

## **Energy and Competitiveness in Europe's Real Economy**

*A FLEISHMANHILLARD WHITE PAPER*

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## Executive Summary

As European dependency on energy imports grows and energy costs across the EU rise, Europe's energy-intensive industries are leading the call for Europe to find cheap, reliable, accessible and cleaner sources of energy both domestically and overseas.

In research conducted in April 2013, international communications consultancy FleishmanHillard surveyed a sample of 50 high-ranking business executives from energy-intensive industries well-informed about the impact of energy on their business and the wider European economy. Survey respondents represent large companies with a substantial European footprint, and each contributed their views on a series of questions related to energy and competitiveness in Europe's real economy. The intent was to gather their insights into the impact of energy policy on Europe's competitiveness at the global level and industry's perspective on how best to achieve EU energy and climate goals today and in the longer term.

This White Paper analyses the results of this survey, drawing some interesting, and sometimes unexpected, conclusions about European industry's expectations at the EU and Member State levels.

### Part 1: Climate Change and Competitiveness

The European Union is the largest economic market in the world yet continues to struggle as a competitive, global industrial player. A significant factor impacting European production and competitiveness as identified by survey respondents is the price of energy, highlighted by 90% as very or somewhat important to their business. With electricity prices in Europe 37% higher than those in the US, concerns expressed are not surprising.

Our research indicates that the price of energy in Europe will have both short-term and long-term implications on Europe's international economic competitiveness. A majority of those surveyed (69%) identified the EU as the region where the cost of energy has had the most impact on their company's current or future investment decisions. According to senior business leaders, high energy prices in Europe will either have a serious impact on their EU investment decisions now (40%) or in the future (46%).

Despite industry bearing the brunt of high energy prices and identifying both national level and EU policy as, respectively, third and fifth most influential drivers of the price of energy, 56% of respondents believe that EU global warming policies will help Europe's economy while only 34% believe they would be harmful.

### Part 2: Renewable vs. Conventional Sources

The survey indicates a wide level of support for renewables amongst industry leaders. One-third (30%) of respondents called for renewable energy sources to be Europe's top energy priority, even if this could result in "higher energy prices and increased government spending". A more detailed examination shows that respondents believe Europe should increase its share of renewables, with solar power (74%) and wind (68%) being the sources where usage should be most increased.

As well as strong support for increased use of renewable energies, business leaders overwhelmingly (72%) endorse the introduction of non-renewable energy that would provide Europe with "secure and affordable energy for the next 100 years despite a heightened impact on climate change". Specifically, respondents perceive natural gas (48%) more favourably than coal (24%) and imported oil (22%). This, in conjunction with the importance of rising energy prices (96%), clearly suggests that though climate change remains a high priority for Europe's industrial base, affordable energy and European competitiveness are of primary importance.

### Part 3: Domestic EU vs. Foreign Energy Sourcing

The majority of senior European industry leaders surveyed believe the EU is likely to face a critical energy shortage within the next five years (74%). This fear of energy scarcity is driving their positions on Europe's energy targets and nowhere is this clearer than in its support for increased domestic energy development. Taking into account political, environmental and/or financial costs, 40% of respondents highlighted that increased domestic resources should be the priority for EU energy policy; this number increases to 70% when including renewables as domestic energy sources, and dwarfs support for increasing foreign sources of energy (26%).

While industry's ideal EU energy policies lie clearly along the spectrum of domestic resources (70%), the most immediately impactful solutions to the EU's energy problems are seen to include traditional imports (44%) in a very strong second place, ahead of renewable energy (38%). This impact also extends to Europe's competitiveness. An overwhelming majority (93%) of industry leaders responded that the US natural gas revolution has had at least some impact on the EU's ability to remain competitive; of those, 54% feel it would have a positive impact on the EU's competitive position in global markets compared to 24% who believe the impact would be negative.

### Part 4: Shale Gas - Present and Future

Senior business leaders are feeling the impact of rising energy prices and fear scarcity of energy supplies in Europe. According to the survey, respondents who see the impact as serious today or in the future expressed strong support for shale gas development (76%). Of note, 46% of those in favour represented companies with annual revenues above US\$100 million.

Of those who took a strong position on the issue of shale gas (increase/decrease), a substantial majority (79%) were supportive of further development of this source in Europe. Supporters also exhibited strong support for renewable energy sources, including solar (81%), wind (77%) and biofuels (65%).

When correlating the respondents who indicated that energy prices are causing a serious impact today with their priority domestic energy sources, shale gas came third (70%) behind solar energy (81%) and wind (80%), with biofuels a close fourth (65%). The importance placed on shale gas with regards to addressing the future rather than current European energy price may suggest that industry sees shale gas as a mid-term rather than short-term solution to Europe's energy problems. However, this may also represent limited European shale gas development to date or the perception that domestic reserves are limited in Europe.

## Introduction

The EU is currently dependent on energy imports for over 54% of its energy needs,<sup>i</sup> and this figure is only expected to rise to 80% by 2035.<sup>ii</sup> Furthermore, energy costs across the EU currently account for 12% of GDP and are forecasted to rise to 14% by 2050.<sup>iii</sup> In this increasingly difficult economic environment, Europe's energy-intensive industries are leading the call for Europe to find cheap, reliable, accessible and cleaner sources of energy both domestically and overseas.

International communications and public affairs consultancy FleishmanHillard conducted the "Energy and Competitiveness in Europe's Real Economy" survey to assess the perceptions of business leaders and opinion formers on energy sources, climate change and the policies that address them in Europe. Survey respondents represent companies with their primary business holdings in Europe, and each contributed their views on a series of questions surrounding European energy and competitiveness:

- Will the EU face a critical energy shortage in the next five years?
- What are the most effective solutions to the EU's energy problems?
- Where should Europe's energy priorities lie?
- Should Europe's climate goals be compromised to deliver the EU's energy needs?
- Which energy sources should be developed or decreased?

The survey provides insights into the impact of energy on Europe's competitiveness on the global markets and industry's perspective on how best to achieve EU energy and climate goals today and in the longer term.

## About the Study

In research conducted in April 2013, FleishmanHillard surveyed a sample of 50 senior, EU-based industry executives from large, energy-intensive industries. Respondents were selected to participate in the survey on the basis that they were individuals who: 1) are or were a senior executive in charge of making decisions around energy, 2) represent companies with primary facilities based in Europe and annual revenues of \$10 million USD or more, 3) consider themselves to be informed with regards to energy-related issues in the European Union and 4) consider energy sources and pricing to be important for their business.

The voluntary survey benchmarks the confidential opinions and insights of this group, coming mainly from the C-suite and Director-level. It was conducted via a self-administered Web-based link distributed to this elite group of individuals. Participants were identified by European industry experts from independent research and service company Gerson Lehrman Group, FleishmanHillard's partner for this study.

The sample was drawn from these resources to obtain the opinions and insights of a specifically targeted mix of high ranking and influential individuals (rather than a sample drawn from a source where everyone has a known and equal probability of being sampled). Thus, sampling error is not applicable.

A more detailed overview of the characteristics of the individuals and companies surveyed is provided in Annex A.

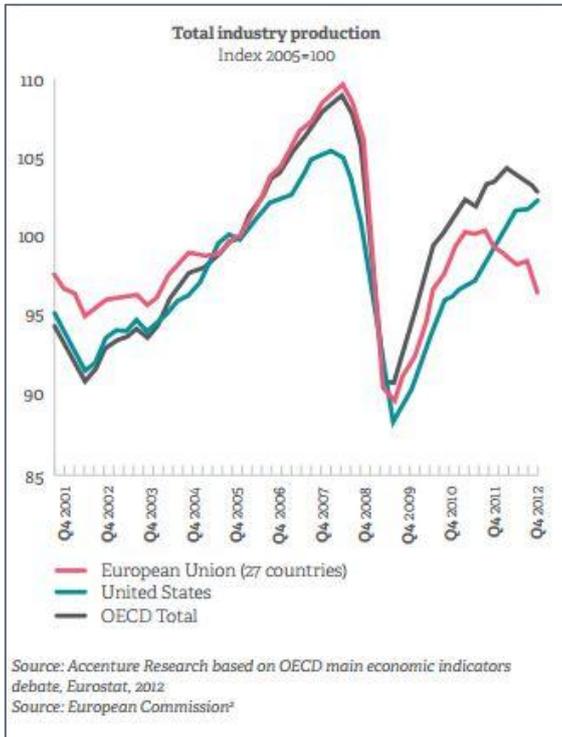
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<sup>i</sup> Eurostat. "[Energy Production and Imports](#)". 15 April 2013.

