

## Energy Transition: A Liberal Perspective

Theme Resolution approved at the ELDR Congress,  
10 November 2012, Dublin, Ireland

### Preamble

The energy transition is of crucial importance to Europe.

Climate change, ever increasing dependency on energy imports and rising energy prices pose a triple challenge for EU Member States and Europe as a whole. Against the backdrop of an unprecedented economic and financial crisis in Europe, the challenges of a secure, sustainable energy supply and climate change are as urgent as ever.

The EU is the world's largest regional energy market, with 500m people and 20m companies.

Europe is heavily dependent on external sources for its energy; the EU imports 82% of its oil and 57% of its gas, and it is the world's leading importer of these fuels.

It is important to remember that no single European country can solve these problems in an efficient and cost-effective way on its own. It is therefore important that action is taken at European and also at regional and local level.

The European Union has proposed ambitious targets in order to help the EU to become a competitive low-carbon economy. Member States have committed themselves to reducing greenhouse gas emissions (GHG) by 20%, increasing the share of renewables in the EU's energy mix to 20%, and achieving the 20% energy efficiency target, all by 2020.

The necessary transition towards a competitive low-carbon economy means that the EU should prepare for reductions in its domestic emissions by 80-95% by 2050 compared to 1990 levels.

We must however always ensure that policy solutions to the energy transition contribute to economic growth and jobs, and are a solution to the economic crisis.

Recent major accidents in the field of energy production such as those in Fukushima or the Gulf of Mexico reinforce the need for safe and economical low-carbon electricity, particularly from renewable sources.

European Liberal Democrats acknowledge that a rapid transition to a new low-carbon energy mix poses a great challenge to European societies and achieving this goal will require additional efforts beyond the agreed 2020 targets.

However, European Liberal Democrats also see the opportunities in our societies becoming competitive low-carbon economies. Smart investment will not only have positive effects on the environment and will help address climate change, but will also provide investment and jobs in new sectors that can bring a competitive economic advantage for Europe's economy. Setting international standards in green infrastructure and development could give

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European companies a significant global advantage, and Europe could lead by example in what could be called a 'third industrial revolution'.

The ultimate objective of a Liberal energy policy is the decarbonisation of the energy sector while guaranteeing security of supply, affordability of energy prices and environmental sustainability.

*The Alliance of Liberals and Democrats for Europe (ALDE) Party Congress, convening in Dublin, Ireland on 8-10 November 2012,*

### Recalls

- The conclusions and action points in the resolutions *Energy and Climate Change* and *Energy Transition Now* adopted at the 2009 and 2011 ELDR Congresses in Barcelona, Catalonia and Palermo, Italy respectively; recalls in particular the notion that although fossil fuel supplies are limited, they remain the primary source of energy in Europe and the rest of the world. The key is to move swiftly with binding targets to a low-carbon economy by reducing the cost of renewables and other low-carbon sources of energy so that in the mid-term they become more commercially attractive than fossil fuels;
- That while the above mentioned resolutions called for concrete targets for and beyond 2020, very little consensus has been reached on this, and some Member States are already lagging behind on the EU's 2020 climate and energy efficiency targets;
- The European Commission has proposed a "Roadmap to a low-carbon economy 2050", an "Energy Roadmap 2050" and an Energy Efficiency Directive to reach targets of energy efficiency and lower emissions;
- The European Commission's Communication "Renewable Energy: a major player in the European energy market", published in June 2012, calls for better integration of renewable energy sources into the market, a more coordinated approach to EU Member State renewable support schemes and more trading of renewable energy;
- That the EU aims to fully integrate national energy markets as soon as possible, with the objective of giving consumers and businesses more and better products and services at lower prices, with more competition, and more secure supplies;
- That the potential in renewable energy generation, particularly in peripheral states, can only be fully exploited in the context of a deeper, more integrated energy market across the EU.

### A Liberal energy policy

#### Notes that

- A Liberal energy policy should prioritise market-based instruments for the promotion of low-carbon energy sources in order to ensure that the energy transition takes place in the most cost-effective and environmentally friendly way; notes that the liberalisation of energy markets to allow open access to infrastructure and unbundling of

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production and supply from transmission is an equally important aspect of Liberal energy policy and free cross-border trade of energy.

