

focus

News and views

from the European Information Association

Finding out about...

EU energy policy

2007 has been a significant year for the European Union's fledgling Energy Policy.

The EU is the world's biggest importer and second biggest consumer of energy. Its interests in energy stretch back to the 1950s, when two of the founding Treaties created the European Coal and Steel Community (ECSC, 1952) and the European Atomic Energy Community (Euratom, 1957).

It was not until the oil price rises of the 1970s and early 1980s that energy dependence became an issue for the Communities' Member States. Their dependence on energy imports and their vulnerability to price increases and shortages led to measures aimed at curbing demand for energy (especially oil) and at promoting a more diverse energy mix.

More recently, the Union's energy policy has been driven by concern over global warming and by the desire to create a single market for both gas and electricity. Energy's importance on the EU agenda has also been confirmed in recent months by the return of high oil prices and disruptions to the supply of gas from Russia.

Andris Piebalgs, European Commissioner for Energy, highlighted the various issues concerned at the launch of the March 2006 Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' (COM (2006) 105), saying: "The completion of the internal market, the fight against climate change, and

security of supply, are common energy challenges that call for common solutions. It is time for a new European energy policy".

Further developments are imminent, with the Commission scheduled to adopt a European Strategic Energy Technology Plan in November, aimed at increasing innovation in energy technologies, followed in December by proposals for cutting vehicle emissions. January 2008 should see further proposals, covering emissions trading, renewable energy and biofuels, together with ideas on how Member States can meet their targets for reducing greenhouse gas emissions.

"If I am asked today what is the most important issue for global security and development, the issue with the highest potential for solutions but also for serious problems if we do not act in the right way, it is energy and climate change."

Commission President José Manuel Barroso

Background

The case for a Community energy policy was first made in 1995. Following a 1993 debate on energy, initiated by the Commission, the Green Paper 'For a European Union Energy Policy' (COM (94) 659) was issued in January 1995, with a 'White Paper on Energy Policy for the EU' (COM (95) 682) being published in December 1995.



"Although the Treaties already provide for an important Community role in the energy field" said the White Paper, "it is only within a sound and coherent energy policy framework at Community level, that maximum benefits can be realised from actions at both Community and Member State levels ...". Although the White Paper identified limits to Community action, the Commission put together a five-year work programme aimed at "drawing up an energy policy that meets the aims of competitiveness, security of supplies and protection of the environment."

In November 2000, the Commission published the Green Paper 'Towards a European strategy for the security of energy supply' (COM (2000) 769). 1999 had seen a tripling of the price of crude oil - a fact which the Commission said "once again" revealed the Union's "structural weaknesses regarding energy supply" and which strengthened the Commission's argument that "Without an active energy policy, the European Union will not be able to free itself from its increasing energy dependence."

Figures quoted in the Green Paper included energy accounting for 6% of the Union's total imports; the Middle East providing 45% of oil imports, and Russia providing 40% of the Union's natural gas.

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Energy policy was, argued the Commission, an EU-wide concern, requiring EU-level initiatives. It had “assumed a new Community dimension without that fact being reflected in new Community powers.” (A Final report on the Green Paper was issued in June 2002 as COM (2002) 321).

In October 2005, the Hampton Court Informal European Council agreed that energy policy was something that the Member States should “work on together”. In response, the Commission published in March 2006 the Green Paper ‘A European Strategy for Sustainable, Competitive and Secure Energy’ (COM (2006) 105), which outlined how the EU could address three core objectives: sustainable development, competitiveness, and security of supply. Six priority areas were identified and the Green Paper also proposed that a regular Strategic Energy Review should be presented as “a regular stocktaking and action plan for the European Council and Parliament, monitoring progress and identifying new challenges and responses on all aspects of energy policy.”

