

Towards a common European foreign policy on energy

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PURPOSE: to present a Commission communication on external energy relations.

CONTENT: Following the recommendations adopted by the European Council in June 2006, the Commission sets out the principles and actions which must guide the EU's external energy policies. It emphasises the importance of **coherence** between the internal and external aspects of energy policy, and between energy policy and other policies that affect it, such as external relations, trade, development, research and environment. A coherent approach is key to ensuring that external energy policy provides guarantees in terms of security of supply, while at the same time ensuring projection of the objective of sustainability at international level. To ensure coherence, urgent decisions are needed.

- Member States should promote the principles of the **internal energy market** in bilateral and multilateral fora, enhancing the Union's coherence and weight externally on energy issues. The pull of the EU internal market will also be strengthened if interconnection is improved.

- Major investments are needed to create the necessary **interconnections** inside and outside the Community, and the EU should help to create the environment for private capital flows and offer political and financial support to economically feasible projects, as appropriate.

- **Energy efficiency** should be pursued, and this is just one area where the EU's lead in cutting-edge environmental and energy technologies makes it an attractive international partner.

- The EU and its Member States should promote, both internally and externally, the acceleration to a **low carbon economy, including emissions trading**. Early action can support the development of renewable energies and clean hydrocarbons, including coal. Nuclear energy is seen by those who follow this path as an element in energy security and a low carbon economy.

- The Union should use all its weight in current and **future bilateral negotiations and agreements**, offering balanced, market-based solutions, first of all with its traditional suppliers, but also with other main producing and consuming countries.

EU-Russia energy cooperation: this is crucial in ensuring energy security on the European continent. Russia is already the origin of around 25% of oil and gas consumed in the EU, and this will increase. The forthcoming negotiations on a new comprehensive framework agreement within the post-Partnership and Cooperation Agreement (PCA) offer an opportunity to agree on the objectives and principles of energy cooperation. The EU and Russia should see mutual long term benefits from a new energy partnership, which would seek a balance between expectations and interests of both sides:

- Russia wants a stronger presence in the EU internal energy market, long term gas supply contracts, the integration of electricity grids and free trade for electricity and nuclear materials, as well as the acquisition and control of downstream EU energy assets (gas and electricity) and EU investments and technology for the development of the Russian energy resources.

- The EU wants non-discriminatory and fair treatment from Russia in their energy relationship, in terms of supply from Russia and in terms of access to the Russian market for EU investors; a level playing field in terms of market conditions, investment and acquisitions in the upstream and downstream

Russian energy infrastructure and resources; third party access to pipelines within Russia, including those for transit of energy products from the Caspian region and Central Asia; respect for competition rules as well as high levels of environmental security and safety.

Closer ties with Russia should seek to eliminate remaining barriers to trade and investment, promote regulatory convergence and facilitate the sharing of technology, thus widening and deepening our energy relationship. The Commission favours a level playing field, predictability and reciprocity in terms of:

- upstream and downstream, domestic and foreign investment;
- market opening, and fair and non-discriminatory access to transport networks, including for purposes of transit of energy products;
- convergence of energy policies, legislation and regulations regarding the functioning of markets, including trade rules, as well as safety and security issues;
- compliance with the high standards of EU regulations concerning the safety, security and environmental aspects;
- joint implementation of energy efficiency and savings, renewables and research measures.

The Commission feels that it is essential that Member States have a common understanding on the proposed approach on the principles for a future energy partnership with Russia, to be considered in the framework of the post-PCA agreement. The Union should use all opportunities to convince Russia of the mutual interest in such an exercise.

EU energy cooperation with other third countries: this remains a top priority, independent of EU-Russia negotiations. Diversity of type of energy, of country of origin, and of country of transit are essential to ensure the EU's access to clean and secure energy. The EU is surrounded by almost 80% of the world's hydrocarbon resources. There are important energy producers in the Mediterranean, Black Sea, Caspian, Middle East and the Gulf regions as well as in the North (Norway), with which the EU is building strengthened cooperation. The aim is to create a wide network of countries around the EU, acting on the basis of shared rules or principles derived from the internal market. The Commission outlines the tools that could be used to pursue this goal, such as the PCAs, the Association Agreements with Mediterranean countries, as well as the European Neighbourhood Policy Action Plans.

Turkey is becoming a crucial energy hub for supplies from the producer regions and is thus of strategic importance for the EU's energy security. The enlargement process with Turkey could contribute to promoting the early adoption of the EU's energy acquis by Turkey, while Turkey's early accession to the Energy Community Treaty and effective cooperation on the Nabucco project could also speed up this process.

The paper goes on to outline the EU's **financial cooperation instruments**, which should be mobilised in full to promote the restructuring and development of the partner countries' energy sectors, regional cooperation, infrastructure interconnections, new pipelines, energy efficiency and renewable energy sources for our mutual benefit. The Commission stresses that it is important rapidly to build up relations with strategically important neighbours of the Union. Member States need to support the ongoing bilateral and regional energy cooperation partnerships with the main EU energy partners, including the gradual extension of the principles of the internal energy market through the European Neighbourhood Policy and the efficient use of all financial instruments which the EU, the European Investment Bank, the European Bank for Reconstruction and Development and other international financial institutions can put at the disposal of the EU's energy security.

To ensure **efficient follow-up and coherence**, the Commission, the Council Presidency and the General Secretariat of the Council are preparing the establishment of a **network of energy correspondents** to assist the EU's early response and reactions in case of energy security threats. The objective of such a network would be to prepare the ground for actions and decisions in case of an energy security crisis by collecting, processing and distributing reliable information relevant to the security of energy supplies to the EU. The network should be composed of energy experts from Member States, the General Secretariat of the Council and the Commission. Member States should agree to the establishment and **implementation of the network of energy correspondents**.