<sup>ii</sup> Van Rompuy, Herman. [Speech at European Business Summit](#). 15 May 2013.

<sup>iii</sup> Barroso, José Manuel. [Presentation to the European Council](#). 22 May 2013.

## Part 1: Climate Change and Competitiveness



The European Union is the largest economic market in the world and has long been a competitive industrial player globally. The financial crisis that began in 2008 had a pronounced impact on worldwide manufacturing, but while developed economies like the US are now firmly on the road to recovery and posting gains in industrial production, the EU continues to struggle (See Fig. 1).<sup>iv</sup> In fact, there has been a clear divergence in EU and US industrial production: the EU has been in steady decline since Q4 2011. While there are many factors contributing to the decline in industrial production, it is telling that 90% of the FH survey’s respondents identified energy sources and prices as very or somewhat important to their business.

With electricity prices in Europe now 37% higher than those in the US, the price of energy is clearly having an impact on European production and competitiveness.<sup>v</sup> The results of our survey indicate that European business leaders are concerned, not just about the short-term implications, but also about the EU’s long-term international economic competitiveness.

Figure 1: EU industry production struggles to grow (%).

### European business leaders are concerned that high energy prices in the EU will have both short- and long-term impact on EU business and investment.

The increase in energy prices in the EU, compared to other regions in the world, is seen to be hurting Europe’s competitiveness and is a barrier to economic recovery. The majority of surveyed industry leaders (69%) identified the EU as the region where the cost of energy has had the most impact on their company’s current or future investment decisions. 62% of respondents believe recent increases in energy prices are already having a serious impact on their business while 34% believe that it will have a serious impact on businesses in the future (See Fig. 2).

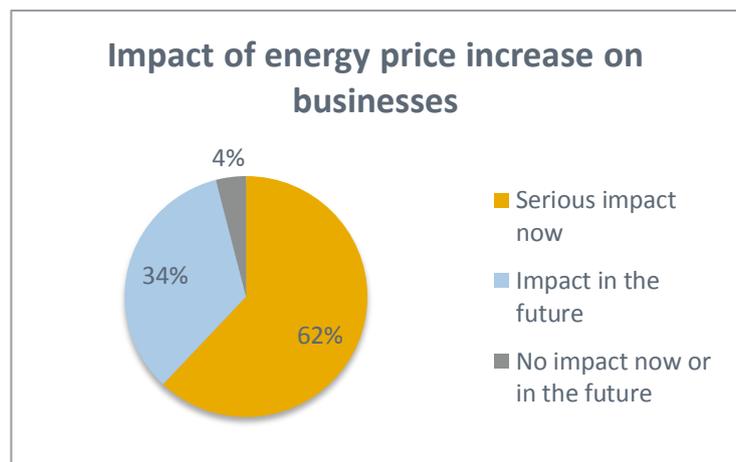


Figure 2: Impact of energy price increase on businesses.

<sup>iv</sup> Accenture. “Unlocking Industrial Opportunities – An EU Strategy for Competitiveness”. May 2012. Page 12.

<sup>v</sup> Chaffin, Joshua. “High energy prices for industry occupy officials at EU summit”. Financial Times. 21 May 2013.

High energy prices are also having an impact on their investment decisions in the EU, with 40% of respondents saying it is having a serious impact now, compared to 28% who believe energy prices impact current non-EU investment (See Fig. 3). In the long-term, 46% of respondents believe that energy prices will impact future EU investment while 54% believe energy prices will also impact long-term non-EU investment.

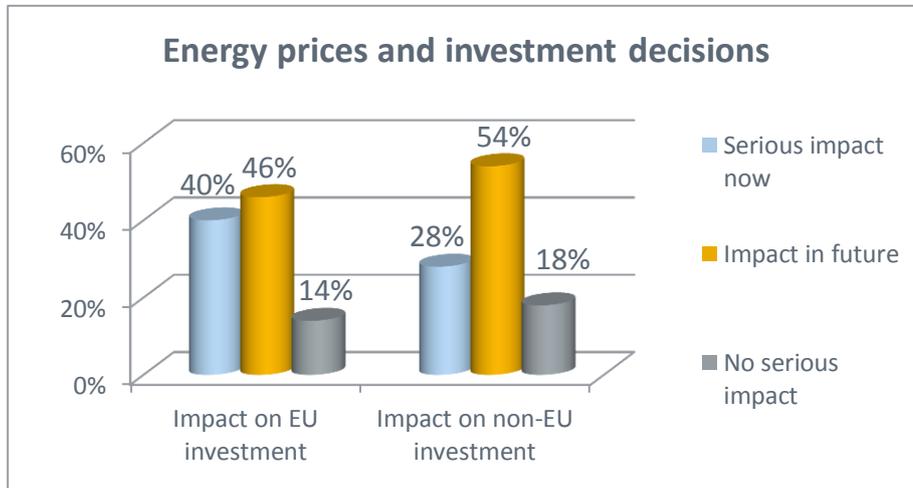


Figure 3: Impact of energy prices on investment decisions.

Of all the industries affected by high energy prices, respondents believe that manufacturing and industrial concerns are bearing the brunt of high energy prices, followed by transport and energy companies. This impact has played out across energy-intensive industries like the chemical, automotive and steel industries since

2012. For example, BMW and several other large European companies have all recently announced plans to make large capital investments in manufacturing facilities outside Europe.<sup>vi</sup> These long-term investment decisions suggest that EU-based corporations do not see the energy environment improving in the EU in the foreseeable future. Therefore, they are choosing to manufacture in the US, where a diverse energy mix coupled with new shale and oil reserves have kept down energy prices.

**While energy-rich countries are seen as key drivers of energy prices in Europe, the influence of national policy ranks third in terms of influence, ahead of EU policy.**

Figure 4 shows what factors our sample audience hold responsible for high energy prices. Clearly, in the minds of most respondents, there are a number of factors contributing to the energy price, led by a combination of external factors (oil-rich countries and energy companies) and government policy. Growing demand was another factor. Surprisingly, lack of exploration and NGO campaigns against new sources were somewhat weaker.

<sup>vi</sup> Bryant, Chris. "High European energy prices drive BMW to US". Financial Times. 27 May 2013.



