



EU energy consensus - trending in the right direction

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I was invited last Monday to a seminar organised by the French government as part of the presidency of the EU on the theme of energy security. A lot of heavy hitters speaking: former IEA boss Mandil chaired the whole process, current IEA boss Tanaka spoke, as did the CEOs of E.ON, Total or Dow Europe, various high level EU Commission members and EU ministers. Here are some notes of what I found interesting in the first part of the conference (I missed the second half, but part of it was a summary of the first part for ministers, and the other part was ministerial speeches).

No media was authorised at the meeting, so this is an exclusive summary, which the organisers in the French ministry of industry have kindly allowed me to post.

Tanaka spoke first, to provide a summary of the WEO: he called it "shocking but interesting" (his exact words) which I found notable (and a hint maybe of the internal conflicts that the IEA faced on the topic). He flagged the "serious investment issue" the world faces, as well as the risk of a serious supply crunch when demand comes back after the current crisis. He strongly supported the idea of a stimulus package focused on sustainable energy, calling a "Green New Deal" an excellent thing.

One insightful point he made is that with respect to security of supply, non-OECD countries matter more and more, and thus focusing only on ourselves (the rich countries) is not good enough. After mentioning the increased reliance on imports, and mentioning the importance of fighting climate change, he concluded by saying the "era of cheap oil is over", and that we have to get used to expensive energy.

The Ruhrgas/E.ON CEO said he welcomed the new focus on security of supply, and went on to talk about the importance of the new pipelines from Russia (Nordstream and Southstream). He underlined that Russia needs security of demand just like we need security of supply to make investments. He emphasised his company's massive investment in renewables, noted his support for nuclear, as well as the need to keep on using fossil fuels (he qualified coal by pushing CCS).

De Margerie, the Total CEO, had some hard-hitting words, saying that he was tired of the mindless alarmism he sees too much of, which is not focused on the real problems. So he blasted Nabucco once more (a pipeline without gas), told people to stop worrying about Ukraine, about terrorism in general - although he said that Somalia was a very real issue, or about the energy weapon - on the other hand, Hormuz was a real issue for him. He said that beyond the lack of investment, he was worried in the medium term about the increasing scarcity of resources, about low prices making exporting countries just as difficult to deal with (because of internal problems) as high prices, and about a need for importers to talk to exporting countries and to actually listen to what they have to say ("even the Russians and the Saudi have legitimate preoccupations sometimes. . ."). He noted that it might be smart to remember that some exporters are also large consumers and thus do not behave in the same way (and he suggested that helping them use less energy might be a smart thing to do).

Two heads of TSOs (transmission system operators), that of France and Poland, talked about the need to strengthen the networks, and noted that the main obstacle was social (the absolute hostility of local populations to high voltage lines). The head of Dalkia (a utility focused on heat and industrial energy services, part of Veolia, the French group), noted how hard it would be to reach the EU's objectives, giving concrete examples from his business, under today's rules and regulations. He saw biomass as the main large scale route to reduce fossil fuel use, with housing efficiency having a large potential, but not at today's prices. The head of Dow chemicals just protested against rules that would make his production uncompetitive and push him out of Europe. A professor talked about Russia more specifically, in a generally non-confrontational way, noting that our attempts to reduce demand or to diversify sources are seen as a threat by Russia, which might be tempted to diversify its clients, that Ukraine is mostly a non-issue, but that the problem of whether Russia has enough gas to provide more to Europe will be a problem starting as soon as 2012 (old fields maturing, domestic demand growing, and new fields not yet online).

Mandil, summing up the first half of the day noted 5 points (which he was going to pass on to ministers in the afternoon session, which I missed):

1. Keynes is back, and a Green New Deal focused on the electricity grid seems like a good thing to everybody.
2. Energy efficiency is the first priority for all, followed by renewables, nukes, CCS, cogen and R&D.
3. The regulatory framework is not good enough yet for objectives to be met, and must be improved.
4. Nobody has asked for the European Commission to do less on the issue, quite the opposite: coordination is a key buzzword.
5. Let's not cry wolf too much - the real issue is medium term investment.

I managed to grab him at the end of the session (we've bumped into one another at several energy conferences, so he knows me), and suggest that he add the coming resource shortages in the medium term that were hinted at by several speakers (de Margerie, the guy on Russia, and Tanaka) - he told me once again that he did not believe it to be the case, and that it had not been said (it's just an investment shortage) so he would not talk about it.

Overall, a pretty interesting morning, with much less ideology than I have seen at earlier European energy conferences.



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