






Back to the fundamentals?

Actors	Dimensions	Security of Supply	Energy Market	Energy Efficiency	Decarbonisation	Research
	European Commission	9	6	6	9	3
	European Parliament	N/A	N/A	N/A	3	N/A
	European Council	6	N/A	N/A	6	N/A
	Council of the European Union	N/A	N/A	N/A	6	N/A
	Member States	6	6	3	3	N/A

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

With the so-called Energy Security Package presented by the European Commission on 16 February, the Energy Union goes back to its origins. Security of supply is not only the first of the five guiding dimensions identified by the Commission to establish a coherent Energy Union, it has also been the main driver, leading first the former Polish Prime Minister Donald Tusk, and then the European Commission's President Jean-Claude Juncker to call for an overall reform and reorganization of Europe's energy policy. The renewed focus on security that follows the success of the Commission's work at the UNFCCC Conference of the Parties (COP21) held in Paris in December must now be consolidated, particularly by granting a not-so-easy coherence between the energy security requirements of the EU and its commitment to emissions reduction.

Just as in mid-2014, natural gas is still at centre stage. The crisis in Ukraine, which erupted at the end of 2013 posing (real or potential?) threats to the security of Russian gas supplies, has not been resolved. EU–Russia relations continue to be tense, despite constant attempts to establish business-as-usual interactions, with European sanctions strongly impacting Russian economic and social stability. Despite this situation, Russian gas continues to play a key role in the European energy mix, while the dialogue between Brussels and Moscow during the trilateral talks with Kiev has ensured—at least so far—a relatively stable framework for the transit of gas from Russia to Europe through the Ukrainian territory.

The Energy Security Package clearly reflects this enduring situation, and more broadly recognizes the impact of geopolitics on the economics of energy. It therefore sets out a wide range of measures to strengthen EU resilience to gas supply disruptions, as well as mechanisms to ensure energy solidarity, transparency and trust among Member States.

The new Security of Gas Supply Regulation is at the core of the package presented by the Commission, reflecting the overall approach of Brussels towards energy policies in the framework of the Energy Union. The EU is strengthening its role through a three-level architecture strongly rooted in market-based mechanisms, Member State cooperation at the regional level, and overall EU coordination that becomes apical in case of gas supply emergency at the regional/Union level. Regional cooperation and integration indeed emerges as the key guideline for the planning of security of supply measures. The action of Member States is nestled in regional mechanisms aimed at ensuring a precise framework for preparation of the key policy tools: risk assessments, preventive action plans and emergency plans, as well as the possibility to foster convergence at the EU level. In addition, the Commission's proposal balances a strong market-based approach to address local energy crises, with an increased role of the Commission in case of regional or Union emergency, assigning to Brussels the powers to ensure the exchange of information, to overview the consistency of action of Member States and also to coordinate interactions with the third countries involved.

The effort to Europeanize the energy security policy is reflected also in the measures contained in the proposed Decision on Intergovernmental Agreements. In a scenario of projected growth of EU dependence on external energy sources, the Commission's proposal aims at making the current and future external energy relations of Member States more transparent and compatible with the EU's energy security objectives and provisions. By establishing notification obligations with respect to energy negotiations with third parties, the document reinforces the Commission's supervisory powers and extends Brussels' authority to check ex-ante the compliance of energy deals and non-binding instruments signed by Member States with their external suppliers. Greater transparency, however, cannot be ensured to the detriment of confidentiality of key information of these deals, the disclosure of which could negatively affect the interests and activities of industrial actors,



whose commercial deals are in any case not covered by the provisions of the Decision.

In this context, greater EU transparency and solidarity should be capitalized by exploiting the opportunities offered by the expanding global LNG market, which the Commission expects to increase by 50% in the coming years. The 'EU strategy for liquefied natural gas and gas storage' is specifically intended to enhance the security and resilience, as well as the competitiveness, of EU energy supplies by adopting a coherent approach vis-à-vis LNG and storage policies.