The Green Paper was a further spur for the publication of the ‘Energy and Climate Change Package’ presented by the Commission in January 2007. Said to “once again place energy at the heart of European activities”, it comprised two Communications: ‘An energy policy for Europe’ (the first of the Strategic Energy Reviews envisaged in the 2006 Green Paper, published as COM (2007) 1) and ‘Limiting Climate Change to 2° - Policy Options for the EU and the world for 2020 and beyond’ (COM (2007) 2). The former identified five pillars on which the Union’s energy future rests:

- ▶ improving energy efficiency
- ▶ increasing the role of renewable energy sources
- ▶ increasing the amount of energy taken from clean hydrocarbons
- ▶ strengthening the EU’s carbon market
- ▶ ensuring an open and competitive internal energy market

‘An energy policy for Europe’ proposed that a European Energy Policy should be underpinned by a unilateral EU commitment to achieve at least a 20% reduction of greenhouse gases by

2020 compared to 1990 - with a 30% reduction being the objective in international negotiations (with a cut in global emissions of up to 50% by 2050 compared to 1990 - implying reductions of 60-80% in industrialised countries).

It highlighted the need for energy issues to be addressed by other policy areas, and included a 10 point Action Plan “to put the EU on course to achieve the new strategic objective”. Amongst the measures were:

- ▶ a report on Member States’ implementation of the internal market for gas and electricity
- ▶ proposals to promote sustainable power generation from fossil fuels
- ▶ a roadmap and other initiatives to promote renewables
- ▶ an analysis of the situation of nuclear energy in Europe

Based on the Energy and Climate Change Package, the Spring European Council of 8-9 March adopted an Energy Action Plan for the period 2007-2009. Given that energy production and use are the main sources for greenhouse gas emissions, the Council called for “an integrated approach to climate and energy policy” to achieve “the strategic objective of limiting the global average temperature increase to not more than 2°C above pre-industrial levels.”

The Council Action Plan ‘Energy Policy for Europe’ (Annex 1 to the Presidency Conclusions) addresses five main areas:

- ▶ Internal Market for Gas and Electricity
- ▶ Security of Supply
- ▶ International Energy Policy
- ▶ Energy efficiency and renewable energies
- ▶ Energy Technologies

Leaders agreed that the Action Plan should be kept under regular review, and invited the Commission to present an updated Strategic Energy Review in early 2009, as the basis for a new Energy Action Plan to be adopted by the European Council in Spring 2010.

Liberalisation

In theory, people and companies in the EU are free to choose who supplies their energy. The reality is that a single, Internal Market for energy does not yet exist.

The process of liberalising the Union’s gas and electricity markets started in the mid-1990s. In June 2005, the Commission launched an inquiry into the gas and electricity sectors (the ‘Energy Sector Inquiry’), and published its Final Report (COM (2006) 851) on 10 January 2007. It identified a number of shortcomings and called for urgent action in four areas:

- ▶ achieving effective unbundling of network and supply activities
- ▶ removing the regulatory gaps (in particular for cross border issues)
- ▶ addressing market concentration and barriers to entry
- ▶ increasing transparency in market operations

At the same time, the Commission issued ‘Prospects for the internal gas and electricity market’ (COM (2006) 841), which set out its main conclusions derived from the experience of introducing a competitive European market for electricity and gas - an initiative which the Commission said “has been a qualified success.”

Energy Community

Signed in Athens on 25 October 2005, the Energy Community Treaty created a single Energy Community across 34 countries: the 27 [at that time 25] EU Member States, plus: Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia.

The Treaty - reportedly modelled on the European Steel and Coal Community Treaty - extends the Union’s Internal Market for energy into the Balkan Peninsula, with relevant EU legislation on energy, environment and competition being implemented.

Discussions are underway to create a similar group comprising the EU and 10 countries around the Black and Caspian Seas.

www.energy-community.org

“The European Union must take better charge of its energy destiny. We are obliged to acknowledge that, despite the various crises besetting the European economy in the last thirty years, there has not been a real debate on the choice of energy sources and even less an energy policy regarding security of supply.”

