

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

Extract from:

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FOREWORD

by Jacques Delors

Breaking away from short-termism and inward-looking attitudes

The energy sector is no exception to the current weakness of the European political system, and also of national systems, marked by pervasive short-termism and an increasing tendency for European countries and citizens to look inwards. The immediacy of politics and financial profit outweigh all other factors. Countries are isolating themselves due to the structural issues affecting Europe, which run much deeper than European institutional challenges. The European people are afraid of globalisation and of the future. Under pressure from political events and economic and social uncertainty, they are losing the feeling of having a common heritage – of living and of knowing how to live together.

In our globalised and increasingly interdependent world, which upsets the economic, political, social and environmental balances, it is the importance and role of Europe that are dwindling inexorably. Does Europe still have a say and does it want to say?

We must now find a new impetus, and reconsider how we live and govern together. This European drive must overcome differences and find strength in a common vision and new projects involving all Europeans to plot a course for the future. The energy transition is an integral part of this movement.

The European Union currently implements common policies in key fields such as trade, agriculture and transportation, to name but a few. The EU has also created an economic and monetary union, a banking union regulated by the European Central Bank, and an area of free movement that is unique in the world. Why then, could energy not be promoted to this level, and take its logical

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and necessary place in the European project, in line with what European citizens have been demanding for several years now?

The Energy Union: a long-term European energy transition project

The European Council and the European Commission recently called for an Energy Union, of which the content has not yet been defined. Better still, its creation is at the forefront of the organisation and priorities of the new European Commission.

In order to assist the stakeholders involved in the difficult and complex task of launching this Energy Union, the Jacques Delors Institute has written an in-depth report describing the current energy policy, its strengths and its weaknesses. This report lists the key European projects and resources that should be developed to achieve a real Energy Union based on the fundamental European values and principles of integration, cooperation and solidarity.

The current unexpected drop in oil prices, which is sure to have a positive overall effect on the European economy, should not divert attention from the fact that oil prices have fluctuated between USD 25 and 150 in recent years. Assuming with certainty that oil prices will remain highly volatile in the years to come and that the earth's temperature will continue to rise, the content proposed by the Energy Union is neither unrealistic nor impracticable.

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.

A European model for sustainable economic development

The Energy Union is based on a sustainable economic development model. The focus of the European energy system must shift from the supply side to the demand side, and from a rampant production model to a model aimed at reducing consumption, and therefore demand. Tackling waste by producing, transporting and consuming energy in a sensible way is the cornerstone of the transition and is known as energy efficiency.

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Making this a priority in Europe involves placing energy efficiency on an equal footing with other energy resources, and to deal with them together as part of a single energy transition. To make this happen, a decisive step must be taken towards the transition, guided by a stable and credible carbon price. The optimum instrument, in particular against the backdrop of a downward trend in oil prices, remains EU-wide carbon taxation. At the same time, subsidies for fossil fuels must be phased out as soon as possible.

The Energy Union creates wealth and well-being for all Europeans. A new industrial strategy must be developed based on innovation and the implementation of digital and information technologies in the energy sector. If the EU wishes to become the global leader in low-carbon technologies, it must launch this revolution from a European valley for energy transition innovation, instead of it coming from Silicon Valley, as it does today.

Research, widely fragmented in both the public and private sectors, must be federated in rational terms and integrate the various stakeholders along the green technology development chain. Public and private investments must focus on high added-value innovation that creates jobs, rather than on the deployment of mature technologies on the market.

European solidarity: a project for all

The Energy Union is inclusive and promotes solidarity where necessary, such as ensuring an energy supply for all at a universally affordable price. Europe's new drive must now come from the younger generations who live Europe on a daily basis, and who feel European when they travel beyond the physical, political and cultural boundaries of the European Union. Offering them a better education and training in the challenges and opportunities provided by this new European energy transition model is a task that the European Union is capable of performing, as it has already shown through the Erasmus programmes, because they are legitimately concerned about the future of our planet earth.

The energy transition will also affect jobs in the energy sector, both by creating new jobs and by phasing out others. A European social dialogue in the energy sector will be necessary to support this far-reaching change.

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Energy poverty is also a growing phenomenon that must be addressed by Europe as part of a genuine social policy in the field of energy. Energy solidarity is not incidental to the market. It must permeate it at all levels. Energy poverty, which goes beyond energy prices, calls for a comprehensive approach that offers affordable and stable access to energy resources and is based on the new opportunities provided by the energy transition as a whole. In the name of solidarity, the European Union must also assist the African, Asian and many other populations who do not even have access to energy.

European energy diplomacy

The Energy Union avoids a nationalistic approach that aims to maintain costly and unrealistic energy independence in an interdependent world. European energy diplomacy strives to share and defend our energy transition project across the globe. It must naturally defend European interests in European trade policies. These policies must together ensure the diversification of suppliers and the access to energy resources located outside the borders of the EU rather than maintaining the current individualisation of risks facing each member state acting separately.

Interdependence and reciprocity in market access and the opening up to foreign investments must be two mainstays in such a strategy. European energy diplomacy must also proudly acclaim our vision and interests with regard to the energy transition. Whether on a bilateral or multilateral level, the key idea is not speaking with one voice, but conveying a clear and unequivocal European message, regardless of the spokesperson.