Great attention to completion of the infrastructure (regasification terminals, storage sites and interconnections) currently lacking in Europe to complete the domestic market, goes along with the strengthening of appropriate market instruments and the careful implementation of regulatory mechanisms adopted at the European level. In line with the guidelines of the proposed SoS Regulation, the strategy focuses on regional-dimension cooperation, promoting mechanisms to smooth both project-financing and technological processes in the various EU regions. Finally, the document places particular emphasis on the proactive role of the Commission on the international scene, by strengthening dialogue with traditional partners and creating new energy diplomacy relations with emerging producers ready to enter the LNG market.

The 'Heating and cooling strategy' completes the package, offering for the first time the Commission's strategic guidelines for the use of energy to heat and cool Europe's buildings and industries. This sector, which amounts to 50% of the EU's annual energy consumption and to 68% of all its gas imports, needs a strategic vision at the EU level both to respond to the current security of gas supply concerns and in view of the post-COP21 sustainability and emission reduction obligations. Concerns on excessive dependence on gas for heating and cooling are reflected in the strong push of the strategy towards renewable energies—thanks to which the Commission expects to foster a full electrification—as a complement of policies on energy efficiency and local smart infrastructure.

After a semester mainly dedicated to preparation of the UNFCCC's Conference of the Parties (COP21) held in Paris in December 2015, with a clear focus on decarbonization policies (such as the reform of the Emissions Trading Scheme, ETS), the new Commission's initiative comes at a topical moment. Based on the important CO₂ reduction commitments undersigned by the parties to the Paris Agreement, it appears that natural gas will be the fossil fuel of the future, accompanying renewable energy in the huge effort to keep global temperature growth below 2°C. Furthermore, as stated by Commissioner Cañete himself on 16 February, gas will also act as a bridge between coal and renewables—thus touching on the delicate matter of coal in the European energy mix, yet to be taken into consideration by the Energy Union.

Nonetheless, various environmental NGOs are not entirely positive about the Commission's approach. Criticism is levelled at the persistent overestimation of gas demand by the Commission, highlighted as well by the European Court of Auditors in a 2015 report on the development of the internal market. Indeed, since 2003 each gas demand projection has been significantly lower than the previous one; in 2005, the Commission expected gas demand to be 23% higher in 2015 than it actually turned out to be. On 16 February, Commissioner Cañete provided reassurance that the Commission is now modelling its scenarios bearing in mind the 27% energy efficiency target agreed to in October, as well as a 30% and a 40% level, the latter option directly requested by the European Parliament.

The significant focus on gas in the package also implicates the discussion on achievement of the 1.5 degree target proposed by the High Ambition Coalition, in which the EU played a leading role. It is not clear whether this will require a change in the EU emissions reduction target of 40% by 2018, at which time revision of the Intended Nationally Determined Contributions (INDCs) is planned by



the Paris Agreement—and if this will even be possible, considering the already strong opposition of Member States, such as Poland, to the ETS revision and other climate change related issues.

All in all, the package presented by the Commission reflects the two key trends in place at the EU and global level: the necessity to comply with the climate commitments stipulated in the Paris Agreement, assigning to natural gas a fundamental role in the future energy architecture of the EU. The EU approach not only recognizes that the transition towards a low-carbon economy will not happen overnight, but acknowledges the intrinsic challenges to Europe's security of supply determined by the progressive implementation of sustainability policy centred on the combination of gas and renewables. This is a view that may raise potential criticism, but which seems after all the result of an increased pragmatism adopted in Brussels.



Five Guiding Dimensions Details of the evaluation

1. Security of Supply Evaluation: 9/12



Following the publication of the winter legislative package, security of supply is again at the core of the Energy Union. The Commission's proposals and strategies address well-known weaknesses of the EU energy sector, such as lack of diversification, integration and fear of a growing dependence due to decreasing domestic production, following the approach and the path already traced in the past by legislation such as the 2009 gas Regulation. Even the Commission's proposal on intergovernmental agreements aims at reviving the information exchange mechanism for intergovernmental agreements on energy between Member States and third countries, which dates back to 2012 but has never been truly applied.