‘Towards a European strategy for the security of energy supply’ [COM (2000) 769]

The 2007 Spring European Council reaffirmed its commitment to ensuring “timely and full implementation of the letter and spirit of existing Internal Market legislation relating to the opening up of the gas and electricity markets, since a truly competitive, interconnected and single Europe-wide internal energy market that will have major benefits for competitiveness and EU consumers as well as increasing security of supply has not yet been achieved”.

However, on 10 July, in a ‘Resolution on prospects for the internal gas and electricity market’, the European Parliament noted that “20 out of the 27 Member States are yet to fully transpose Directives 2003/54/EC and 2003/55/EC in word and in spirit” (the Directives on “common rules” for opening up the gas and electricity markets).

September 2007 saw the launch of a ‘Third Legislative Package’ on the gas and electricity markets, comprising five measures aimed at ensuring “that all European citizens can take advantage of the numerous benefits provided by a truly competitive energy market”. The five proposals are for a Regulation establishing an EU Agency for the cooperation of National Energy Regulators; a new Electricity Directive and Electricity Regulation; and a new Gas Directive and Gas Regulation.

Forums of Florence and Madrid

The adoption of Directives creating internal markets in electricity and gas gave rise to two groups aimed at giving stakeholders the opportunity to discuss developments.

The European Electricity Regulation Forum (EERF - the Florence Forum) was organised by the European Commission, with the objective of providing “a neutral and informal EU level framework for discussion of issues and exchange of experiences concerning the implementation of the EU Electricity Directive (96/92/EC; since repealed by Directive 2003/54/EC).” It first met in 1998, in Florence, but now meets once or twice each year in Rome, bringing together a range of stakeholders, including national regulatory authorities, the Commission, transmission system operators, electricity traders and consumers.

The European Gas Regulatory Forum of Madrid (Madrid Forum) first met in 1999 and brought together a similar range of interests to discuss issues and experiences concerning the creation of a competitive market for natural gas, in the context of Directive 98/30/EC (since repealed by Directive 2003/55/EC). Like its electricity counterpart, the gas Forum meets once or twice a year - in Madrid.

More details at ec.europa.eu/energy/electricity/florence/index_en.htm and ec.europa.eu/energy/gas/madrid/index_en.htm

International context

Speaking to the 20th World Energy Congress on 1 November, European Commission President José Manuel Barroso highlighted the International Energy Agency’s ‘World Energy Outlook 2007’, saying that it “sends a clear warning signal that the continuation of current energy trends is not sustainable - economically, socially or if we are to preserve the world’s climate, on which we all depend.”

In December, the 13th United Nations Climate Change Conference in Bali will try to launch negotiations on a successor to the Kyoto Protocol on climate change, with the aim of seeing a new agreement in force by 2013. Held under the aegis of the UN Framework Convention on Climate Change, the Bali conference will - says the UNFCCC website - “be the culmination of a momentous twelve months in the climate debate and needs a breakthrough in the form of a roadmap for a future climate change deal.”

Feeding into the debate will be the Fourth Assessment Report (AR4) of the Intergovernmental Panel on Climate Change (IPCC), presented in Valencia on 17 November, which was said to “put the reality of human-induced global warming beyond any doubt” and which - one imagines - could provide further fuel for the Union’s energy debate.

The EU - in the form of the European Community - is a signatory to the Convention on Climate Change. It also participates in other international fora, including the G8, which in June 2007 agreed that CO2 emissions must

be substantially reduced. German Chancellor Angela Merkel - then President of the Council of the EU - said at the time that the G8 would negotiate a successor to the Kyoto Protocol within a UN framework.

President Barroso told the World Energy Congress that 2007 should be remembered “as the year in which we constructed a global consensus for action on energy and climate change: from the EU’s initiative to take a global lead in setting targets, to the G8 meeting in Heiligendamm, to the UN High Level Event in New York and the Major Economies meeting in Washington in September.”

