

Second strategic energy review

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PURPOSE: to propose an EU energy security and solidarity action plan: Second Strategic Energy Review.

BACKGROUND: the EU's new energy and environment policy agreed by the European Council in March 2007 establishes a forward-looking political agenda to achieve the Community's core energy objectives of sustainability, competitiveness and security of supply. To make this a reality, the EU has committed to the "20-20-20" initiative: reducing greenhouse gas emissions by 20%, increasing the share of renewables in the energy consumption to 20% compared to 8.5% today and improving energy efficiency by 20%, all by 2020.

To put this into effect, in September 2007 the Commission tabled the third Internal Energy Market legislative package (see [COD/2007/0195](#), [COD/2007/0196](#), [COD 2007/0197](#), [COD/2007/0198](#) et [COD /2007/0199](#)) aimed at ensuring more effective competition and creating the conditions fostering investment, diversity and security of supply. In January 2008 it put forward a proposal to [revise the Emissions Trading Scheme \(ETS\)](#) Directive covering the period 2013-2020, a so-called "[effort-sharing](#)" [decision](#) for sectors not covered by the ETS and a [new Renewable Energy Directive](#), which will provide a secure and predictable investment climate for EU industry.

However, complementary measures are necessary to attain all three underlying objectives of the EU's new energy policy: sustainability, competitiveness and, above all, security of supply:

- energy security is an issue of common EU concern. In this context, the EU needs to take action to secure its energy future and to protect its essential energy interests. It needs to intensify its efforts in developing an effective external energy policy; speaking with one voice, identifying infrastructure of major importance to its energy security and then ensuring its construction, and acting coherently to deepen its partnerships with key energy suppliers, transit countries and consumers;
- it also needs to tap the full potential of its oceans and seas for energy generation, rapidly evolve its transport system and make real progress in terms of the interconnection of the European energy market.

CONTENT: to complete this, the Commission proposes as the core of this second Strategic Energy Review, **an EU Energy Security and Solidarity Action Plan**, which complements the measures tabled to date in order to ensure the achievement of all three of the EU's core energy objectives. The Commission proposes a **five-point** EU Energy Security and Solidarity Action Plan, focusing on:

Point 1: Infrastructure needs and the diversification of energy supplies: the Commission therefore proposes that the following six priority infrastructure actions be accepted as Community priorities:

- the development of a **Baltic Interconnection Plan** covering gas, electricity and storage in 2009;
- the development of a **southern gas corridor** for the supply of gas from Caspian and Middle Eastern sources, which could potentially supply a significant part of the EU's future needs. The feasibility of a block purchasing mechanism for Caspian gas ("Caspian Development Corporation") will be explored, in full respect of competition and other EU rules;

- **sufficient liquid natural gas capacity** consisting of liquefaction facilities in the producing countries and LNG terminals and ship-based regasification in the EU should be available to all Member States, either directly or through other Member States on the basis of a solidarity arrangement. In 2009 the Commission will assess the global LNG situation and identify gaps with a view to proposing an LNG Action Plan;

- the completion of a **Mediterranean energy ring** linking Europe with the Southern Mediterranean through electricity and gas interconnections is needed. No later than 2010, the Commission will put forward a Communication on this issue;

- **North-South gas and electricity interconnections within Central and South-East Europe** need to be developed as a priority;

- **a Blueprint for a North Sea offshore grid** should be developed to interconnect national electricity grids in North-West Europe together and plug-in the numerous planned offshore wind projects.

The original TEN-E instrument was conceived and developed when the EU was considerably smaller, and faced energy challenges of a completely different dimension compared to today. Thus, together with this Strategic Energy Review, the Commission tables a Green Paper that launches a reflection on how the existing TEN-E instrument could be replaced by a new instrument, the **EU Energy Security and Infrastructure Instrument**;

Point 2: External energy relations: energy must be given the **political priority it merits in the EU's international relations**, including its trade policy and agreements, its bilateral partnerships, cooperation and association agreements and political dialogues. The EU should therefore use all the tools at its disposal, internal as well as external, to strengthen its collective weight with energy supply countries and to offer new kinds of broad-based partnerships. At the multilateral level, the EU should continue to press for further liberalisation of trade and investment in the energy sector.

Norway is already integrated in the internal energy market as a member of the European Economic Area. The **Energy Community** is building an integrated market in Southeast Europe anchored to the EU. It encompasses the internal market and security of supply legislation for electricity and gas and discussions on its extension to oil are underway. If negotiations formally starting in November are successful, the accession of Ukraine, the Republic of Moldova and Turkey to the Energy Community would catalyse their energy sector reforms and result in a mutually beneficial enlarged energy market based on common rules. A strategy on **Belarus** should be developed, taking account of its importance as a neighbour and transit country.

Europe should develop a new generation of "energy interdependence" provisions in broad-based agreements with producer countries outside Europe. It is important for the long term health of the energy relationship between **EU and Russia** that the 1997 Cooperation and Partnership Agreement be deepened and given a stronger and broader foundation. The **EU-OPEC Energy Dialogue** provides a forum for joint assessment of the factors affecting prices, upstream and downstream investments needed in both producer and consumer countries and the impact of technological developments.