The situation on the Russian front remains, if not hot, at least tepid: opposition against Nord Stream 2 grows stronger, and is supported not only by Central and Eastern European Member States, the Council President Tusk and the Vice President Šefčovič but also by Italy and several German Länder themselves.

The Energy Union continues to pursue diplomatic action towards the East, by continuing its work on the Eastern Partnership Platform on Energy Security, promoting relations with Iran and keeping an eye towards energy cooperation in the Eastern Mediterranean.

GAS AT THE CENTRE OF THE ENERGY SECURITY PACKAGE

- The Commission presents its energy security package, prepared in the framework of the Energy Union, to prepare the EU for the global energy transition while strengthening its capacity to cope with possible energy supply interruptions. The package includes the 'Security of Gas Supply Regulation', the 'Decision on Intergovernmental Agreements in energy', the 'EU strategy on liquefied natural gas (LNG) and gas storage' and the 'Heating and cooling strategy'. The package is integrated by a set of supporting document, including the impact assessments of the two regulatory proposals (16 February, [here](#)).

COOPERATION WITH RUSSIA AT RISK

- The Nord Stream 2 project remains highly contentious among Member States. During the European Council, President Tusk joined Central-Eastern European countries' criticism against expansion of the Baltic pipeline. Strong criticism against the initiative—which has been publicly supported by the German government—was expressed at the end of November by seven governments of the region, signatories to a letter to the Commission taking a position against the expansion of Nord Stream (18 December, [here](#)).
- The opposition towards the project results in an alignment between Italy and Central and Eastern European Member States, the positions of which used to be divergent with respect to energy relations with Moscow. During the European Council, the Italian Prime Minister Matteo Renzi urged EU leaders to have the courage to block the expansion (18 December, [here](#)).



- A Memorandum of Understanding signed by Edison, Gazprom and Depa aims at revitalizing the southern route for Russian gas. The new proposal would revive the ITGI-Poseidon, included among the Projects of Common Interest (PCI) by the Commission back in 2013 (24 February, [here](#)).
- Pipeline politics and the fate of Nord Stream enter into the discussion on sanctions towards Russia: however, these skirmishes do not prevent the EU from extending the sanction regime for another six-month period (18 December, [here](#)).

ENERGY DIPLOMACY AT WORK

- A European delegation visits Iran to explore ways of expanding energy dialogue after the lifting of international sanctions against the Islamic Republic. According to Iranian sources, the parties plan to establish a comprehensive energy cooperation roadmap, not limited to the oil and gas sector but also encompassing renewable energies and energy efficiency (17 January, [here](#)).
- Held in Brussels, the 14th meeting of the 'Eastern Partnership Platform on Energy Security' brought together representatives from the EU and its Eastern partners—Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine—to discuss energy issues. Regional energy cooperation in general, and the realization of projects of regional interest in the area of electricity interconnections in particular (including system synchronization and contingency planning in the power sector) were among the key issues discussed during the meeting (11 December, [here](#)).
- The EU Commissioner for Climate Action and Energy, Miguel Arias Cañete, visits Istanbul to intensify energy relations in High-Level Energy Dialogue between the EU and Turkey. Among the key topics discussed are the importance of Turkey for EU energy security—particularly due to its key role in the establishment of the Southern Gas Corridor, energy cooperation in the Caspian region and the integration of the respective electricity infrastructures (28 January, [here](#)).
- A trilateral meeting is held in Nicosia between Cyprus President Nicos Anastasiades, Greek PM Alexis Tsipras and Israel PM Benjamin Netanyahu. On the occasion, the three extensively discuss energy cooperation in the Eastern Mediterranean for gas, electricity and renewable energies. In particular, they refer to the construction of a pipeline from Israel to Cyprus, Greece and the EU to develop gas fields in the area, the development of a common grid between the three countries through an underwater cable, and joint technology development in solar energy, energy efficiency, alternative fuels for transportation and smart grids (28 January, [here](#)).
- The Third EU–Norway Energy Conference took place, with the participation of EU Commissioner Miguel Arias Cañete and Norwegian Minister for Petroleum and Energy Tord Lien. Among topics treated, the conference discussed the future role for gas in the EU and analyzed the Nordic electricity market as a model of regional integration (5 February, [here](#)).

