

**Intervention of Commissioner
Mr. PIEBALGS
at the EURACOAL Executive
Meeting**

Brussels, 24 January 2005

Ladies and gentlemen

During my Hearing before the Parliament I identified six key energy priorities for the new Commission, namely:

1. Energy efficiency
2. Ensuring a proper functioning internal energy market
3. Promoting renewable energy sources
4. Security of energy supplies, and in this context, developing external energy policy relations.
5. Creating a better linkage between energy, environment and research policies, and
6. Strengthening nuclear safety and security.

Underlying these priorities are the three key objectives of a coherent energy policy for Europe – balancing competitiveness, sustainable development and security of supply.

In developing the new Commission's approach to energy policy it is my intention to look again at the action that has until now been taken in each of these six priority areas. On this basis, we need to rethink existing approaches and determine what can additionally be done to ensure that our approach makes the maximum possible contribution to these three core objectives of energy policy.

The contribution that an effective energy policy can make to Europe's overall welfare cannot be underestimated. Energy is one of the key sectors of the European economy, vital to competitiveness and thus to the achievement of the Lisbon agenda, essential to meeting our Kyoto obligations, and a major factor in terms of security.

I believe that the next five years will be a "watershed period" for energy policy. It seems clear that we are going to see continued higher oil and gas prices at least in the medium term, and the same can probably be said for coal. Europe must continue to support the Kyoto process, maintaining its world leadership in terms of environmental responsibility. China and India will continue to grow explosively, and the EU will become increasingly dependent on external energy suppliers. These factors mean that energy policy will be at the heart of the new Commission's efforts to address the Lisbon agenda, to achieve Kyoto, and to guarantee security for its citizens. We have the opportunity over the next five years to further develop an energy

policy that addresses these issues in a coherent way, making a real and visible contribution to Europe's welfare.

Before considering how these priorities will impact on the coal industry, I would like to discuss my key priority for 2005, **energy efficiency**. An effective energy efficiency policy can make a very major contribution to our Kyoto objectives. At the same time, it can make an immediate and appreciable contribution to Community competitiveness, and should thus play a major role regarding the Lisbon agenda. In addition, reducing EU energy demand is the most obvious method of tackling our external energy supply dependency.

Considerable work in this respect has been done in the past, but I am absolutely convinced that much more can be achieved with determined action at Community, national, regional, local and international level. I intend that the Commission should lead a new major European Energy Efficiency Initiative, combining action at all of these levels.

I believe that the Commission – indeed Europe as a whole - should therefore set an ambitious but realistic and achievable target to save, by 2010, the equivalent of 70 million tonnes of oil that would otherwise be consumed. This represents a saving of 15 billion Euros per annum, a very significant reduction of CO² and a reduction of 4%

in terms of external supply dependence. Furthermore, a successful energy efficiency policy means more jobs in Europe.

It is therefore necessary to create a momentum for action across Europe. I have already identified some actions that might be taken:

- A European wide co-ordinated publicity drive
- New standards for public procurement throughout Europe to kick-start new energy efficiency technologies, for example on IT equipment and cars.
- The revision of the buildings and labelling Directives, and
- Extending and expanding the Energy Star agreement.

These are just first examples. A major effort will be made to identify a whole series of measures to be taken at all layers of society, creating an EU-wide partnership. Over the next two months it is my intention to initiate a widespread discussion to ensure real input into the preparation of the concrete measures that will make up the Initiative. This will be a key element in the preparation of a Commission Green Paper proposing a first concrete plan of action in late spring. This must lead Europe to real conclusions at the end of the year, demonstrating how to achieve the 70 million barrels of oil reduction, and committing to take the action to do so.

All the five other energy priorities that I identified before Parliament are equally capable of contributing to the three core objectives of

energy policy. As I mentioned above, it is my intention to re-examine our approach for each of them to determine how to improve the present balance.

Before considering coal in particular, I would like to express my sincere interest in a close co-operation with you from the very beginning. In developing a clearer, more coherent long-term vision on the role of coal in the E.U., consultation and collaboration between the Commission and industry is essential. With this in mind I have decided to create a Hydrocarbons Forum, based on the successful Madrid and Florence Forums, to promote discussion and develop consensus on all issues related to Hydrocarbons. Eurocoal will, of course, be invited to play a prominent role in the Forum.

I have the impression that in the past coal has not received the attention it deserves. It is true that coal suffers a number of disadvantages in environmental terms. However, it is equally true that it offers important advantages in terms of security of supply and I have no doubt that – if we take a pro-active approach to addressing the environmental challenges - my great grandchildren will also be using electricity produced by coal.

