

AmCham EU's position on the Energy Union Framework Strategy

Executive summary

AmCham EU believes that the EU must place equal emphasis in ensuring security of supply, sustainability and competitiveness in order to transition to a low-carbon economy at the lowest possible cost. Competitiveness in particular should be a guiding principle of the Energy Union Framework Strategy. Moreover, investing in infrastructure, ensuring a predictable and stable regulatory framework, completing the internal energy market, ensuring a diverse mix of energy sources and leveraging energy efficiency potentials will be crucial.

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AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled €2 trillion in 2014 and directly supports more than 4.3 million jobs in Europe.

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Introduction

The American Chamber of Commerce to the European Union (AmCham EU) welcomes the European Commission's Energy Union Framework Strategy and restates its keen interest in EU energy and climate policies. AmCham EU believes that the EU must place equal emphasis in ensuring security of supply, sustainability and competitiveness in order to transition to a low-carbon economy at the lowest possible cost. We wish to highlight a number of key priorities which we believe should be fully considered when rolling out the Energy Union roadmap.

I. Competitiveness should be a guiding principle of the Energy Union Framework Strategy

AmCham EU calls on the EU institutions and national governments to implement policies that have already been jointly agreed upon, and deliver on fully integrating and liberalising European energy markets, enabling investments in infrastructure and the modernisation of networks, and harvesting energy efficiency potentials. **Therefore the conclusions adopted by the European Council both in March and October 2014 should be fully reflected in the Energy Union Framework Strategy.**

Energy and climate policies are and will remain highly interlinked with competitiveness and industrial policies. All industries operating in Europe should be allowed to compete, develop and innovate on a level playing field to ensure Europe's continued competitiveness while transitioning to a stable low-carbon global economy. Throughout this transition process, EU policy-makers need to carefully calibrate both the opportunities and risks to European business arising from global competition.

Moreover, **ensuring the affordability of energy prices in an effort to support industrial competitiveness should be a key pillar of the Energy Union Strategy**, as outlined in the Council's October policy objectives. Affordable energy costs are paramount to Europe's competitiveness. The very high energy prices in the EU impact the region's ability to compete on the global stage and its long-term stability, growth and security.

As companies with a strong investment presence in Europe, AmCham EU members have always advocated for a **more coordinated and regional approach to European energy policy**, rather than fragmented national policies. We see the proposed stronger governance process on energy policy as an opportunity to strengthen harmonised implementation of EU regulation.

II. Infrastructure investment is a key enabler of a secure, competitive and sustainable EU energy policy

AmCham EU is convinced that further infrastructure investments can no longer be delayed and that **a steady investment in infrastructure should be the underlying foundation of the Energy Union.** Further developing energy grids, updating networks, addressing bottlenecks, deploying cross-border links, exchanging information on major national decisions and building new connections are crucial to delivering Europe's Energy Security Strategy and 2030 energy and climate objectives.

The European Commission rightly assessed the **massive needs for energy investments**, estimated at some €200 billion annually over the next decade. The EU's ability to deliver the necessary investments will be the real marker of a successful Energy Union Strategy. Moreover, the effective management of the prioritisation processes for competing infrastructure projects as well as a balanced approach to permitting procedures supporting sustainable development will be paramount to success.

Smart European grid infrastructure

AmCham EU supports an efficient policy for the integration of renewables into the European energy system and the modernisation of the European grid infrastructure. **Focusing on smart grids and further infrastructure developments, as well as enabling energy storage solutions are the prerequisites for the efficient and cost-effective uptake of renewable energy.** A future EU framework with a continuously growing renewable electricity share needs to facilitate the related grid evolution and system requirements.

In this respect we very much welcome the proposal on the European Fund for Strategic Investments (EFSI) and other initiatives. As a core enabler of a competitive European economy, investments in a well-functioning energy system with cross-border connections should be accelerated.

However, we believe that **the current proposals fail to create a viable framework for a swift, cost-effective and sustainable modernisation of Europe's energy system** through the upgrading, or refurbishment of existing power transmission lines. An appropriate focus on refurbishment would maximise the amount of energy transmitted while avoiding any unnecessary degradation of the natural environment and lengthy permit processes.

III. A well-functioning internal market and the moderation of energy demand will be instrumental to supporting Europe's energy security

The European Commission's Communication on Energy Security correctly observed that **a well-functioning and competitive internal energy market is an effective contributor to security of energy supply.** The Commission's Energy Road Map should continue to reinforce specific interconnection targets and milestones for integrating the EU's energy grids. Properly functioning markets, access to finance and a stable regulatory and fiscal environment will help attract the needed investments.

