

# Towards a European energy union

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**PURPOSE:** to present a framework strategy for an Energy Union with a forward-looking climate change policy.

**BACKGROUND:** latest data shows that the **EU imported 53% of its energy at a cost of around EUR 400 billion**, which makes it the largest energy importer in the world. **Six Member States depend on a single external supplier** for their entire gas imports and therefore remain too vulnerable to supply shocks.

Wholesale electricity prices for European countries are at low levels, though still 30% higher than in the US. At the same time, post-tax electricity prices for households increased on average by 4.4% from 2012 to 2013. Wholesale gas prices are still more than twice as high as in the US

European renewable energy businesses have a **combined annual turnover of EUR 129 billion** and employ over a million people. EU companies have a share of 40% of all patents for renewable technologies. The challenge is to retain Europe's leading role in global investment in renewable energy.

**Over EUR 1 trillion need to be invested** into the energy sector in EU by 2020 alone.

Today, the European Union has energy rules set at the European level, but in practice it has **28 national regulatory frameworks**. This cannot continue.

The Commission considers that the EU should view the current low oil and gas prices, while they last, as an historic opportunity to **reset the EU's energy policy in the right direction**: that of an Energy Union.

**CONTENT:** the **Energy Union strategy** proposed by the Commission has **five mutually-reinforcing and closely interrelated dimensions** designed to bring greater energy security, sustainability and competitiveness.

**1) Energy security, solidarity and trust:** Member States should be assured that in situations of tight supply, they can rely on their neighbours. Solidarity among Member States, in particular in times of supply crisis, has to be strengthened.

EU action should include:

- **diversification of supply (energy sources, suppliers and routes):** the EU needs to diversify its supply of gas and make it more resilient to supply disruptions. The Commission will propose a resilience and **diversification package for gas** in 2015-2016 by revising the existing security of gas supply Regulation. It will prepare a comprehensive strategy for liquid natural gas (LNG) and its storage;
- **working together on security of supply:** the Commission will propose **preventive and emergency plans** at regional and EU level. It will assess options for voluntary demand aggregation mechanisms for **collective purchasing of gas** during a crisis and where Member States are dependent on a single supplier;
- **stronger European role in global energy markets**, through negotiating agreements with countries that are important from a security of supply perspective, and revitalising **European energy and climate diplomacy**;
- **more transparency on gas supply, when EU States conclude agreements related to the buying of energy from third countries.** The Commission will propose a revision of the Decision on

Intergovernmental Agreements in 2016 to ensure compatibility with EU legislation before agreements are negotiated, involve the Commission in such negotiations, develop standard contract clauses covering EU rules.

**2) A fully-integrated internal energy market:** the Commission will use all available policy instruments and insist that Member States fully implement and enforce the 3rd Internal Energy Market Package, and ensure strict enforcement of the Treaty's competition rules.

Actions will include:

- **support for the implementation of major infrastructure projects**, particularly the Projects of Common Interest, through the available financial means, e.g. the [Connecting Europe Facility](#), the [European Structural and Investment Funds](#) and the future [European Fund for Strategic Investments](#). The Commission will submit an **annual report** on the progress towards the 10% electricity interconnection target;
- creating a **dedicated Energy Infrastructure Forum** to discuss progress on major infrastructure projects;
- the creation of an internal market for energy to ensure security of supply and the integration of renewable energy sources into the market. The Commission will propose (i) legislation on security of supply for electricity in 2016; (ii) a new **European electricity market design** in 2015, which will be followed by legislative proposals in 2016.
- strengthening the regulatory framework set-up by the **3rd Internal Energy Market Package**;
- development of **regional approaches** to market integration as an important part of the move towards a fully integrated EU-wide energy market;;
- **greater transparency on energy costs and prices as well as on the level of public support**. At the national and local levels, action should be taken to protect **vulnerable consumers** through social policies. The Commission will continue to push for standardisation and to support the national roll-out of smart meters.

**3) Energy efficiency as a contribution to the moderation of energy demand:** the European Council set in October 2014 an indicative target at the EU level of at least **27% for improving energy efficiency in 2030**. This will be reviewed by 2020, having in mind an EU level of 30%. It is in this context necessary to fundamentally rethink energy efficiency and treat it as an **energy source** in its own right, representing the value of energy saved.

In 2015 and 2016, the Commission will review all relevant energy efficiency legislation and will propose revisions, where needed, to underpin the 2030 target. It will set out initiatives aiming to:

- increase energy efficiency in the **existing buildings sector** to make them more energy efficient, and proposing a strategy for facilitate investment in heating and cooling;
- speed up energy efficiency and decarbonisation in the **transport sector**, its progressive switch to alternative fuels and the integration of the energy and transport systems.

**4) Decarbonisation of the economy:** the EU agreed a climate and energy framework for 2030 at the European Council in October 2014 which now needs to be implemented. The EU will provide an ambitious contribution to the international climate negotiations. It has also agreed the target of at least 27% at EU level for renewable energy by 2030.

The EU is committed to becoming **the world leader in renewable energy**, the global hub for developing the next generation of technically advanced and competitive renewable energies. In this context, the Commission intends to propose:

- legislation to achieve the **greenhouse gas reduction target** agreed at the October 2014 European Council both in the Emissions Trading System and in the sectors outside the Emissions Trading System;
- a **new Renewable Energy Package** in 2016-2017. This will include a new policy for sustainable biomass and biofuels as well as legislation to ensure that the 2030 EU target is met cost-effectively.

**4) Research, innovation and competitiveness:** the EU needs to develop a forward-looking, energy and climate-related R&I strategy to maintain European technological leadership and expand export opportunities. The Commission:

- will propose a **European energy R&I approach**, comprising an upgraded Strategic Energy Technology Plan and a strategic transport R&I agenda, with a limited number of essential priorities and clear objectives, in 2015-2016;
- will develop an initiative on global technology and innovation **leadership** on energy and climate to boost jobs and growth.

The Commission invites the European Parliament and Council to endorse this strategy to deliver the Energy Union and to actively engage in its implementation, in close cooperation with all relevant stakeholders.