the US, the price of gas is currently about US$160 per 1,000 m$^3$, and it is most likely to remain below US$260 in the forthcoming decade. Which investor would, therefore, want to invest in coal-fired power plants in the US, bearing in mind the US$250 breakeven point, if gas allows investors to save close to US$100 compared with coal?

If investors from the EU could enjoy provided a price level of, for instance, US$250 for 1,000 m$^3$ of natural gas, this would solve the problem of coal-fired power plants immediately in the same way. I have never met an analyst who would forecast that, by 2030, natural gas prices will be set at the level of US$250. In other words, coal will remain the cheapest energy source in the EU (apart from nuclear energy) until 2030 - and most likely afterwards. We should not be counting too much on shale gas from the US, as, from today’s perspective, it seems that the price of this gas in the EU will be in the range of US$300 per 1,000 m$^3$, and European shale gas will not be much cheaper. All the experts know that natural gas is not as clean as it appears, because, in the process of its transmission, significant amounts of methane (which is 22 times more harmful to the atmosphere), are emitted. It is unfortunately that no one is calculating these emissions, because we would learn that, contrary to general assumptions, in comparison with natural gas, coal is not as ”dirty” as some believe it to be.

The Americans aim to cut CO$_2$ emissions by 30% by 2030, which would translate into per capita emissions of 11.45 tonnes. Currently, the EU has an average emission rate of 7.42 tonnes per capita. This means that we already emit 35% less than the US, which is aiming to reach the level of 11.45 tonnes by 2030. In the meantime, the EU will continue to lower its emissions. Can the US further decrease its emissions? Of course it can, but why should it? Why should it kill its own industry? Unfortunately EU officials do not want to see things this way.

4. OTHER COUNTRIES

4.1. China – is cited by many politicians as an exemplary case of a country which combats global warming. Its emissions were close to the EU average, at 7.09 tonnes per capita in 2012. China’s emissions are lower than that of the US, Canada (16.4 tonnes) or Australia (18.77 tonnes). However, the problem with China is that its emissions are concentrated in a very small area of the country, in the most industrialised regions, so the country is left with no choice. China can either reduce the emissions, or endanger the lives of its citizens in these regions. This not applies to CO$_2$, but also to all other greenhouse gases, as well as NOxes or particles.

4.2. Australia – emissions of 18.77 t – launched its fight with emissions, introducing some of the ETS concepts, but very quickly resigned from it, as it hampered development of its economy.

4.3. Canada – emissions of 16.4 t – it does what it considers useful and acceptable. It is not really eager to decrease emissions at the pace suggested by the EU.

5. EUROPEAN UNION

5.1. General remarks – the EU’s approach is not pragmatic, but philosophical, and its overarching assumption is that the world needs to be saved, in spite of the costs incurred by the EU’s societies. In the last five years, the EU can boast of such “accomplishments” as lowering CO$_2$ emissions and becoming a world leader in this field, but, at the same time, its unemployment, in particular among the EU’s youth, increased, whilst the competitiveness of its industry, in comparison with the main global players, decreased. Moreover, dependency on external sources of energy increased. A significant share of foreign investment shifted to countries which have not adopted a climate change policy as restrictive as that of the EU’s, numerous EU member states have financial woes, and the prices of energy have doubled.
REPORT

Have the cards already been dealt in Climate Policy and CO₂?

>>CONTINUATION from p.12

The EU should firstly determine of its own development issues as a top priority, and then, once these are solved, proceed with climate change issues, and only when they are not hampering the economic development of the EU and its respective Member States.

5.2 Combatting emissions from coal – the use of the term „decarbonisation” instead of „emission” is the reason behind a major conceptual confusion. Decarbonisation is, on the one hand, rightly associated with the molecular formula, CO₂, where carbon is one of its components. Unfortunately, in most cases, EU officials and MEPs associate decarbonisation with combatting coal. Instead, the aim is to combat CO₂ emissions, which are not only generated by coal, but also all organic components including fuels, natural gas, organic waste, organic products, etc. If we are to fight for the aim of reducing CO₂ emissions, we cannot only simply target coal. This differentiation should be absorbed at all the levels of the EU. We should be combatting CO₂ emissions, not coal.

