

# Bridge Forum Dialogue “Energy Union: time for Europe to deliver”

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8 June 2015

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The Bridge Forum Dialogue a.s.b.l. organised this conference under the chairmanship of Vítor Manuel da Silva Caldeira, ECA President. Maroš Šefčovič, Vice-President of the European Commission responsible for EU Energy policy, was the keynote speaker.



Vice President Maroš Šefčovič and Vítor Manuel da Silva Caldeira, ECA President

## President Caldeira's introduction

President Caldeira welcomed and introduced Vice President Šefčovič who has been assigned by Commission President Jean-Claude Juncker with the ambitious task “to bring about a resilient Energy Union with a forward looking climate change policy” by the end of 2019.

Energy security had been the topic of the ECA's recent conference on EU Energy Security in Brussels (see ECA Journal, May 2015 where Vice President Šefčovič was the keynote speaker. The EU's objective in creating a single energy market is not only to promote energy security but also to achieve efficiency gains, competitive prices and higher levels of service, President Caldeira said.

He resumed the EU's priorities in the energy sector: security of energy supply, effective energy infrastructure, legislation, market structures and regulation.

The Commission's first proposal on the internal energy market was made in 1992. Since then three legislative packages on market liberalisation

have been enacted but there is not yet a single market in energy. Furthermore, developing the internal market has revealed a need for an EU level governance system. European regulators have a role in the oversight of the energy market, facilitating cross border cooperation as necessary, and also a role in consumer protection. In this context the Commission's proposal to review the powers of the Agency for the cooperation of energy regulators (ACER) should also be seen.

## The campaign of Vice-President Maroš Šefčovič

The energy transition towards low carbon comprises power generation, distribution and consumption, and can only be achieved with public support from stakeholders and citizens. A new approach is needed and barriers have to be taken down. How can European high-tech be put at the service of the European citizens? How to channel better the support of € 6 billion of Horizon 2020 funding in the field of energy?

The political momentum for energy security came when the energy crisis hit in 2009. Today no politician is disputing that the climate change is happening. However, Europeans simply pay too much for energy and heating compared to consumers in the US and elsewhere. Today 10% of European consumers cannot pay their bills. Europe needs to make sure that energy prices will become competitive.

During the crisis, Europe also went through a period of under-investment and today it is still investing 20% less than before the crisis. Europe needs to address this issue as well. The crisis in Eastern Ukraine triggered the reflection over a change and an Energy Union strategy which is being promoted by Jean-Claude Juncker. The energy transition strategy presented in February of this year got clear endorsement by the Heads of State and Governments in the European Council, but now the new phase of legislative proposals requires the mobilisation of public opinion.

### The next phase

It is time for delivery. The Vice-President informed the conference that the Commission will present this summer a first package of legislative proposals on how to change the electricity market design and how to trade electricity. The Commission also intends to propose another communication for consumers, to show how consumers can select their providers, how they can make their houses more energy efficient, how they can use smart technologies, or how they can become producers themselves.

This summer, the Commission will present a reform of the emissions trading system. It shall ensure a fair carbon price and eliminate the existing anomalies on the European market. The Commission also intends to produce pieces of legislation to ensure that security of supply is guaranteed and improve the transparency of commercial contracts. And it will present its strategy on liquefied natural gas (LNG) because Europe needs to find alternatives and additional supplies, and plans to complement the gas supply with LNG.

### Case of Luxembourg

Vice-President Maroš Šefčovič said that he has combined the energy Council meeting with an energy tour in Luxembourg and a meeting with Prime Minister Bettel with whom he has had a good discussion about how Luxembourg sees itself in the Energy Union.

Luxembourg would benefit from better energy connections, be it gas or electricity, although it is a kind of pioneer in the internal energy market because the country is part of the first truly common gas market with Belgium and part of a very well-functioning regional cooperation with Germany.

However, because of its size and geographical location, the question is will Luxembourg be capable of achieving the renewables targets, or will

it be able to handle the very high emissions from transport?

### Achieving Governance

In the energy sector, the legal basis is different than in other areas. The Lisbon treaty has a new article on shared competence in the field of energy. The Commission wants to work with the Member States in a way of solid cooperation and trust and has presented an analysis by country which is a draft proposal in the optics of the Energy Union.

In the autumn, the Commission intends to present the first state of the Energy Union and suggest how the future national energy and climate plans should look like. All Member States are called to present next year in May their national energy and climate plans. Vice-President Maroš Šefčovič also announced an energy debate in late autumn before the December European Council.



### Some points from the public debate

Asked about the results of the G7 meeting in the field of energy, Vice-President Maroš Šefčovič referred to the situation in Ukraine. While there is no clear progress in the peace process in Eastern Ukraine, the EU cannot but see a continuation of the sanctions on the Russian Federation. This has an impact on the energy sector as well because a solid framework is needed to make sure that the flow of gas through the Ukraine will not be interrupted. Discussions are not easy but all efforts concentrate on closing the deal for next winter before the end of June.

Another important issue was the very strong endorsement of several leaders, including the President of the European Commission, on the price conference, COP 21. The Europeans are clearly the leaders on this topic in Paris. It is about creating a new business culture in the world, where environment is respected, new technologies applied, investment dumping prevented. Europe wants others to join its efforts.

An important date for trade emissions will be the G 20 in autumn where a strong call from European leaders can help to achieve the results. In the meantime Europe welcomes the G7 declaration of Japan which stays open to adopting carbon emissions target.

Vice-President Maroš Šefčovič has no doubt that there is the need for Caspian gas in Europe for 2020. From the Nabucco pipeline situation, Europe tries to take the lessons of the interaction between business and politics. However, as much as Europe needs Russian energy, the Russian government needs revenues from energy exports.

Vice-President Maroš Šefčovič also referred to the concerns in Central and Eastern Europe on energy security. There is there a very strong support for common purchase of gas but a lot of hesitation in Western European countries concerning the legality of such a measure.

About the question of transparency in energy contracts, the Commission is examining how to improve the transparency of commercial deals through aggregation of information so that the dominant supplier no longer can impose conditions. To tackle the overdependence on the dominant supplier, it is important to diversify sources, improve the interconnections, help each other in difficult situations and have contingency plans.

The Commission is also working on the revision of the decisions of the European Parliament and Council on intergovernmental agreements, again to avoid the South Stream experience where the intergovernmental agreements were signed and later found to be in breach of the European treaty.

On energy mix, Vice-President Maroš Šefčovič points out that the national sovereignty has to be respected but that the EU needs to make sure that the highest safety and environmental standards are kept. Nationalist thinking goes against the logic of the European Union and against the logic of regional and European cooperation.

Vice-President Maroš Šefčovič called for an assessment of how much can be saved through energy efficiency over the generations. Energy taxation is a hot potato in political terms which

is why the Commission prefers a reform of ECTS, a market-based mechanism. And, of course, the Commission would like to have the ECTS system on a global scale.

### **Conclusion**

ECA President Vítor Caldeira thanked Vice-President Šefčovič for his commitment and the clearly new impetus in the Commission for developing a single energy market. The creation of an effective internal market will help address Europe’s energy security concerns. But to achieve it, there needs to be political agreement and careful targeting of the available investment through long-term policies.



Vice President Maroš Šefčovič and Vítor Manuel da Silva Caldeira, ECA President