ENERGY STRATEGY 2020

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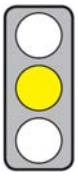
Centrum für Europäische Politik

MAIN ISSUES

Objective of the Consultation: The Commission is taking stock of key EU energy policy issues and set out its future energy strategy.

Affected parties: Power supply companies, the overall national economy.



Pro: (1) The Commission wishes to better coordinate the expansion of European energy grids.
(2) The Commission announces a legal framework for the safe storage of nuclear waste.

Contra: (1) The Commission does not address the inefficient geographical location of power generation from renewable energies.
(2) It is not enough to call for climate protection policy measures in line with the market; at the same time, the Commission must speak out against regulatory measures, especially in its technology policy.

CONTENT

Title

Stock taking document of the Commission of 7 May 2010:
Consultation: Towards a new Energy Strategy for Europe 2011–2020

Brief Summary

- **Target**
  - The Commission wishes to present a comprehensive energy strategy for Europe 2011 – 2020 ("Energy Strategy 2020") by the beginning of 2011 to replace the existing Action Plan "An energy policy for Europe" [COM(2007) 1; see CEP Policy Brief].
  - In preparation for the Energy Strategy 2020, the Commission has taken stock of the essential EU energy policy issues and opened up a public consultation on the subject.

- **Energy networks**
  - By 2020 the EU should have access to "smart grids" which:
    - form the "backbone of a fully integrated European internal energy market" (p. 10) which enables electricity and gas to flow between Member States without bottlenecks;
    - link the EU to diversified supply sources in third countries;
    - allow the feeding of renewable energy production (off-shore and on-shore) into the European supply system;
    - allow the use of new energy technologies such as the carbon capture and storage (CCS) and "smart metering" (p. 10);
    - allow for the "intelligent" integration of the actions of energy generators and consumers in order to ensure efficient, sustainable and secure energy supplies.
  - By the end of 2010, the Commission wishes to propose an Energy Infrastructure Package which:
    - is to replace the existing legal framework for Trans-European Energy Networks (TEN-E) and
    - will form the basis for a future EU strategy for infrastructures and interconnections.
  - The Commission presents for discussion:
    - in the short term, strengthening of the cooperation and coordination of energy networks at EU level;
    - in the short term, improvement of the framework conditions for investments in the infrastructures of power generation and distribution;
    - in the long term, strengthening of the role of the European Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Electricity (ENTSO-E) and the System Operators for Gas (ENTSO-G).

- **Low-Carbon Energy System**
  - The shift towards a "low-carbon energy system" should be introduced by 2020.
    - CO_2 emissions should be reduced through regulatory measures in the energy, transport and agricultural sector and through market-based instruments (price signals, taxation, EU emission trading system).
    - 20% of EU-wide energy consumption is to be saved by 2020. In the EU 2020 strategy [COM(2010) 2020, see CEP Policy Brief] the Commission has suggested setting national energy saving targets.
    - In order to increase the production of carbon-free energy, old power plants are to be closed down and the use of renewable energy sources are to be expanded.

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– The Commission presents for discussion:
  - in the short term, creating rules for the introduction of "smart meters";
  - in the long term, using market-based instruments (e.g. EU emissions trading system, energy taxation, phasing out fossil fuel subsidies) so as to save energy and to support the "smart" switch of energy users to low-carbon energies and fuels;
  - in the long term, promoting low-carbon technologies through public procurement.

- **Technological innovation**
  – The Commission emphasises the relevance of innovation for developing energy efficient and low-carbon technologies, in particular for renewable energies, energy storage, energy efficiency, CCS, new nuclear power plants and the safe disposal of nuclear waste.
  – According to the Commission, both public and private investment in the research and development of energy technology innovation must be "drastically increased" (p. 14).
  – The Commission presents for discussion:
    - in the short term, implementing the European Strategic Energy Technology Plan ("SET-Plan"; see CEP Policy Brief);
    - in the long term, identifying "market failures" and "bottlenecks" for private investment in innovations, and creating new "innovative financial instruments" such as a "European low-carbon energy fund" or "low-carbon energy guaranteed loans" (p. 14);
    - in the long term, launching extensive programmes for the promotion of technological innovations with strategic importance.