The EU is also involved in bilateral discussions on energy-related issues. Early November, for example, saw the launch of negotiations between the EU and Switzerland for an agreement on electricity, while at the end of October, the EU and Russia held their eighth Energy Dialogue. The Dialogue is held within the context of an EU-Russia Energy Partnership, the aim of which is to “provide an opportunity to raise all the questions of common interest relating to the sector, including the introduction of co-operation on energy saving, rationalisation of production and transport infrastructures, European investment possibilities, and relations between producer and consumer countries.”

Numbers

- 1 the number of electricity generating companies in Cyprus, Greece and Malta
- 6 energy accounts for 6% of total EU imports
- 20 target 20% cut in greenhouse gas emissions by 2020
- 50 more than 50% of EU energy from carbon-free sources by 2050
- 80 oil, coal and natural gas supply some 80% of the Union’s energy needs
- 940 the number of electricity retailers in Germany in 2005
- 1000 Denmark has more than 1,000 electricity generating companies
- 2030 on current trends, by 2030, 93% of the Union’s oil and 84% of gas will be imported
- 2050 by 2050 global emissions must be reduced by up to 50% compared to 1990

Andris Piebalgs, Commissioner for Energy,
at the launch of the Third Liberalisation Package



Intelligent Energy - Europe

One of three operational programmes under the Competitiveness and Innovation Framework Programme (CIP) 'Intelligent Energy - Europe' (IEE) is the Union's initiative for:

- ▶ fostering energy efficiency and the rational use of energy sources
 - ▶ promoting new and renewable energy sources and energy diversification
 - ▶ promoting energy efficiency and new energy sources in transport
- Running from 2007 to 2013, IEE has a budget of €730 million
ec.europa.eu/energy/intelligent/index_en.html

Information sources

A good starting point is the 'Energy' page accessed from the main 'Activities' menu at europa.eu or direct at europa.eu/pol/ener/index_en.htm. This offers topic-specific documents, websites, legislation and other materials.

Commissioner Piebalgs website (ec.europa.eu/commission_barroso/piebalgs/index_en.htm) also has links to a small selection of documents, but the most comprehensive source of energy-related materials is the Commission's 'Energy' website at ec.europa.eu/energy.

This site takes time to explore - there is a huge amount of material available, including:

- ▶ links to press releases and other news items
- ▶ overviews of energy sources
- ▶ international relations
- ▶ research programmes and other initiatives

As an example, the 'Energy Efficiency' link under 'Energy policies' offers an overview, plus pages on specific topics, including 'Energy Efficiency in Buildings', 'Energy Labelling of Domestic Appliances', 'Combined Heat and Power (Cogeneration)'. Page content varies, but typically includes a brief introduction, details of legislation, and links to relevant programmes.

Elsewhere, the Environment DG has a page on 'The EU's Contribution to Shaping A Future Global Climate Change Regime' at ec.europa.eu/environment/climat/future_action.htm, and the Competition DG has information on the 2005 inquiry into gas and electricity markets at ec.europa.eu/comm/competition/sectors/energy/inquiry.

Background and explanatory material can be found on the 'Summaries of legislation' site (SCADPlus) where the 'Energy' chapter (europa.eu/scadplus/leg/en/s14000.htm) has sections on:

- 'European Energy Policy'
- 'Internal energy market'
- 'Energy efficiency'
- 'Renewable energy'
- 'Nuclear energy'
- 'Security of supply, external dimension and enlargement'

An overview of policy and legislative developments can be gained from the monthly 'Bulletin of the European Union' (in recent issues, energy is covered in section 1.24 ; use the index to find relevant sections of earlier issues). The latest (2006) 'General Report on the Activities of the European Union' considers energy under 'Chapter II - Prosperity' - 'Section 2 - 2.2. Levers of prosperity'. The URLs are: europa.eu/bulletin/en/welcome.htm and europa.eu/generalreport/en/welcome.htm.

A range of documents on energy have been brought together in the form of a 'Press Pack' which can be found via the Commission's Press Room (europa.eu/press_room) or direct at europa.eu/press_room/presspacks/energy/index_en.htm. Most of the items listed are press

releases and speeches, but links to other documents are also provided.

