























The Energy Union: from birth to maturity

Actors	Dimensions	Security of Supply	Energy Market	Energy Efficiency	Decarbonisation	Research
	European Commission					
	European Parliament					
	European Council	N/A	N/A	N/A	N/A	N/A
	Council of the European Union	N/A		N/A		N/A
	Member States					

About our evaluation

The above tab summarises the advance of the main European institutions and the member states as a whole under the five guiding dimensions of the Energy Union, as delineated in the Communication on the Energy Union of the 25th of February, 2015. Thus, the marks do not represent an evaluation of the state of the Union in the related sectors, rather a general assessment of the number and quality of actions which have been taken to address them from September to November 2015 (included), ranking from 0 (no action) to 12 stars (full action). A N/A evaluation indicates that it is not assessable at the moment. The elements which have been considered are the following:

- Number of initiatives.
- Level of initiatives, evaluated by budget, number of involved member states, time frame, urgency of the situation, engagement of the private sector and other factors.
- Coherence, both with other European programmes and institutions and with the Energy Union project as a whole.

In the ensuing pages, we included a brief list of events and actions which have influenced the evolution of the Energy Union, divided per guiding dimension.



Foreword

Nicolò Sartori and Lorenzo Colantoni

In mid-November, the European Commission published its first *State of the Energy Union*, a document aimed at offering annual reporting on the progress of the Energy Union initiative 'in order to address the key issues and steer the policy debate'. Nine months after the release of the Energy Union Communication is in fact an appropriate time to take stock of the results achieved so far, and to spell out the actions needed to continue the transformation of the European energy system started by the Commission. In this respect, the *State of the Energy Union* is complemented by two separate Annexes that provide an 'Updated Roadmap for the Energy Union' and offer 'Guidance to Member States' on better energy and climate governance, and by a number of thematic working documents and reports.

In a way, the *State* represents the beginning of phase 2 for the Energy Union: it is possible to imagine the period before the official launch as phase 0, when the idea was generally conceived, partly triggered by the Ukraine crisis and then being adopted by the new Juncker Commission. Phase 1 began with the publication of the Communication on the 25th of February, and was marked by a significant shift from a stronger anti-Russian and gas-focused stance towards a wider approach, as evidenced by the two accompanying documents discussing decarbonization and electrical interconnection. These first months tested some of the novelties in the Commission approach: working on a single matter at a time, focusing on a few clear principles (such as the 'Efficiency First' promise) and empowering the diplomatic position of the EU in the field of energy, among others. Now, this first assessment marks the beginning of a new phase, or at least the need for it: in order not to lose momentum, the Commission should in fact start to slowly move from testing the waters towards a more structural approach, defining a precise strategy and, ultimately, the nature of the Energy Union. A clarity in its purposes, which the Commission still partially lacks, despite the desire to present the Energy Union as a complete and coherent solution.

In this respect, it is interesting to analyse how the Commission presents its energy policy through the *State*, in comparison to the past. If already the post-Lisbon and the 20-20-20 package had a vision of energy for Europe as no longer merely complementary to other targets, this is likely the first time the sector has been addressed as a whole. Hence while the Energy Union works on and receives feedback on five exhaustive dimensions, holistic progress is detailed in the *State*, while complementary measures (Summer and Winter Packages, the documents published along with the *State*) address specific challenges. At least formally, this is a significant change from the 'package of policies' attitude the 20-20-20 strategy followed, and to which the 2030 Framework still partially adheres.

Quite significantly, in the *State* the Commission does not address the guiding dimensions in the same order as adopted in the February Communication, but starts with the *decarbonization* theme. This choice seems to reflect the priorities of Brussels on the road towards the COP21 in Paris, to the success of which the EU is expected to provide a great contribution. The document highlights that the EU is *currently the most carbon efficient major global economy in the world*, implicitly reaffirming the European commitment to remain the global leader in sustainability policies. The agreement on the review of ETS and the establishment of the Market Stability Reserve, as well as the increasing role of the European Fund for Strategic Investment (EFSI) in financing low-carbon energy systems, are certainly encouraging developments that have occurred in the last months. These achievements, however, are negatively balanced by the increasing role of coal in the European energy mix—an aspect probably not adequately addressed by the document—and by the attempts of certain Member States to limit the ambition of the Commission and the Parliament in terms of emission standards. The Volkswagen affair, finally, contributes to weakening the environmental reliability of one of the Europe climate champions, Germany, and with it of the whole EU, possibly



undermining European reliability in front of the international partners gathered in Paris.

By contrast, energy security appears as the most notable penalised dimension in the *State of the Energy Union* assessment. Considered the main factor triggering the launch of the Energy Union initiative—at least in the Donald Tusk version—as a reaction to Russia’s energy stranglehold on the EU, the energy security dimension strangely appears as the second-to-last issue in the November document, just before *Research, Innovation and Competitiveness*. In the first months after the launch of the Energy Union, the Commission worked intensively to foster external cooperation, achieving remarkable results such as the establishment of strategic partnership with Algeria, the creation of two (out of three) EU-Med energy platforms and the launch of the High Level Energy Dialogue with Turkey. However, despite the international proactiveness of Vice President Maroš Šefčovič and his excellent results in presenting himself as the key European energy counterpart—both at the internal and at the external level—Member States keep doing their energy business unilaterally, particularly when Russia is involved. The expansion of Nord Stream 2 is a case in point, as the deal for a single route for Russian gas through Germany would not only undermine the EU efforts to diversify energy imports routes, but basically jeopardize the unity, coherence and sustainability of the European external energy policy itself.