### Considers that

- A fully integrated European internal market for energy serving more than 500 million consumers, based on consistent unbundling of monopolistic activities, greater liberalisation and effective competition offers the best chance of maximising consumer welfare and freedom of choice for all EU citizens;
- The Commission's Roadmap to a competitive low-carbon economy in 2050 should therefore be implemented, including its trajectory, and specific milestones for domestic emission reductions of at least 40%, 60% and 80-95% for 2030, 2040 and 2050 respectively, and the ranges for sector-specific milestones, as the basis for proposing legislative and other initiatives on economic and climate policy;
- Maintaining renewable energy targets for 2020 without adopting targets for 2030 and 2040 could lead to a counter-productive emphasis on cheap short-term renewable energy sources at the expense of investment in the renewable energy sources with the largest potential in the long term;
- The European Emissions Trading Scheme (ETS), as a market-based instrument, is a liberal approach *par excellence* as it mandates the end result, and allows the market to discover the most effective means of delivery. However, the ETS carbon price has been too low to provide most sectors with clear market signals, and too high for some sectors that face global competition. The scheme desperately needs to be reformed and care must be taken regarding carbon leakage; a careful evaluation of the ETS should be undertaken to determine its effectiveness and how it could be improved;
- An EU framework for minimum national carbon taxes should be considered for the sectors outside the ETS, but due care needs to be taken not to harm the competitiveness of EU industry;
- Within the overall limit on future carbon emissions, the ETS as a market-based instrument should take precedence over any sector-specific CO<sub>2</sub> emission limit values. This would encourage all low-carbon technologies – allowing the maximum role for the market in determining success – by providing the certainty to investors necessary to spur new generations of generating capacity;
- Energy transition includes a process of decentralisation. For this purpose, ELDR calls for its members to:
  - encourage - e.g. through their role in local and regional governments - the development of individual and cooperative schemes of consumers, owners of houses and apartments,

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farmers, small and large industries, etc. for energy savings and small scale low-carbon energy production;

- promote regulation and adaptation of local grids to accommodate such schemes.
- support best practices of liberal local and regional policy initiatives for such purposes.

#### **Calls for**

- Further steps to be made towards the full integration of the internal energy market, including joint energy market regulation at the European level, full market coupling across national borders for both electricity and gas by the EU Member States, and the rapid harmonisation of the rules for energy infrastructure operation, such as grid connection, system operation and access to balancing markets;
- -20% of all structural and cohesion funds to be earmarked and actually spent for energy transition measures, to facilitate the declared European Commission goal of spending 20% of the future EU budget on climate-related actions.

#### **Low-carbon energy sources**

##### **Notes that**

- The decarbonisation of the power and heating sector in the 2030s requires an increase in the share of clean low-carbon and renewable energy in particular;
- Transport makes up about one third of energy consumption in the EU;
- Nuclear power plants, while attractive in the short term to reduce CO2 emissions and increase security of energy supply, continue to create worries about safety and environmental risk that have recently been addressed by the EU-wide nuclear power plants' stress test; its results have been released by the EU Commission and call for follow-up improvements to enhance the generally high safety standards; additionally, increased efforts by EU Member States must be made to find a permanent solution to nuclear waste.
- Renewables will be crucial for the long-term transition of our economy and energy system to 2050 and their deployment should be supported as they have a huge potential in renewables, particularly solar and wind.
- There are considerable solar and wind energy resources across the Middle East and North Africa region as well as in Greece, Portugal and Spain which could potentially provide both the Middle East and North Africa and Europe with significant supplies of green electricity supporting the countries' economic development, and notes the DESERTEC, Medgrid and Mediterranean Solar Plan initiatives to connect Europe and the Southern Mediterranean via a number of high voltage direct current (HVDC) transmission cables;

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- Only 60-70% of the annual increment of EU forests is harvested and about 42% of the harvest is eventually used for energy; notes the enormous potentiality of European forests for the growth of the European green economy and a positive contribution to employment and rural development.

#### **Calls for**

- The energy mix, within the low-carbon family of technologies, to remain a Member State competence;
- The setting of EU-wide targets for renewable energy and reduction in fossil fuels after 2020;
- Renewable energy sources to be supported in order to help the sector to grow and make it competitive, but those sector-specific subsidies to be phased out as the industry grows and competes freely with other low-carbon forms of generation;
- An end to subsidies for fossil fuel consumption in line with the Pittsburgh G20 summit declaration, which is a win-win for a level playing field and the environment. Europe should tackle examples of these outdated regimes where possible, such as the longstanding multilateral treaty that ensures lower fuel excise duties for diesel for shipping on the Rhine, and ending existing state aid for coal mining. Furthermore, it is worth investigating whether European countries are offering *de facto* differing taxation rates for energy intensive industries, and if so to agree on a framework for a minimal level of national taxation;
- The Member States to adopt binding targets for renewable energy in 2030 which are consistent with the milestones agreed for domestic emission reductions;
- Setting targets for the share of biofuels in gasoline and diesel as one way of reducing energy consumption in the transport sector;
- Utilising the potential to intensify forest use for energy in the EU, and for the Commission to encourage a very robust standard for biomass sustainability so that there is no competition with food crops, and in particular biowaste usage; the EU's target for the use of biofuels must not result in the release of disproportionate quantities of greenhouse gas, and highlights the importance of second and third generation biofuels;
- The Member States that are not complying with the 2009 Renewable Energy Directive to do so immediately;
- An increase in the portion of the EU's research and innovation spending on renewables, energy efficiency and Horizon 2020 intelligent energy Europe programmes.

