

European Policy Centre
Policy Briefing
The potential emergence of the Barents Sea as a "petroleum province":
implications for Norway and Europe

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Ladies and Gentlemen,

I appreciate the opportunity to be here today and to address such an expert audience. It is important that we all recognise the present and future challenges to global energy security.

It is even more important that we act now to address them.

It is clear to everyone, I think, that the world is entering a new energy landscape. After a long period of relative stability, a few recent incidents have reminded us of some uncomfortable home truths. We can no longer take secure and affordable energy supplies for granted. Energy has moved to the centre stage of international politics and business decisions.

We see the rising demand for energy imports from a larger number of countries, declining production from the mature hydrocarbon reserves in Europe and America, the increasing geopolitical complexities surrounding energy supply as we look for sources further afield, the challenge of tackling climate change, high and volatile prices that are exacerbated by the risk of terrorism and an ageing energy infrastructure.

The EU is also being exposed to increasingly intense competition for global energy resources from other parts of the world, and is becoming ever more dependent on oil and gas imports in some cases from geopolitically uncertain regions.

This situation is not sustainable. We have to enhance our cooperation with developing countries and producers. We need to increase technology transfer and know-how in order to overcome together the challenges related to secure energy supplies.

As an energy producer, a major energy consumer and an energy importer, the European Union faces a number of strategic challenges. However, we are not unique in this. Many other regions of the world face similar, if not the same challenges. These include:

- our increasing reliance on imported energy – 70 % of our energy consumption could be covered by imports by 2030;
- the need to promote transparency and predictability on world energy markets;
- the need for open and competitive energy markets;
- the need to diversify our energy supplies and our energy supply routes;
- making sure that new investments in oil and gas production, refining and transportation are all made in good time;
- the need to ensure access to energy transportation networks, as well as ensuring the security and safety of energy infrastructures and transportation routes;
- ensuring a diverse energy mix, with an increased share of indigenous, low-carbon and renewable energy sources;

- the need to examine the role that nuclear power can play in a dispassionate and frank manner;
- and the need to continue improving energy efficiency and promoting energy savings, in recognition of the challenge of climate change.

On this last point, I have to say that energy efficiency really is a central part of the construction of a European energy policy. Progress on this will increase security, sustainability and competitiveness. It is an extraordinary fact that over half of all the energy produced for Europeans does not actually end up used by Europeans. The direct cost of our inability to use energy efficiently will amount to more than 100 billion euros annually by 2020. Energy use in power generation, in households and in industry, and in transport, must become more efficient. That is why Commissioner Piebalgs and I will propose next week an ambitious action plan to deliver at least 20% energy savings by 2020. Our intention is to propose to

- Make products more energy efficient through new product labelling and design requirements, for example for boilers, water heaters, televisions and lighting.

- Make buildings more energy efficient through expanding the scope of existing legislation on the Energy Performance of Buildings.

- Make power generation more efficient through developing minimum efficiency requirements for new electricity, heating and cooling capacity in smaller power generators; and through improving the Emissions Trading Scheme as an effective instrument to incentivise more efficient power production.

- Make transport more efficient, through reaching the 120 g CO₂/km target for cars by 2012; and through strengthening EU requirements for the labelling of cars.

The EU should aim to be the most energy efficient area of the world. But we must also export our ambition; through pushing for agreement with key partners to improve energy efficiency in all end-use sectors and in energy transformation.

We can afford to be ambitious, in this and in the other areas I outlined earlier. With nearly 500 million consumers, we are one of the biggest and most integrated energy markets in the world. The European Union is well placed to act.

As the world's second largest consumer of energy, we know the importance of energy diplomacy and of establishing durable, mutually beneficial relationships with our energy partners, be they suppliers or transit countries. This is why we have established Energy Dialogues with Norway and with Russia. This is also why we have signed a Memorandum of Understanding on energy with Ukraine, and are currently negotiating Memoranda of Understandings with Algeria, Azerbaijan and Kazakhstan.

