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European Energy Policy:

How to assess a common foreign policy on energy



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“The challenges of climate change need to be tackled effectively and urgently. [...]The European Council underlines the vital importance of achieving the strategic objective of limiting the global average temperature increase to not more than 2°C above pre-industrial levels.”

*Presidency Conclusions
Brussels, 8/9 March 2007*



Introduction

Energy and a common European Energy Policy have been at the heart of the European Project ever since its establishment. More specifically, back in 1951 the European Coal and Steel Community was established, based on the ECSC Treaty, as well as the European Atomic Energy Community, based on the EURATOM Treaty (1957). And, although the economic and geopolitical characteristics of Europe have changed ever since, energy remains one of the main interests within the European area.

The EU's current energy and transport policies are not sustainable. Furthermore, the EU's increasing dependency on imports threatens its security of supply and also implies higher prices. In order to secure a sustainable, secure and competitive energy supply, what is required is an ambitious, effective and long-lasting common European Energy Policy. This European Policy should combat climate change, limit the EU's dependency on imports, promote jobs and growth in Europe, and provide secure and affordable energy to all consumers.

Energy challenges faced by the EU

1. The oil shock
2. Security of supply
3. Climate change

Facts about energy:

- Energy is the main factor in climate change, accounting for some 80% of EU's greenhouse gas emissions
- The International Energy Agency expects worldwide demand for oil alone to increase by well over a third by 2030



- If energy trends and policies remain as they are, the EU's reliance on imports will jump from half to almost 2/3 in 2030. 84% of gas and 93% of oil would have to be imported.
- The EU has 60% of the world market share in wind energy
- Europe's share of renewable energy is under 7% today

Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy

(March 2006).

According to this, the EU must follow a quick and effective action in six priority areas (...), in order to ensure a sustainable, secure and competitive energy supply. The internal market, the energy efficiency and the research are thought to be necessary variables of an EU successful external policy in the field. Furthermore, it is pointed out that the EU could save at least 20% of its present energy consumption in a cost-effective manner, equivalent to EUR 60 billion per year.

Priority Areas:

- #1: Energy for growth and jobs
- #2: Security of Supply
- #3: Sustainable, efficient and diverse energy mix
- #4: Cleaner and more sustainable energy to avoid further climate change
- #5: Research and innovation at the service of energy policy
- #6: A coherent external energy policy



Specific areas of particular interest

A. Coal

Coal and lignite presently account for around one-third of the EU's electricity production. This testates the proven resistance of coal to the problems of resource scarcity, supply security and price shocks that have affected other energy sources. Coal is considered in the context of its potential to contribute reduced carbon emissions. During the past 30 years, efficiency of coal power stations has been improved by 30%. Carbon capture and geological storage, in combination with clean coal technologies provides an opportunity of near zero emission technology. As a result, investment in clean coal technologies is required in order to realize this potential and continue to benefit from the availability, proximity and flexibility of this abundant source of energy. For these reasons, the use of Clean Coal Technology is promoted, especially via Programmes such as the *RTD Framework* and *CARNOT*.

B. Oil

The dramatic price rises experienced in recent years, and heightened awareness of the role of hydrocarbon combustion to global environmental change, have returned energy, and petroleum, to the centre of political debate. Oil is the world's No. 1 energy source. Given that global oil consumption has increased by 20% since 1994, and that global oil demand is projected to grow by 1.6% per year, oil is expected to remain a demanding source in the forthcoming years.

In order to contribute to the transparency of the oil product market, following actions are taken:

- ❖ The Commission publishes the weekly *Oil Bulletin*, describing the price trends of the main petroleum products and the evolution of the taxation of these products in Member States



- ❖ The *Energy Market Observatory System (EMOS)* is being developed, to provide, from 2007, reliable and transparent energy market data
- ❖ Management of emergency stocks as a key element of a dependable emergency response system, in the form of coordinating functions undertaken by the European Commission for ensuring maintenance of emergency stocks and adequacy of response to both internal and external supply disruptions
- ❖ *Berlin Forum on Fossil Fuels*
- ❖ Auto-Oil II Programme
- ❖ Auto-Oil II Fuels Technology Working Group (WG3).