Progress made in the other three dimensions—*Integrated Energy Market, Energy Efficiency and Research, Innovation and Competitiveness*—presents some ups and some downs. In the latter domain, for instance, it is important to highlight the adoption of the Strategic Energy Technology (SET) Plan Communication aimed at accelerating the development and deployment of low-carbon technologies, and the implementation of the first renewable energy projects receiving support through the EFSI, such as the Galloper wind farm in the United Kingdom. New funds from the Horizon 2020 programme are expected to empower the stakeholders’ efforts in the energy R&D domain. With respect to market integration, positive outcomes include the first steps towards stronger European infrastructure interconnections—the Poland–Lithuania gas pipeline being the most evident example—formalized also by the establishment of the EU Energy Infrastructure Forum, an Energy Union initiative aimed at building consensus on the need for coherent development of the European energy hardware. More critical, undoubtedly, is the advancement in the energy efficiency sector. The ambitious ‘Efficiency First’ promise by the Energy Union is facing increasing difficulties due to the lack of compliance by Member States, whose collective efforts—the *State of the Energy Union* says—are still too limited. The reasoned opinions sent by the Commission to thirteen EU countries between September and October, through which Brussels requests to fully transpose the EU Energy Efficiency Directive into national law, not only highlight the threats to compactness of the Energy Union, but also the challenges for achievement of the 2030 energy and climate targets, as they are not defined on a national basis.

With these challenges clearly in mind, the Commission released the Annex on ‘Guidance to Member States on National Energy and Climate Plans as Part of the Energy Union Governance’. The Annex complements and expands the analysis done in the final part of the *State of the Energy Union* document, where the Commission describes the progress made in establishing a dialogue with European, regional, national and local interlocutors on the implementation of the Energy Union. While describing the general principles and scope of the plans in relation to the five dimensions, the Annex addresses the question of the definition of performance projections and the establishment of common key indicators on which the Energy Union monitoring/evaluation process should be based. In addition, the Commission puts great emphasis on regional cooperation to establish national plans, necessary to establish national energy policies that are complementary, coherent, self-reinforcing and cost-effective, and that enhance greater energy solidarity both at the regional and at the EU level.



The future of the Energy Union will depend in great part on the capacity of the Commission to ensure **effective governance and monitoring of the European energy policies**, allowing Member States to operate individually within a clear framework of rules that ensures guidance, cooperation and transparency to the EU energy and climate action. This is probably the most difficult task for the European Commission in its Energy Union endeavour: a factor that would not only determine the success of the initiative in achieving the objectives fixed by the new Roadmap but, more importantly, that would contribute to defining once and for all the nature of the Energy Union itself as a European integration process.



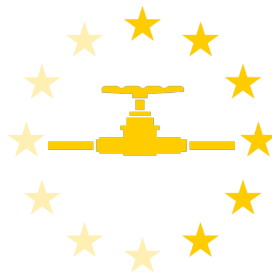
Five Guiding Dimensions

Details of the evaluation

Period September-November 2015

1. Security of Supply

Evaluation: 6/12



In the last three months the European action in the security of supply dimension has been dominated by the EU–Russia relations. The European Commission, thanks to the mediation of Vice President Šefčovič, played a key brokering role in the gas negotiations between Russia and Ukraine. The trilateral talks led to the signature of a binding protocol that, although not yet implemented by the parties, should ensure the supply of gas to Ukraine (and to the EU) for the coming winter. Despite this success, however, the launch of the Nord Stream 2 initiative risks to jeopardize the Commission's efforts, threatening the unity and coherence of the EU energy policy vis-à-vis Russia. While reassuring concerned Member States that—like any other pipeline in the EU—Nord Stream 2 will have to fully respect EU law, the Commission is working relentlessly to strengthen relations with traditional and new partners: preparing the ground for the adoption of the EU LNG and Gas Storage Strategy, launching the Euro-Mediterranean Electricity Market Platform, and discussing EU energy priorities in multilateral fora such as the energy G-20 held in Turkey.

EU–RUSSIA RELATIONS AT CENTRE STAGE

- Thanks to the mediation of the Vice-President for Energy Union Maroš Šefčovič, Russia and Ukraine sign an initial Binding Protocol to resume gas supplies over the winter, preventing possible threats to the gas transit from Russia to the EU. During the meeting, the Russian government commits to lowering the gas price to Ukraine to a level comparable to the neighbouring EU countries during the next semester ([25 September](#)). Given the stall in the implementation of the protocol, Vice-President Šefčovič calls the parties to concrete action, in order to ensure EU's energy security in light of the coming winter season ([9 October](#)).
- European companies BASF, E.ON, ENGIE, OMV and Shell sign a Shareholders Agreement with Gazprom on the expansion of the Nord Stream pipeline. The deal envisages the construction of two additional offshore strings assuring annual capacity of 55 billion cubic meters of gas ([4 September](#)). In a bilateral visit to the Kremlin, German Vice-Chancellor Sigmar Gabriel confirms his country's interest in the Nord Stream 2 project ([28 October](#)).
- Several European policymakers, particularly from Central and Eastern Europe Member States, criticize the agreement, which is expected to question the EU's unity vis-à-vis Russia and to endanger energy security of some Member States ([8 September](#)).
- Also the European Commission is concerned by the possible impact of the Nord Stream 2 pipeline on the EU's unity and energy security, and has therefore started an analysis to assess rigorously the project's acceptability against the European regulatory framework ([1 October](#), [7 October](#)).



ENHANCING DIVERSIFICATION

- The Commission discusses the issues of liquefied natural gas and gas storage, in light of the elaboration of an EU strategy. The debate focuses on the need for new infrastructure and the necessity to make better use of the existing one, on potential regulatory, commercial or legal barriers for the achievement of the EU objectives, and on international aspects such as the contribution of energy diplomacy ([22 September](#)). The analysis is integrated by the results of the Commission public consultation on LNG and gas storage (concluded at the end of September) which has seen an extensive participation of European stakeholders including industry (55 percent of total responses), associations (27 percent), public authorities (11 percent), NGOs (4 percent) and individual citizens (4 percent) ([30 September](#)).
- The Bulgarian government proposes a package of energy cooperation projects to Azerbaijan. The proposals include the Interconnector Greece-Bulgaria (IGB), expected to deliver diversified sources of gas, including Azeri gas, to Bulgaria in connection to the Southern Gas Corridor in order to reduce the country's dependence on Russian gas supplies. Bulgaria and Greece will sign a final investment decision (FID) on IGB, which is one of the European Commission's Projects of Common Interest (PCI), on December 10 in Sofia ([26 August](#)).