- **Internal energy market and consumer protection**
  – According to the Commission, the days of cheap energy prices are "definitely over". The internal energy market can have the effect that energy consumers do not have to pay "more than is really necessary" if bottlenecks are removed and competition is fostered. (p. 15)
  – The Commission criticises the fact that Member States have failed to adequately implement the EU law concerning the internal energy market [cp. Progress Report COM(2010) 84].
  – The Commission presents for discussion:
    - in the short term, establishing high safety standards for the entire nuclear cycle, in particular through an EU legal framework for radioactive waste disposal;
    - in the short term, exchanging good practice for the protection of consumers;
    - in the short term, creating level playing fields (p. 16) among all energy producers, notably through the full independence of transmission system operators for electricity and gas;
    - in the short term, increasing market surveillance through regulatory authorities at national and EU level.

- **External energy policy**
  – The Commission emphasises the relevance of a coordinated external EU energy policy in order to increase its influence on energy markets and thus to ensure the energy supply in the EU.
  – The Commission presents for discussion:
    - in the short term, increasing ties between the EU and the energy markets of EU neighbouring states, e.g. through the Energy Community with south-east European EU neighbouring states in order to promote the "diversification of supplies", a stable environment for investment, energy efficiency and renewable energies;
    - in the short term, integrating energy policy targets more strongly into the EU trade agenda;
    - in the short term, developing a coordinated EU strategy for major energy infrastructure projects in third countries;
    - in the long term, promoting free trade for sustainable products and technologies and the international cooperation on standardisation of low-carbon technologies.

Commission's Statement on Subsidiarity

The Commission does not address the principle of subsidiarity.

Policy Context

The Action Plan "Energy policy for Europe" [COM(2007) 1, see CEP Policy Brief] puts the fight against climate change and the cut in greenhouse gas emissions at the centre of its new EU energy strategy, along with a safe energy supply and EU competitiveness. Following this, in March 2007, the European Council decided that by 2020, the EU was to cut its greenhouse gas emissions by at least 20% compared to 1990 ("20-20-20-Decision"). For this purpose, the Member States should, by 2020, increase their energy efficiency in order to save at least 20% of the EU energy consumption projected for 2020. Moreover, the share of renewable energies in the overall EU energy consumption must be at least 20% by 2020. In addition, by 2020 every Member State is obliged to increase by at least 10% their share of bio-fuels in the overall transport fuel consumption.

Since then the strategic targets have gradually been substantiated through initiatives by the Commission, with particular regard to energy efficiency [COM(2008) 772], on the security of energy supply [COM(2008) 781] and on energy technologies ["SET Plan", COM(2009) 519; see CEP Policy Brief] as well as the adoption of new laws. The latter covers notably the "Climate Package" of 23 April 2009 [see CEP Analysis in German only] – consisting of Renewable Energy Directive [2009/28/EC, see CEP Policy Brief], the Emissions Trading Directive [2009/29/EC, see CEP Policy Brief], the Effort-Sharing-Decision [406/2009/EC, see CEP Policy Brief] and the CCS Directive [2009/31/EC, see CEP Policy Brief] – and the "Third Internal Energy Market Package" of 13 July 2009 – consisting of the regulation on the establishment of an EU Energy Agency [No. 713/2009, see CEP Policy Brief], the Internal Electricity Market Directive [2009/72/EC, see CEP Policy Brief], the Internal Gas Market Directive [2009/73/EC, see CEP Policy Brief], the Regulation on the Conditions concerning the Conditions on Network Access for Cross-border Power Trading [No. 714/2009, see CEP Policy Brief] and the Regulation on Network Access Conditions to Gas Pipeline Systems [No. 715/2009, see CEP Policy Brief].

Options for Influencing the Political Process

Leading Directorate General:	DG Energy
Consultation procedure:	All interested parties have until 2 July 2010 to submit their statements: http://ec.europa.eu/energy/strategies/consultations/2010_07_02_energy_strategy_en.htm.

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

The consultation does not yet allow for a detailed evaluation of the Commission's project. However, the direction in which the Commission wishes to continue its energy policy can undergo a basic examination.

In order to create legal certainty and ensure equal competitive conditions in the EU, it is necessary to implement the latest internal energy market package on time. It is to be welcomed that the Commission intends to work towards that.

