



MINISTER-PRESIDENT



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THE PRIME MINISTER

Dear Matti

We welcome the opportunity Lahti offers to discuss the EU's energy policy. It is right that the emphasis at this meeting, is on our external energy policy. But any debate about energy security must also be about climate change and its links to our economy, since these elements are inter-dependent.

The science of climate change has never been clearer. Without further action, scientists now estimate we may be heading for temperature rises of at least 3-4C above pre-industrial levels. We have a window of only 10-15 years to take the steps we need to avoid crossing catastrophic tipping points. These would have serious consequences for our economic growth prospects, the safety of our people and the supply of resources, most notably energy. So we must act quickly.

We are faced with a shared dilemma, both here in Europe and elsewhere in the world. To ensure well being for a growing world population with unfulfilled needs and rising expectations, we must grow our economies. Should we fail, conflict and insecurity will be the result. To grow our economies we will continue to need energy. Much of that energy

will be in the form of fossil fuels. The logic of this dilemma is that we must treat energy security and climate security as two sides of the same coin.

We know that we can meet this challenge. Europe has the opportunity to lead the world in making the technology transition to a low carbon economy that will be necessary over the next few decades. The technologies are already available or within reach, and there are real potential economic benefits to European market leadership in this area.

In the UK, Sir Nicholas Stern has almost completed a groundbreaking study which will, for the first time, tell us in much more detail about the economic consequences of climate change. We expect this to say that we simply cannot afford not to act now.

Other countries have already recognised that it makes sense to move towards a low carbon economy on grounds of energy security and economic efficiency. This is one reason why China has such ambitious targets for energy efficiency and renewables. We have a chance to build much more ambitious energy partnerships with China, India and others that will leverage our market power with theirs and potentially set the technology standards for a global low carbon economy. Developing alternative sources of energy will also make any country less dependent on external supplies. And this policy will also help us meet our climate change objectives.

We will need the Commission to lead the policy process. Courage and imagination will be called for in bringing forward ambitious proposals. The Strategic Energy Review will be a critical exercise. Climate security should be one of its top objectives.

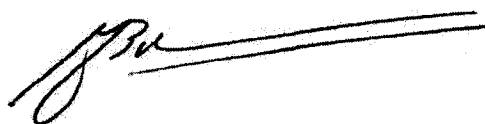
We want to see a programme of proposals, including:

- Strengthening the EU Emissions Trading Scheme (which is critical for driving the carbon market) with progressively tightening caps beyond 2012 and extending it into new areas and possibly by linking to non-EU countries. We hope the Commission will deliver a forward looking proposal as early as possible in 2007, guaranteeing both an internal level playing field and providing more certainty to investors;
- Taking forward the proposals in the Energy Efficiency Action Plan as a priority, including ambitious measures such as on standby functions on appliances and reducing emissions from cars and buildings;
- Reinforcing the EU's vision for European fossil fuel plants to have zero carbon emissions as early as possible;
- More investment in renewables technology, including second generation biofuels and offshore wind;
- Stepping up cooperation with third countries on energy efficiency and clean energy technologies. In particular engaging China to drive forward the transition to a low carbon economy;
- Demonstrating clean coal technology in Europe at commercial-scale, accelerating development and roll-out more widely; and
- Setting out a road-map to achieve EU consensus on the main elements of an effective and durable post 2012 framework, equivalent in scale to the nature of the challenge we face.

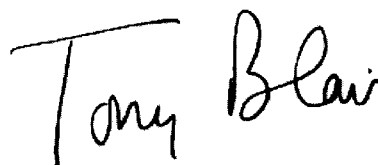
In conclusion, a historic political choice faces us. The need to respond to climate change can be seen as a burden. Or it can be seen as a once in a generation opportunity for Europe to mobilise the political will and resources to transform and modernise our energy system. The EU must be a frontrunner and continue to lead the way.

Climate and energy security must be discussed at the highest level. At Lahti, we will call for a genuine, in-depth debate on climate change and its links to energy security at a European Council next year, going beyond the discussions we have had to date. We also seek agreement that climate change and energy should play a key part of all our third country summits and consultations. We hope we can count on your support.

We are copying this letter to other members of the European Council.

A handwritten signature in black ink, appearing to be 'J.P. Balkenende', with a long horizontal line extending to the right.

JAN PETER BALKENENDE

A handwritten signature in black ink that reads 'Tony Blair' in a cursive style.

TONY BLAIR

Mr Matti Vanhanen