



Monday 8 June 2015 at 6:00 p.m.

Conference

"Energy Union: time for Europe to deliver"

by

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at the

European Parliament, Schuman Building, 1st floor, Hemicycle

Place de l'Europe, L-2929 Luxembourg, Kirchberg

President Caldeira, ambassadors, excellencies, distinguished guests, thank you inviting me here tonight to speak at this prominent inter-disciplinary conference series.

The EU needs exactly this kind of 'bridges', like this one. Bridges to better connect with EU citizens, business and civil society, allowing them to understand and take part in the decision-making process.

This is one of the main objectives of the Energy Union Tour which I recently started – conveying in person what the Energy Union is all about and why it matters so much. That is why I came to Luxembourg and here tonight. I therefore appreciate this opportunity and your help, as opinion-makers, in spreading the message.

I believe everyone in this room is by now familiar with the concept of the Energy Union: We would like to bring Europeans energy which is secure, competitive, and sustainable. This will be achieved by building an internal energy market, built on solidarity and trust, on free flows of energy, on putting energy efficiency first, on decarbonising our economy, and on staying ahead of the curve by investing in research and innovation.

That is the vision. And it's the result of great teamwork - my fellow Commissioners, with input from the European Parliament, Member States and many of you in the room here tonight. The need to act now is clear. The current situation is non-sustainable in every sense of this term:

- the geopolitical situation on our eastern borders has sent an alarming reminder that our energy security is unsafe as long as we don't diversify our energy sources and supply routes.
- climate change is manifesting its devastating and irreversible effects, obliging us to act now, collectively;
- No less than 10% of Europeans suffer from "energy poverty", meaning they cannot properly heat their houses in winter;

- We are losing precious energy resources we cannot afford due to inefficient usage. 75% of Europe's housing stock, for example, is energy inefficient!
- Investment levels have not picked up, compared to pre-crisis time. This slows down technological progress and our efforts to make Europe a global leader in renewables.

We are enjoying an unprecedented support to bring about this change. This has been manifested by:

- President Juncker who made this a top priority of his Commission;
- The European Council in its October 2014, March 2015 conclusions;
- Most groups of the European Parliament who expressed their support;
- Stakeholders and civil society organisations who have been publically endorsing the Strategy.

Last week, during a citizen dialogue in Riga, I was asked by a student what was different this time. Andris Piebalgs, who happened to be in the room, took the floor and said that when he was Energy Commissioner (until 2009) there were various energy policies, yet this is the first Commission to present a comprehensive inter-disciplinary energy strategy.

Indeed, our strategy ranges from transport to research, from smart cities to smart financing, from digital technologies to climate action, etc. Forget the silo mentality, it belongs to the past. This Commission came with a promise to be 'big on big things'.

But it's not only about connecting the dots. For example, the Energy Union strategy brings energy security at a much higher level:

- we should propose more transparency of contracts and intergovernmental agreements so that we know they comply with EU legislation before they are signed and sealed.
- We will amend the Security of Gas Supply Regulation so that we have a common plan in place for an emergency. And we will propose an EU wide strategy for LNG and storage to improve flow.

We cannot go on with the uncertainty of constant energy supply throughout winter, every year.

In February, we presented a Communication on how to reach the 10% electricity interconnection among Member States.

Other than interconnected infrastructure, the Energy Union will not be a reality unless we build a true internal market in which the EU legislation is fully applied. The Commission will continue to make sure EU law is correctly applied and enforced, and will use infringement procedures more vigorously to make this happen.

As part of our communication on the new electricity market design, we are also looking into ways to reinforce ACER, and the integration of renewables, including consumer-generated renewables, into the electric grids. Consumers are in fact at the heart of the new market design, as they will play a much more active role.

The 'Energy First' principle will be applied; ensuring energy efficiency indeed comes first – before exploration of new energy sources; allowing it and demand response to compete on equal terms with generation capacity. How?

- by updating the energy efficiency labelling, by a heating and cooling strategy, and by a Circular Economy package.
- I know investors see great potential in renovating inefficient housing. We, on our side, will make sure access to finances will be made easier through the "Smart financing for smart buildings" scheme.