EXTERNAL PROJECTION NEEDED

- European Commissioner for Climate Action and Energy, Miguel Arias Cañete, attends the G20 Energy Ministerial meeting in Istanbul. It is the first time ever the Energy Ministers of the world's twenty major economies meet in the G20 format, signalling their increasing interest in a global governance of energy matters. The participation of Commissioner Cañete in the meeting, along with the Energy Ministers of EU Member States, is part of the Commission's effort to strengthen the EU energy diplomacy action ([2 October](#)).
- The European People's Party (EPP) internally debates its political line towards EU energy diplomacy and the external dimension of energy security. Among the options put on the table during a two-day Bureau meeting in Katowice are the creation of an office within the EEAS to enhance the coherence of EU external energy action; the creation of an energy cluster for external energy security policies within the Commission; and the establishment of formal coordination mechanisms between the High Representative and responsible Commissioners ([3–4 September](#)).

FURTHER INTEGRATING THE MEDITERRANEAN

- In Rabat, Commissioner Cañete and Moroccan Energy Minister Abdelkader Amara launch the 'Euro-Mediterranean Regional Electricity Market (REM) Platform', the activities of which are coordinated by the Union for the Mediterranean (UfM) Secretariat with the support of MedReg and Med-TSO. The 'REM platform' is the second out of three regional energy platforms launched in the framework of the UfM after the 'gas platform', whose Secretariat is assigned to the Observatoire Méditerranéen de l'Energie (OME). It aims at creating a regional electricity market in the southern and eastern Mediterranean, and then to integrate it with the EU internal market. Energy cooperation in the Mediterranean is high on the Commission's energy diplomacy agenda: indeed, improved cooperation mechanisms are crucial to exploit synergies and complementarities across the Mediterranean, in order to develop a region of shared economic prosperity, social integration and political stability ([12 October](#)).



2. Energy Market Evaluation: 6/12



During the trimester, Member States made some efforts towards the physical integration of the European energy markets. While Poland and Lithuania signed an agreement to build a gas interconnector expected to reduce their reliance on Russia, Italy and France further strengthened their cross-border cooperation in the electricity domain. The launch of the EU Energy Infrastructure Forum witnessed the Commission's effort to raise awareness about infrastructure development. The Commission—closely monitoring the cases of Alstom and Gazprom—continues to play a key role in ensuring fair competition in the European energy sector, as was done by the Spanish Competition Authority through a recent inquiry into the level of competition in its national electricity generation market. At the national level, the German government approved a package to reform the functioning of the internal power market that includes—among others—a measure to create an electricity capacity reserve, an issue currently subject to the sector inquiry launched by the Commission in April, and expected to be controversial for the process of market integration. In this context, the Commission's Delegated Regulation on 'the Union list of projects of common interest'—released as part of the State of the Energy Union package—identifies 195 PCIs deemed necessary to implement the energy priority corridors, providing a further push and clearer guidance to the European effort to establish a fully integrated and well interconnected energy market.

INFRASTRUCTURE AT THE TOP OF THE AGENDA

- Italian and French TSOs Terna and RTE sign a Memorandum of Understanding to strengthen cooperation on know-how and operation of European electric grids. The deal follows the beginning of work for the realization of the French–Italian electricity interconnector, on the French side of the Savoie–Piemonte line. France and Italy are increasing the current capacity by 1,200 megawatts in order to overcome system congestion and achieve the Energy Union target requiring Member States to have interconnection capacity of at least 10% of power generation capacity ([25 August](#)).
- Poland and Lithuania sign a grant agreement on the gas interconnector project (GIPL) between the two countries. GIPL is a 534-kilometre reverse-flow gas pipeline capable of delivering 2.4 Bcm of gas per year from Poland to Lithuania, and 1.0 Bcm per year from Lithuania to Poland. The Commission, in the framework of the Energy Union, has invested 300 million euros in the project that, as stressed by President Juncker, is expected to end the energy isolation of the Baltics ([15 October](#)).
- Denmark hosts the first EU Energy Infrastructure Forum, an event foreseen by the Energy Union package to raise political attention and build consensus among EU countries and energy stakeholders on the necessity to progress in the coherent and effective development of a European energy infrastructure ([9–10 November](#)).
- The Commission releases a Report on the implementation of the European Energy Programme for Recovery and the European Energy Efficiency Fund. According to the



report, which analyses the progress made in implementing the projects between 31 August 2014 and 30 June 2015, 34 projects out of 59 have been fully completed in the period considered, and a total amount of 1.8 billion euros has been paid to the beneficiaries. The situation is generally positive in the gas and electricity infrastructure domain, while the offshore wind energy and carbon capture and storage sectors represent the most critical domains ([8 October](#)).

- The 13th Energy Community Ministerial Council adopts the EU Regulation on Guidelines for Trans-European Energy Infrastructure. The Regulation, establishing a comprehensive framework for streamlining the permitting, regulatory and cost-allocation procedures for Projects of Energy Community Interest (PECIIs), is expected to foster the physical integration between the EU and its neighbouring energy partners ([16 October](#)).