AmCham EU applauds the European Commission's willingness to address the serious threats to the European refining sector. **A competitive refining sector is essential to prevent overdependence on imported refined products.** Maintaining an adequate level of refining infrastructure and refining capacity should become an integral part of the political debate for the EU's security of supply. However, we believe that **developing a regulatory framework for strategic gas storage warrants careful consideration**, as it may run contrary to the goal of a competitive internal market.

AmCham EU commends the European Commission's view that energy efficiency is one of the most effective tools to reduce energy dependency. AmCham EU member companies have implemented energy efficiency measures in their manufacturing operations and many also provide products that contribute to energy efficiency improvements when used in a range of sectors from buildings to industrial plant machinery.

AmCham EU agrees with the Commission that the buildings sector needs to be paid particular attention when it comes to energy efficiency efforts and supports the European Parliament's objective of an 80% energy consumption reduction in the EU's entire building stock by 2050. However, in the buildings sector markets alone do not drive energy efficiency, as has been shown by many studies. **Political prioritisation and aligned smart regulation are needed to drive uptake of new energy efficient buildings or refurbishments.** Therefore, a specific sectoral focus on energy efficiency in buildings will be a key pillar of the Energy Union.

AmCham EU welcomes the initiatives to improve access to financing for energy efficiency projects. We also believe further EU level guidance, best practice sharing and streamlining the implementation of the Buildings and the Energy Efficiency Directives could be useful, possibly under the planned Energy Union governance structure. Regular overall energy policy reporting would bring more focus on energy efficiency action in the buildings sector.

IV. Diversification of energy supply should rely on technology neutrality and innovation

With growing global demand, diverging prices and increasing competition for energy sources, a safe, diverse and continuous supply of energy is necessary to continue to attract investment into the EU. Therefore **the deployment of indigenous European energy resources** should be open to all domestic resources including renewables, conventional and non-conventional oil and gas.

Technological neutrality and innovation should be guiding principles to the diversification of energy supply in Europe. A stable, coherent and market-based Energy Union that eschews arbitrary interventions must be in place to eliminate market distortion and lower energy costs across Europe. Incentives for industries to innovate must be fully preserved and administrative complexity should not be increased. AmCham EU members welcome the goal to **promote the EU as a leader of global technology and innovation leadership on energy and climate**, and are keen to ensure that regulation and investments pursue the goal of transitioning to a low-carbon economy at the lowest possible cost.

A diverse energy mix is key to delivering energy security in the long-term. AmCham EU therefore welcomes initiatives such as the development of a sustainable European biomass and biofuels policy and a comprehensive Liquefied Natural Gas (LNG) strategy removing obstacles to LNG imports, including from North America and newly discovered resources in the Eastern Mediterranean and North Africa. The Energy Union Strategy should take into consideration the objectives of the Transatlantic Trade and Investment Partnership (TTIP) to open international markets and lift restrictions on the export and trade of raw material. International energy relations should be based on a level playing field with regard to market opening, fair competition, security, environmental protection and safety.

However, AmCham EU does not support the concept of common gas purchasing, as it will unavoidably add complexity. Additionally it may distort competition and potentially send a negative message to energy suppliers, which in turn could lead to lower diversification and reduced security of supply.

Biofuels

AmCham EU has urged the Commission to continue to focus on fostering the **development of sustainable advanced biofuels** for the post 2020 period. We therefore urge the Commission to support research projects for second/third generation non-food based biofuel pathways in the 7th

Framework programme and Horizon 2020. This will strengthen EU competitiveness in the sector and will encourage the market-uptake and production of these sustainable biofuels in the EU. The development and commercialisation of such fuels is **particularly key for the aviation sector**, which has no practical alternatives to liquid hydrocarbon fuels over the long-term because of range, weight, temperature and other safety and aircraft operating requirements. Furthermore, quality standards should remain consistent in Europe, and in line with the standards set by the European Fuel Quality Directive (2009/30/EC). A deviation from this standard by individual Member States is neither in the interest of EU consumers, nor the EU economy. It will lead to unnecessary higher complexity and costs in the logistics and supply system. AmCham EU looks forward to engaging with the Commission on the upcoming communication on decarbonising the transport sector.