5.3. CO₂ Emissions in the EU – as evidenced by the above table, emission levels in respective EU countries are highly diversified, and EU directives should not adopt a single, standard stance for all these countries. Cutting emissions by 20% in Luxembourg (21.75 tonnes per capita), which is the biggest producer of CO₂ per capita, and, at the same time, the richest EU Member State, with a GDP of €83,400 per capita, is a completely different story from that of reducing them in Romania, where they are the lowest (3.91 tonnes per capita), and the GDP per capita is a tenth of Luxembourg’s, at €7,100. Taking into consideration these disproportions, Romania’s industry should be granted the chance of unconstrained development, and the country should be exempted from any EU commitments, and supported by EU funds to bolster its industrial development, if it complies with the BAT approved by the sector.

The only constraints should result from the regulations set by the Romanian government, which knows how to protect the country’s environment and foster its industrial potential to “catch up” with the EU within the framework of the cohesion policy.

I would also like to use this opportunity to debunk a myth which is harmful to Poland and states, that as Poland is a heavy coal consumer, a country which “pollutes” the EU. Despite use of coal (though its consumption has been decreasing), Poland produced 8.42 tonnes of CO₂ per capita, in 2012. At the same time, Luxembourg emitted 21.75 tonnes p.c., Estonia 15.75, the Czech Republic 10.81, Finland 9.88 , the Netherlands 9.82 , Germany 9.75 , and Belgium 9.85 tonnes. This means that Poland was exceeded, in CO₂ production, by seven EU Member States. On a related note,
Have the cards already been dealt in Climate Policy and CO₂?

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Denmark, which is generally considered as a very environmentally-friendly EU country, produces 6.97 tonnes of CO₂ per capita, with 48% of its electricity being generated by coal.

If we look at the reduction in emissions in the years 1990 to 2012, countries such as Austria, Slovenia, Ireland, Greece, Portugal and Spain not only failed to cut their emissions, but, in fact, increased them (see the table).

This table shows that we should take into consideration the diversities when drafting EU directives.

5.4. Objectives by 2030

Decreasing the greenhouse gases emissions in the EU by 40% in comparison with the year 1990 is a very incoherent goal. If we look at the chart from point 5.3, some countries already complied with this objective a long time ago, while others are still aiming to achieve it, and the road leading to it is very costly. If we assume that lowering CO₂ emissions costs about US$600 per tonne, then, once we multiply this by millions of tonnes, the total figure is exorbitant. The countries should be the ones to decide what they can or cannot afford, and the EU should provide financial support to solutions which lead to the reduction of emissions with the use of BAT within each industry sector separately.

Emissions trading system – ETS – is a very controversial solution which has not been implemented practically anywhere else in the world except in the EU. The division of emissions into the half which is covered by the ETS system, and the not covered remainder is somewhat artificial. To achieve climate goals, it is irrelevant whether the reduction in emissions is made in transport (see Obama’s plan in this respect) or by establishing an efficient waste treatment system in the cities, or in the cement, steel, refinery or chemical industries. The results obtained in the fields which are excluded from the ETS are equally interesting, and, in some cases, perhaps even more interesting than those in the fields covered by the ETS, owing to increasing social awareness and relevant EU and national programmes.

However, the ETS system seems to be serving only those who want to benefit from speculating with the emission allowances, because the ETS, as shown by our experience in the last few years, does not stimulate the reduction of CO₂ emissions. Supporters of the ETS would like the price of a tonne of CO₂ to be as high as possible and that is why they want to prevent the amounts of CO₂, which are released due to new technological solutions, from entering the market. This means they are also in effect working against the technological developments which provide inexpensive CO₂ allowances to the market. The latter does not allow financial investors to earn as much as they had planned. This is why, under the banner of combatting CO₂, backloading was introduced, because, in my opinion, MEPs were not fully aware of its implications. Investors and lobbyists, on their part, want the system to be even stricter, as suggested by the well-informed European Power Daily.