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## Energy efficiency

### Notes that

- Energy efficiency is crucial for energy transition as it provides for significant energy savings that cut GHG emissions, reduce our dependency and expenditure on fossil fuel imports, and make us less vulnerable to global price shocks;
- Setting international standards for energy efficiency is a potential competitive advantage for European companies by lowering the energy bill and at the same time serving as a firstmover advantage in developing new products and processes for the world market, and is an opportunity for SMEs operating on the renewable energy market;
- Sustained efforts to promote and develop sustainable growth, energy efficiency and renewable energy; calls also for the promotion of research and development in the field of energy efficiency and the exchange of best practices in ways of saving energy.

### Calls for

- The full and speedy implementation of the EU Energy Efficiency Directive in order to get the EU back on track towards meeting the EU's 20% improvement in energy efficiency by 2020;
- Even higher targets for energy efficiency after 2020;
- More ambitious energy savings in the building sector, in particular regarding buildings, as 40% of energy consumption in the EU relates to buildings, and calls for the full implementation of the 2010 EU directive on the energy performance of buildings;
- EU member states to set ambitious levels and targets for efficient energy use in relevant products and implementing measures to broaden the scope of the Ecodesign Directive as well as speeding up the implementation of energy performance certificates.

## Energy security

### Notes that

- Secure and affordable energy is extremely important for Europe's citizens and businesses as they both need to be able to rely on energy being available at all times and at an affordable price;
- Energy efficiency and reducing energy consumption is another way of reducing expensive energy imports, especially those from undemocratic and oppressive regimes;
- Decentralisation of energy supplies reduces transmission losses, improves resilience of energy supplies, and reduces vulnerability of the whole grid.

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## **Calls for**

- Cooperation and active communication in questions concerning energy security with neighbouring energy exporter countries outside the European Union to make sure safety standards apply for energy production and that human rights are respected;
- EU member states to take into account the defects found in risk and safety assessments of nuclear power plants and to ensure that stringent regulations for construction, operation and decommissioning of nuclear power plants are always applied. The security aspect should also be taken into account when importing energy from neighbouring countries;
- More coordination among EU Member States regarding energy security in order to provide greater bargaining power vis-à-vis exporter countries such as Russia and countries in the Middle East;
- Both a diversification of primary energy resources such as oil and gas, and a Russian-independent gas bridge from Asia to Europe, e.g. the Nabucco southern corridor pipeline project connecting the world's richest gas regions – the Caspian region and Middle East – to the European consumer markets, in order to contribute to the security of supply for all countries involved, and also for Europe as a whole;
- Increased energy efficiency measures and increased use of domestic European renewable energy resources such as wind, solar, geothermal, hydro, ocean and biomass power;
- Cooperation with neighbouring energy exporting countries outside the European Union to make sure safety standards apply and human rights are respected.

## **Energy infrastructure**

### **Notes that**

- Increased use of low-carbon electricity generation, often located in remote locations, depends on Europe-wide long-distance electricity transmission infrastructure;
- A diversification of energy supply routes is a crucial part of reducing import dependence on any one exporter country;
- Electricity is a basic commodity and yet trade within the common market is smaller than in the European economy as a whole, due to a lack of interconnectivity and regulatory obstacles;
- Increased interconnectivity contributes to balancing fossil and renewable based electricity production, hence can help lower electricity prices and thereby reduce production costs for European industries;

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- High Voltage Direct Current electricity cables, necessary for long-distance electricity transmission, are only made by European companies and therefore investment in this area will lead to European jobs;
- Investment in electricity infrastructure could therefore be a key part of the new EU growth pact.

#### **Calls for**

- Encouragement of private investment in energy infrastructure to facilitate, among other things, better cross-border electricity interconnections among EU member states and non-member countries;
- Greater European coordination to remove regulatory barriers and to promote a convergence of connectivity standards in order to allow for such cross-border (as well as intra-regional and inter-regional) electricity transmission, including the connection to off-shore electricity production facilities, e.g. wind energy; calls for research in areas where Europe lacks cross-border transmission capacity that is not being fully used. The Commission should play an active role in these areas;
- The Commission to uncover any obstacles and propose solutions to increase investments in cross-border interconnections;
- The development of smart grids that allow for locally produced energy to be fed into grids in a decentralised manner, for energy storage and for energy-saving as a substitute for generation (for example through temporary switching-off of appliances during periods of peak demand);
- Member States to upgrade their energy grids by encouraging private sector investment where possible, only using already strained national and EU budgets to facilitate the completion of 'missing links' that are not commercially viable;
- the Commission to be encouraged to come back with guidelines to facilitate the use of cooperation mechanisms in the renewable directive. The Swedish-Norwegian certificate market is a concrete and very positive example of how cooperation between countries can work.

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