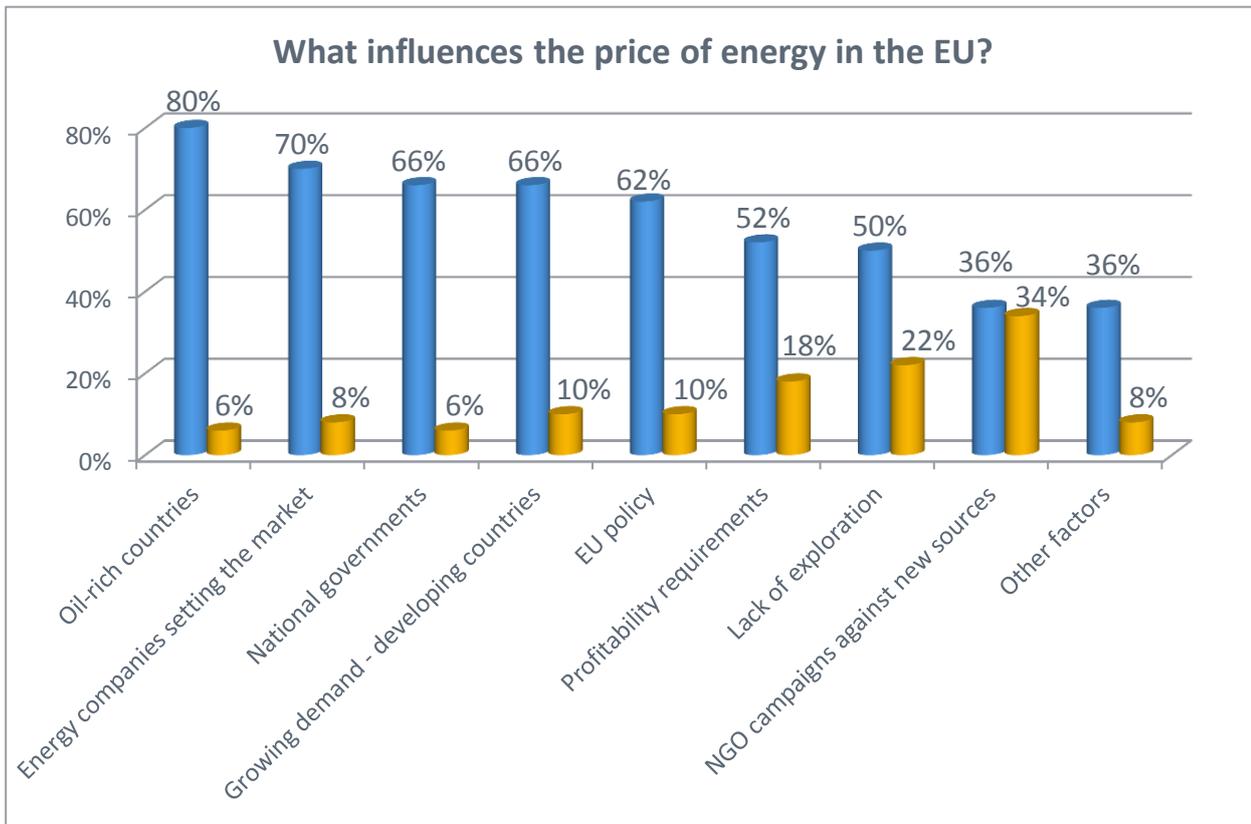
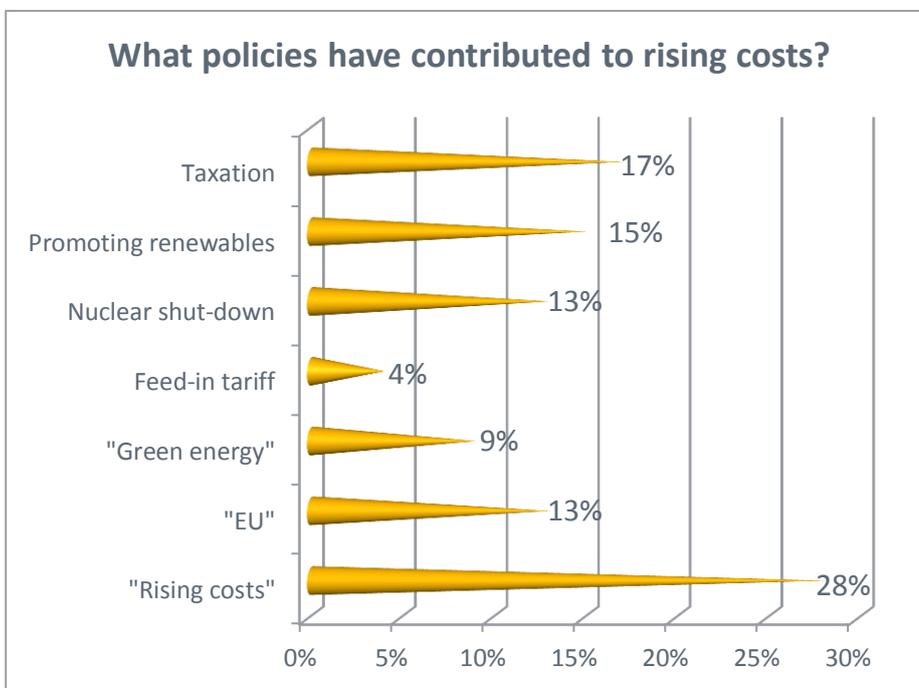


Figure 4: Influences on the cost of energy in Europe.



To reinforce these views on the influence of national governments in energy pricing, respondents highlighted energy taxation as one of the main policies responsible for rising costs of energy (See Fig. 5).

"It is imperative that the EU develops domestic and lower cost sources of energy to promote economic growth and supply security"

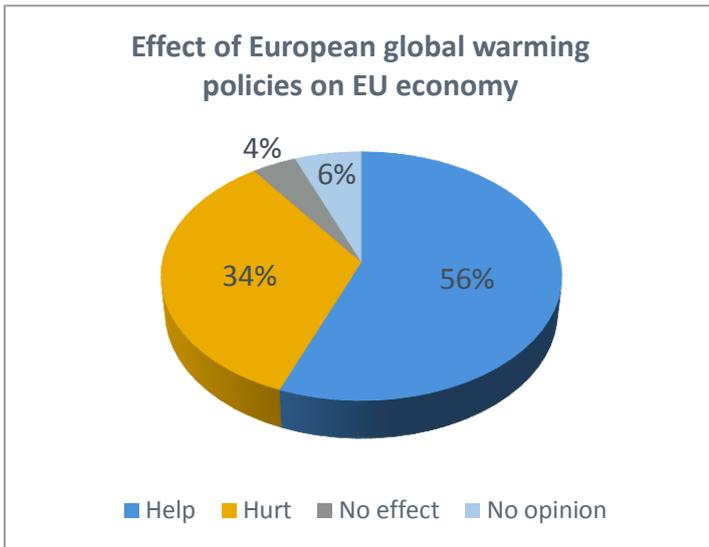
—Survey respondent

Figure 5: Policy influences on the cost of energy in Europe.



**Despite concerns about high energy prices, EU industry leaders are generally supportive of EU policies to tackle global warming.**

Respondents were almost unanimous (94%) in their personal belief that there will be serious impacts from global warming now or in the future. In line with the recognition that global warming will have a serious impact, 56% of respondents believe that EU global warming policies would help the EU economy while only 34% believe they would be harmful (See Fig. 6).



This response may appear counterintuitive given the contentious discussions surrounding the EU’s energy policy, but this reveals that EU industry leaders are receptive to policies that tackle global warming and view these policies as potentially positive economic drivers to unlock growth.

**Figure 6: The effect of European global warming policies on the EU economy.**



## Part 2: Renewable vs. Conventional Sources

Despite their costs, there is widespread support for renewables amongst industry leaders interviewed as part of the FleishmanHillard survey. Exactly 30% of respondents believe encouraging renewables should be the EU’s top energy priority, even though the question specifically mentions that this could result in “higher energy prices and increased government spending”.

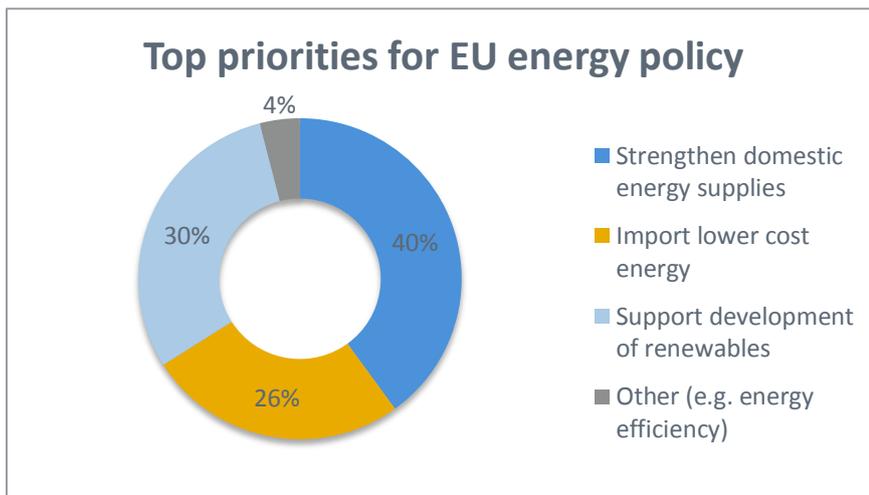


Figure 7: Industry view on priorities for EU energy policy.

More broadly, a strong cross-section of respondents (40%) believe that strengthening the EU’s own domestic energy supply should be a top priority whilst, on the other hand, more than a quarter of those surveyed believed the EU should focus more on importing lower cost energy (See Fig. 7).

It would seem therefore that there is no real industry consensus on what Europe’s top priority for energy should be. Perhaps contrasting with the strong focus placed on it by regulators at EU and national level, energy efficiency as an energy priority scores poorly, with only 4% of respondents believing it should be the top priority.

The survey results do not indicate whether this is the result of a poor understanding of the benefits of energy efficiency, or whether EU business leaders have actively considered and dismissed this area of activity.

### Industry prioritises secure and affordable energy over climate change goals.

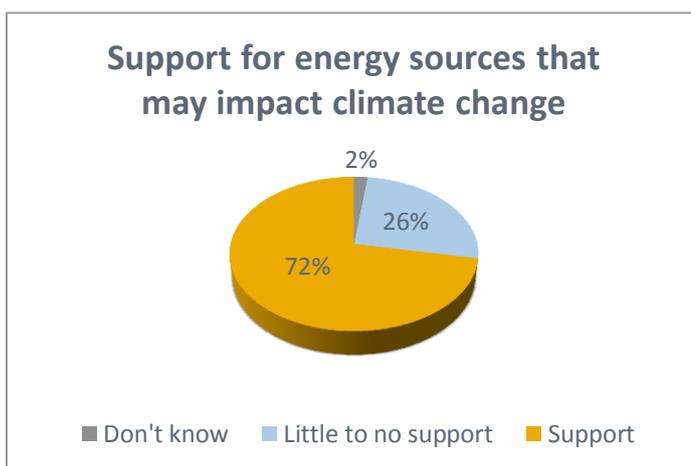


Figure 8: Industry support for non-renewable energy sources that may have an impact on climate change.