EMPOWERING DIVERSIFICATION

- The Polish LNG terminal Świnoujście receives the first delivery of gas from Qatar. The 210,000 cubic meter cargo of LNG is the first of two planned shipments used for the cool-down and commissioning of the new regasification terminal, while a second delivery is planned for February 2016. During the initial phase of operations the terminal can receive a maximum of 5 Bcm per year, accounting for almost one third of Poland's total consumption (11 December, [here](#)).



2. Energy Market

Evaluation: 6/12



The full development of the energy market is another key point of the winter legislative package, which sees in the interconnection of Member States and the free exchange of energy another fundamental security provision. Nonetheless, even if the package is able to strengthen the role of the Commission as coordinator in case of emergencies, the governance of the European energy market during "peacetime" is still unclear and fragmented among Member States and EU institutions. This situation could be addressed by pieces of legislation expected in the future under the Energy Union umbrella, such as the reform of the ACER, but which are still missing. In addition, delays in the implementation of the Third Package are still impacting the development of the European energy market, and thus the presence of national capacity markets—the French being the first to be considered state aid after the investigation started by DG Competition in 2015.

However, the development of the physical energy market goes further, as it has benefitted from the completion of several infrastructures, and the beginning of others, in some of the most critical areas of Europe: Spain, the Baltics and Eastern Europe.

PUSHING ON INTERCONNECTIONS

- Lithuania is at the centre of the Baltic electricity market thanks to the inauguration of the LitPol Link, connecting Alytus in Lithuania with Elk in Poland, and the Nordbalt linking Klaipeda in Lithuania with Nybro in Sweden. The so-called Baltic ring adds an additional 1,200 MW capacity to the existing Estlink 1 and 2 connecting Finland and Estonia (14 December, [here](#)); Lithuania power prices hit record low on imports from Sweden (23 February, [here](#)).
- A grant agreement for studies to prepare the realization of the BaltiConnector gas pipeline is signed in the presence of the Finnish Economic Affairs Minister Olli Rehn and the EU Commissioner Miguel Arias Cañete. The EU offers a 5.4 million euro contribution for the study of the infrastructure, which would connect Estonia and Finland, contributing to integrate the gas markets across the Baltic Sea and to reduce the complete dependence of Finland on Russian supplies (22 December, [here](#)).
- The European Investment Bank (EIB) signs a €160 million loan agreement with Redexis Gas to expand the natural gas network in Spain, which will supply gas to rural areas in Spanish convergence regions. The investments, guaranteed under the European Fund for Strategic Investments (EFSI), are instrumental to the creation of an integrated and liquid internal energy market in the EU (22 December, [here](#)).
- EU Member States agree on the Commission's proposal to invest €217 million in fifteen key trans-European energy infrastructure projects, funded under the Connecting Europe Facility (CEF) initiative. The projects selected, nine in the gas sector and six in electricity, are expected to eliminate infrastructure bottlenecks and foster market integration in key regions such as South-Eastern Europe and the Iberian Peninsula (19 January, [here](#)).



- The Final Investment Decision for the gas interconnector between Bulgaria and Greece (IGB) has been taken by Bulgarian Energy Holding EAD and IGI Poseidon. This is the last step before commencement of construction operations, which are expected to take place from the end of 2016 to mid-2018. The project is recognized as having EU relevance and has thus received EU funding under the European Energy Programme for Recovery, as a Project of Common Interest (PCI), and is incorporated in the Central and South-East European Gas Connectivity (CESEC) High Level Group (10 December, [here](#)). A new market test for the IGB interconnector was launched shortly afterwards (14 December, [here](#)).

STEPS AHEAD IN THE ELECTRICITY SECTOR

- There are positive developments for the Bulgarian electricity market, as the EU Commission accepts the commitments presented by Bulgarian Energy Holding (BEH), previously investigated for abuse of dominant position on the wholesale supply of electricity market. In particular, BEH expects to establish a new power exchange put under the control of the Bulgarian Ministry of Finance, in order to trade electricity more easily, improve price transparency and promote market integration with neighbouring countries (10 December, [here](#)).
- TEIAS, the Turkish electricity transmission corporation, signs an agreement with the European Network of Transmission System Operators for Electricity (ENTSO-E), and becomes the first observer member since ENTSO-E creation in 2009. After the synchronization of Turkey with the Continental Europe region electricity grid, the agreement is an important step towards market integration with neighbours beyond the EU borders (14 January, [here](#)).