COMPETITION AT WORK

- The Commission's Directorate General for Competition (DG COMP) approves the 12.5 billion euro takeover of the energy-related business (nuclear, coal-fired, wind and hydro power plants as well as electricity transmission systems) of French engineering company Alstom by the American General Electric. According to DG COMP's services, the deal would not affect market functioning, as General Electric will sell Alstom's activities in the gas turbines sector to Italy's Ansaldo ([8 September](#)).
- Gazprom makes a proposal to the Commission to settle the abuse of dominant position antitrust case in which the company is involved. Gazprom, accused of hindering cross-border gas sales and charging unfair prices in Central and Eastern Europe, tries to cooperatively resolve the case in order to prevent the Commission from issuing an infringement decision and fining the company up to 10 percent of its global annual turnover ([21 September](#)).
- The Spanish Competition Authority (CNMC) launches an inquiry to assess the level of competition in the electricity generation market in Spain ([29 September](#)). Based on a preliminary analysis, the CNMC warns that the subsidy scheme for coal-fuelled power plants proposed by the Government could infringe a European regulation that prohibits discrimination between generating technologies ([6 October](#)).
- The Commission opens two separate in-depth investigations to assess whether France is compliant with EU State aid rules. Brussels investigations look first into French plans for a country-wide capacity mechanism, and second into the tender launched to support the construction of a new gas-fired power plant ([13 November](#)).

ELECTRICITY MARKET REFORMS ON THE SPOT

- Commissioner for Competition Margrethe Vestager examines the progress of the capacity market inquiry launched in April 2015 in the framework of the Energy Union. Over 200 questionnaires have been sent to public authorities and the private sector so far, based on which the Commission will present a report early next year. The preliminary results show the controversial nature of the capacity mechanism issue, seen by some interlocutors as an alternative to real market and regulatory reforms ([28 September](#)).
- The German government proposes a package to reform the functioning of the internal power market. The measures presented include the strengthening of price signals and greater flexibility in market competition, the extension of the network reserve and the reduction of grid expansion costs. In addition, the package foresees the creation of an electricity capacity reserve and back-up lignite plants for emergencies ([4 November](#)).

3. Energy Efficiency

Evaluation: 3/12



Member States appear still far from delivering on the 'Efficiency First' promise made with the launch of the Energy Union, as witnessed by the thirteen reasoned opinions sent by the Commission to Member State to require the full transposition of the Energy Efficiency Directive. The variable results achieved by European countries in this domain are highlighted by the Commission's 'Energy Efficiency Progress Report' completing the State of the Energy Union package. The report shows that the EU-28 as a whole falls short of the required 20% level, calling Member States to accelerate their efforts in order to achieve their national energy efficiency targets for 2020. In the attempt to elaborate new efficiency rules more digestible by reluctant Member States, the Commission has opened a public consultation on the review of the directive in view of the 2030 energy efficiency target. Meanwhile, Brussels is focusing its efforts on the building sector, as highlighted also by Commissioner Cañete during the plenary session of the Committee of the Regions, and reiterated by the European Parliament in the analysis of the Commission's Impact Assessment on Energy Efficiency Labelling.

MEMBER STATES STILL INCOMPLIANT

- The Commission sends reasoned opinions to Slovenia and Estonia, requesting that the two countries fully transpose the EU Energy Efficiency Directive into their national laws. The Directive, which requires Member States to achieve specific efficiency targets by 2020, was to be transposed into national law by 5 June 2014 ([24 September](#)). Another eleven Member States—Belgium, Bulgaria, Cyprus, the Czech Republic, Finland, Hungary, Lithuania, Luxembourg, Poland, Portugal and Spain—are requested to transpose the Directive. The high number of countries incompliant with EU efficiency law witnesses the weak enforcement powers of the Commission, which can ultimately decide to refer these Member States to the Court of Justice of the EU and ask for financial penalties ([22 October](#)).

GREAT ATTENTION TO BUILDINGS

- The European Parliament takes the first steps in the legislative procedure to adopt a new Regulation for Energy Efficiency Labelling based on the proposal made by the Commission in July. The new Regulation would restore the original A-to-G energy label scale and would establish a digital product registration database, to provide up-to-date market data and information on energy efficiency ([25 September](#), see also the [briefing report](#)).
- The European Commission is fully committed to the elaboration of its strategy on heating and cooling in buildings, homes and offices. According to leaked information, the EU's Strategy for Heating and Cooling—aimed at providing inputs to the ongoing review of current EU legislation—would focus specifically on renewable energy and district heating systems. Renewables already contribute a growing share of the EU electricity mix, and the Commission's orientation would further increase their role in the overall European energy mix ([8 October](#)).



- Speaking in Brussels at the plenary session of the Committee of the Regions, Commissioner Cañete highlights the importance of energy efficiency for Europe's cities and regions, encouraging efforts in building renovation. Implementation of these policies is in particular in the hands of local authorities, which are invited to take the lead in this domain and stimulate efficient behaviour among citizens and companies ([14 October](#)).

ENGAGING KEY STAKEHOLDERS

- The Commission opens a public consultation on the Review of Directive 2012/27/EU on Energy Efficiency in view of the 2030 energy efficiency target, based on which the Commission will make its own proposal in 2016. This initiative is part of an articulated effort of the Commission to engage stakeholders on key issues for the Energy Union, such as the review of the Intergovernmental Agreements Decision or the revision of the EU rules on notifying the Commission of Member States' nuclear projects ([4 November](#)).

4. Decarbonisation

Evaluation: 9/12



In light of the important COP21 appointment in Paris, much of the EU effort has been focused on the decarbonization dimension, and in particular on the need to effectively implement a structural reform of the European carbon market. In the last trimester the Council—particularly active in this domain—agreed on the negotiating mandate for the Conference without encountering major resistance from the ‘Eastern bloc’, adopted its Conclusions on climate finance, and discussed the proposed revision of the EU emissions trading system (EU ETS). Furthermore, along with the European Parliament, the Council agreed on the establishment of the Market Stability Reserve (MSR), which will be operational starting 1 January 2019. On the international stage, the EU confirmed its leading role in climate policies, also working to raise awareness on the challenges and the urgent collective action needed in this domain. These significant efforts are balanced by the reluctance of the European Parliament to set more ambitious legally binding sustainability targets for the EU, as well as by the delays of certain Member States in their path to meet the 2020 binding target on renewable energy.

