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Energy Commissioner

Energy Security in the Baltic Sea Region

Speech at the Baltic Sea Regional Business Forum (Plenary Session: Energy Security)

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Dear Minister Gerhards, Ministers, Distinguished Guests,

I am in a privileged position, because I have the opportunity to address you for a second time this morning, but now I would like to focus on energy security issues and the Baltic Sea Region. And, I believe, we have a lot to say to each other.

I would like to start by saying that without secure supplies in the Baltic Sea region, there is no energy security for the European Union. The Baltic Sea region is unique in Europe for its history and geography. Equally, it has a model of political collaboration which is the envy of many. And, importantly, people in this region have a lot of innovative and forward-looking ideas.

The region is leading the way in an important shift of thinking in energy policy. A shift that means seeing energy security not just as a national issue, but as a regional concern. Faced with major energy challenges, be it the closure of Ignalina Nuclear Power plant, the isolation of the three Baltic States or gas dependence, your region has responded by coming together to understand the problem and find solutions.

I have been impressed by your commitment through different initiatives. The Council of Baltic Sea States and BASREC, the Baltic Development Forum, or again "Baltic 21" which pioneered regional sustainable development goals, already in 1996.

Energy collaboration, solidarity and common goals are an important regional task. And, for the EU, they are imperative.

In the EU, at the political level, we have made significant progress over the last 18 months towards greater collaboration and solidarity. The EU's 27 Member States, many of which are represented here today, are committed to common energy and climate targets: the so called 20-20-20 by 2020 package, which aims by the year 2020 to reducing greenhouse gas emissions by 20 or even 30%, to increasing the use of renewable energy in the final energy consumption to 20% and to improving energy efficiency and energy savings, also with a potential of 20%. And these targets are guided not only by fighting climate change imperative, they are equally important to enhance our security of supply.

There is also universal agreement on a number of other goals: the need for an internal, interconnected European energy market, the importance of a common EU voice. And the Lisbon Treaty, once ratified, will provide a clear legal framework for common energy actions, in a spirit of solidarity.

The political framework is set. Now we need the concrete actions.

The starting point of any European energy security policy has to be demand. Rising energy demand is one of the prime drivers of energy uncertainty over the last five years. It is also key to resolving the insecurity in our own energy system. It is unprecedented that energy prices rise to levels such as today without a clear threat of supply interruption. High prices are the market's way of telling us that demand is too strong and production prospects uncertain.

EU energy demand is the single aspect of global energy markets which is largely within our control. We need to exploit this unused source of influence better. If you consider that, today, our trade balance in energy is 225 billion euros in the red, then reducing energy demand must have a direct positive economic and security impact.
Politically too, the more we can slow energy demand, the easier our renewables and greenhouse gas emission targets will be. For many countries in the Baltic Sea region and for the region's business, more energy efficiency will certainly improve your competitiveness and bring costs down.

This region has many excellent initiatives on energy efficiency, but the potential is enormous. Combined heat and power, buildings refurbishment and electronic equipment are three areas where the Baltic Sea region countries can learn from each other, and exploit collaboration with other parts of Europe. In more advanced technologies, such as carbon dioxide capture and storage, there is considerable potential. I welcome the interest from several of your countries in the carbon capture demonstration plants which the EU intends to promote.

The second driver of energy security is diversity. That means diversity in energy source – renewable, clean fossil fuel, nuclear energy where so desired; that means diversity in energy suppliers – Norway, Russia, the Middle East, but also Africa, America, the Caspian, Central Asia; and that also means diversity in energy transport, distribution and import routes – new pipelines and LNG, decentralised and local generation. This is where EU collaboration can really help the Baltic region.

First, we are supporting efforts to integrate the region into the wider European network. Estlink was just the first of several proposals supported by the EU which is helping security of electricity supply in the region. The Poland-Lithuania interconnector is another. The efforts made by Prof. Mielczarski, the European Coordinator for this power link, have helped prepare the ground for the agreement in last February between the Lithuanian and Polish Transmission System Operators to take forward preparatory works for the cross-border transmission line. The SwedLit proposal to link Sweden and Lithuania is another project which, according to the feasibility study, is commercially viable.

Second, the EU is also seeking to diversify our supply routes, both into and around the EU. The recent news that the Odessa-Brody oil pipeline line is being prepared for transit towards Ukraine is good news for this region. It should also make it more attractive to invest in the Plock extension.

I hope BASREC will finalise soon its study on security of supply of the region.