Aiming to increase the price of CO₂, they want to manipulate prices, to make them as high as possible, at least in the price range of €50-€60 per tonne of CO₂, and it is clear that they will achieve this, through introducing a linear indicator of 2.2% per year, and additionally by “taking the surplus of CO₂ off the market”, through administrative decisions by the EU. Rich companies from the EU-15 will not oppose this, because such a mechanism allows them to hamper the potential development of companies from the poorer Member States, the EU-11. As a result, instead of convergence, we will witness a continuing divergence in the level of development among the EU’s Member States, and the resulting division into two regions with a different pace of development. If we were to follow the example of the US, we could easily shut down the ETS system, and instead let our economy rely on the development of cleaner technologies.

Reforming the ETS – I am aware that EU officials have got used to the idea of the ETS, and that they consider it to be of the highest value. Judging their actions, they care little about unemployment or the decreasing competitiveness of the EU, increasing dependency on imports of the sources of energy, or the high prices of energy, but devote themselves far more to the ETS. The opposite should be the reality. According to some, the EU does not want to destroy its industry, and it has created the possibility of a temporary opt-out from the ETS regulations (carbon leakage) for some industrial branches, with energy-intensive industries in mind. Clearly, this is a positive solution, but being added to the carbon leakage list requires a decision by EU officials, and this does not foster long-term planning and investments in periods of at least 15-20 years, because a given entity can be taken off the carbon leakage list at any time. This does
not foster economic development. The ETS implies an annual decrease of CO2 limits by 2.2%, which translates into commanding technological development. Compliance with the annual limits of 1.74% by 2020 will not be easy to achieve after 2016, and their further tightening, without taking into consideration the potential technological development, means the necessity of shutting down numerous companies in the EU. As a result, this indicator should be scrapped, as well as the manual steering of the ‘so-called CO2 excess’. When a larger amount of allowances for sale of appearances on the market, EU officials use administrative decisions to reduce these amounts, in order to obtain high CO2 prices, to the applause of financial investors, and to the detriment of many entrepreneurs.

The EU has to choose what it cares more about – economic development, or rich countries getting richer. The claim that high CO2 prices stimulate the development of renewable energy sources does not correspond with reality, because the RES are experiencing a phase of rapid development, despite the low level of CO2 price per unit. It is also well-known that, given the current state of technological capacities, exceeding the level of RES by 25% in the total energy mix in particular countries, is causing perturbations in the absorption of such energy, (obviously, I’m referring here to wind and solar energy, not hydro). The best example of such a trend is Germany. The price of energy provided by RES is another factor. It is estimated that, for example, in Germany, due to RES (wind, solar), the price of electrical energy is higher by close to €80 per year, per capita. Germans can afford this, given their GDP per capita of €32,300 in 2012, when contrasted with the EU-11’s average GDP per capita of €9,700, not to mention Bulgaria, whose GDP per capita is only €5,400. What generates a burden of €80 per capita for Germany, will, in fact, be a burden of €240, when we compare the difference in GDP per capita for an average inhabitant of Central Europe and Germany, and this would cause opposition, even in Germany. We care about cheap energy, as it is the determining factor behind the social development of our countries.

We should grant respective Member States the right to decide on the pace of their absorption of renewable energy sources and the costs they are willing to accept. High prices of CO2 will trigger, among others, the shutting down of coal-fired power plants which are based on the cheapest energy source, coal. As I have already shown, the countries which have coal-fired power plants should not be automatically treated as the largest CO2 producers in the EU, as the new technologies allow the cutting of emissions by over 30%. These technologies should be fostered by the EU and EU-based banks, and they are not. This leaves the floor to Chinese and South Korean banks. Why is that? It is precisely because lower emissions mean cheaper CO2. Such a situation in the EU is absurd. So, the restructuring of the ETS, although unnecessary, should be thoroughly overhauled.

