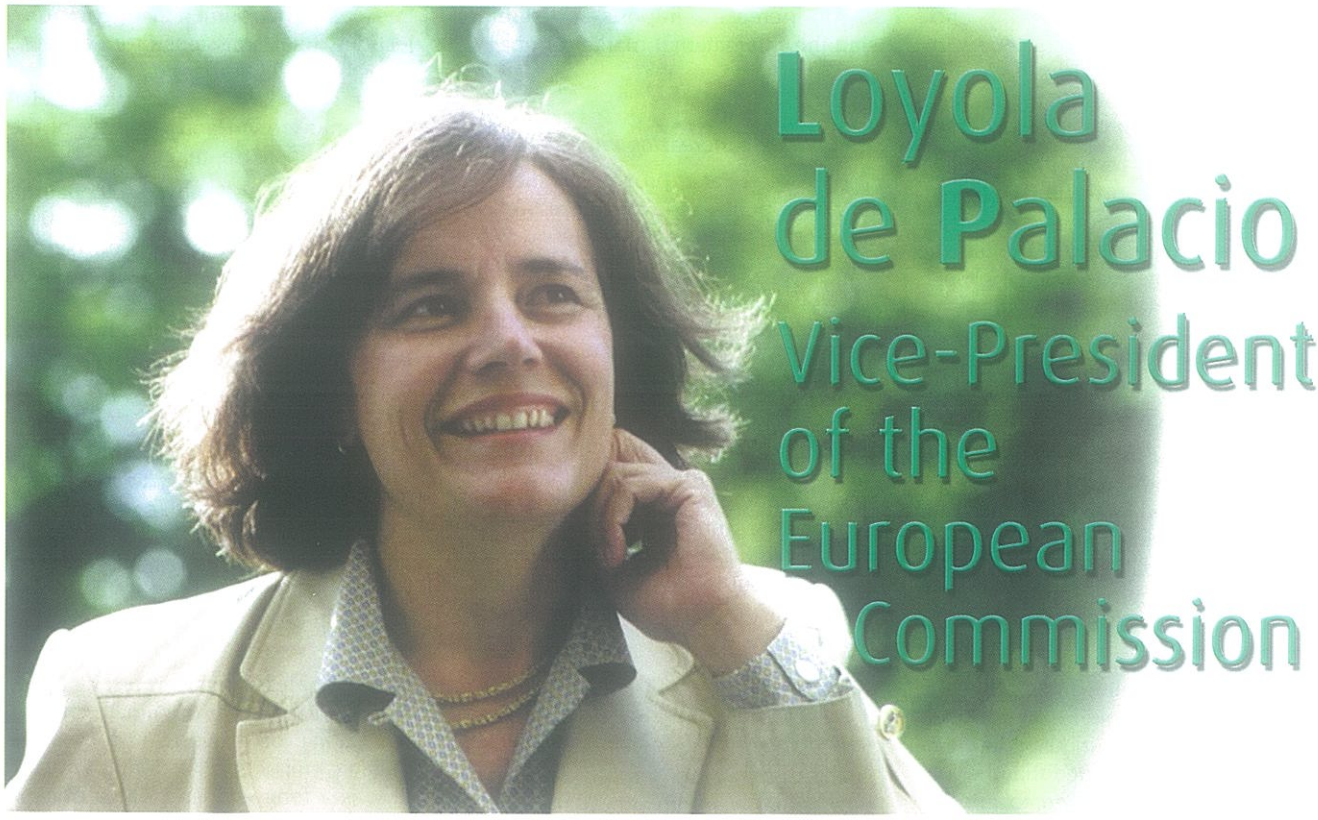

Loyola de Palacio
Vice-President of the European Commission

The year 2000 has been particularly important for Nuclear España. In September the SNE magazine published issue number 200, a major milestone within specialized publications.

This international edition, which describes the SNE's activities during the past year and demonstrates the capabilities of the Spanish nuclear industry, contains a particularly interesting interview. Loyola de Palacio, Vice-President of the European Commission, gives us her opinions on the issues analyzed in the Commission's Green Book on the European strategy for ensuring the energy supply, with special reference to the role of nuclear power as an energy source.

Loyola de Palacio has a law degree from the Universidad Complutense de Madrid. She began her professional career as the General Technical Secretary of the Federation of Press Associations. She was the first General President of Young Generations, Vice-President of the Grupo Popular in the Senate, member of the Partido Popular's National Executive Committee, and Vice-President of the Partido Popular parliamentary group in the Chamber of Deputies.

Loyola de Palacio was Minister of Agriculture, Fisheries and Food from 1996 to 1999, and since September 1999 is Vice-President of the European Commission in charge of relations with the European Parliament and the areas of Transport and Energy.

How did this Green Book come about? What are its primary objectives?

Energy situation in the European union has some particularities which justified for the Commission to launch a debate through the adoption of the Green Paper considering also the enlargement objective.