The Energy Union requires a shared understanding of national, European and international energy challenges, based on a collective and comprehensive analysis of the constantly changing political, economic, societal and market dynamics. A European Energy and Climate Information Agency is an essential tool so that the European Union can build its energy future on sound foundations.

Dynamic and inclusive European governance

The Energy Union is a return to simplicity. The community method must be placed back at the heart of the interplay between the European institutions,

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and must inspire the essential new governance of players in the energy sector. The energy transition will only be successful if it is based on all stakeholders working together. In addition to the players already well established in the European system, citizens and consumers, cities and rural areas, networks, regions, innovators, multipliers, new coalitions and civil society as a whole must be involved in the future European governance of the Energy Union in a modern and intelligent manner. A virtual energy forum bringing together all players and simplifying the current consultation methods would make the Energy Union accessible to all and ensure its acceptance by all.

These are the main advantages of an Energy Union comprised of the 28 member states. The critical mass of the European Union, its internal market and its 500 million citizens/consumers are a key asset and the benefits of this must be optimised. We must use to our advantage the increasing interdependence in the energy sector and strengthen complementary links between national energy systems and resources.

Successful governance is based above all on the integration of the internal market through cross-border infrastructure, but also on the application of communication and network interaction tools that will quickly overhaul the entire energy system.

However, the current internal energy market is not moving in this direction, and under no circumstances gives scope for such an improvement in quality. This is why the priority for the European Union in the very short term will be to revise the European energy policy currently in force. This is the necessary step without which the Energy Union project cannot be launched on sound, shared and long-term foundations.

An absolute precondition: the revision of the European energy policy in the very short term

The new European framework for the 2030 energy and climate package is marked by low levels of European drive, particularly as regards the promotion of renewable energy and energy efficiency. What is even more worrying is that the European Union has not resolved the contradiction between the continuing sovereign approach of member states and the clear European and global

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dimensions of the problems identified, leaving more scope for action to member states who wish to retain control over their energy mix while favouring their national champions.

If it is not offset by reinforced European governance, this step backwards may dangerously throw energy policy back into national arenas, undoing what was bravely put on the European agenda in 2007.

Despite the many achievements and successes observed in recent years, the European energy policy suffers from a design flaw and structural inadequacies that we had already highlighted in 2010. The crises and shortcomings that have occurred since then have demonstrated the relevance of the European Energy Community proposal that I put forward with Jerzy Buzek and which was developed by the Jacques Delors Institute. What is essential and which has not been done must be done to stop the current headlong.

Ten proposals of tangible actions to advance energy policy in three key areas

First of all, the internal energy market must be finalised as an instrument for the optimisation of energy resources by all stakeholders, including consumers.

The first requirement is the implementation in all member states of all the rules in the third package and the network codes that are currently being finalised. The creation of the infrastructure required for the market's physical integration and the removal of energy islands must be stepped up. The retail market must operate within a European framework.

The security of gas and electricity supply must be governed by clear European standards and cross-border preventive actions must be conducted in consultation with the various stakeholders. This implies further increasing the involvement of all stakeholders and strengthened and more operational regional cooperation to foster solidarity and offer more effective and less costly solutions for all.

Next, the external dimension must be addressed to give the European Union its rightful role in the international arena, and in particular with regards to

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neighbouring third countries. Intergovernmental agreements between member states and third countries must fully comply with the internal market and may be concluded by the European Union to leverage its collective bargaining power.

Relations with immediate neighbours must be strengthened with a view to creating a pan-European area already outlined by the European Energy Community, without forgetting the Mediterranean countries. Energy relations with Norway and Switzerland must be embodied in more extensive partnerships than that of ETFA or the EEA. Similarly, relations with Russia and Turkey must be taken to a strategic level that reflects the interdependence of our respective economies rather than counting on short-term actions lacking an overall vision.

Lastly, European governance must be strengthened in the field of energy and the regional dimension must be seen as an essential intermediary step to a broader geographical integration.

The European Commission, due to its unique status among the institutions, must play its full original and unique role as the driving force behind ambitious and justified initiatives, a facilitator of dialogue and the guardian of the Treaties. This implies an improved level of transparency, monitoring and regulation and high-quality communication on the existing situation, its problems and the solutions to put them right.

Lastly, the European energy policy must not be developed with a silo mentality. It must integrate the environmental policy which is closely linked in its objectives and in its means. It must also be interconnected with all other relevant policies, in a coherent and proactive manner, including policies of industry, trade, transportation, agriculture, development cooperation and external policy.

A pragmatic approach made up of practical, strong and unifying actions based on coherent objectives.

Although they create a new European sovereignty, none of these practical actions, ranging from the reform of European energy policy to the development

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of the Energy Union, require 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. We welcome the priority granted to the Energy Union by the European institutions. It must be followed by practical, strong and unifying actions that must now be put forward by the European Commission and debated, adopted and implemented by all stakeholders. It is time to regain the enthusiasm for an idea that remains an utopia, but that can be achieved. We have no time to lose.

In support of this declaration, and for a more in-depth presentation of the grounds and proposals for the European Union's energy future, Sami Andoura and Jean-Arnold Vinois have written the new Jacques Delors Institute report, enclosed herewith.

Jacques Delors
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