My proposal is as follows: the ETS should be shut down now, and the EU’s efforts should be aimed at expanding its industrial base with the use of cutting-edge technologies. For each industry which has no barriers, including the coal electro-power energy sector, there should be a benchmark, defined by industry experts, which would set an acceptable level of emissions. The benchmark would be technologically-acceptable, and based on technologies which are analogical and already used by industrial players, for at least 30% of a given industrial sector.

The appropriately-defined companies which obtain the best results in a given sector, will be allowed to sell defined quantities of CO2 on the market. The companies which are not complying with the defined level of emissions, should be granted a derogation for a five-year period to allow them to reach compliance with the set benchmark. If they fail to do so, the facility should be either shut down, or forced to purchase an adequate amount of CO2 allowances to remain operational. It should be expected that the price of CO2 units will be close to zero, but the objective of reducing emissions will be achieved. That is what it is all about. Above all, we should be concerned with our industrial development, curbing unemployment and boosting the EU’s competitiveness, whilst striving to be energy independent as much as possible. We may also achieve our goals through the promotion of technological development, decreasing the aggregate emissions per capita, for the EU as a single economic entity, allowing the Member States to accept such a policy concerning CO2, which is not detrimental to their economies. As a result, by 2030, the EU will keep its emissions significantly below the levels earmarked by other industrial powers, such as the US and others.
ArcelorMittal and TAURON Group start a joint venture

Representatives of the Boards of Directors of ArcelorMittal Group (ArcelorMittal Poland S.A., AMO HOLDING 11 S.A., AM Global HOLDING Bis a société à responsabilité limitée and ArcelorMittal Ostrava a.s.) and TAURON Group (TAURON Polska Energia S.A., TAURON Wytwarzanie S.A. and TAURON Ciepło sp. z o.o) on August 11, 2014 in, Katowice, signed an agreement on establishing a joint venture – TAMEH Holding sp. z o.o., which will carry out investments and run operations in the field of industrial energy. The contract has been signed for 15 years with the option of extension.

The main business aim of the planned undertaking is the long-term and international co-operation of the companies. Plans also include the development of energy assets by TAURON and supplies of utilities (i.e. electric energy, heat, blast furnace wind and compressed air) for ArcelorMittal units. The goal of the project is to generate funds for investments planned within the joint venture. “TAURON is opening a new chapter in its operations” declared Dariusz Lubera, BOD chairman, TAURON Polska Energia – “Extending our competencies in the field of industrial energy is in line with the diverse operations of the Group”. “The creation of the joint venture is of strategic importance to us, particularly in view of the fact that TAURON has been our business partner for many years - commented Sanjay Samaddar, BOD chairman of ArcelorMittal Poland. “We are looking forward to working on joint projects which will contribute to increasing the energy efficiency of the parties to the agreement. We also hope that their completion will result in the higher competitiveness of ArcelorMittal plants, not only in Poland, but also in the Czech Republic”, he added. 

Polish Atomic Programme: shareholder agreement concluded

Four Polish companies concluded a shareholder agreement concerning the developing project of the first Polish nuclear power plants. The agreement signed on the 3rd of September, 2014, obliges the parties to follow a common - proportionate to the shares held - financing of activities connected with investments in the period of the next three years. The partners anticipate that the total costs will amount to around PLN 1 billion, which equals approximately Euros 195 m.

Then, it is planned to select a strategic partner, a technology provider, a contractor for the atomic power plant in the turnkey formula (the so-called EPC - engineering, procurement, construction), to become the supplier of the atomic fuel and obtain the necessary financing for the project.
To this end, integrated proceedings will be conducted, which will join the key elements of the atomic project in one tender. Currently, preparations are taking place in the core areas which will enable the commencement of such proceedings at the beginning of next year. What is being agreed is, for example, the mode of conducting the project, and the conclusion of an agreement is being finalised with the contract engineer who will support the company in its proceedings, along with the whole investment cycle.

