

# New Power

## Will the European Energy Union be the tool that transforms the sector?

The introduction of a European Energy Union in late 2014 by incoming Commissioner Maroš Šefčovič grabbed the headlines for much of 2015, heralding a positive step change in the functioning of the energy sector. However, the actual substance of the policy, and its implementation, remains to be seen, say Antony Froggatt and Amelia Hadfeld

Long on ambition, the European Energy Union (EEU) package – titled *A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy* – is still short on details, particularly in the area of delivery mechanisms and a clear governance structure. Absent a strategy for these two areas, the EEU is destined to remain ineffective at best, and at worse, could publicly exacerbate existing internal decision-making tensions, while inviting external challenges. The EU has teetered from crisis to crisis in 2015; consolidating the nuts and bolts of the EEU is therefore key to ensuring that energy policy is an area of strength rather than weakness.

Historically divisive, contemporary energy policy remains an unsettled area of EU integration. Broad structures and wide-reaching legislation have been in existence for a decade or more, yet much remains incomplete, from the ‘software’ of legislation to the

‘hardware’ of cross-border grids and regional infrastructure.

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Completing the European energy market has been a protracted business, frequently blown off course by the domestic political dynamics of the member states and the institutional complexity of forging an EU-level policy, as well as regular external geopolitical tensions. For all these reasons, the stakes remain high, and the timing propitious. As proposed in both the 2030 climate and energy package and the EEU,

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the overarching requirement is for a solid strategy of European energy governance that can gather together the various moving parts of this multi-actor, multi-level policy area, define the future direction of the sector, and allow the EU to emerge as an intentional, rather than accidental, energy actor.

The European Commission initially proposed this structure of governance, crafting it in such a way as to cover a wide range of existing EU energy objectives including: closing energy price differentials between EU and major trading partners; diversifying energy imports and increasing the share of indigenous energy sources; deploying smart grids and interconnections; intra-EU coupling of energy markets and the liberalisation agenda; ensuring competition and market concentration; and accelerating technological innovation.

### **A unified process?**

This first draft was seen as a mechanism by which to streamline the current reporting and policy adjustment systems, producing a single unified and iterative process, in which the proposals of member states were reviewed by the Commission to ensure that they met the EU's strategic objectives.

However, the balancing act between the EU and member states is never easy, and subsequent drafts of the plan shifted some of these objectives. The language defining the 2030 renewable energy target (binding on the EU but not on member states) has, for example, further exacerbated tensions between member states and the EU as a whole, and will be an important test case for the process of European energy governance.

While the challenges of integrating key components of the EU's energy sector remain considerable, the real test may be an external one: namely, summoning the political will to define the necessary collective (if not always common) action on European energy security, particularly regarding Russia. East-west tensions have veered from dangerous to dismal since 2014 in geopolitical terms, and now threaten to produce serious consequences for long-term buyer-supplier relations across the continent. As has been widely publicised, tensions have risen over the proposed Nord Stream 2 pipeline that would run (like Nord Stream 1) from Russia, through the Baltic Sea to Germany.

The project is owned jointly by Gazprom (50%) with remaining 10% shares for E.On (Germany), Wintershall (Germany), OMV (Austria), Shell (Netherlands) and Engie (France). The project is bound to be controversial, as the pipeline circumvents key transit states, including Ukraine and key central European member states of the EU. Apart from the obvious blow to the oft-repeated demand for "solidarity in energy matters" stated clearly in the 2009 Lisbon Treaty, and the 2014 European Energy Security Strategy, the project as a whole is regarded as economically damaging for the central European region, while potentially reducing the overall geopolitical importance of Ukraine to the EU. The Czech Republic, Estonia, Hungary, Greece, Latvia, Lithuania, Poland, Romania and Slovakia in response signed a joint letter in late 2015 calling on the European Commission to oppose plans for the pipeline, arguing that it runs counter to the EU's own energy diversification and security policies.

### **Greater clarity is imperative**

The challenge for a governance framework to consolidate internal factors while striking a judicious cross-sector balance with external actors is considerable. Greater clarity is therefore imperative. In an attempt to add further detail to the overall package, Commissioner Šefčovič presented his State of the Union Communication in November 2015, which included an annex on guidance for member states regarding the elements and timetable for the development of national, and ultimately pan-European national climate and energy plans.

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The annex gives important details for the forthcoming process and also highlights the dualism at the heart of the debate, when it states: "While member states have the right to develop policies suitable to national circumstances, national plans should set out the direction of national energy and climate objectives and policies in a way that is coherent with delivering on the commonly agreed objectives of the Energy Union, in particular the 2030 targets."

In addition, the annex notes that the plans should not only cover the period from 2021 to 2030, but

include "a perspective until 2050 in order to ensure consistency with long-term policy objectives on the EU and national level". This has particular relevance for the 2050 decarbonisation objective to continue reducing emissions so that by 2050 they are 80-95% below 1990 levels.

On 26 November, the Transport, Telecommunications and Energy Council also discussed the energy governance proposal and suggested that the first of the member states' National Plans would only be finalised by the end of 2019, rather than 2018, as suggested by the Commission. The Council also stated that the emer-

gent European energy governance system would likely take account of the different nature of the EU targets for 2030 – binding, EU-binding (but not on member states) or indicative – and planning and reporting obligations will be accompanied by specific legislation related to the 2030 targets. This potentially opens the door for further issues-specific discussions around the implementation and oversight of specific targets and initiatives.

Constructing the Energy Union thus requires clarity on the key definitions of, and strategies for, European energy governance, and an intelligent construction of the moveable components of structure, content, operational methodology and geopolitical terrain of European energy dynamics. While the foreign policy component of the EEU will inevitably be taken up with bilateral EU-Russia gas to ensure stable gas supplies to and via Ukraine, as well as the trilateral EU-Russia-Ukraine energy package, policy goals for 2016 should be concentrated in the main upon the swift implementation of achievable objectives of the first few parts of the Union's five dimensions.

Member states and the EU institutions will undoubtedly need to take joint responsibility for meeting common European targets and objectives. Consequently, they will need to accept that while this may result in a limited reduction in national sovereignty on energy issues in the short term, it is part of the broader process that will ultimately deliver sustainable energy security, sustainability and competitiveness in the long term, if a truly innovative energy sector and true Energy Union is to be achieved.

### Link

[Deconstructing the European Energy Union: Governance and 2030 goals](#)



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**PUBLISHED IN NEW POWER**

**Issue 84**

**FEBRUARY 2016**

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