Notwithstanding support shown for increased use of renewable energies and climate abatement policies, business leaders surveyed overwhelmingly (72%) endorse the introduction of non-renewable energy that would provide Europe with secure and affordable energy for the next 100 years despite a heightened impact on climate change (See Fig. 8). This, in conjunction with the importance of rising energy prices on business (96%) and investment decisions (86%), clearly suggests that though climate change remains a high priority for Europe and its industrial base, affordable energy and European competitiveness are of greater importance (See Figs. 2 and 3).



The survey examined in detail which specific energy sources should see an increase or decrease in their usage. A general consensus of respondents believe that Europe should increase its share of renewables, with solar power (74%) and wind (68%) being the sources where usage should be most increased (See Fig. 9).

Despite current public discussions about the sustainability of biofuels, they are still seen as an area of focus for the future energy mix commensurate with other renewable sources.

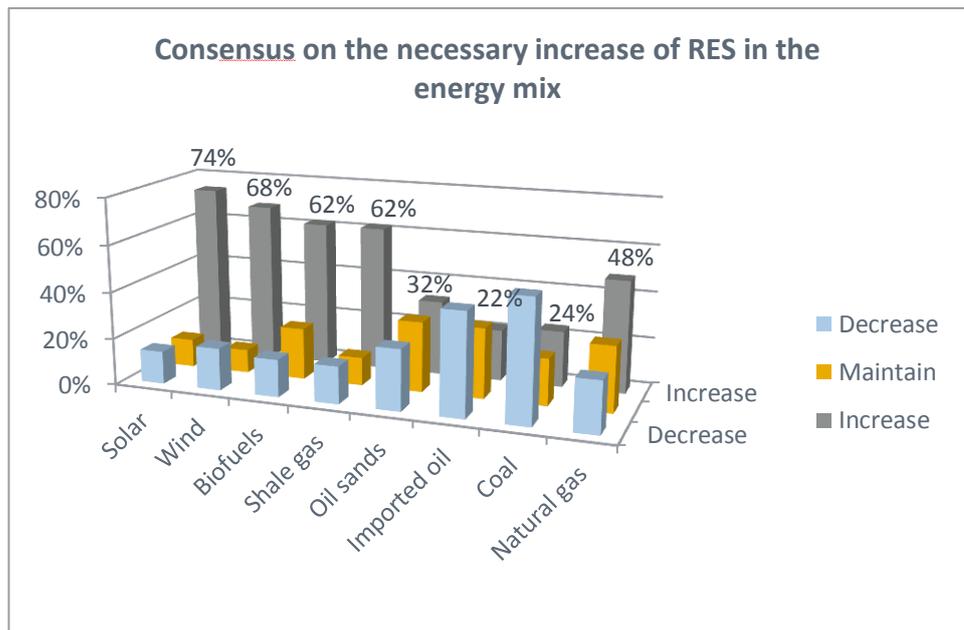


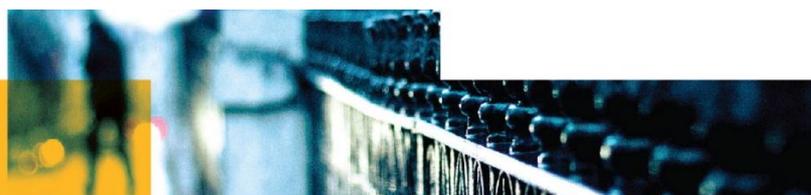
Figure 9: Industry perspective on priority energy sources in the EU.

Of the conventional forms of energy, only shale gas matches renewables in terms of support for an increase in Europe’s energy mix. Natural gas is perceived more favourably than coal and imported oil; for each of these latter sources, there is a clear call for a decrease in dependency.

Cross-tabulating the survey results also provides some interesting insights. 59% of respondents supporting an increase in renewables (solar and wind) also support an increase in natural gas exploitation, and at the same time do not generally support an increase in the use of coal. Likewise 73.6% of those who support an increase in conventional natural gas tend to support an increase in renewables as well, especially solar energy.

Elsewhere, other energy sources are treated with a certain degree of ambiguity. For example there is no clear picture of support for or opposition to oil sands. This would suggest a level of uncertainty amongst senior business executives as to where oil sands will sit in Europe’s future energy mix. However, there is a clear call for a decrease in oil imports generally (44%). Oil sands thus attract less opposition than general oil imports. With this, the industry shows its preference for unconventional oil exploration in ‘stable’ countries rather than importing oil from more unstable regions often associated with energy production. Meanwhile, whilst shale gas and oil sands have generated very similar public debates, it seems that shale gas has managed to attract more support than oil sands amongst respondents. In fact, only half of shale gas supporters also support oil sands, perhaps driven by the positive impact shale has had on energy prices in the US.

Overall it would appear that, whilst the price of energy affects competitiveness, industry’s real fear is scarcity of energy supplies. In return for security of supply, they are willing to support all sources of energy even if they come at a higher cost.



## Part 3: Domestic EU vs. Foreign Energy Sourcing

**The majority of senior industry leaders surveyed believe the EU is likely to face a critical energy shortage within the next five years.**

Respondents who feel this way lay the blame for this looming energy scarcity problem predominantly at the feet of domestic energy policies in Europe: the lack of a comprehensive and enforced EU energy policy, the shift away from nuclear power, underinvestment in critical energy infrastructure, renewables and shale gas, and the need to improve energy efficiency targets. However, some consider Europe’s failure to adequately develop foreign sources of energy as a significant contributor: lack of control over oil sources, dependency on Russian gas supplies, and weak relationships with energy rich states such as Ukraine and Azerbaijan.

**Fear of energy scarcity is driving industry leaders’ positions on Europe’s energy goals. Nowhere is this clearer than in its unqualified support for increased domestic energy development.**

As highlighted in Part 2, energy scarcity fears trump all other factors for survey respondents. Taking into account the political, environmental and/or financial costs of the options open to the EU and its Member State governments to address the energy crisis, 40% of respondents highlighted that increased domestic resources should be the priority for EU energy policy. If renewables are included as domestic energy resources, this figure rises to 70%. Increasing foreign sources of energy came in third (26%) as an EU energy policy priority behind increased development of renewables and new sources of energy (30%) (See Fig. 7).

The survey also showed an interesting correlation between supporters of domestic energy supplies, including the more controversial energy sources such as shale gas and biofuels, and support for renewable energy sources. In terms of indigenous resources that should be actively increased, industry leaders placed solar, wind and shale gas in the top three, highlighting their need to secure access to more energy sources across the board, especially if this will reduce Europe’s energy costs.

**While industry’s ideal EU energy policies focus on domestic resources, the most immediately impactful solutions to the EU’s energy problems are seen to include traditional imports in a very strong second place, ahead of renewable energy.**

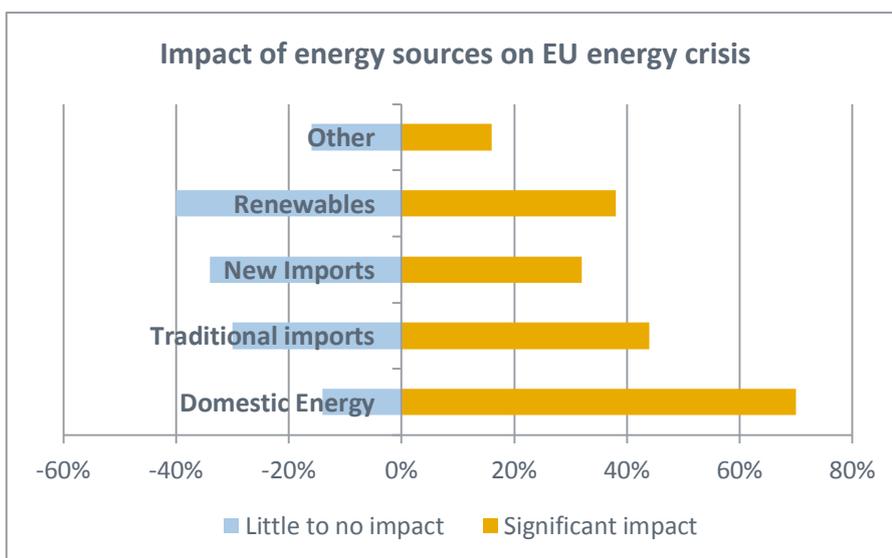


Figure 10: Impact of energy sources on the EU’s energy problems.