The announced legal framework for the disposal of radioactive waste is to be welcomed in principle, provided it advances high safety standards in the internal energy market. EU-wide harmonised standards are an important requirement for the smooth operation of the internal energy market.

Impact on Efficiency and Individual Freedom of Choice

The expansion of energy networks must be coordinated at EU level, since network planning has a substantial cross-border impact. Therefore, the announced new legal framework for the Trans-European Networks for Energy (TEN-E) and the planned strengthening of the European Agency for the Cooperation of Energy Regulators (ACER), the European Network of Transmission System Operators for Electricity (ENTSO-E) and the System Operators for Gas (ENTSO-G) are measures to be welcomed.

In the field of electricity, network planning is facing major challenges, particularly due to the politically forced expansion of renewable energy sources. As the electricity supply from renewable energy sources fluctuate heavily in time, a network infrastructure tailored to tackle this issue is indispensable.

The current expansion of renewable energies is inefficient, since this mainly **takes place** in Member States where it is especially heavily subsidised and **not where the energy yield is highest**.

If the expansion of power networks is planned on the basis of the currently inefficient geographic location of energy production, then the streamlining of energy production and transport will become difficult and expensive. Unfortunately, the Commission does not address this issue.

The promotion of technological innovation through public funding is appropriate, provided it is spent on basic research; certain technology pathways must not be prescribed politically (cp. CEP Policy Brief on SET Plan). **The detailed regulatory targets** of the SET Plan – defining **which energy source** with which investment volume should cover **what percentage of the future energy consumption** and by when **– are to be rejected, since it is** exactly **this approach that prevents the best technologies from prevailing** in the competitive process of discovery. The Commission's planned political stipulation as to which technological innovations are of "strategic importance" also impedes this discovery process. Therefore, the "innovative financial instruments" planned by the Commission for the promotion of technology are also to be rejected.

It is to be welcomed that the Commission intends to employ market-based instruments, such as the emissions trading system, energy taxation and the phasing out of subsidies for fossil fuels to fight climate change.

However, equally important would be if the Commission were in future to forbear inefficient regulatory **measures in energy policy**. This especially applies to product regulation within the scope of the Eco-Design Directive 2009/125/EC [cp. CEP Policy Brief].

Public procurement can support low-carbon technologies. However, it should not be obliged to follow that target, especially as the environmental benefits are not always apparent [cp. CEP Policy Brief on the Communication of "Public Procurement for a Better Environment" COM(2008) 400]. An obligation to apply

environmental criteria is currently excluded by the Commission – also with regard to its own policy. It wishes to follow environmental criteria only "where this seems appropriate".

Impact on Growth and Employment

Currently not foreseeable.

Impact on Europe as Business Location

A secure and reliable energy supply without wastage is of high importance for Europe as a business location. However, at present the consequences for the business location are not yet foreseeable.

Legal Assessment

Legislative Competence

The EU is entitled to adopt measures concerning energy policy in order to ensure the functioning of the energy market, to secure the energy supply, to foster the interconnection of energy networks and to support energy efficiency, energy savings and the development of new and renewable energy sources (Art. 194 TFEU).

Subsidiarity

Whether or not measures will be consistent with the principle of subsidiarity after the ongoing consultation procedure (Art. 5 Abs. 3 EUV) cannot for the time being be foreseen.

Proportionality

Currently not foreseeable.

Compatibility with EU Law

Currently not foreseeable.

Compatibility with German Law

Currently not foreseeable.

Alternative Policy Options

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Possible Future EU Action

See content.

Conclusion

The expansion of energy networks must be better coordinated since network planning has a substantial cross-border impact. The Commission should be supported in this approach. However, the expansion of power grids based on the current inefficient geographical location of power generation must be avoided, as this would make the streamlining of power generation and transport difficult and expensive. Unfortunately, the Commission does not address this issue. Moreover, EU-wide safety standards for the disposal of radioactive waste are important requirements for the internal energy market. However, regulatory targets and subsidies for certain energy sources are to be rejected. In climate protection policy, the Commission should not only continue to employ market-based measures such as EU emissions trading, but in future must also cease to use inefficient measures inconsistent with the market, such as product regulation as set out by the Eco-Design Directive.