The atomic programme which has so far been initiated by PGE Polska Grupa Energetyczna, has now become truly national as from today. “The co-operation of four companies increases the possibility of constructing an atomic power plant in Poland,” declared Zdzisław Gawlik, Vice-Minister of the Treasury.

Nuclear energy is one of the strategic development directions of PGE Polska Grupa Energetyczna. “The most important advantages of the technology include: practically zero emissions of CO₂, a relatively low - in relation to other technologies - share of the fuel in the costs of generation, and similarly low sensitivity to potential changes in the price of this fuel,” Marek Woszczyk, President of the Board of PGE Polska Grupa Energetyczna, asserted.

PGE Capital Group remains the leader of the atomic programme, and the specially-designed company, PGE EJ1, is to be the power plant’s operator in the future. The organisational and competence preparation of PGE EJ1 in its role, as being responsible for its safe and efficient operation, is also a major goal of the shareholders’ agreement.

Decisions regarding their further engagement in the project of construction of the first atomic power plant, expected in 2017, will result from such factors as analysis of the macroeconomic environment, the shape of the energy and climate policy, and regulatory mechanisms, guaranteeing the economic foreseeability of the investment.

“We are well aware that the key element of success will be rational support from the state, even thanks to the capacity market mechanism,” proclaimed Krzysztof Zamasz, President of the Board of ENEA.

“Our participation in the project is a chance for a long-term guaranteeing of electricity supplies for the core operations of KGHM at a predictable price, and therefore, becoming independent from market purchases. Additionally, the project is a form of security against strict goals of the climate and energy policy of the European Union. Furthermore, we are aware of the fact that the start-up of the atomic power plant may be an outstanding opportunity for the further development of the Polish economy,” Herbert Wirth, President of KGHM Polska Miedź, emphasised.

“In approximately ten years, several hundred megawatts in the generating portfolio of TAU-RON Group will come from nuclear energy. It stems from our corporate strategy, providing for the start-up of new capacities in the most efficient technologies. Currently, we are diversifying fuels, realising coal, gas and RES-based investments. The atomic project will allow us, for instance, to increase the percentage share of non-emission technologies in the Group. From the beginning, we supported the realisation of the first nuclear project in its present formula, in other words, with the engagement of the key Polish entities,” Dariusz Lubera, President of the Board of TAURON Polska Energia, proudly elaborated.

Source of information: ENEA
The 51st Energy Dialogue at the Reichstag – at the invitation of Prof. Dr. Friedbert Pflüger, Janusz Reiter and Central Europe Energy Partners (CEEP) – discussed capacity markets and public utilities. The panel discussion was held on July the 6th, 2014.

Mr. Michael Feist, Chair of the Board of Directors and Commercial Director of Enercity, opened the panel. From his perspective as the head of a public utility which is also one of the ten largest energy providers in Germany, Mr. Feist bemoaned the fact that – despite the crucial role of coal and gas power plants in handling up to 150 re-dispatch orders every year – currently, only an inadequate 20 per cent of investments in the energy sector go into preserving this capacity. The current market structure is simply not suitable for encouraging investment in conventional energy sources. Therefore, companies are pursuing a “squeeze the assets” strategy. According to Mr. Feist, the solution is establishing a decentralised capacity market, based on market principles and free from political interference.

While Dr. Patrick Graichen, Director of the think-tank Agora Energiewende, agreed with Mr. Feist on the need for a capacity market, he underlined that decentralised does not equate to unregulated. He also identified the potential loss of basic load capacity, due to the lack of incentives to fossil fuels, as a threat to energy security. Nevertheless, Dr. Graichen challenged the assumption that it alone has the potential to cover the entire shortfall of investments needed for the non-renewable energy sector in Germany. According to him, a capacity market can only provide a maximum of €4 billion Euro, and the need for public utilities to re-invent themselves will still arise. He concluded by asserting that “suppliers of energy” need to become “energy service providers”.

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