Growing energy demand is increasing our demand for fossil fuels in particular for transport and electricity where oil, coal and, to a growing extent, gas are the predominant energy sources. Fossil fuels could account for 86% of our energy needs in Europe by 2030. And by then the EU will need to import at least 90% of our oil and coal and 60% of our gas.

Moreover, our energy production within Europe is decreasing and we are not exploiting as much as we could our indigenous and renewable sources of energy. Instead of moving towards our stated objective of a 12% share for renewables in the EU energy balance, we are stagnating around the 6% mark.

Energy saving does not contribute to the required extend in spite of estimation that 18% of the EU's energy use could be saved using available technologies. This is the equivalent of the total energy needs of Austria, Denmark, the Netherlands, Finland and Greece combined.

Climate change challenge will impose us to drastically reduce our CO_2

emissions. They are still rising, and energy use is largely to blame. If current trends continue, the EU risks increasing its emissions by 8% by 2010. In fact, our objective is to cut them by 8%.

Let me finish by reminding that for what concerns oil price the existing structures for international collaboration are inadequate. Despite the recent productive meeting with our oil supplying countries in Riyadh, the European Community's influence on the international energy stage is painfully limited, as demonstrated by the latest decision by OPEC to reduce production.

You realise that the challenge is great. Obviously, the European Union is not unique in this. I know that climate change, maintaining long term energy supply and controlling energy demand are issues of concern in other economies which want to keep their rank in a global economy.

The European Union faces strategic energy challenges which have a direct impact on consumers, industry and the economy. I am determined that the full spectrum of issues related to energy supply from a neutral and well-informed standpoint be examined. This is the aim of the Green Paper on the energy security of supply which was adopted by the European Commission last November. We need a comprehensive debate, without taboos. This is essential for developing a long-term and sustainable approach to energy.

What actions does the Commission propose to reduce these very significant figures?

In its Green Paper, the European Commission points out that projections seem to show that there could in the future be an increased energy dependence of global European Union energy needs, reaching 70%. Enlargement will not influence these projections in any considerable way, in spite of the fossil fuel production of the candidate countries.

This increased dependence in itself does not necessarily present a danger for the Union of 15 or for an enlarged Union. The risks must be analysed for what they are (economic, quantitative, social and ecological). The strategy proposed for debate by the Green Paper is one of reducing these risks; reducing the quantitative tendency towards increasing imports and stabilising the international market of energy products.

- Reducing increasing imports

The Green Paper proposes launching an active policy in favour of restricting demand by plans for energy savings, and by targeted and reinforced actions in buildings and the transport sector. A revision of tax policies and State aid aimed towards restricted and less polluting consumption should be the privileged instruments of such a policy.

In parallel, the Green Paper suggests that actions which favour support to renewable energies by the creation of real markets, financed by competitive energies (oil, natural gas and nuclear), should be put in place in order to mitigate the Community's energy dependence.

- Stabilisation of the international market of energy products

The Commission proposes launching new initiatives with producing countries (the producer-consumer dialogue and strategic partnership with Russia). Furthermore, it suggests that for imported energy products, principally hydrocarbons (oil and natural gas), new import routes be found, either by the construction of new gazoducs or by finding new geographic sources of supply.

Environmental issues have become increasingly important all over the world. In this respect, the Kyoto Protocol set the objectives to be pursued by different countries in order to make progress in reducing greenhouse gas emissions. How well are these objectives being fulfilled in the European Union? How are energy saving policies evolving?

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The European Union has given a commitment to reduce its overall greenhouse emissions over the period from 2008 to 2012 by 8% compared with 1990 levels

Data for year 2000 point out that Europe has succeeded in stabilising its CO_2. Nevertheless, according to the European Environmental Agency projections, total emissions of greenhouse gases by the Union are expected to increase by at least 5,2% in year 2010. Economic growth and our way of life cause this increase, mainly.

Fuel switching from coal to natural gas is expected to continue after 2010, helping to contain CO_2 emission. However, with present policies towards nuclear and the current level of support of renewables, as well as without additional climate policies, the share of zero carbon fuels would decline after 2010. In a nutshell, Kyoto objectives would not be fulfilled.

It is necessary, then, to undertake drastic measures. The Green Paper on Security of Energy Supply put the red mark on this, indicating the need of establishing a close relation between emission reduction and security of supply.

Nonetheless, it is important to remark that fight against climate change, which final objective is 70% of antropogenic emission reduction in this century, is a long way and Kyoto objectives are just a first step on the road.

How are energy saving policies evolving?

As it is explained in The Green Paper on Security of Energy Supply, energy saving is an important part of the Community Energy Strategy considering both the strategic and the environmental points of view –"The cleanest energy is the energy not consumed"-.