Interestingly, the effectiveness of renewables proved to be quite a divisive issue for industry respondents. Equal numbers of those surveyed (40%) found it an effective means of addressing Europe’s energy woes as found it ineffective (See Fig. 10).

The results suggest that while leaders of energy-intensive industries are champions of new energy sources such as solar power and shale gas, they are acutely aware that in the more immediate term, increasing foreign energy imports may be a more effective means of ensuring a consistent energy supply to Europe.

**Foreign sources of energy, such as the US natural gas revolution, are considered to have impacted Europe’s competitiveness without having ever touched Europe’s shores. A majority of industry leaders perceive the US natural gas revolution as positive for Europe.**

The natural gas revolution in the US has seen gas prices plummet to about US\$4 per million BTU from a peak above US\$13 in 2008.<sup>vii</sup> This drop is seen by some as a serious threat to the competitiveness of European industry – particularly for those in the petrochemicals sector – while others welcome this potential new source of gas to the global markets. The overwhelming majority – 93% – of industry leaders responded that

The US natural gas revolution “completely changes the level playing field.”  
– Survey respondent

US natural gas had at least some impact on the EU’s ability to remain competitive. Of note though are the 10% of respondents who did not know how US natural gas would impact Europe’s competitiveness – all of whom represented companies with over \$25 million in revenues in the manufacturing and services sectors.

Of those who saw an impact from the US natural gas

revolution, a surprising 54% felt it would have a positive impact on the EU’s competitive position in the global markets (See Fig. 11). One respondent went so far as to claim it could knock oil off the number one spot as the world’s main source of energy: “It will change the traditional balance and transportation flow (from the Middle East to US) to a potentially net export from US. It also changes the balance between Oil and Gas [...]. The world’s future oil is GAS!”

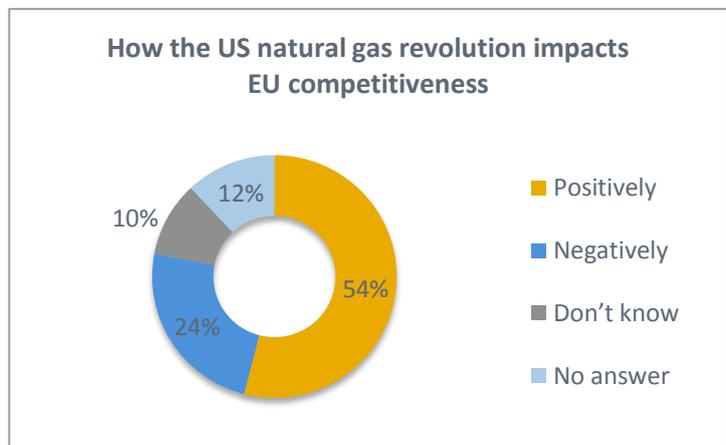


Figure 11: The impact of the US natural gas revolution on EU industry competitiveness.

This compares to just 24% who believed it would have a negative effect. As one respondent commented, “the US will be less dependent on energy imports while the EU will remain so, hence a competitive disadvantage.” These findings reinforce the conclusion that leaders of Europe’s energy-intensive industries are more concerned by the need for more reliable energy sources than the immediate impact of price differentials, and therefore EU competitiveness, with the US.

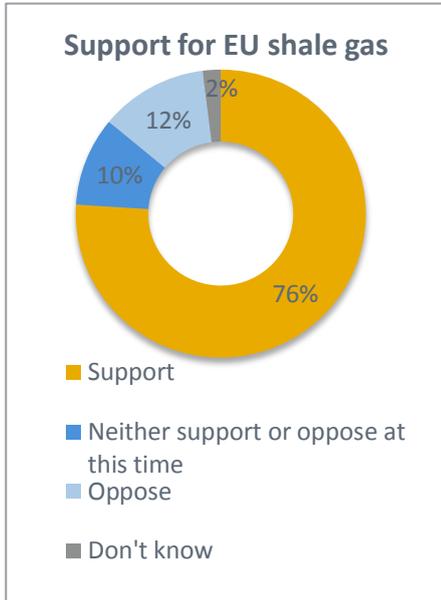
Recently the Obama administration approved the development of a US\$10 billion LNG export facility in Texas that will deliver gas to EU Member States and other countries – only the second approval of its kind ever made. With the potential future influx of LNG, European industry leaders will no longer be able to deny the inevitable impact of the US natural gas revolution, and a significant source of foreign energy, on European competitiveness – for better or for worse.

<sup>vii</sup> US Energy Information Agency. [Henry Hub Gulf Coast Natural Gas Spot Price](http://www.eia.doe.gov). 24 June 2013.



## Part 4: Shale Gas - Present and Future

### Industry support for shale gas development in Europe strongly correlates with annual revenue.



According to the survey, respondents were overwhelmingly supportive of shale gas development (76%) (See Fig. 12). In order to gain a better understanding of the composition of those business leaders in favour and against, researchers asked questions about their industry's revenue, location and sector.

As indicated in Figure 13, there is a strong correlation between a company's annual revenue and its position on shale gas. Respondents representing companies with annual revenues of US\$25-50 million (24% of all respondents) were divided 62.5% in support to 37.5% in opposition. This ratio grew to 3:1 for companies with revenues of US\$50-100 million (28% of all respondents), and peaked at 89.5% in favour to 10.5% against for companies with annual revenues above US\$100 million. Interestingly, the latter group represented 46% of all those surveyed. The larger the company revenues, the stronger the support for shale gas.

Respondents all represent companies with primary facilities based in Europe. In terms of industry opinion towards shale gas according to geographical location, two interesting findings can be concluded:

Figure 12: Support for EU Member State governments to develop shale gas.

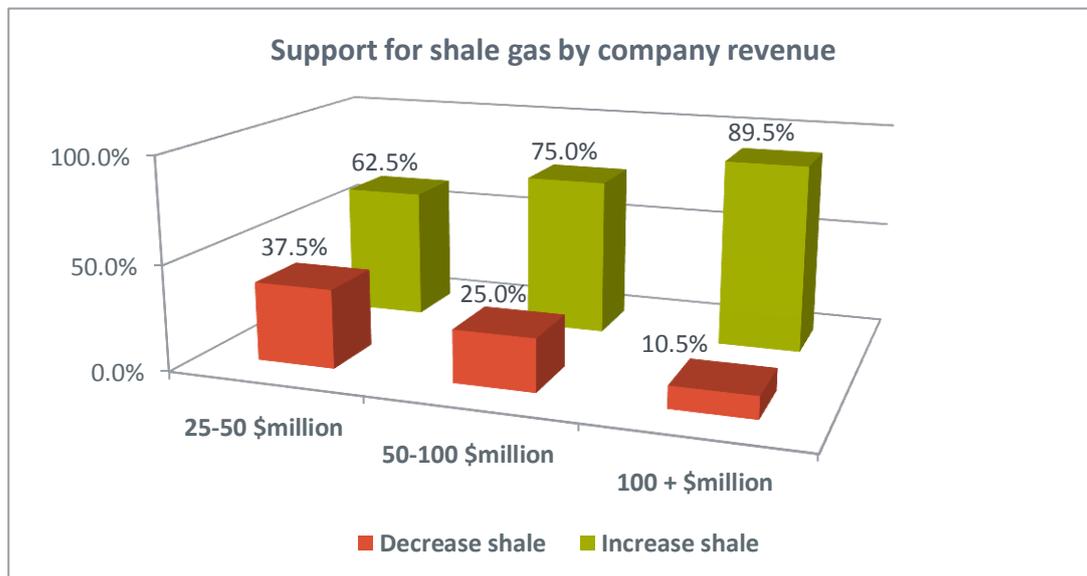


Figure 13: Supporters and opponents of shale gas development by company revenue.

- First, the countries with the highest level of industry support for increased shale gas development came from countries whose governments have been seen to be the most sceptical and the most supportive towards its development, respectively: France (88.9%) and the United Kingdom (88.9%).
- Second, countries whose industry is more equally divided on the issue of shale gas development – Germany and Italy – are both countries with significant conventional natural gas consumption and production rates and that are yet to decide on the issue of shale gas development. Of note, Germany is currently assessing whether to re-start exploratory drilling for shale gas.

With regard to sector, survey respondents from the manufacturing and industrial sector (48% of all respondents) expressed strong support (88.9%) towards the increase of shale gas development in Europe. Interestingly, transport sector respondents (16% of all respondents) also expressed significant support (85.7%) for increasing Europe’s current levels of shale gas. The services sector (16% of all respondents) presented a more divided response, with 57.1% against its use.