However, with our more integrated internal energy approach, there is also a need for a more coherent and focused external approach, particularly as our import dependency is continuing to grow. Europe needs to put its external instruments at the service of more secure and competitive energy, and to speak with one voice rather than 25. Therefore we are now actively working to ensure that a coherent, common approach is adopted to energy challenges both within the European Union and with respect to our external partners.

The EU's Member States have historically regarded energy policy as a domestic, not European issue; in their energy relations with Russia, for example. And there remain deep sensitivities. For example, while some EU Member States rely on nuclear power for the vast majority of their energy needs, others have dismantled their nuclear plants and banned the building of any new ones.

But as I mentioned earlier, recent events have done a lot to focus minds, and a quiet revolution has been taking place: the development of broad support across Europe for the idea of a common energy policy.

National leaders and citizens in Europe can all see the benefit of such a policy. It is a perfect example of common sense driving integration.

Earlier this year, the European Commission capitalized on this by proposing a new energy framework to Europe's governments. They responded positively, first inviting the European Commission to develop an energy policy for Europe at their summit in March, then later agreeing a set of principles for external energy security, to ensure that the EU's external relations make a full contribution to Europe's energy goals.

Norway remains a key energy partner for the EU and fundamental for our security of energy supplies.

Indeed, if all of our external suppliers were as sure and reliable as Norway, energy security would be much less of a political issue within the EU today! Our close energy dialogue remains a key forum in our co-operation. But of course, energy also comes up in many other contexts. It was on the agenda when I met with Prime Minister Stoltenberg last January.

For the EU, gas in particular has become an extremely sensitive issue, with the supply disruptions earlier this year representing a real "wake up call". It is therefore important for us to develop our bilateral energy dialogue further, and examine where we can increase co-operation at a practical level, for maximum mutual benefit.

We are also very interested in Norway's "High North" policy initiative. We clearly have a common interest in ensuring the environmentally sustainable exploitation of energy resources and their reliable, safe and secure transportation. We have, of course, noted the Norwegian government's Integrated Management Plan for the Barents Sea, establishing the framework for petroleum activity until 2010, which temporarily halts oil and gas exploration in particularly sensitive areas. This reflects the sort of coherent, multi-dimensional approach to energy policy, maritime policy and environment policy, which the Commission is also adopting.

Norway deserves recognition for its sustainable and economically sound management of its energy resources. It is also a leader in the development of key off-shore energy technologies, and plays an important role in the practical development of carbon dioxide capture and storage technologies.

We have been working closely this year with Norway, Iceland and Russia to develop a framework for a new Northern Dimension Policy in which we will address these and other issues, such as cross-border cooperation, together. The Barents Sea area is one of the priorities here.

As energy security becomes an ever greater political concern, so too are we witnessing the emergence of more politically motivated policies rather than purely market oriented ones. I strongly believe therefore, that it is in both our interests to pool our resources to export our

model of producer-consumer co-operation around the world, particularly in terms of governance.

It is also evident that we have a common interest in promoting better energy relations with Russia and other producers. The Commission, as you know, has been engaged for a number of years in an energy dialogue with Russia with the objective of putting our relationship on a concrete footing. We will continue to actively engage Russia to develop a true energy partnership based on mutual self-interest; the EU with transparent and predictable markets open to Russian supplies, and Russia ensuring that the investment is made to meet demand on a fair and transparent basis. In addition, we need to look for continued progress on the investment and access regime in Russia. I believe that these objectives can be progressively achieved, and are objectives that Norway shares. But this will require patience and determination. These are issues which will be central to the meeting of EU leaders at Lahti next week; I will present a short paper which sets out the possibilities for new energy partnerships with Russia, with Norway and with other important neighbours.

This new energy landscape of the 21st century implies a globally interdependent world. A world where we rely on each other for ensuring energy security and stable economic conditions, and for ensuring effective action against climate change. Energy cooperation between the EU and Norway should be a pillar for the establishment of a sustainable and secure European energy market that protects the interests of producers and consumers, and allows the private sector to play its role under safe investments conditions.

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