The new European energetic context supports the need of developing a new strategy focussed on demand. If the European Union cannot reverse current energy consumption trends –especially in urban areas-, it will have to resign itself to massive dependence on imports for its energy supply and will have trouble meeting the Kyoto Protocol commitments.

For avoiding this situation, energy saving policies should focus on the most effective instruments for controlling demand, like taxation and legislation and other market instruments.

It is important also to remark that the European Commission would present at the end of 2001 a Directive on "Energy savings on buildings" that would be an important contribution to the energy saving policies.

Electricity market deregulation.

The state of opening up of the electricity market is an issue of major concern for the Commission. In this sense, it is important to make clear the Commission's intention to make new proposals on electricity and gas liberalisation. Indeed we need to welcome the positive effects of the current liberalisation but, at the same time, to underline the need to complete it by new proposals in order to have a real liberalised European single market for every consumer by 2005. Progressively all consumers in all Member States must be free to choose their supplier. Yet, opening of the total market alone will not be sufficient to achieve a real internal market and in the next weeks the Commission will thus present proposals to the European Council in Stockholm.

We need to thank to the implementation of the Electricity and Gas Directives; two thirds of electricity and three quarters of gas consumers can now choose their supplier. Expectations have been greatly surpassed. Positive effects can be felt across the European Union, for instance, in terms of electricity prices having dropped in almost all Member States, for all groups of consumers.

On the gas directive, which had to be implemented by August 2000, we are quite glad to say that experience so far is also generally positive: the vast majority of Member States implemented the directive on time, almost all of them going further than legally required in terms of market opening. However, there are still some Member States that have not yet implemented the directive, which has driven the European Commission to open infringement procedures. We are still confident that the necessary legislative procedures will now be undertaken expeditiously.

In this context, we need to accelerate the timetable and have a full-opening to all consumers of the electricity and gas markets by 2005. The opening to competition for all non-domestic customers should be by 2003 for electricity and by 2004 for gas.

Five key aspects should be considered in the coming proposals:

1. The operators' commercial interests should be fully separated from that of the producers': the unbundling requirements of the gas and electricity directives need to be strengthened.

2. Public service provisions need to be re-examined: the Directives' provisions should be complemented, in order to ensure important social provisions such as universal service, special provision to particularly vulnerable groups of population and re-assure EU citizens that serving their essential interests is the main goal of the European institutions.

3. Fair access to the network can only be achieved through effective regulation provided by independent regulatory authorities in all Member States.

4. As cross-border trade in electricity only amounts today to 8% of total EU production, it will be a priority to promote cross-border trade, by developing appropriate mechanisms, including regulatory instruments for cross-border tarification and congestion management.

5. Finally, the physical constraints impeding cross-border trade must be removed. The Commission plans to propose a mechanism for concertation between stakeholders with a view to defining a plan for the missing interconnector infrastructure so that investment as well as local barriers to the development of networks are overcome.

Turning to an analysis of the nuclear industry, if we consider factors such as self-supply and reduced emissions, nuclear power is an obvious alternative. However, proposing new projects at this time does not seem to be feasible. Regarding this issue:

- In your opinion, what role should this energy source play in the mix of all different sources?

- What requirements should be met to achieve this?

Nuclear contributes to our security of supply. There are no doubts that in short to mid terms, taking into consideration our forecasted growth in electricity demand as well as our commitments for reduction of CO_2 emissions, nuclear will remain essential to our energy balance.

For the long term, nuclear must remain an option. This requires that Research and Development be continued. I know that there are doubts about the role of nuclear in a competitive market. But nuclear energy is for the great majority sustaining competition by improving its performance. This is the case notably in the United States. Also the industry has plans to further improve its technology especially by reducing investment costs.

It is also obvious for me that nuclear energy is facing the challenge to convince our citizens of its positive role. One condition is therefore to remain irreproachable in terms of safety and non-proliferation. It seems also that industry and the society should create the conditions for a consensus on nuclear waste.

Bearing in mind that management of radioactive waste, primarily from spent fuel, is one of the more questionable aspects, how is the Commission addressing this issue?

I consider that the issue of radioactive wastes is the key element if the nuclear industry is to continue to play its role within the energy balance of the European Union. The contribution of the various sources of energy has to be appreciated in light of their contribution to the Security of supply of the Union as well as their impact to the environment. I am of the opinion that none of them are neutral in this respect and therefore their respective use should be with the least impact on environment.

Nuclear energy is producing nuclear wastes of high activity and I think that our first objective should be to develop improved technology that would allow reducing the quantity of wastes being produced. Secondly Research and Development to decrease radiotoxicity should be continued. We have made progress in this respect but there is still room for improvement.

I take due account of industry's declaration about the availability of technologies but in this matter what counts is the acceptability by our citizens. Therefore I am of the opinion that we should all contribute to increase transparency and proper information to the public. This will facilitate the emergence of solutions, including the completion of the on-going activities, to characterise sites which would be accepted as definite disposal.