GOVERNANCE NEEDED

- The Commission opens the public consultation on 'streamlining of planning and reporting obligations as part of the energy union governance'. The stakeholders are called to evaluate the current energy planning and reporting obligations, and to propose measures to strengthen the new governance mechanisms foreseen by the Energy Union (11 January, [here](#)).
- The EU Committee of the UK Parliament publishes a report on EU energy governance, highlighting the need for effective monitoring and enforcement mechanisms that may ensure equity and clarity to the efforts at the Member State level. According to the Committee, the proposals for a future energy governance framework should include legal clarity, respect for Member State sovereignty, a focus on security of supply, commitment to the consumer, real ambition for decarbonization and increased regional cooperation (18 December, [here](#)).

FULL IMPLEMENTATION OF THE THIRD ENERGY PACKAGE STILL DELAYED

- The Commission urges Austria and Belgium to correctly implement and apply the Electricity Directive (Directive 2009/72/EC) and the Gas Directive (Directive 2009/73/EC), both part of the so-called Third Energy Package. Brussels' concerns are related to unbundling requirements and to the powers of the national regulatory authorities. In addition, the Commission sends a reasoned opinion to Croatia, inviting the country to amend its gas market rules, which currently create unjustified barriers to the export of domestic gas production, restrict gas imports from other Member States and lead to delayed gas market opening (25 February, [here](#)).

3. Energy Efficiency

Evaluation: 3/12



Commenting on the winter package, Commissioner Cañete again proposes energy efficiency as the key to link decarbonization commitments with the need to improve energy security, by reducing consumption and thus gas imports. This is why the winter package includes a Heating and Cooling Communication (16 February, [here](#)), alongside items more clearly related to security of supply.

In the Communication, the Commission focuses mostly on buildings in the hope that, as stated in the Communication, “industry can move in the same direction, taking advantage of the economic case for efficiency and new technical solutions to use more renewable energy.” The Commission highlights the main obstacle to the development of energy efficiency as lack of funding which, in its vision, should be mostly coming from private investors. Adequate awareness should be provided to boost investments in the sector. The Commission is thus consistent with the approach adopted, for instance, in the European Fund for Strategic Investments (EFSI, so-called Juncker Plan), by trusting the multiplier effect. Even if this method allows more ambitious plans, despite the small funding available to the Commission, control is limited and its efficacy is yet to be proven.

The role of energy efficiency for Europe remains however strong, and it has also been highlighted by the JRC, which forecasts energy savings to be the first fuel for the EU by 2030.

BUILDING AT THE CENTRE OF THE STAGE

- Results are made available for the public consultation on the Evaluation of the Energy Performance of Buildings Directive (2010/31/EU). During the consultation period 308 stakeholders replied to the questions of the Commission, with organizations representing 58% of the respondents. According to almost half of the responders the Directive has been successful, while for one third of them it has been not. The delayed implementation by Member States and the poor compliance and implementation of measures are among the key factors limiting the success of the EU provisions (17 December, [here](#)).
- Delays on the part of Member States in implementing EU efficiency measures are confirmed by the Commission's requests to Portugal and Spain to correctly transpose all the requirements of the Energy Performance of Buildings Directive. The Portuguese government is called on to extend the Directive's requirement to the Azores region, to remove all the exemptions from the energy performance requirements and to provide consistent evidence for the choice to introduce alternative measures to regular inspection of heating and air conditioning systems (10 December, [here](#)). In the case of Spain, the Commission's scrutiny highlights national shortcomings in the definition and application of the 'nearly zero-energy' building standards, as well as non-justified exemptions from the requirements of the Directive foreseen by the national legislation (25 February, [here](#)).