Finally, it is important to notice, that oil as an energy source is protected by the European legislation.

C. Gas & Electricity

From July 2007, the European legislation allows for use of gas and electricity supplies. Meanwhile, the European Union is working to ensure that infrastructure, such as electricity and gas transmission networks, is improved, to transport energy as efficiently as possible to where it is needed. The operation of these two forms of energy is widely discussed in the *Madrid Forum*, as well as by the *European Regulators Group for electricity and gas*.

D. Nuclear energy

The nuclear industry is currently supplying 1/3 of the EU's electricity. Nuclear installations already existing must continue to be operated at a high level of safety, and radioactive waste and stocks of spent fuel must be managed in a safe and environmentally sound manner. In other words, nuclear facilities must be decommissioned in accordance with agreed safe practice at the end of their operating lives, and high standards are required in the transport of radioactive materials.

Currently, the protection of the public and the workforce from the harmful effects of ionising radiation forms the basis on which these broader issues of safety and waste



management are developed. The legal basis for the majority of these activities is provided by the EURATOM Treaty, important European Commission services have also been established in the fields of non-proliferation of nuclear weapons and supply of nuclear fuel. Of course, it if not to be forgotten that the subject of nuclear energy is also part of a much wider debate on the security of future energy supplies in the EU, competitiveness, the single energy market, state aids and greenhouse gas emissions –issues also discussed in the *European Nuclear Energy Forum*.

E. New & Renewable

Renewable energy is defined as the energy produced by wind, water (hydro power), solar power (solar thermal applications), biomass and photovoltaic. The development of such forms of energy is a central aim of the European Commission's energy policy. Renewable energy manages to reduce Carbon Dioxide (CO₂) emissions and helps to improve the security of energy supply by reducing the Community's growing dependence on imported energy sources.

Renewable energy sources are expected to be economically competitive with conventional energy sources in the medium to long term. Renewable energy's potential is examined in the *White Paper for a Community Strategy*, as well as the *European Strategic Energy Technology Plan (SET Plan)*.

Proposed EU Energy Policy Targets and Objectives

As a result of the discussions already held in the field, the European Union has set the following measures/targets via the New Energy Policy it has adopted, for the period up to 2020:

1. Reduce greenhouse gas emissions from developed countries by 30% by 2020. As a first step towards this direction, the EU has committed to cut its own emissions by at least 20% over the same period.



2. Improve energy efficiency by 20% by 2020
3. Raise the share of renewable energy by 20% by 2020
4. Increase the level of biofuels in transport fuel to at least 10% by 2020

What is to be done?

Some of the possible solutions include the following proposals:

1. Build on the EU Emissions Trading Scheme (EU ETS)
2. Increase the current capacity (i.e. existing infrastructure)
3. Investment in infrastructure (e.g. electricity plants, gas suppliers, coal-fired power plants etc.)
4. Boost investment in energy efficiency, renewable energy and new technologies
5. Promote low carbon technologies
6. Increase the amount of local & clean energy produced and used within the EU
7. Focus on EU's security of supply, as well as its competitiveness
8. Open European electricity and gas markets
9. Set minimum efficiency requirements for energy-using equipment
10. Take actions on energy use in buildings, transport and energy generation
11. Increase the use of renewable energy (wind, solar, photovoltaic, biomass and biofuels, geothermal and heat pumps)
12. Use energy-efficient technologies on a wider basis (e.g. low-energy light bulbs, solar panels for hot water, hybrid cars and insulation etc.)
13. Develop new technologies for oil and gas
14. End-use efficiency and Energy services
15. Energy-efficiency in buildings
16. Eco-design of energy-using products
17. Use combined heat & power (Cogeneration)



18. Negotiate a post-Kyoto Framework

Finally, the EU should try to establish an internal energy market that should be both competitive and integrated –in other words, interconnected. Such a market should ensure solidarity among the Member States and thus work towards a secure, efficient and diverse energy mix.