

Towards a European Energy Community: A Policy Proposal by Jacques Delors

Patrick Clerens
Secretary General



Policy Proposal by Jacques DELORS

Towards a European Energy Community: A Policy Proposal

Study by Sami ANDOURA, Leigh HANCHER and Marc VAN DER WOUDE



- 1. Who is EPPSA**
- 2. Existing EU Energy Policy and Treaties**
- 3. Issues still pending**
- 4. Possible ways of addressing them**
- 5. Consequences**

Who is EPPSA?

EPPSA is the voice, at a European level, of companies both manufacturing components for, and constructing turnkey power plants.

EPPSA believes that increased investment in Research, Development and Demonstration is a key factor in driving EU competitiveness as well as ensuring a power supply for European consumers.

EPPSA actively promotes projects aimed at increasing efficient and environmentally friendly improvements in power generation, particularly zero or near zero emission power generation.

EPPSA Members



Doosan Babcock



Part of Doosan Power Systems



ŠKODA POWER
A Doosan company



This leading technology branch has more than 100.000 employees and an annual turnover of over € 20 billion

Existing EU Energy Policy

Aim:

- Security of Supply and balanced Energy Mix (from 70s on)
- Global warming
- Creation of single market for both gas and electricity (cheap prices)

Security of Supply

Channel
Technological
Innovation
effectively

Environment

Competitiveness

(Sustainable development of energy
production, transport and consumption)

(affordable access to Energy)

Euratom and European Coal and Steel Community (ECSC):

- exclusive supranational powers and central authority
but: ECSC expired 2002 and Euratom only nuclear

Existing EU Treaties:

- Energy Policy measures only derived from general provisions
but: Subsidiarity principle
- Treaty of Lisbon: a.o. Art. 194 energy
but: national sovereignty for natural resources and energy taxation

Achieved Measures: e.g. **Energy**

- Obligation to maintain oil stocks
- Internal electricity and gas market
- New Regulatory Framework to promote internal energy market (Third Energy Package 2009)
- Strategic Energy Technology Plan (SET-Plan)
 - Increase short-term research for cost reduction and η increase
 - Encourage commercial implementation of emerging technologies
 - Long-term support for new generation of low carbon technologies

Achieved Measures: e.g.

Environment

➤ Promotion of electricity from Renewable Energy

Sources (RES) decided in 2001: Aim 12% RES by 2010
(non-binding)

➤ Binding measure of 20% RES in final energy (by 2020)

➤ Binding measures for 20% CO₂ reduction (by 2020)

➤ EU-Emission Trading System (EU-ETS) and Effort

Sharing agreement for non EU-ETS Sector

Issues still pending...

- No fully fledged energy policy since strong focus on internal market
- Market liberalisation is seen as means to get affordable access to energy=>risk of short-term price volatility
- Sustainable access to Energy only seen as environmental matter to fight climate change
 - ⇒ access to energy at reasonable prices not taken into account
 - ⇒ neither need for RES for Security of Supply (indigenous)
- Security of supply almost not touched on EU level yet
- SET-Plan: No meaningful financial incentive (up to now) nor binding obligation

Issues still pending...

- **Not complying to internal market rules by Member States (MS)**
 - 1st and 2nd Energy Package widely not correctly implemented
- **EU Policy tools are incomplete**
 - No authority to define binding network or R&D investments
 - No taxation authority to guide MS energy choices
 - General direction only mentioned in declarations, not hard rules
- **No external dimension to EU energy policy**
 - EU absent on international energy scene
 - Other world players don't believe that market forces will self regulate the resources allocation
 - EU no impact on strategic issues regarding energy imports
 - Easy target for divide-and-rule by energy suppliers
- **Decision making too long and implementation necessary in MS**

...and which policies are needed

➤ Need for common action:

➤ **Objective requirement**

- No MS has resources to face challenges on its own
- Large scale basic research requires international efforts

➤ **Legal requirement**

- Without common action MS will drift apart

➤ **Normative requirement**

- EU-Treaty also solidarity treaty. May not leave MS in the cold

➤ **Political requirement**

- Ability to make EU voice hard on international scene
- Only as a block EU has enough power to negotiate with foreign energy suppliers

...and which policies are needed

- Need for energy specific action
 - Energy not just “any” good
 - Demand inelastic ; supply requires huge investments
 - Operation of networks raises technical, financial and regulatory issues
 - Energy sources and technologies change over time
⇒ need flexible common energy policy
 - Collective response must be efficient
 - Compulsory decisions must be possible
 - Own resources. Not depending on national contribution
 - Democratic legitimacy and stakeholder support necessary

Content of European Energy Policy

- **Well functioning internal energy market**
 - liquid and competitive
- **Integrated and smart network**
 - Supporting internal market, sustainability and security of supply objectives
- **Price stabilisation measures**
 - avoiding conditions socially unacceptable or undermining crucial investment decisions
- **Diversified European energy portfolio**
 - By stimulating R&D and use of RES
- **Europe's own resources**
 - Power to raise levies and allocate them as needed
- **Crisis management capability and strategic reserves**
 - For the benefit of all Europeans
- **External powers**
 - Secure goals in international scene and pre-empt supply deals

Possible way of addressing Policy needs

- 1) Amending Lisbon Treaty**
 - Not to be expected in short-term
- 2) Using enhanced cooperation mechanisms**
 - 1) Art. 20 TEU
- 3) Adopting new energy specific treaty**
 - 1) Establishing European Energy Community
- 4) Ad hoc and/or transitional arrangements**
 - 1) Regional/functional forms of Cooperation arrangements

European Energy Community

- Full responsibility for all aspects of energy policy
- Allowing MS to develop a common energy policy in efficient and democratic manner
- Coherent European regulatory space
- Ability to export European regulatory norms to international partners
- Involving all MS and EU, but with initial participation of MS accepting pros and cons (opt-in)
- Concluded under EU umbrella, but own specific rules

How to create a European Energy Community

Step wise approach to EU Energy Community necessary

Enhanced cooperation to start => Strengthening EU actions via:

- Strengthening cooperation in Energy Networks
- Common Energy fund to finance new technologies
- Establishment of Gas Purchasing Group

Conclusions

- Necessity to speak with one voice on international scene
- Block divide-and-rule
- Step by step approach can work (see Schengen or Euro)
- First calls for Energy Community already published by EU Commission in 2006
- New Commissioner: first to try existing energy article
- Possible concrete steps in next 5 years

Conclusions

This will not be necessary in future
with stable legal EU Framework...



Developing the Future



*THANK YOU
FOR YOUR ATTENTION!*

Avenue Adolphe Lacomblé 59

B – 1030 Brussels

Tel: +32 2 743 2986

Fax: +32 2 743 2990

info@eppsa.eu

www.eppsa.eu

Secretary General: Patrick Clerens

p.clerens@eppsa.eu

Policy Officer: Maria João Duarte

m.duarte@eppsa.eu