UNDERLINING THE ROLE OF ENERGY EFFICIENCY

- The JRC publishes the report *Securing Energy Efficiency to Secure the Energy Union: How Energy Efficiency Meets the EU Climate and Energy Goals*, in which the service describes the potential impact of energy efficiency within the EU 2030 climate and energy policy framework and the Energy Union strategy. The JRC concludes that, if current tools and the existing strategy are fully implemented, energy efficiency will be Europe's first fuel by 2030 (14 December, [here](#)).

TOWARDS A NEW GREEN AND EFFICIENT PATH IN ITALY

- The Italian Parliament approves a legislative decree introducing measures to foster the green economy and to reduce the excessive use of natural resources. Among the different issues treated, the new law expands the usage of biomass and biogases, allocates funds to enhance sustainable transportation, facilitates easier green procurement procedures for the public administration, and defines a 'Strategy for the Green Community' aimed at expanding efficient and sustainable practices at the local level (22 December, [here](#)).

4. Decarbonisation

Evaluation: 6/12



The significant efforts of the Commission in climate diplomacy in the past months have been rewarded by the positive result of the COP21, and the recognition of the prominent role of the EU and Member States in the negotiation. Thus, Europe is on track to keep its climate leadership in the years to come. However, the EU has now to face the difficult tasks of sealing the deal, putting into effect its promises and harmonizing the actions of Member States. Many of the recent Commission actions appear, though, not directly related to its commitments, such as the significant focus on gas in the winter package and the LNG strategy, the latter raising concerns among environmentalists that indiscriminate American shale gas imports could be admitted. Adjustment of the EU climate targets and tools to the more ambitious 1.5 degree target seems unlikely, despite the significant role of the EU in promoting it. In addition, the position of the Commission remains unclear on issues debated at length, specifically bioenergy, whose role is still undefined in the EU energy framework, and transports, due to the recent proposal by the Commission of a looser package on diesel emissions regulation. The heterogeneity of Member States also grows: while some lead the development of renewables, in particular Denmark and Germany, others are lagging behind in the energy transition, cutting subsidies to renewables and CCS (UK), remaining opposed to a stronger ETS reform (Poland) or increasing their black investments (Eastern and Central European Member States).

THE POST-COP21 DEBATE

- In its Conclusions, the European Council welcomes the agreement reached during COP21, and invites the Council and the Commission to assess the results—in particular in view of the 2030 climate and energy framework—and to prepare the next steps by March 2016 (18 December, [here](#)).
- The EU Council adopts its conclusions on 'European climate diplomacy after COP21', which include the elements elaborated by the External Action Service and by the Commission for a 'Climate diplomacy action in 2016'. According to the guidelines provided, the EU will maintain climate change advocacy as a strategic priority in diplomatic dialogues, public diplomacy and external policy instruments; support the implementation of the Paris Agreement and the intended nationally determined contributions (INDC) in the context of low-emission and climate-resilient development; and increase its efforts to address the nexus of climate change, natural resources, prosperity, stability and migration (15 February, [here](#)).
- The Commission expects profound lifestyle changes to meet the target to agreed in Paris and keep global warming at 1.5°C. This is what emerges from a leaked EU document obtained by UK newspaper The Guardian, according to which Brussels calls on Member States to prepare for a far-reaching debate on the policies and measures necessary to meet the COP21 commitments (15 February, [here](#)).



UPS AND DOWNS FOR MEMBER STATES

- On 25 November the British government decides to cancel the £1 billion (\$1.5 billion) budget initially allocated for a carbon capture and storage (CCS) competition. The decision raised strong concerns at the political level—as witnessed by the letter sent by the Chair of the Energy and Climate Change Committee of the House of Commons to the Secretary of State for Energy—because it is expected to weaken the UK's commitment to reduce emissions (7 December, [here](#)).
- Poland files a complaint with the EU Court of Justice over the ETS reform proposed by the Commission in July 2015. The Polish government argues that the decision to revise the system violates EU rules and is detrimental to investment decisions made according to the previous ETS provisions (7 January, [here](#)).
- Completely different is the situation in Denmark, which has broken its own world record in wind energy, reaching a 42.1% share in the total electricity mix. Based on the plans of the national Parliament, by 2020 at least half of Danish electric power will come from wind, while in 2030 the country is expected to produce 90% of its electricity and heating supply from renewable energy in general (15 January, [here](#)).