Energy relations with Iraq and the Gulf Cooperation Council should be further developed in the field of hydrocarbons, including new areas such as clean energy technologies. Cooperation with partners such as **Australia, Canada, Japan** and the **US** as well as emerging **consumer countries** should be deepened to promote a common view on global energy security, to improve the transparency of global energy markets and to address the issue of sustainability. Cooperation frameworks are being developed with countries like **China** and **India**, bilaterally and multilaterally, and regions such as **Latin America** and the **Caribbean**. Cooperation is being developed with alternative supplier countries such as **Brazil** as a major biofuels exporter.

In 2009 the Commission will identify the concrete mechanisms necessary for ensuring **transparency between Member States and the EU**. The Commission will consider how best to further develop **early warning systems** with key neighbouring energy partners.

Point 3: Oil and gas stocks and crisis response mechanisms: to meet its energy security objectives, the EU also needs to ensure that its internal crisis mechanisms and security standards are as effective as possible. The Commission therefore proposes a revision of the [EU emergency strategic oil stocks](#) legislation to improve coherence with the International Energy Agency regime, increase the reliability and transparency of available stocks, simplify compliance and verification, and clarify emergency procedures. In order to improve oil market transparency and limit the effects of uninformed speculation, the Commission proposes that the EU now takes the step of publishing, on an aggregated basis, the level of commercial oil stocks held by EU oil companies on a weekly basis.

The Commission has also reviewed the implementation and effectiveness of the **Security of Gas Supply Directive (2004/67/EC)**. It finds that today's legal framework could be improved. In particular, greater harmonisation of security of supply standards and predefined emergency measures on regional and EU levels are needed. As in the oil sector, EU level crisis response coordination must be improved, both among Member States and in relations with supplier and transit countries. A more suitable threshold for triggering EU action should be considered and compensation arrangements should be clarified. The Gas Coordination Group should continue developing scenarios for reacting to future possible gas supply crises. Taking into account this work and the work of the International Energy Agency and the European Regulators Group for Electricity and Gas, the Commission will consult interested parties with a view to proposing a revised Security of Gas Supply Directive in 2010.

Point 4: Energy efficiency: the Commission will evaluate the Energy Efficiency Action Plan in 2009 and prepare a more focused Action Plan, as requested by the June 2008 European Council. Together with this Strategic Energy Review the Commission therefore tables a new 2008 Energy Efficiency Package of energy efficiency initiatives to make further important progress in meeting the 20% objective: a revision of the [Energy Performance of Buildings Directive](#) and the [Energy Labelling Directive](#); an intensification of the implementation of the Ecodesign Directive; promotion of cogeneration; development of benchmarking and networking mechanisms to disseminate best practice (Covenant of Mayors); a Green Tax Package will be presented as a complement to the energy and climate change package to promote the liberalisation of energy-efficient goods and services also in the context of trade negotiations.

Cohesion Policy Funds support a vast range of activities, including energy efficiency improvements in industry, commerce, transport and public buildings, cogeneration and local energy production, innovation for sustainable energy, and training for monitoring and evaluation of energy performance. Financial instruments, including debt finance and equity funds provided by the EIB Group (e.g. through structural programme loans) and the EBRD, could allow additional funding in support of Operational Programmes.

Point 5: Making the best use of the EU's indigenous energy resources: energy produced within the EU represents 46% of the total consumed. Before the 20-20-20 initiative, this was set to fall to 36% by 2025. Implementation of the new Energy Policy would keep it at around 44% of EU consumption.

The development of **renewable energy** such as wind, solar, hydro, biomass energy and marine resources has to be seen as the EU's greatest potential source of indigenous energy. In the light of experience gained with the new Renewables Directive, the Commission will table a Communication "Overcoming Barriers to Renewable Energy in the EU", identifying barriers and proposing actions to redress them.

In maximising the EU's natural resources, the role of **technology** is crucial. Progress has already been made in its implementation, including on six European Industrial Initiatives: wind, solar, bio-energy (second generation biofuels), CCS (carbon capture, transport and storage), electricity grids and sustainable

nuclear fission. The next step will be a Communication on **Financing Low Carbon Technologies**, which will be tabled by the Commission in 2009. It will evaluate needed resources and potential sources of funding and propose ways to support large scale demonstrations at EU level, including up to twelve CCS demonstration plants.

Lastly, as regards **nuclear energy**, it is for each Member State to choose whether or not to invest in nuclear energy but the nuclear safety and security framework applied everywhere in the EU is of common interest. It must be clear that the EU maintains the highest safety, security, non-proliferation and environmental protection standards for nuclear generation. The EU therefore needs to develop a common legislative framework with respect to the safety of nuclear installations and the management of nuclear waste

Towards a vision for 2050: the Commission will propose to renew the Energy Policy for Europe in 2010 with a view to charting a policy agenda for 2030 and a vision for 2050. It will result from a wide consultation to examine possible longer-term objectives such as:

- decarbonising the EU electricity supply by 2050;
- ending oil dependence in transport;
- low energy and positive power buildings;
- a smart interconnected electricity network;
- promoting a high-efficiency, low-carbon energy system throughout the world.

In order to move forward on this, the Commission will prepare in the framework of the Strategic Energy Technology Plan, a **Roadmap** towards a 2050 Energy Policy of actions to be taken, in dialogue with Member State officials, academics and industry experts, in order to facilitate, where justified, their large-scale implementation.