Coal is widely available across the world, with reserves forecast to last for more than 200 years. It is traded internationally in a very competitive world market, with important producers and exporters in

each continent. It has a flexible supply chain and minimum safety risks are involved in its transportation compared to other fossil fuels. These are the advantages of coal, and they are often neglected. They are particularly important in times of high and volatile oil prices.

However, it is clear that the environmental challenges associated with coal need to be addressed. If we do not invest in the necessary technologies, reduce their costs and promote their effective penetration into the market, there is a risk that coal-fired generation will decline in Europe as old power plants are decommissioned.

Therefore, while coal is an important element of our overall policy of security of energy supply, its future use is closely linked to effectively addressing the environmental challenges it poses. That is why I have established the following three objectives for our coal policy:

- reducing the emissions from existing power stations;
- facilitating the development and market penetration of new, highly efficient, coal-fired power stations, and
- promoting new technologies for CO₂ capture and storage.

I know that these three objectives for European coal policy are rather similar to EURACOAL's Clean Coal concept and we have much to gain by working together to achieve it.

I would therefore like to propose that during this Commission, we work together to develop a coherent and ambitious **European Clean Coal Partnership**, between the Commission, Member States and industry. We need to set clear and ambitious targets for taking a real leap forwards towards a viable competitive industry, recognised for its contribution to environmental sustainability.

Such a partnership will need to focus on the three priorities I have outlined.

Firstly, reducing emissions from existing power stations

Reducing so-called “conventional” emissions such as for SO₂, NO_x, as well as dust and heavy metals, from existing power plants is covered by the Large Combustion Plant Directive which sets limits for each of these pollutants. Progress in implementing this directive is encouraging.

In 2005, the Commission plans to review the Large Combustion Plant Directive. This could lead to limit values being defined for additional substances such as mercury. As many of you are doubtless aware, the Commission’s so-called “Mercury Strategy” is expected to be approved later this year and shall underpin the United Nations’ action plan on tackling global mercury emissions. I look to a constructive and supportive role from Eurocoal on this. Part of securing a real

future for coal in the EU is the public perception or - indeed realisation - that the coal industry is playing a determined and important role in promoting positive environmental change.

Furthermore, by developing and applying new environmental techniques in Europe, for instance for the reduction of mercury, our domestic technology base will be strengthened and innovative products as well as services will find their way onto global markets.

The second priority, facilitating the development and market penetration of new, highly efficient, coal-fired power stations also requires an pro-active approach.

Across the EU, there are a wide variety of coal-fired power plants, both in terms of the technologies used and their age. Whilst the construction of some of these power plants dates back to the 1950s, thermal efficiency¹ ranges between 27% and 43%. Current calculations indicate that between 200 and 300 Gigawatts of capacity will need to be replaced over the next decade.

I am fully supportive of EURACOAL's mid-term objective of boosting energy efficiency in coal-fired installations beyond 50% by 2020. The Commission's track record in R&D spending for this long-term goal is consistent and goes back to the early framework

¹ which expresses the overall efficiency of converting coal into energy

programmes for Community research. My services are now striving to ensure that more attention is given in the 7th RTD framework programme to improving the efficiencies of fossil power plants, alongside the development of renewable energy. Current ideas being developed include a demonstration plant to be co-funded by the industry and I count upon your support to make this installation a real European “lighthouse project”. Initiatives such as this need to form the core of any **European Clean Coal Partnership**.

The third priority for coal concerns the need to take a European lead in developing new technologies for CO₂ capture and storage.

The need to achieve emission reduction targets in the context of Kyoto should be an underlying criterion regarding the structuring of the 7th R&D framework programme. My Services are in close contact with DG Research to include energy efficiency (and renewable energy) as mid-term objectives, together with the development of commercially viable technologies for CO₂ capture and storage as a long-term goal.

To take a real European lead in this technology, however, will not just result from funding under the 7th Framework Programme. It will require a real European partnership for change, between the Commission, Member States and industry, similar to that described by President Chirac at the launch of the new Airbus. This will be at the core of the **European Clean Coal Partnership**, and I count on your

support in developing this during the coming months. It will be one of the first issues to discuss at the new Hydrocarbons Forum.

Our basic objective must be to develop a European “zero-emission” coal-fired demonstration power plant with CO₂ capture. Such a prestigious project would not only serve as a show case for excellence in science and technology in the EU, it would also demonstrate how cutting-edge technology can create future revenues for the European technology base.

This objective is far from simple. Its success will in fact depend on the ability of this audience to convince their governments, and their companies, to really support such an initiative, and not just in words.

Ladies and gentlemen,

Thank you for the opportunity to address this meeting. The next five years will be vital for the long term future of coal in Europe. If we work together, and be ambitious, it can be a bright one.