Older texts such as the 1995 'White Paper on Energy Policy for the EU' (COM (95) 682) are often not available on Europa, but can be found on the excellent 'Archive of European Integration' (AEI) at the University of Pittsburgh (<http://aei.pitt.edu>).

Find facts and figures via the 'Environment and energy' Theme on Eurostat (epp.eurostat.ec.europa.eu). Clicking the 'Publications' tab reveals a number of items, including 'Energy - Yearly statistics 2005' which contains information on the EU Member States, Candidate Countries, Iceland and Norway.

Under the 'New' tab are links to recent issues of 'Statistics in focus', covering topics such as gas and electricity prices for domestic and industrial consumers, and indicators of the market liberalisation process.

Elsewhere on the Eurostat site, 'Europe in figures - Eurostat yearbook 2006-07' has a 'Spotlight: energy' section, looking at 'Primary energy production and imports', 'Electricity generation', 'Consumption of energy', and 'Prices'.

Within the Council, energy-related issues are discussed by the Transport, Telecommunications and Energy Council, which meets four to six times each year (though as with other issues, texts can be adopted by other Council configurations). The main site is at www.consilium.europa.eu; press releases from Council meetings can be found via 'Press' - 'Press releases' - 'Council meetings'.

The relevant European Parliament Committee is Industry, Research and Energy (ITRE) which has a dedicated site at www.europarl.europa.eu/committees/itre_home_en.htm. Amongst the items available is a brief newsletter issued - it seems - as and when appropriate.

The website of the United Nations Framework Convention on Climate Change is at <http://unfccc.int>.

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Promoting Europe in Cornwall

Emily Henderson
Cornwall Europe Direct
europedirect@cornwall.gov.uk
www.cornwall.gov.uk/europe

Raising awareness of Europe should be an easy task in a county that in the past decade has received over £500 million from the European Union. The sum has assisted in increasing Cornwall's GVA by 7.5% per annum and is enabling one of the fastest growing regional economies in Europe to reposition itself as a 'Green Peninsula' able to overcome the challenges of post industrial decline and peripherality.

With a similar amount of money soon to be invested in Cornwall under the Convergence Programme 2007-2013, it would seem timely to ensure that the people of Cornwall are aware of the facts surrounding their county's relationship with Europe and the European Union.

Despite having received significant EU funding, the reality is that Cornwall's people appear to know relatively little about the European Union. General perceptions of Europe are mixed and awareness of issues and facts is low.



Europe Direct Cornwall was set up in May 2007 in an attempt to redress this lack of awareness and to provide an opportunity for the people of Cornwall to take a view on European activity based on fact, or simply to become more informed about the opportunities available to them as residents and businesses.

To launch the activity and to raise awareness, the project - a partnership between the County Council's Economy and Europe Unit, Reference and Information Library, and Cornwall Enterprise Funding Information Service - ran a five day Roadshow in the County Council's exhibition trailer. Covering a large proportion of the county, the exhibition was designed to take the Europe Direct service to locations where people shop, work or study and to provide an opportunity for members of the public to ask questions and comment on the work being undertaken. Staffed by Officers and County Councillors, the trailer was packed with information and opportunities to see what Europe has to offer.

The exhibition stimulated interest from radio, television and the written press, and from a diverse range of the population. The Roadshow was visited by teachers, students, businesses, voluntary sector organisations, political groups and individuals.

Perhaps most interesting was the level and difference of opinions held by visitors to the exhibition. Opinions varied from those vehemently against any form of relationship with the European Union to those keen for the UK to get more involved.

The Roadshow revealed people's low level of knowledge about the impact of EU membership on the county and their lack of awareness of the funding opportunities presented to Cornwall by Europe. However, it also generated interest and stimulated debate on a wide range of topics and - most importantly - engaged people in the debate and succeeded in raising awareness.

Given that success, it is intended to continue the initiative and to hold similar promotional activities focussed on young people. ■