CLOSER EYE ON BIOENERGY

- The Commission launches a formal investigation to scrutinize respect of the EU antitrust rule by three ethanol producers: Abengoa of Spain, Alcogroup of Belgium and Lantmännen of Sweden. The companies may have cooperated to limit market competition and drive up the prices of ethanol, undermining EU effort to increase the role of ethanol as an alternative transport fuel, with negative consequences for both consumers and the environment (7 December, [here](#)).
- The Commission opens public consultation on the 'EU policy for sustainable bioenergy from 2020 to 2030'. The elaboration of a new policy is part of the efforts foreseen by 'A policy framework for climate and energy in the period from 2020 to 2030' which, however, did not introduce any specific targets for bioenergy, either in the transport sector (contrarily to the 2020 package) or in heating and electricity generation (10 February, [here](#)).

TENSIONS ON TRANSPORT AND DIESEL REGULATIONS

- The European Parliament rejects by 323 votes to 317 a draft motion for a resolution presented by its Environment Committee, aimed at blocking the Commission's plan for the second package of rules to introduce real driving emission (RDE) tests. The EC regulation, introducing a new test cycle, would allow diesel vehicles to exceed the legal ceiling for nitrogen oxide emissions set by the Euro 6 Regulation (3 February, [here](#)). Also the EU Council decides not to oppose the adoption of the regulation (12 February, [here](#)).
- The Commission urges Italy to complete the transposition of the provisions of the Directive 'on the quality of petrol and diesel fuels' in national legislation. The EU rule, requiring a reduction of the greenhouse gas intensity of the fuels used in vehicles and regulating the sustainability of biofuels, was to be fully transposed by 2020 (25 February, [here](#)).

5. Research

Evaluation: 3/12



The Commission is still lagging behind regarding the fifth dimension of the Energy Union, as it has yet to implement the new SET Plan, approved in September 2015 and matched by the Communication Towards an Integrated Strategic Energy Technology (SET) Plan: Accelerating the European Energy System Transformation. This despite an increase in the communication efforts by DG Energy, which has started to show, on almost a monthly basis, success stories from EU-funded projects. However, the approval of the new plan for the Joint Research Centre (JRC), in which its role inside the Energy Union is explicitly stated, appears to empower the position of the research centre within the European institutions.

RESEARCH GOING FORWARD

- The Commission invests €63.8 million, granted under the LIFE Programme, to co-fund six environmental projects across Member States. These are considered integrated because they adopt a holistic approach and involve multiple stakeholders to address major environmental challenges such as air pollution or biodiversity loss (26 January, [here](#)).
- The EU-funded project SUNLIQUID is ready to present second generation biofuels produced from wheat and barley straw, corn stover, rice straw and the leftovers of sugar cane. The technology developed by the consortium extracts and converts the sugars contained in the agricultural waste almost entirely into ethanol, contributing to raise the percentage of biofuels in the EU transport fuel mix without negatively impacting the functioning of the food and feed sectors (5 January, [here](#)).

THE ROLE OF THE JRC IN THE ENERGY UNION

- The Commission has adopted the 2016–2017 Work Programme for the Joint Research Centre (JRC), its in-house science service. The programme will run under Horizon 2020, and in its key orientations it will support the 10 priorities highlighted by the Juncker Commission, specifically naming A resilient European Energy Union with a forward-looking climate change policy among its top priorities (26 February, [here](#)).
- The Commission publishes an evaluation of Sectoral fitness check for the petroleum refining sector, a cost-benefit analysis of the most important pieces of EU legislation influencing it. The findings are based on a JRC report published in December. (7 January, [here](#)).
- Following publication of the winter package, the JRC revised the set of proposals, and the impact previous European legislation had on gas networks, LNG imports, development of infrastructures and, ultimately, the improvement of European energy security in the period 2009–2014 (16 February, [here](#)).



