

FROM THE EUROPEAN ENERGY COMMUNITY TO THE ENERGY UNION
A POLICY PROPOSAL FOR THE SHORT AND THE LONG TERM

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EXECUTIVE SUMMARY

30 FINDINGS, 10 IMMEDIATE ACTIONS AND 10 LONG-TERM BUILDING BLOCKS

The European Union did not have a European energy policy for long but only an internal market and the competition policy for electricity and gas flanked by measures adopted in line with the EU's climate policy, and without any concrete foreign policy dimension. In 2007, there was a great hope to progress towards a European energy and climate policy, driven by a large consensus among EU member states and energy stakeholders, supported by European citizens, and resulting in the 2020 Energy and Climate Package. Seven years later, the current debate reveals the disappointment of all players, frustrated not only by the economic crisis but also by many other unexpected failures of the European energy policy.

In 2010, the Jacques Delors Institute launched an in-depth study of the future of European energy policy based on Jacques Delors' policy proposal for a "European Energy Community". It opened up a wide debate with local, national and European public, private, and civil society stakeholders from the energy sector and beyond. Four years later, the adoption of the 2030 Energy and Climate Framework by the European Council and the start of a new EU political and institutional cycle in 2014 give the chance to assess the state of play of the European energy policy and to identify the necessary new paths to ensure the desired European integration and reap all its benefits. At the same time, the new concept of Energy Union, which has been advocated by the new EU leaders, without giving it a concrete content yet, opens a wider debate on the future challenges to be addressed in the field of energy.

Against this background, the present report examines the evolution of the European energy policy from 2007 to 2014, including the most recent developments and the adoption of a new 2030 EU Energy and Climate Framework. The strengths and weaknesses of the European energy policy are identified

and assessed in thirty findings. Relying on the conclusion that the existing European energy policy requires additional measures, the report suggests the three key objectives to be achieved in priority by a comprehensive European energy policy. It expresses ten meaningful recommendations for action, together with concrete remedies, policy instruments and institutional frameworks that should be implemented in the short-term within the new EU institutional cycle. Last but not least, it attempts to bring forward-looking ideas and key areas for action to achieve an ambitious and inspirational Energy Union, and to make it a fundamental element of the solidarity between the member states within the European Union and beyond in Europe.

1. Critical assessment of European energy policy's strengths and weaknesses: 30 findings

Although much has been achieved in the last decade, it has not removed the fragmentation of the European energy system. Sometimes, even positive developments have come with shortcomings which remain largely unaddressed. The integration of the EU energy market is far away. The EU struggles to act collectively on the international scene. And renewed national interventions have increased the risk of diverging and conflicting responses and prove the reluctance of the member states to govern together the energy challenges and to trust each other. The adequate EU governance to deal with the lack of coordination and cooperation between EU member states and stakeholders is missing. The EU cannot directly set the direction of research and development, investments, infrastructures, diversification or taxation policies that will allow it to achieve its competitiveness, sustainability and/or security of supply objectives. There is no guarantee that the present approach will be sufficient to bring about the economic, industrial, and societal changes necessary for the EU transition to a low-carbon economy by 2030-2050.

The EU energy policy is now half way between national policies mainly driven by national considerations and a common energy policy based on integrated energy markets. The European energy policy has brought a real convergence of the 28 national energy systems, models and regulatory framework that is unique on the international scene and irreversible at European level. This is this side of the coin that needs to be emphasized. Past successes and current strengths of European energy policy illustrate that there are a lot of things

that can be done in a concrete and pragmatic way when collective vision, well-identified objectives, leadership and political will, binding rules and the right regulatory, infrastructures and financial instruments are aligned. As such, all the positive changes that occurred, as strengths of EU energy policy, should be reinforced as the engine of the next steps to be taken. There is no question to ignore them and to go back to the old days.

Finding 1. The enlargement of the European Union has been (and remains) a tremendous challenge

Finding 2. Wholesale markets are working

Finding 3. A welcome mobilisation of all players

Finding 4. New model of governance such as co-regulation

Finding 5. Regional cooperation has emerged but remains *ad hoc* and voluntary

Finding 6. Progressive integration of networks is visible but can be accelerated

Finding 7. Security of electricity supply is not framed at European level

Finding 8. Security of gas supply is framed at European level but can be improved

Finding 9. Retail markets are not working satisfactorily

Finding 10. No effective demand response management

Finding 11. Electricity Market design requires corrections

Finding 12. Several national champions are becoming European and international players

Finding 13. National interventions remain too obstructive

- Finding 14.** Lack of compliance is too frequent
- Finding 15.** Lack of transparency, accuracy, and monitoring of national data
- Finding 16.** Greenhouse gas emissions reduction as expected
- Finding 17.** Renewable Energy Sources deployment more successful than anticipated but also more complex
- Finding 18.** Energy efficiency is now taken seriously but remains an underdeveloped objective
- Finding 19.** Significant EU economic and financial instruments are geared towards the implementation of the 2020 strategy
- Finding 20.** EU international ambitions in climate change are revised downwards
- Finding 21.** The competition on low carbon innovation might be won by others
- Finding 22.** Energy taxation remains fully national and is not used to meet the agreed EU objectives
- Finding 23.** Diversification of external supply sources, routes and counterparts is under way but not with sufficient determination
- Finding 24.** The external dimension of EU internal market is being progressively developed
- Finding 25.** The integration of the neighbourhood in the EU market is progressing slowly
- Finding 26.** The relationships between the EU and Russia are in need of repair
- Finding 27.** The integration of energy in the general EU external policy is necessary to have an impact