I cannot predict what will be the outcome of the COP21 conference in Paris in December. What I *can* tell you is that Europe will do *everything* to make it a success. This includes proactive climate diplomacy to ensure all governments share the responsibility. It also means setting example and respecting the EU's objectives, set last year by the European Council.

- The Emission Trade System is exemplary in its way of sharing the burden of decarbonisation. However, as we all know, the current allowance price is so low that it makes ETS ineffective. The Market Stability Reserve will reduce the supply of allowance and let the market set a higher price to them. This will make technological investments worthwhile again!

This brings me to our commitment to invest in developing new technologies. Our commitment to be global leaders in renewables will require us to make significant investments.

The return on this investment, however, will be tremendous! I honestly believe that renewable energy will be the Al-Dorado of the 21st century.

In this respect, the European Fund for Strategic Investment (EFSI), which we like calling the Juncker Funds, will play a pivotal role. They will make capital accessible again and give the renewable and efficiency industries the push they need.

Back to the 'here and now'; as I mentioned I launched the Energy Union Tour because such a major transition cannot and should not be imposed from Brussels. It involves stakeholders across all levels, local, national, regional, and European.

The fact that we managed to break the silos within the Commission, and work across policy sectors, was already a major step in this direction. But now we must make sure we also win the minds of hearts across Europe.

In every country I visit, I meet with the government and discuss the implications and benefits of the Energy Union on the national market. So far, I have done so in: The Netherlands, Czech Republic, and Latvia. In each of them there was great interest and willingness to engage.

My meeting with Prime Minister Bettel today followed the same line. I presented to him our findings on the Luxembourgish energy market and where we see the potential for change in the framework of the Energy Union:

- A completed **IEM** will support Luxembourg's efforts for regional cooperation on gas markets and further improve the well interconnected electricity system, in particular with market integration of renewable energy from Germany.
- **Three PCIs** have been identified to increase the electricity capacity at the Belgian/Luxembourg border and gas capacity at the existing interconnections with France and Belgium.
- **Decarbonisation:** Given the limited national capabilities in terms of renewables and the geographical constraints, the Energy Union's objective to step up regional cooperation could help Luxembourg to achieve the 2020 renewable energy target.
- **Energy Efficiency:** The Energy Union will strengthen the targeted use of financial instruments for increased investments that Luxembourg could use in particular for the buildings sector, where an increased effort in terms of renovation of old buildings is required, as well as for the transport sector in order to reduce emissions towards 2020.
- **R&I:** The Energy Union's new strategy for Research and Innovation (including an upgrade of the Strategic Energy Technology Plan) can support Luxembourg's progress on low-carbon technology development.

In the coming months I will continue this kind of exercise across Europe, each time checking our own analysis against the one of national governments, and when possible involving civil society and think tanks. By autumn, we will have a very solid picture of the gaps at European and regional level. This will focus our next steps at the most concrete and urgent obstacles.

As part of the new **governance** mechanism that we are currently developing, the Commission will present every autumn, starting this year, the State of the Energy Union. I will then present our analysis at European level, as well as the detailed analysis we will have conducted on each Member State (the so-called 'country-fiches').

The Energy Union – of course – does not stop at EU's borders. Let me just give one example.

Although we are aiming at diversification, the security of supply of Russian gas is still critical for many EU countries, at least in the short term. As such, it is a European interest to ensure the Minsk Agreement is respected and that gas flows undisputedly into Ukraine and continues to the European Union.

As you know, I have been moderating the trilateral talks between the EU, Russia, and Ukraine and I am very proud of our mutual achievement that there were no disruptions this past winter. The political situation is not making it any easier, especially given the escalation of violence last week but the talks will continue as long as needed.



As you can see, our hands are full, and a lot is in the pipeline. It definitely won't be easy.

Yet, the Energy Union is a mountain worth climbing. Trust me the view will be spectacular from the summit. Why? Because this is a combination of very worthy political cause, combined with a strong business case. That is why I have been calling it a triple-win strategy; we are saving our planet, creating jobs and empowering our citizens.

Ladies and gentlemen, we are in the midst of a paradigm change for everything energy-related, and I am very proud to be part of the Commission which brings it about.

Thank you very much!