**Respondents that feel the effect of rising energy prices on their business today or predict they will do so in future are significantly more likely to support shale gas development in Europe.**

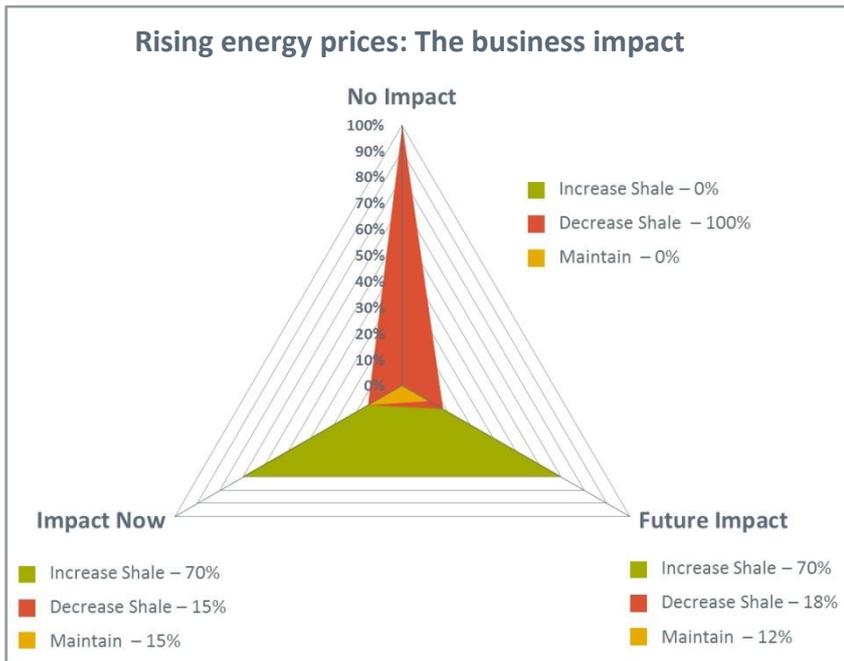


Figure 14: Correlation between position on EU shale gas and impact of prices on business.

A majority of business leaders, not surprisingly, indicated that the impact of energy pricing on business was either having a serious impact now (62%) or would in the future (34%). Only 4% indicated that no significant impact was or will be felt by their company (See Fig. 14).

Of interest, when correlating the respondents who indicated that energy prices are causing a serious impact today with their priority domestic energy sources, shale gas came third (70%) behind solar energy (81%) and wind (80%), with biofuels a close fourth (65%). The importance placed on shale gas with regards to addressing the future rather than current European energy price may suggest that industry sees shale gas as a

mid-term rather than short-term solution to Europe’s energy problems. However, this may also represent limited European shale gas development to date or the perception that domestic reserves are limited in Europe.

**Industry support for shale gas development in Europe correlates with support for other domestic sources of energy (solar, wind, biofuels and conventional gas).**

With more than 90% of senior business leaders indicating that the impact of energy pricing on business is having a serious impact now or will in the future (See Fig. 2), respondents were asked to assess nine different energy sources and to indicate whether Europe should increase, decrease or maintain current levels of usage.

According to the responses, the most popular energy sources to increase included solar energy (74%) and wind power (68%), with biofuels and shale gas tied for third (62%). Of those who take a strong position to either increase or decrease shale gas development in Europe, support increased substantially (79%).



Of particular interest, however, is the correlation between respondents' support for shale gas development in Europe and their support for other domestic energy sources, both renewable and conventional sources (See Fig. 15).

Those in favour of shale gas development also exhibited strong support for increased production of renewable energy sources. The most favoured renewable energy source by shale gas proponents was solar energy (81%), followed closely by wind (77%) and biofuel (64%) – of note, conventional gas was the domestic energy source with least support for its increase (58%). Less favoured conventional energy sources include imported oil stocks (26%) and coal (23%).

This data suggests that natural gas, both unconventional and conventional, is seen by industry as the ideal complement to renewable energy sources.

Industry support for both shale gas and renewable energy sources should not be seen as surprising and further reinforces findings in Parts 1-3 that European industry leaders are prioritising energy supplies over both competitiveness and climate concerns.

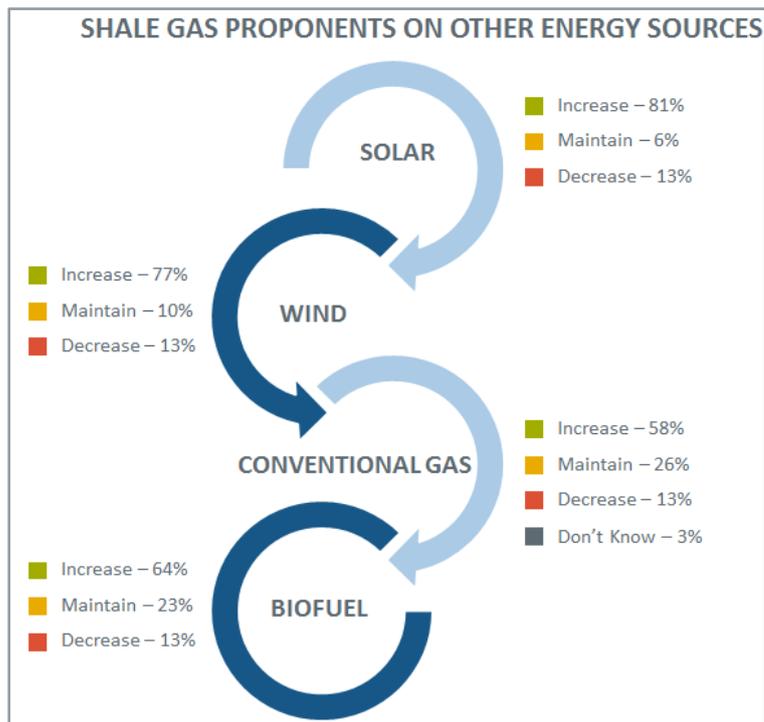


Figure 15: Correlation between supporters of EU shale gas and other energy sources.



## Conclusions

**Leaders of Europe's energy-intensive industries hold concerns over current energy costs and the resulting impact on the EU's ability to remain competitive, but the survey shows that their real priority is finding secure supplies of energy today and in the future.**

The business leaders surveyed recognise that global warming is a real threat and accept the policies in place to mitigate the negative impacts of global warming. However, many of them feel that policy makers need to put in place a strong framework that strikes a balance between addressing this challenge and achieving energy cost-competitiveness for European industry. As the results of this survey show, these do not need to be incongruous objectives.

The challenge for the next European Commission will be to pursue energy policies that secure energy supply for Europe in the near term. This will help mitigate climate change and lead to innovations that unlock economic growth. However, innovation requires investment, and to keep investment in Europe, stakeholders will need to work together to create stable, cost-competitive energy markets that are conducive to the type of long-term investment that can bring about these necessary innovations.

Europe has long been the global leader on climate policy and will continue to implement policies that drive the international debate to move towards a low-carbon global economy. European business leaders are ready to contribute to the transition to a low-carbon economy, but business leaders and investors need to be confident in the stability and competitiveness of the European market. Without this confidence, Europe may continue to be a regulatory model, but the business revolution will take place elsewhere.

## Annex A

### European Energy Use FH Brussels Questionnaire April 17, 2013 (n=50)

#### Question S1

Are you currently, or were you in your most recent former role, a C-level or other executive in charge of making decisions around energy usage? If you are not currently working in the industry, please answer all questions with regard to your most recent relevant former experience.

YES - CURRENTLY	70%
YES - FORMERLY	30%
NO	0%

#### Question S2

Please indicate your company's annual revenues for its entire operation.

\$10 MILLION TO \$25 MILLION	2%
MORE THAN \$25 MILLION TO \$50 MILLION	24%
MORE THAN \$50 MILLION TO \$100 MILLION	28%
MORE THAN \$100 MILLION	46%

#### Question S3

How informed would you consider yourself in regards to energy-related issues in European Union?

VERY INFORMED	58%
SOMEWHAT INFORMED	42%

#### Question S4

How important of a consideration is energy (sources and pricing) for your business?

VERY IMPORTANT	68%
SOMEWHAT IMPORTANT	32%

**Question S5**

Which country or countries does your business have its primary facilities or operations?