FINDING CONVERGENCE IN THE PATH TOWARDS PARIS

- The Council agrees on the negotiating mandate for the upcoming Conference of the Parties (COP21) to be held in Paris at the beginning of December. The agreement includes a 40 percent reduction in greenhouse gas emissions by 2030 over 1990 levels, placing the EU at the forefront in the global fight against climate change. The agreement signals a certain extent of convergence at the EU level, with sceptical countries such as Poland, Hungary and the Czech Republic aligning to the proposed positions without major objections ([18 September](#)).

STRONGER INTERNATIONAL COOPERATION ON CLIMATE

- Commissioner Cañete participates in the ‘Intended Nationally Determined Contributions (INDC) International Forum’, organized in Rabat to discuss the climate action plans proposed by countries ahead of the COP21. The Forum is organized by the European Union—along with UN agencies UNEP and UNDP, and the Moroccan government—in an international effort to raise awareness on climate change challenges and the urgent collective action needed ([12–13 October](#)).
- The Council of the EU adopts its Conclusions on climate finance, reaffirming the need for fair burden sharing amongst developed countries to mobilize 100 billion dollars per year by 2020, in order to support developing countries’ adaptation and mitigation actions to address climate change. In this context, the Council recalls the 2014 contribution of 14.5 billion euros ensured by the EU and its Member States as an important effort to meet international objectives ([10 November](#)).



WORKING HARD ON ETS REFORM

- The European Parliament and the Council publish the Decision on the establishment and operation of a Market Stability Reserve (MSR) for the EU ETS. The MSR, to be established in 2018 in order to become operational starting 1 January 2019, is expected to tackle the ETS imbalances in allowances supply and demand and to encourage low-carbon investment in the EU. During the Council majority vote, the climate-sceptic bloc led by Poland was outweighed and the Commission's proposal on MSR was adopted by Member States. (approved on the [18 September](#), see Decision (EU) 2015/1814 of [6 October](#)). The Council of the EU issues its conclusions on the special report 'The Integrity and Implementation of the EU ETS' published last July by the European Court of Auditors. The conclusions in particular highlight efforts made to strengthen and harmonise the rules for national monitoring and reporting of emissions, as well as verification and accreditation activities, two main issues raised in the Court's recommendations ([7 October](#)).
- The Council discusses the revision of the EU emissions trading system (EU ETS). Among the themes treated by the Member States' Environment Ministers are the issue of climate finance, the rules for free allocation, and financial mechanisms to foster innovation. The risk of carbon leakage and the necessity to ensure economic competitiveness are among the most divisive issues for Member States, with countries such as France, the UK, the Czech Republic and Slovakia clearly in favour of a more targeted approach for heavy industries ([26 October](#)).

PARLIAMENT DIVIDED

- The European Parliament's ITRE Committee rejects an amendment to its report on Energy Union, which asked for energy and climate targets for 2030 that would be more ambitious than those agreed by the European Council in October: at least 40 percent reduction of greenhouse gas emissions, at least 30 percent for renewables in the mix, and at least 40 percent increase in energy efficiency ([10 November](#)). The ITRE vote clashes with the Resolution 'Towards a new international climate agreement in Paris' previously adopted by the Plenary session of Parliament, which called for the same targets by 2030, and which was the basis for the participation of a delegation of European lawmakers to the COP21 in Paris ([14 October](#)).

MEMBERS STATES ACT, BUT NOT ALWAYS WELL

- Positive steps by France on the road towards global sustainability. The French government announces the end of public subsidies for French companies exporting coal-fired power plants overseas. While power plants equipped with carbon capture and storage (CCS) technology will represent a relevant exception to the general rule, the decision aims at orienting public funding to French firms committed to the development and use of low-carbon technologies ([10 September](#)).
- Member States call for EU regulations to encourage the reduction of truck CO₂ emissions: Belgium, the Netherlands, Slovenia and the United Kingdom join Germany in the club sustaining the introduction of European mandatory targets and tighter standards on truck emissions. The sector, which is believed to account for 30 percent of total road transport emissions in Europe, is not yet regulated by EU rules ([21 September](#)).
- The UK is expected to miss its 2020 legally binding target on renewable energy by an estimated 50TWh, as admitted by Energy Secretary Amber Rudd in a leaked letter to Cabinet colleagues. The content of the communication is in contrast with the public statements of



the UK Government, which had repeatedly stressed (also in front of the Parliament) that the country is on course to achieve its objectives ([9 November](#)).

TACKLING EMISSIONS AT DIFFERENT LEVELS

- Commissioner Cañete closes the final ceremony of the 'New Integrated Covenant of Mayors for Climate and Energy', the group of 6,000 European cities voluntarily committing to take climate action through a stronger alliance with EU institutions. The group sponsors the contribution of local and regional actors to the EU efforts towards decarbonization, highlighting how the initiative can stimulate local development, job creation and the emergence of new societal models ([15 October](#)).
- On another front, the Council and the European Parliament adopt a new Directive that sets emission limits for the approximately 140,000 mid-size combustion plants currently located in the EU as well as for new ones. Mid-size plants, producing between 1 and 50 MW, are generally used for domestic heating and cooling, electricity generation and providing steam for industrial processes, representing an important source of air pollutants ([10 November](#)).

5. Research Evaluation: 6/12



The adoption of the new Strategic Energy Technology (SET) Plan is certainly the most positive and concrete result achieved in the last trimester, as it reflects the determination of the Commission to strengthen its action in the technology domain—a determination confirmed by the funds allocated by the Commission to energy-related research through the Horizon 2020 programme. The recognition of the great potential provided by new technologies for energy transition, stated by the EU Ministers for Energy during their Informal Meeting, provides an important signal to the Commission of the Member States' commitment to follow the lead of Brussels in this key domain.

PUSHING ON TECHNOLOGY!