Finding 28. Fragmentation of the system

Finding 29. The risk of muddling through

Finding 30. An historic European convergence of national energy profiles and systems

2. The needed technical approach: ten immediate actions for the European energy policy and its stakeholders

The long-term project to be carried out by the Energy Union will only be possible if the European energy policy is revised and finalised in the short-term. If properly addressed, the European energy policy is a powerful instrument that can bring a wide range of pragmatic and efficient answers to the identified shortcomings. There are three key objectives that a comprehensive European energy policy should achieve in priority. The first one is to achieve the European internal energy market of electricity and gas, which has come to a point of no return. An integrated, competitive, liquid and resilient EU energy internal market, based on the adequate regulatory framework and interconnected infrastructures remains the key tool at EU's disposal for achieving all its essential energy objectives at the same time.

The second one is to collect the benefits of the external dimension of the European internal energy market. An EU approach in certain key areas is now necessary to allow that bilateral deals by individual member states and companies with suppliers and transit countries benefit the entire EU market, but also that no third country/company can threaten key EU energy assets and infrastructures or engage in targeted reductions of energy supplies. The third one is to assert the governance of the European energy policy, based on a strong, coherent, and modern European energy regulatory space governed by common institutions enhancing coordination and cooperation between all actors and policy fields within a consistent framework.

And there are ten meaningful actions, together with concrete remedies, policy instruments and institutional frameworks that should be implemented in the short term in the new EU institutional cycle. Some of the actions proposed are new. Others are a *post hoc* rationalization of the existing system and current

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shortcomings. All these actions should bring the EU at a higher level of integration in the field of energy.

Action 1. A credible and stable EU regulatory framework for the full integration of the European internal energy market

Action 2. A European framework for security of gas and electricity supply

Action 3. Increased empowerment of key European stakeholders

Action 4. Enhanced cooperation between member states at regional level

Action 5. Ensuring compliance of intergovernmental agreements with the EU internal energy market

Action 6. Moving towards a pan-European energy market with the EU and its Southern and Eastern neighbours

Action 7. Stronger leadership and authority of the European Commission

Action 8. Improved transparency, monitoring, and consolidation for a better regulation

Action 9. Further integration of energy into wider EU policies

Action 10. Lessons from past success: learning from key elements at the roots of EU's strengths in the field of energy

3. Boosting the European project: the Energy Union

The Energy Union is the catalyst for the necessary energy transition in Europe, and must be used to overcome the fragmented, short-termist and isolated approach that is dangerously looming over Europe at this time. Concretely, the Energy Union is capable to offer a forward-looking European project for all, under two conditions. It must be tangible: speeches and declarations with no follow-through will not suffice to answer citizens' concerns and call for a common political project in the field of energy. It must be inclusive and interactive:

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the Energy Union should enable sustainable and inclusive economic development creating profits and social welfare for all. A resilient Energy Union will also engage Europeans in a new strategy aimed at defending shared interests and promoting common values in world energy affairs.

There will be no silver bullet bringing a unique response to this unique challenge and the related EU objectives of competitiveness, sustainable development, security of supply, or energy efficiency. Against this background, the future drivers of the Energy Union for transformative change around the energy transition should be (i) sustainable economic development, (ii) solidarity and inclusion, and (iii) global strategic action and resilience. Concretely, there are ten building blocks as cornerstones of the future Energy Union. These three main areas and ten building blocks for priority actions for the Energy Union over the next 5 years EU institutional cycle will lead to decisive changes, paving the way to greater integration, competition, cooperation, and solidarity in the energy field, both within and outside the EU.

Building block 1. A new economic growth model – A shift from the supply side to the demand side

Building block 2. An industrial energy strategy driven by innovation

Building block 3. Invest in education on the challenges and behaviours around the energy transition

Building block 4. A social energy policy

Building block 5. Innovative governance leading to the State of the Energy Union

Building block 6. Unity in diversity – European optimisation of resources and infrastructures

Building block 7. An energy trade policy for the defence and promotion of the EU's sustainable economic interests outside the EU

Building block 8. European public-private partnerships for low carbon energy cooperation and development

Building block 9. A European Energy Diplomacy – A single message with multiple voices

Building block 10. A European Energy and Climate Information Agency: a common platform for common analysis, understanding, and forward-thinking

Conclusion

None of these practical actions, ranging from the reform of the European energy policy to the development of the Energy Union, requires institutional changes or modifications to existing treaties. The European heads of state and government, who agreed in 2007 to deal with energy issues directly in the European Council, will need to demonstrate the open-mindedness and boldness that are essential for the development of this new collective vision of the energy transition in Europe and across the globe.

The next European institutional cycle will have to enable the adoption and implementation of the binding instruments reflecting the new realities and needs of the energy policy of the EU and its member states, paving the way for an increasingly necessary European energy policy and, at the same time, by devising what should be the common vision and collective approach towards the meaning, scope, and instruments to be developed under the value-added concept of an Energy Union.

The Energy Union and the European energy policy have a common goal: to promote the integration of energy markets for the benefit of citizens in Europe and beyond. Freedom from energy insecurity reduces the risks of conflict. Peace is what Europe is about. Humanity is at a crossroads. It is critical to start now the Energy Union for the long-term.