But we also have to increase the energy trade between the Baltic States westwards. This might be through developing offshore wind networks, for example, or gas supply links with Norway and Germany, in preparation for Nordstream. Liquefied Natural Gas is another option which deserves further study. And the Baltic Sea region also stands to gain when the Nabucco pipeline is completed, bringing Caspian and Middle East- North Africa gas into the EU. Along with other pipelines on the drawing board, each of these developments will help to increase market liquidity and enhance security of supply.

But none of this will happen unless massive investments take place, demanding hundreds of billions of euros. I am determined that the EU must apply the instruments it has, and its limited funding such as the Trans-European Networks Programme, to best use. This will be the theme of a new Green Paper on energy networks which the Commission will present later this year.
Diversity also means exploiting the huge economic potential of renewable energy. Our energy security will be considerably enhanced when we deliver our target of 20% renewables in energy demand by 2020. Already we are seeing real change. Germany, for example, leads the world in renewable energy technology, thanks to political will and determined action. German solar technology turnover has risen within the last six years from around 450 million euros to some 4.9 billion euros. Latvia has also shown what can be done in hydropower.

There is no reason why other Baltic states should not be equally ambitious. In transport also, we absolutely need to diversify towards sustainable biofuels to reduce dependence on imported oil. This region could be an important provider of biofuels. Developing biofuels could also reap other benefits, as this could reduce the need to transport oil across the Baltic Sea.

There will be those who say that the credit crunch and recent signs of slowdown threaten investments in new energy technology and networks. I see it differently. Global economic uncertainty makes it all the more essential that we increase our investments in sustainable energy infrastructure, clean technology and energy efficiency. These are investments which will make our economies more resilient and efficient. They will create jobs where we need them, at home. And they will reduce our exposure to future international crises, whether these are finance-, energy- or climate-driven.

In short, we need clear and ambitious energy targets, and the actions to deliver them, today more than ever before.

Ladies and Gentlemen,

I said at the start that solidarity, collaboration and a common purpose are imperative to our energy policy. This is true not only at the European level, but also internationally. As the world's largest energy importer, the European Union's internal energy security is intimately bound up with our external energy relations.

Baltic Sea region cooperation provides a unique channel for communication between EU Member States, EFTA countries and Russia. This is why, since 2000, the Baltic Sea States have had a special role in implementing the EU Northern Dimension. These activities have resulted in a better understanding of the actions needed to develop the framework conditions to ensure the smoother working of energy markets and improve sustainability. I look forward to continuing this collaboration, which brings benefits to both this region and to the whole of the EU. And I hope that BASREC will continue to be a key vehicle to promote projects of common interest in the region.

The EU's international energy relations are an integral part of its wider energy and climate policies. We are one of many players – albeit a very significant one – in global energy markets. We will have a much greater impact on energy markets, sustainability and energy security if we work with our international partners. And we will have an even bigger impact if we talk with one voice.

This is easier said than done. It is tempting for one country to feel that it is uniquely qualified to defend the interests of its citizens. But in an increasingly competitive and politicised global market, solidarity is essential.

In the EU, we need to be more united and coordinated in our external energy relations. We should have confidence in our European energy market and EU policies. And we must ensure that we have the instruments - such as crisis mechanisms, strategic reserves, strong demand management and excellent technology assets - which will back up our political messages.
Member States have accepted that the EU can be more effective internationally if it works together. They also recognise that the EU's concerns coincide to a large extent with national, individual Member State, concerns; and that national decisions have an impact on other Member States. And they also agree that the EU can help governments achieve national objectives. But we need more than recognition. We need a common voice.

This is the direction the EU is moving in with its Mediterranean partnership of 37 countries in Europe, North Africa and the Middle East. It is also what we have achieved in the Balkan region with the Energy Community. Our energy dialogue with Norway has also brought Member States together, recognising the special relationship we have with this oil- and gas-rich country.

Now we are looking for a new, comprehensive energy partnership with Russia based on a simple reality: the one of 'interdependence'. Consumers need to buy but producers need to sell. It is not a coincidence that all existing infrastructure in Russia runs from East to West, not from West to East. Even by implementing the proposed demand management measures in the EU, we will remain an important market for Russian oil and gas. On the other hand, we can help the Russian market improve the efficiency of its own energy consumption, based on the experience of our own Member States.

I would like to close with a few words on climate change. My message is this: if we work together effectively to tackle the energy security challenges – bringing down energy demand, investing in diverse and sustainable supplies and building up international alliances - then we will be dealing with the climate threat as well. Climate policies and energy security are two sides of the same coin. Both will take us closer to a more secure and sustainable energy economy.

Thank you for your attention.