- The Commission adopts a new Strategic Energy Technology (SET) Plan Communication, aimed at accelerating the development and deployment of low-carbon technologies at the EU level. In its first concrete effort to foster research and innovation within the Energy Union framework, the Commission identifies ten different actions to speed up energy system transformation while creating growth and jobs in the EU. The ten actions focus on reduction of the costs of low-carbon technologies, on the importance of services for smart and efficient buildings and for consumers, on new ways to think about transport, and on improving performance in carbon storage and nuclear energy, among others ([15 September](#)).
- Key energy stakeholders meet in Luxembourg for the 8th SET Plan Conference to discuss the key aspects of the new SET Plan. The EU Commissioner for Research, Science and Innovation, Carlos Moedas, speaking at the conference, highlights great importance attached to energy research and innovation by President Juncker and asks European stakeholders to take the leadership in this energy transition process. Commissioner Cañete, on his side, highlights the importance of strengthening cross-border and cross-sector integration, in order to avoid duplication and make the EU energy system as strong as the sum of all its parts ([21–22 September](#), videos of all panels available [here](#)).

MORE MONEY FOR ENERGY RESEARCH?

- The European Commission decides to invest 16 billion euros in research and innovation in the next two years (2016–2017) in the framework of the Horizon 2020 programme. The implementation of the Energy Union is one of the key priorities for the new Commission R&D Work Programme, particularly in the sectors of Smart and Sustainable Cities (€232 million), Energy Efficiency (194 million euros) and Competitive Low-carbon Energy (723 million euros). In addition, an investment of more than 400 million euros is foreseen to bring promising technologies closer to the market in order to keep Europe's global leadership in renewable energy, while a 178 million euros fund for 2016 alone is dedicated to large-scale innovation actions to demonstrate future solutions for greening the economy ([13 October](#)).



MEMBER STATES COMMITTED

- At the informal meeting of Ministers for Energy, Member States examine the great potential provided by new technologies for energy transition. Among the key issues discussed by the Ministries: economic growth promoted by European energy transition policies; possible synergies between EU energy action and the efforts in the development domain; and investments to ensure a secure, competitive and sustainable energy sector ([23 September](#)).
- The Galloper Wind Farm Ltd (GWFL) is the first UK energy project receiving financial support through the European Fund for Strategic Investments (EFSI), in the framework of the Commission's Investment Plan for Europe. The European Investment Bank is involved in the project, which also has a relevant occupational component and contributes to creating hundreds of jobs in the area ([30 October](#)).



CONCERNS ABOUT THE IMPLEMENTATION OF THE EU 2030 FRAMEWORK

- Bruegel expresses some concerns about the implementation of the EU 2030 Energy and Climate Framework, paying specific attention to the functioning of the governance mechanisms that should ensure coherence and convergence to the EU action. The authors note that the unresolved lack of binding obligations for Member States can be detrimental to the EU energy and climate efforts, calling for clearer governance tools. In this respect, the content of the 'Draft Council Conclusions on the Governance System of the Energy Union' published by the General Secretariat of the Council at the beginning of September, analysed in the article, does not offer the clear policy guidance expected (and demanded) by the authors ([17 September](#)).

ENERGY GOVERNANCE SHOULD BE HIGH ON THE UK AND EU ENERGY AGENDA

- As highlighted by the London-based think tank E3G, the issue of energy governance is particularly prominent in the UK public debate. In particular, the report stresses the importance of a clear reform of EU energy and climate governance to 'ensure consistency and policy coherence at the regional, national and local levels, but also between the different energy sectors'. E3G identifies two main case studies which need specific attention in terms of governance: the introduction of capacity mechanisms at the national level, and the definition (and achievement) of renewable energy targets. Identifying significant challenges in these domains, the report calls for transparent, stable and predictable regulatory regimes, and in particular for a strong and fully enforced governance mechanism ([20 October](#)).

(MORE THAN) AN EYE ON THE EU LNG STRATEGY

- CEPS examines the prospects for a future EU LNG and gas storage strategy, highlighting the importance of firmly embedding any choices in the market realities. The Commission's strategy on LNG is in fact among the key tools envisaged in the framework of the Energy Union to diversify gas supplies and reduce gas dependence (and the related vulnerability) on a limited number of exporters. According to the authors, however, the strategy should not focus excessively on issues related to security of supply, but it should also take into account potential future developments in European gas demand. The paper also stresses the importance of sufficient infrastructure, a factor that still constrains the potential of Eastern European countries to diversify their supplies from Russian gas ([8 October](#)).

TOWARDS A GREEN(PEACE) ENERGY UNION?

- Greenpeace expresses its (partly critical) views on the Energy Union, pointing out that the policies developed at the EU level should effectively match with the Commission's strategic declarations on the role of the EU as the global leader in renewables and in low-carbon technologies in general. According to the brief published by organization, however, so far the Commission's action has been overly focused on heavy investments in gas infrastructure—justified by security of supply concerns—which may raise the cost of renewable energy investments, without reducing the dependence on energy imports. In this respect Greenpeace, while recognizing the European efforts to reform the electricity market, still underlines the limited attention paid to consumers, and in particular their increasing attitude towards producing their own energy ([16 November](#)).



Connecting Member States

An interview with
Vice President Maroš Šefčovič



- The 'Energy Union Tour' has already passed through several Member States: what has been the outcome, and what responses did you receive from the different countries? Apart from the Tour, how can we raise the awareness of the Energy Union's initiatives?

I have visited 23 Member States (Italy is the 24th on 3–4 December) and introduced the main benefits of the Energy Union strategy to national governments, parliaments, energy stakeholders, social partners and the wider public. One of the major conclusions is that the Energy Union, in addition to the political support of the leaders of 28 Member States and the European Parliament, has been positively received by all stakeholders that I met during my Energy Union tour.

