

# There are still serious obstacles to overcome before the benefits of an EU Energy Union can be realised

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*EU leaders have agreed on a blueprint for an 'Energy Union' aimed at improving the security and sustainability of Europe's energy supply, as well as the competitiveness of the EU's energy market. **Joseph Dutton** writes on the key features of the proposed Energy Union. He notes that despite a framework being outlined, there is still a lack of detail on how the Energy Union will function, and its success will depend to a large extent on the political will of actors at both the national and European levels.*



Energy has been at the heart of the EU since the creation in 1951 of the European Coal and Steel Community, which aimed at organising free movement and access to coal and steel resources in certain European countries. The subsequent pursuit of a common policy continued with the introduction of ever-more expansive formalised energy governance packages, covering multiple aspects of the energy chain – the most radical and recent being the [Third Energy Package](#) in 2007, which sought to harmonise energy policy across member states, liberalise European energy markets, and remove conflicts of interest between producers, suppliers and transmission system operations through ownership unbundling.

In a continuation of this, in February the European Commission published a framework strategy for the creation of a new package: the [European Energy Union](#). Building on the themes and policies of the Third Energy Package, the strategy set out the Commission's vision on how the Energy Union will deliver 'secure, sustainable, competitive and affordable energy' for all EU citizens.

## What does the Energy Union consist of?

The Energy Union is based on the three parts of an energy trilemma, which are regarded as the long-established aims of EU energy policy: security of supply, sustainability and competitiveness. The framework strategy of February outlined five distinct yet overlapping policy dimensions in-line with the trilemma that the Energy Union will pursue: energy security, solidarity and trust; European energy market integration; energy efficiency and demand moderation; decarbonisation; and research, innovation and competitiveness.

The framework also contained a fifteen point action plan detailing specific aims of the Energy Union across the policy dimensions. While wide-reaching, the action points vary in their scope from broad aims such as the diversification of gas supply, regional electricity market integration and a better performing retail market, to more targeted ones such as renewable electricity generation and energy savings targets.

The Energy Union has been proposed at a time when the EU faces a growing need to ensure 'secure, sustainable, affordable and competitive energy for all citizens', according to the Commission. To address these issues and deliver on the action points the package is specifically targeting increased energy interdependence between member-states, a continent-wide energy system regulated at the EU-level, greater sustainability and low carbon technologies, and increased investor confidence. That said, the EU's energy import dependency and its efforts to tackle climate change are the primary drivers behind the Energy Union.

According to the Commission, 53 per cent of the EU's energy is imported, at an annual cost of €400bn. While clearly a financial issue, import dependency can also present a security of supply risk. In recent years political and territorial disputes along the EU's borders have led to supply disruptions of gas and oil flows, at a time when indigenous output is slowing. While disruptions to gas supply as a result of tensions between Russia and Ukraine are well

documented, instability in North Africa has also affected deliveries to the EU.

In view of potential threats, the Energy Union seeks a stronger role for the EU in global energy markets. This would be coupled with internal moves for greater transparency in gas supply agreements involving EU member states, common supply crisis management plans, and the development of LNG (liquefied natural gas) and gas storage strategies. Furthermore, there would be closer institutional ties between EU energy and foreign policy to maintain relations with strategic countries in Eastern Europe, Central Asia and North Africa, while relations would be deepened with Norway – the EU's second largest oil and gas supplier – and the US, which is set to become a major exporter of oil and gas in the coming years.



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Although further securitisation of fossil fuels is high on the agenda in the Energy Union, in the long term the package would also continue the EU's path to decarbonisation and promotion of renewable energy, with the package having a stated aim of making the EU the world leader in renewables. The decarbonisation of EU economies through an ambitious climate policy is regarded as an integral part of the Energy Union by the Commission, and it has been central to energy policy in recent decades.

Under the Energy Union the energy sector would also be decentralised in ownership and generation, with greater involvement of citizens and local organisations – something already underway in some member states due to the proliferation of renewable energy, particularly smaller-scale wind and solar projects. Increased energy efficiency in transport and buildings, and energy demand moderation would also be key elements of decarbonisation efforts, which would simultaneously serve to reduce the EU's oil and gas imports by lowering overall energy consumption.

At the higher policy level, the Energy Union would also move along the completion of the 2007 Third Energy Package, which has yet to be fully achieved. The Commission had optimistically set a deadline of March 2011 for the transposition its directives and policies, but progress was slow and the Commission previously noted how the process had been a challenge for the vast number of member states. By the end of 2014 all but two had fully transposed Third Energy Package directives, but there remains insufficient progress on some elements of renewable energy development, the internal energy market and harmonisation of industry and market practices.

The internal market remains at the core of the Energy Union, but its success is dependent on interconnectors between member states that will allow cross-border trading and distribution of gas and electricity. Increasing interconnectivity features prominently in the framework – as it did in the Third Energy Package – because of its central role in forming the 'hardware' for the internal market, but also as the EU increases its electricity generation from intermittent renewable sources.

### **A long way to go**

The Energy Union retains the evolutionary nature in which EU policies are formulated and adapted, and broadly builds on existing policies and initiatives. Although some items in the package – such as those regarding gas supply and markets – are ground-breaking in their own right, they are unlikely to materialise. Similarly the Energy Union remains reactionary; for example, efforts to address oil and gas supply insecurity are being made after events have already impacted imports, and the encouragement of localised energy generation follows on from wind and solar policies at the member state level.

Ultimately the success of the Energy Union and whether the proposals set out in the framework can be delivered depends on the political will of all those involved, as energy policy preferences of member states and the Commission are often at odds with one another. Beyond the issue of what will eventually become policy remains the question of how it will actually happen. The action plan outlines what the Energy Union will seek to achieve, but there is little if any detail so far on how policies will be implemented.

There is also a lack of detail on the mechanics of how the Energy Union will function. The strategy framework recognises the Energy Union needs an 'integrated governance and monitoring process' to achieve its aims, but does not offer an explanation of how the governance would be structured. The Energy Union is at an early stage and as such there is a long way to go before any judgement on its potential sufficiency and success in formulating a 'new' set of EU energy policies can be made.

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*Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.*

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