

Political leadership needed for Europe and its energy future

The current European (and global) political and economic situation is characterised by a high degree of uncertainty, a stalemate, lack of confidence in investment directions and areas, low interest rates and high stock indices combined with huge savings and lack of consumption and investments, politicians and business leaders waiting for each other, sometimes working to get support from other stakeholders, more of the same, business-as-usual instead of innovations, etc. ...

Three issues especially cause great concern today and offer potential for positive business action.

Firstly: the **EU is politically stagnant** and the economic performance of its members frustrates progress on many dossiers. Many proposals of the Commission are now delayed or weakened, like the proposals for efficiency of energy use, for security of energy supply and for growth of renewable energy sources. The lessons learned on voluntary agreements and indicative targets make clear that competition on low costs and fear to take risks will continue to drive the decisions of member states and companies. The result will be another series of failures and/or too modest targets for the problems to be solved. The energy market urgently needs clear direction for investors, not a continued uncertainty and weak measures that just postpone the real measures. The Shell Report 2004 shows the lack of clarity on the political will to act on security of energy supply. More delay of these decisions reduces the response time to new unpleasant facts on Peak Oil and Climate Change and makes the emergency responses much more expensive than under the - agreed - precautionary approach.

Only if the EU shows leadership on economic issues, which cannot be solved by any member state itself, like energy security, will the trust of its citizens and investors be regained and democracy reinforced. A project like **TREC** - the Transmediterranean Renewable Energy Cooperation - is very attractive to help solve a range of urgent and priority threats to Europe. It was outlined here in May and in brief it organises that renewable energy will be harvested on the best available places in the region around the prosperous EU. Companies in the EU have the knowledge and the investment potential and North Africa and the Middle East have the best conditions for large scale solar, wind and geothermal energy projects. This cooperation can be very beneficial and contribute to improve the living standards and understanding between all peoples in this region. It will bring cheaper energy, desalinated water, jobs, reduce emissions and dependence on oil, etc. The current fashion to seek energy independence in each EU member state is very expensive, insufficient and completely at odds with the free trade and open markets ideology on other markets. We can now

make the EU with African and Middle East partner countries the world leader in clean, abundant and cheap energy by investing in the way suggested in the above quote by Heinrich von Pierer of Siemens. If this is done, I will not quote unfriendly remarks on the huge EU investments in nuclear fusion and fission, both of which cannot solve the energy crisis.

Secondly: in **Gleneagles the G8** will decide on the direction for global governance of climate change and of poverty. Regarding the issue climate change the EU leaders should be aware that the position of the USA is very opportunistic and empty. The two main justifications for their position on the multilateral UN approach are: "why should we act if China, cs don't have to?" and "only technology can and will solve the problem". Both points are apparently not frequently enough countered by our leaders, not even by the newspapers I read.

Regarding "**the China argument**": in the Kyoto Protocol - not ratified, but signed by the USA in 1997 - it is agreed that the allocation of emission rights is done - as strongly desired in Kyoto by the USA - by 'grandfathering'. As a direct consequence the developing countries would have very low emission rights and no room for growth as promised in Rio 1992. Therefore no need was seen in 1997 to include the China/G77 countries in the first budget period of the Kyoto Protocol until 2012. It was therefore agreed that the developed countries would report their reductions in 2005 and then show to the developing countries that and how economic growth is possible without GHG-emissions.

Regarding "**the technology argument**": history shows that technological innovation can only be focused on improvements that are not demanded by consumers or 'the market' by government intervention. In Kyoto the USA has strongly argued and won the debate that governments should not chose technologies, nor implement technology forcing policies and measures, but create a market force to reduce the GHG-emissions: "cap & trade". This was agreed, it is happening in many countries and to now propose "technology programmes" is an insult to all involved and a - very transparent - sham for inaction. "**Kyoto**" is the **lowest-cost technology stimulating approach, which makes the polluter pay!** See some winning technologies below under 'Solutions'.

Thirdly: globalisation, free trade and **another "China argument"**, continue to influence business conditions in Europe. My visit to China in April and several contacts led me to the conviction that it is the 'national' or self interest of all countries involved to **slow the speed of globalisation** and organise that the outsourced manufacturing will very soon no longer destruct natural resources and human's social rights. The Millennium Ecosystems Assessment and the new facts on acidification of oceans by CO2 convincingly show (if you like more politically correct "suggest") that "we" cannot afford to repeat the OECDs dirty path of growth as no further outsourcing and consequent plundering of natural resources is possible. A growing number of experts and politicians in China and

other developing countries is aware and desperate, but business-as-usual is still dominant and many of the free riders get rich and will set no new rules. As Kofi Annan repeatedly said "Rich countries have a common interest to help all other countries develop quickly, in a clean way with a fairer distribution of wealth." This means that corporations should take this responsibility of CSR seriously and if not, be forced to bring only the best available technologies and human resource management practices to all outsourcing and purchasing projects and no longer maximise profits by "slash and burn" and ignorance of side-effects. **"Development first" is a good priority, but it must be a sustainable development.**

This week the **combined oil + CO2 price exceeded USD 78** per barrel. The WTI oil was traded above USD 61 and CO2 above euro 29 or USD 35 per ton, which means USD 17 per barrel. And more oil CEOs, analysts and politicians are now admitting that the **supply of oil and gas will NOT be "NO PROBLEM until 2030"** as they have said for so long. See below under scenario's: the Dutch ECN presents two new scenario's, based on the idea "the pessimists are right."

We wish you inspiration and look forward to invitations to work with you on capitalising on this information.

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(Source and Courtesy from Insnet.org)