The Energy Union is a holistic project about all for all; it creates an overall framework for solution of some of the most pressing energy issues at national and regional levels. It is inevitable that Member States will have different energy priorities: central and eastern European countries focus more on security of gas supply, western Member States expect more attention to energy efficiency and climate change, while Baltic countries emphasise the need for a truly integrated and interconnected European energy market. Despite these differences in emphasis —there is an overall agreement about the fundamental transformation of Europe's energy system with the clear objective to give EU consumers —households and businesses— secure, sustainable, competitive and affordable energy.

Second conclusion is the importance of regional cooperation in breaking down barriers of an energy market and enhancing energy security. Modern energy infrastructure is crucial for the EU to integrate its energy market and to meet its energy and climate goals. To upgrade Europe's infrastructure, the European Commission has estimated that around 200 billion euros is needed during the current decade for transmission grids and gas pipelines. Regional cooperation is needed to connect EU Member States currently isolated from European energy markets, strengthen existing cross-border interconnections, and help integrate renewable energy.

A final conclusion is the need for a more investments in smart technologies. If we want the European Union to become a global leader in the field of renewables, we need to stand at the forefront of the latest technology trends and developments and focus on the real needs of European citizens. That is why the Energy Union puts great emphasis on the development of smart grids, ecological transport and CO₂ reductions —key driving elements of growth, jobs and competitiveness.

I always encourage citizens, NGOs, and wider society to engage through national and regional platforms within and beyond their countries' borders. The Energy Union is a bottom-up approach where decisions are not made by Brussels, and consumers are at the heart of this project. Tweet, post, discuss, create events, raise the awareness and follow latest developments across Europe — that is my advice.

- Ten months have passed since the launch of the Energy Union: out of the five dimensions, which one do you believe has achieved the most? Which do you think is the area where most of the challenges and difficulties will emerge?

One of the most important goals of the Energy Union is to bring all 28 Member States, each with a unique set of energy needs, together. However, we cannot simply create an overarching energy strategy that will leave national energy plans unchanged; such a move would only add a European chapeau to 28 different sets of policy measures. The main purpose is to synchronise national plans and create a truly united European energy market.

Countries have unique priorities and needs —the Energy union strategy needs to take this into consideration and base national progress plans on countries' real capabilities. Let me give you an example. Some countries will have an easier job building regional interconnection capacities whilst other will not; some countries will be better able to include renewables into their national energy mix, while others will need more investment and technological innovation to do the same.



A positive sign, however, is that many countries are already exceeding one set of targets while being close to fulfilling others. The European Commission believes that with the right incentives and determination the European Union will reach all agreed targets set out in the 2030 Climate and Energy Strategy.

- Heterogeneity is an obstacle the European energy policy has often had to face: how can the Energy Union find and apply a common European denominator between countries so different as Poland, France, Italy or the UK? Is it possible to imagine an intra-European regional cooperation, and how will this relate to a single, common European energy policy?

I would not see the heterogeneity only as an obstacle. Heterogeneity also means that we can learn from each other – thanks to different approaches we can acquire best practices and avoid mistakes being made.

The goal of the Energy Union is to bring all Member States together in the most harmonious way. For example, the Energy Union's 2020 and 2030 targets were unanimously approved by 28 leaders despite their different energy mixes. The European Commission respects the sovereign right of all Member States to decide upon their national energy mix, while respecting at the same time the agreed European energy and climate targets. The European Commission will continue its work as a coordinator of national policies and as a guardian of achievable national energy and climate plans. With the State of the Energy Union, presented on 18 November, we are putting in place the first building blocks of a robust 'governance mechanism' to ensure that Member States establish long-term strategies; that they embed their strategies in a regional approach and engage in regional consultations (e.g. what are the areas where joint planning is more cost-effective? how can we avoid adverse effects on our neighboring countries?).

Intra-European cooperation is already a reality. We have several regional cooperation agreements in place that ensure better energy efficiency, better prices, more secure deliveries and appropriate interconnections. I could mention, for instance the Baltic Energy Market Interconnection Plan (BEMIP), the Central and South-Eastern Gas Connectivity (CESEC) or the Pentalateral Energy Forum (Germany, Benelux, France). One of the dimensions of the European energy policy is, in fact, a creation of regional hubs. This serves a simple purpose – neighbours are usually better suited for cooperation as their vicinity and more intimate engagement often mean better knowledge of each other's capabilities and shortcomings.

- The Energy Union, the solidarity it proposes and the link to European integration can bring great benefits to the Member States. Yet, the significant role they play in its implementation, especially in relation to the non-nationally binding targets to 2030, and the focus on individual interests can often lead to suboptimal results: how to align the different interests, and lead the Member States on a common, European path?

2016 will be the year of delivery. In that year, we put 90 percent of what we promised in the form of legislative proposals on the table. That will give the EU Member States enough time to review their efforts and start with most appropriate implementation to achieve first results before the Juncker Commission leaves office in 2019. We will soon present templates for National Energy and Climate Plans, in which Member States will be required to update their progress and shortcomings across all five dimensions of the Energy Union strategy. This will allow for better understanding of where we stand, where we go and what we need to do to streamline 28 national energy policies into a coherent European energy direction.

The European Council in March 2015 endorsed the Energy Union Strategy, requiring all Member states to put in place policies, which will ensure the successful implementation of our common European objectives.



- The case of Nord Stream 2 is of particular interest: is it possible to combine this project with a wider European interest, when its upstream pipeline OPAL still runs at half capacity because of the clash with European legislation? Is it possible to prevent individual action of this kind and expand European coordination?

The role of the Energy Union is to help EU Member States to secure, in a long-term perspective and among other things, reliable and uninterrupted gas supplies. One of the core dimensions of the Energy Union is energy security with diversification of sources, routes and supplies and it constitutes one of the main objectives of our work given unprecedented reliance of some Member States on limited sources and gas sellers.