AUSTRIA	0%
BELGIUM	6%
BULGARIA	0%
CYPRUS	0%
CZECH REPUBLIC	0%
DENMARK	0%
ESTONIA	0%
FINLAND	2%
FRANCE	20%
GERMANY	20%
GREECE	0%
HUNGARY	0%
IRELAND	0%
ITALY	20%
LATVIA	0%
LITHUANIA	0%
LUXEMBOURG	0%
MALTA	0%
NETHERLANDS	6%
POLAND	0%
PORTUGAL	0%
ROMANIA	0%
SLOVAKIA	2%
SLOVENIA	0%
SPAIN	2%
SWEDEN	2%
UNITED KINGDOM	20%
OTHER	0%

**Question S6**

Does your company have facilities outside of the European Union?

YES	76%
NO	24%

**Question S7**

What is your current title/role with your company?

CEO	20%
DIRECTOR	16%
IT DIRECTOR	12%
MANAGER	12%
CFO	10%
VICE PRESIDENT	8%
COO	6%
CIO	4%
GENERAL MANAGER	4%
OTHER	2%
NONE/NOTHING	0%
DON'T KNOW	0%
REFUSED	6%

**Question S8**

Which industry do you work in?

SERVICES	22%
MANUFACTURING	20%
INDUSTRIAL	12%
TRANSPORT	10%
AUTOMOTIVE	8%
ENERGY	8%
PHARMACEUTICAL	8%
OTHER	0%
NONE/NOTHING	0%
DON'T KNOW	0%
REFUSED	12%

**Question 1**

Which one of the following best describes how you personally feel about global warming?

IT IS CAUSING A SERIOUS IMPACT NOW	48%
IT WILL HAVE AN IMPACT SOMETIME IN THE FUTURE	46%
IT DOES NOT HAVE A SERIOUS IMPACT NOW OR IN THE FUTURE	6%

**Question 2**

Do you think that the European Union and EU Government policy initiatives to reduce global warming in the future would...

HURT THE EUROPEAN UNION'S ECONOMY	34%
HELP THE EUROPEAN UNION'S ECONOMY	56%
HAVE NO EFFECT ON THE EUROPEAN UNION'S ECONOMY	4%
I REALLY CAN'T SAY/I AM NOT SURE	6%

### Question 3

Which one of the following best describes how much of an impact the recent price increases in energy has caused your business?

IT IS CAUSING A SERIOUS IMPACT NOW	62%
IT WILL HAVE AN IMPACT SOMETIME IN THE FUTURE	34%
IT DOES NOT HAVE A SERIOUS IMPACT NOW OR IN THE FUTURE	4%

### Question 4

Which one of the following best describes how much of an impact the cost of energy has had on your company's European investment decisions?

IT IS CAUSING A SERIOUS IMPACT NOW	40%
IT WILL HAVE AN IMPACT SOMETIME IN THE FUTURE	46%
IT DOES NOT HAVE A SERIOUS IMPACT NOW OR IN THE FUTURE	14%

### Question 5

Which one of the following best describes how much of an impact the cost of energy has had on your company's investment decisions outside of Europe?

IT IS CAUSING A SERIOUS IMPACT NOW	28%
IT WILL HAVE AN IMPACT SOMETIME IN THE FUTURE	54%
IT DOES NOT HAVE A SERIOUS IMPACT NOW OR IN THE FUTURE	18%

### Question 6

In which countries or regions has the cost of energy impacted your company's investment now or in the future? **(n=41)**

EUROPE (NON-SPECIFIC)	17%
FRANCE	15%
GERMANY	15%
ITALY	10%
UNITED STATES OF AMERICA	10%
RUSSIA	7%
UNITED KINGDOM	7%
ASIA	5%
CANADA	5%
EAST/EASTERN EUROPE (NON-SPECIFIC)	5%
OTHER	2%
NONE/NOTHING	2%
DON'T KNOW	0%
REFUSED	10%

**Question 7A**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*Oil-producing countries setting the market*

5 - VERY STRONG	44%
4	36%
3	14%
2	4%
1 - WEAK	2%
NOT SURE	0%
MEAN	4.2

**Question 7B**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*Power/energy companies setting the market*

5 - VERY STRONG	28%
4	42%
3	22%
2	6%
1 - WEAK	2%
NOT SURE	0%
MEAN	3.9

**Question 7C**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*Oil companies' profitability requirements*

5 - VERY STRONG	28%
4	26%
3	26%
2	16%
1 - WEAK	2%
NOT SURE	2%
MEAN	3.6

**Question 7D**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*The EU's administration of policies*

5 - VERY STRONG	28%
4	34%
3	28%
2	10%
1 - WEAK	0%
NOT SURE	0%
MEAN	3.8

**Question 7E**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*National-level government policy/activity in Europe*

5 - VERY STRONG	24%
4	42%
3	28%
2	6%
1 - WEAK	0%
NOT SURE	0%
MEAN	3.8

**Question 7F**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*NGO campaigns against new sources of energy (e.g., shale gas, oil sands)*

5 - VERY STRONG	16%
4	20%
3	26%
2	20%
1 - WEAK	14%
NOT SURE	4%
MEAN	3.0

**Question 7G**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*Growing demand from developing countries*

5 - VERY STRONG	30%
4	36%
3	24%
2	8%
1 - WEAK	2%
NOT SURE	0%
MEAN	3.8

**Question 7H**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*Lack of adequate exploration of new supplies*

5 - VERY STRONG	18%
4	32%
3	28%
2	16%
1 - WEAK	6%
NOT SURE	0%
MEAN	3.4

**Question 7I**

On a scale of one to five where '5' indicates 'very strong' and a '1' indicates 'not at all strong', how strong is the influence of each of the following factors on rising energy prices?

*Some other factor*

5 - VERY STRONG	22%
4	14%
3	4%
2	6%
1 - WEAK	2%
NOT SURE	52%
MEAN	4.0

**Question 8**

You indicated that national-level government policy/activity in Europe was a contributing factor to rising energy costs. In the space below, please provide the names and any details you may recall about these policies/activities? (n=47)

<b>FINANCIAL ASSOCIATIONS</b>	<b>43%</b>
RISING COSTS (NON-SPECIFIC)	28%
TAXATION/TAXES (NON-SPECIFIC)	17%
<b>OTHER MENTIONS</b>	<b>30%</b>
EUROPEAN UNION	13%
SHUTTING DOWN NUCLEAR PLANTS	13%
FEED-IN TARIFF	4%
<b>RENEWABLE RESOURCES/GREEN ENERGY ASSOCIATIONS</b>	<b>23%</b>
RENEWABLE RESOURCES/PROMOTING RENEWABLE ENERGY SOURCES	15%
GREEN ENERGY	9%
OTHER	2%
NONE/NOTHING	9%
DON'T KNOW	6%
REFUSED	15%

**Question 9**

In your opinion, what is the likelihood the European Union is likely to face a critical energy shortage during the next five years?

<b>TOTAL LIKELY</b>	<b>74%</b>
<b>TOTAL NOT LIKELY</b>	<b>26%</b>
EXTREMELY LIKELY	10%
VERY LIKELY	34%
SOMEWHAT LIKELY	30%
NOT VERY LIKELY	18%
NOT LIKELY AT ALL	8%
I'M NOT SURE/CAN'T SAY	0%
MEAN	3.2

### Question 9A

And why do you think the EU is ANSWER TO Q9 to face a critical energy shortage in the next five years?

<b>OTHER MENTIONS</b>	<b>46%</b>
LACK OF PRODUCTION/UNDERUTILIZED PRODUCTION	22%
USE OF SOLAR/WIND ENERGY	14%
COST/PRICE	10%
HOW I FEEL (GENERAL)	4%
AGING FOSSIL FUELS/FOSSIL FUELS WILL RUN OUT	4%
<b>AVAILABILITY ASSOCIATIONS</b>	<b>36%</b>
AVAILABILITY/LARGE RESERVES	22%
NOT ENOUGH AVAILABLE	14%
<b>FINANCIAL/ECONOMIC ASSOCIATIONS</b>	<b>16%</b>
LACK OF INVESTMENTS/UNDERINVESTMENT	8%
ECONOMY	8%
OTHER	2%
NONE/NOTHING	2%
DON'T KNOW	2%
REFUSED	14%

### Question 10A

Please rank the following approaches to solving the European Union's energy problems based on the order in which you feel each item would have a beneficial impact where a '1' indicates it would have the most impact and a '5' would have the least impact.

*Emphasize development of more domestic energy sources (offshore oil, shale gas, coal deposits, etc.)*

1 - MOST IMPACT	38%
2	32%
3	16%
4	12%
5 - LEAST IMPACT	2%
NO ANSWER	0%
MEAN	2.1

### Question 10B

Please rank the following approaches to solving the European Union's energy problems based on the order in which you feel each item would have a beneficial impact where a '1' indicates it would have the most impact and a '5' would have the least impact.

*Increase imports from traditional sources such as Russia and Saudi Arabia*

1 - MOST IMPACT	12%
2	32%
3	26%
4	26%
5 - LEAST IMPACT	4%
NO ANSWER	0%
MEAN	2.8

**Question 10C**

Please rank the following approaches to solving the European Union's energy problems based on the order in which you feel each item would have a beneficial impact where a '1' indicates it would have the most impact and a '5' would have the least impact.

*Develop new stable foreign sources such as Canada's oil sands, US Coal, etc.*

1 - MOST IMPACT	18%
2	14%
3	34%
4	28%
5 - LEAST IMPACT	6%
NO ANSWER	0%
MEAN	2.9

**Question 10D**

Please rank the following approaches to solving the European Union's energy problems based on the order in which you feel each item would have a beneficial impact where a '1' indicates it would have the most impact and a '5' would have the least impact.

*Continue to subsidize the development of alternative energy such as wind and solar power*

1 - MOST IMPACT	20%
2	18%
3	22%
4	34%
5 - LEAST IMPACT	6%
NO ANSWER	0%
MEAN	2.9

**Question 10E**

Please rank the following approaches to solving the European Union's energy problems based on the order in which you feel each item would have a beneficial impact where a '1' indicates it would have the most impact and a '5' would have the least impact.

*Something else*

1 - MOST IMPACT	12%
2	4%
3	2%
4	0%
5 - LEAST IMPACT	16%
NO ANSWER	66%
MEAN	3.1

### Question 11

Any decision regarding energy by the European Union and EU governments could potentially come with political, environmental and/or financial costs. With that in mind, In your view, what should be the top priority of the European Union and EU Governments regarding energy?

STRENGTHEN EU DOMESTIC ENERGY SUPPLIES IN ORDER TO INCREASE ENERGY SECURITY (POSSIBILITY OF POLITICALLY-DIFFICULT DECISIONS AND HIGHER ENERGY COSTS)	40%
SUPPORT DEVELOPMENT OF NEW/RENEWABLE ENERGY SOURCES (POSSIBILITY OF HIGHER PRICES AND INCREASED GOVERNMENT SPENDING)	30%
FIND LOWER-COST ENERGY BY INCREASING IMPORTS AND USING LOW-COST SOURCES, SUCH AS COAL, IN ORDER ENHANCE EUROPEAN INDUSTRIAL COMPETITIVENESS (POSSIBILITY OF HARM TO THE ENVIRONMENT)	26%
INCREASE ENERGY SAVING ACTIONS/IMPROVE ENERGY EFFICIENCY USAGE	4%
SOMETHING ELSE	0%

### Question 12

If new sources of non-renewable energy were introduced that would provide Europe with secure and affordable energy for the next 100 years, even though they may have a heightened impact on climate change, to what extent would you support the EU using these types of energy?

<b>TOTAL SUPPORT</b>	<b>72%</b>
<b>TOTAL NO SUPPORT</b>	<b>26%</b>
A LOT OF SUPPORT	30%
SOME SUPPORT	42%
ONLY A LITTLE SUPPORT	16%
NO SUPPORT AT ALL	10%
DON'T KNOW	2%
MEAN	2.9

### Question 12A

And for what reason do you have ANSWER TO Q12 the EU using these types of energy? (n=49)

POSITIVE/IS A GOOD THING (GENERAL)	24%
COST	18%
NEGATIVE/IS NOT A GOOD THING (GENERAL)	16%
ENVIRONMENTAL IMPACT/CONTRIBUTION TO GLOBAL WARMING	10%
SELF SUFFICIENCY	10%
ENERGY SECURITY/SECURITY	8%
COMPETITIVENESS	6%
OTHER	2%
NONE/NOTHING	4%
DON'T KNOW	0%
REFUSED	10%

**Question 13**

A process known as ‘hydraulic fracturing’ or ‘fracking’ involves injecting fluids into the ground to extract gas from shale rock (commonly known as shale gas). It has resulted in a significant increase in production of natural gas, accompanied by a steep drop in its price in the US. Critics allege that it is linked to tainted water supplies and earthquakes, but Europe has major shale gas reserves that could significantly decrease its dependence on foreign energy.

*To what extent do you support or oppose European governments encouraging the exploration and development of domestic sources of shale gas? (n=49)*

<b>TOTAL SUPPORT</b>	<b>76%</b>
<b>TOTAL OPPOSE</b>	<b>12%</b>
STRONGLY SUPPORT	35%
SOMEWHAT SUPPORT	41%
SOMEWHAT OPPOSE	8%
STRONGLY OPPOSE	4%
NEITHER SUPPORT OR OPPOSE AT THIS TIME	10%
DON'T KNOW	2%
MEAN	4.0

**Question 14**

Using the following scale where a five means a ‘large impact’ and a one means ‘no impact’ please indicate how much of an impact you think that the U.S. natural gas revolution has on industry within the European Union being able to remain competitive? (n=49)

5 - LARGE IMPACT	27%
4	33%
3	33%
2	6%
1 - NO IMPACT	2%
DON'T KNOW	0%
MEAN	3.8

**Question 14A**

And why do you say this about the U.S. natural gas revolution? (n=49)

POSITIVE IMPACT (GENERAL)	29%
LOWER PRICES	22%
EXPORT TO OTHER PLACES	18%
COMPETITIVENESS	16%
NEGATIVE IMPACT (GENERAL)	12%
LIMITED RESOURCES	4%
OTHER	0%
NONE/NOTHING/NO IMPACT	6%
DON'T KNOW	2%
REFUSED	10%

**Question 15A**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Solar power*

INCREASE	74%
DECREASE	14%
MAINTAIN	12%
DON'T KNOW	0%
MEAN	2.6

**Question 15B**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Wind power*

INCREASE	68%
DECREASE	18%
MAINTAIN	10%
DON'T KNOW	4%
MEAN	2.6

**Question 15C**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Shale gas*

INCREASE	62%
DECREASE	16%
MAINTAIN	12%
DON'T KNOW	10%
MEAN	2.6

**Question 15D**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Oil from Canadian Oil Sands*

INCREASE	32%
DECREASE	26%
MAINTAIN	30%
DON'T KNOW	12%
MEAN	2.0

**Question 15E**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Coal*

INCREASE	24%
DECREASE	52%
MAINTAIN	20%
DON'T KNOW	4%
MEAN	2.0

**Question 15F**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Oil from Coal*

INCREASE	20%
DECREASE	46%
MAINTAIN	20%
DON'T KNOW	14%
MEAN	2.0

**Question 15G**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Imported oil stocks*

INCREASE	22%
DECREASE	44%
MAINTAIN	30%
DON'T KNOW	4%
MEAN	1.9

**Question 15H**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Biofuels*

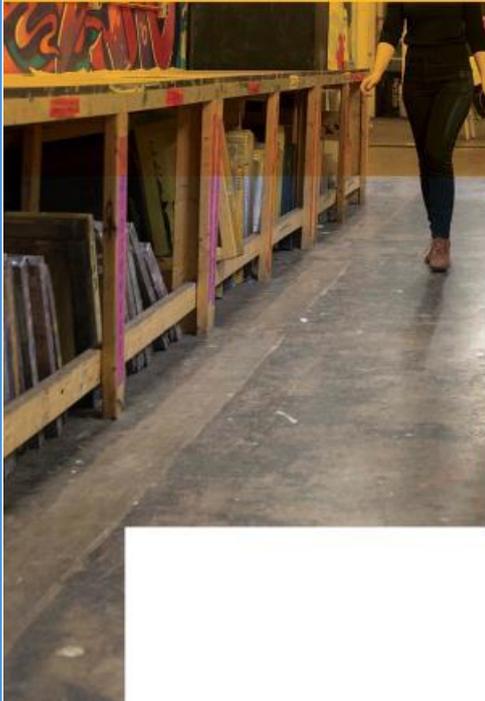
INCREASE	62%
DECREASE	16%
MAINTAIN	22%
DON'T KNOW	0%
MEAN	2.4

**Question 15I**

The U.S. natural gas boom has resulted in an influx of inexpensive U.S. coal into Europe. The following is a list of energy sources Europe could explore to potentially help control energy costs. Please indicate if you believe Europe should increase, decrease or maintain their current levels of usage (and exploration/investment) with each one.

*Natural gas (from conventional sources)*

INCREASE	48%
DECREASE	22%
MAINTAIN	28%
DON'T KNOW	2%
MEAN	2.2



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