Concerning the Nord Stream, the position of the European Commission is very well and clearly reflected in the State of the Energy Union report, which was adopted by the whole College of Commissioners. We take the notes of the plan of companies to build further pipelines connecting Russia and Germany through the Baltic Sea. At the same time we are also underlining that if built, that Nord Stream III and IV would not give access to a new source of supply and would further increase transmission capacity from Russia to the EU, while even now, this is only used at 50 percent. We are also highlighting the fact that these pipelines will have to comply fully with the EU law and that the European Commission will assess any such a project against the European regulatory framework on its own merit. We have also approved in the State of Energy Union report, that the EU will only support infrastructure projects that are in line with the core principles of the Energy Union, including the EU Energy Security Strategy and the importance of the diversification of energy sources, suppliers and route and its crucial importance for insuring secure and resilient supplies of European citizens and companies.

- The energy security is one of the five dimensions of the Energy Union, how do you see the development of the Mediterranean pattern in this regard? The Euro-Mediterranean platforms were launched few months ago and they have been perceived as good instrument for cooperation on energy security and diversification. How does the Commission would continue to support the initiative under the overall picture of the Energy Union?

EU energy relationship with the Southern Mediterranean countries has largely been based on the mutually beneficial trade of fossil fuels. In fact, Algeria is the third largest supplier of natural gas to the EU after Russia and Norway. In 2013, Algeria, Libya and Egypt accounted for 15 percent of the EU's total gas imports. Mediterranean neighboring countries' contribution to diversification and the security of gas supply in Europe could further increase in the future, thanks to the potential for additional production in the region. Algeria has huge unexploited gas resources, including technically recoverable shale gas reserves, estimated to be the third largest in the world. The Mediterranean is also set to become a transit route for gas, either through pipelines from the South and the East, or through existing and future LNG terminals, evenly distributed along Europe's coasts. The European Commission has supported and will continue to support the gradual establishment of a Mediterranean electricity regional market, working together with all partners in the region and in particular with the regional associations of the energy regulatory authorities (MEDREG) and of the transmission systems operators (MEDTSO). In June 2015 we launched the "UfM Platform on Gas" and in October 2015 launched the "UfM Platform on Regional Electricity Markets." Their objective is to develop, together with policymakers and stakeholders, shared viewpoints and proposals in order to reinforce the security of gas supply and the regional gas and electricity exchanges. The "UfM Platform on Renewable Energy and Energy Efficiency" is planned to be launched in the first quarter of 2016. The challenges are to promote regional energy security but also to assess current and future developments around gas and electricity demand and supply in the region and promote security of demand. The Platforms should help eliminating cross-border barriers between countries and should promote the harmonisation of rules and codes and seek the most appropriate way of diversifying natural gas resources and routes and electricity interconnections.

Roadmap for the Energy Union





What is the Energy Union Watch?

The Energy Union Watch, a project launched by the Istituto Affari Internazionali (IAI) in cooperation and with the support of Edison, responds to the exigency of following step by step the evolution of one of the most ambitious initiatives launched by the Juncker Commission, the Energy Union, and bringing the discussion closer to the public opinion and the key stakeholders.

The project aims to monitor the activities of the key EU institutions – the European Commission, the Council of the EU, the European Parliament and the European Council – on the five Guiding Dimensions envisaged by the Energy Union. The Energy Union Watch also covers and illustrates the debate among the key national and European stakeholders, including industrial players, think tanks, interest groups on the evolution of the policies and the measures adopted in the framework of the Energy Union. Finally, in order to sensitise the citizens and contribute to the public debate, it offers an analytical assessment of the milestones and results achieved in the framework of the Energy Union, presenting a set of recommendations for the activities to be proposed and implemented.

The Energy Union Watch is produced on a quarterly basis, collecting official documents, public information and open source data, which are processed and analysed by the IAI team. The content of the Watch is integrated and enriched thanks to a process of interaction with experts and stakeholders belonging to the IAI and Edison networks.

About the IAI

<http://www.iai.it/en/>

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Founded by Altiero Spinelli in 1965, the Istituto Affari Internazionali does research in the fields of foreign policy, political economy and international security. A non-profit organisation, the IAI aims to further and disseminate knowledge through research studies, conferences and publications. To that end, it cooperates with other research institutes, universities and foundations in Italy and abroad and is a member of various international networks. More specifically, the main research sectors are: European institutions and policies; Italian foreign policy; trends in the global economy and internationalisation processes in Italy; the Mediterranean and the Middle East; defence economy and policy; and transatlantic relations. The IAI publishes an English-language quarterly (The International Spectator), an online webzine (AffariInternazionali), two series of research papers (Quaderni IAI and IAI Research Papers) and other paper series related to IAI research projects.

Via Angelo Brunetti, 9 - I-00186 Rome, Italy

T +39 06 3224360

F + 39 06 3224363

iai@iai.it

www.iai.it

Nicolò Sartori - Senior Fellow

n.sartori@iai.it

 @_nsartori

Nicolò Sartori is Senior Fellow and Coordinator of the Energy Programme at the Istituto Affari Internazionali (IAI). His research focuses on the external dimension of Italy's and the EU's energy policies—with specific attention to Turkey and the Caspian basin region, the Mediterranean and Russia, and on the governance of energy policies in the EU framework. He is Professional Fellow at the World Energy Council (WEC) Italy, and editor of the column 'Centers of Gravity' in the international review Oil Magazine. He worked at the NATO Defense College in Rome, where he also conducted research on NATO's role as energy security provider in the Caspian region.

Lorenzo Colantoni - Associate Fellow

l.colantoni@iai.it

 @colanlo

Lorenzo Colantoni is Associate Fellow at the Istituto Affari Internazionali, with specific involvement in the Energy Programme. His focus is on European energy policy, in particular intra-European interconnections, the geopolitics of the European energy supply and LNG. His research extends also to the environment, in particular food security, climate change and international environmental agreements. He has experience at the DG DEVCO of the European Commission and the Centre for European Policy Studies (CEPS). Alongside his research, he also works as freelance journalist for, among others, Limes, L'Espresso, the Energy Post and the European Energy Review.

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