WHAT PARIS MEANS FOR THE EU'S ENERGY UNION: E3G

- The London-based think tank E3G analysed the actions to be taken by the EU as a result of the COP21 outcome, in particular in relation to the Energy Union and in the short and long term. The think tank specifically suggested a reform of the 2050 energy and climate vision and an expansion of the emissions reduction target for 2030, having in mind a new Nationally Determined Contribution to be proposed by 2019. Further coherence will also be required between European and National plans. In the E3G proposal, the result of the Paris conference should also lead reform of the energy and financial markets, energy governance, diplomacy and security strategies under the umbrella of the Energy Union (12 December, [here](#)).

RETHINKING THE SECURITY OF THE EUROPEAN UNION'S GAS SUPPLY: BRUEGEL

- Simone Tagliapietra and Georg Zachmann, scholars at the think tank Bruegel, propose to focus on increasing the unused alternatives for gas supply, as a new approach to EU gas supply security. In their policy contribution paper, the authors review the vulnerability of the system, the available infrastructures and the current approach, then proposing their vision of an EU market for a gas security margin (EU-MGSM). In their model, the EU should not aim at reducing the imports from key suppliers, but at keeping a margin of unused alternatives, to be accessed in cases of emergency. Tools such as storage, swapping contracts with other countries' suppliers and interruptible contracts with industrial clients would be used to increase security of supply for Europe, at a lower cost (20 January, [here](#)).

GAS DEMAND FOR POWER GENERATION PEAKED AS EARLY AS 2010: CEPS

- The importance of gas for the EU should not be overestimated; this is the main statement of the CEPS Commentary by Fabio Genoese, Eleanor Drabik and Christian Egenhofer. Indeed, despite the flexibility of the resource and the low level of GHG emissions, the authors believe that EU consumption peaked in 2010, and a decline is to be foreseen due to a number of factors related to the power sector, which will hold a significant share of gas consumption in Europe for the next twenty years at least. On the one hand, consumption of energy is expected to suffer from an overall decline and gas will be affected by the phase-out of fossil fuels in the long term. On the other, the authors suggest not to overvalue the importance of the resource in substituting for coal and balancing renewables (12 February, [here](#)).

CLIMATE'S ENFANT TERRIBLE—HOW NEW MEMBER STATES' MISGUIDED USE OF EU FUNDS IS HOLDING BACK EUROPE'S CLEAN ENERGY TRANSITION: CEE BANKWATCH NETWORK

- The NGO CEE Bankwatch Network, focused on monitoring international financial institutions operating in Central and Eastern Europe, analysed the employment of EU funds in climate mainstreaming, energy, transport and other infrastructures, as well as energy efficiency in nine Member States (Poland, Estonia, Lithuania, Latvia, Slovakia, Czech Republic, Hungary, Romania and Croatia). The NGO argues that, instead of promoting a low carbon transition, the employment of EU funding in the region, such as the European Regional Development and the Social Fund and Cohesion Fund, contributes to the consumption of fossil fuels and to high energy intensive economies (26 January, [here](#)).



Interview

Walter Steinmann

Director - Swiss Federal Office of Energy

- The Energy Union is an evolving institution: it was sparked by the Ukrainian crisis but it then went a long way ahead, reaching the holistic approach represented by the five dimensions. What is your evaluation of the Energy Union process? Specifically, do you think it has been truly emancipated from its security-oriented initial stance, and how do you foresee its future?

Switzerland welcomes the efforts of the European Union for a more secure, sustainable and efficient energy system in Europe. One year after the launch of the Energy Union we see progress in the domain of energy security, but also with regard to the internal market and climate policy. The coming discussions about concrete legislation will show if Member States and Parliament are willing to implement the ambitious targets.

- What can be the most relevant contribution of Switzerland to the objectives of the Energy Union? At the same time, what do you think is the impact of the Energy Union on Switzerland? What are the sectors in which the Commission's initiative could have the greatest effect (either positive or negative) on Swiss energy policy?

Switzerland is perfectly integrated in the European energy system. We are a major electricity transit country. Some 15% of all cross-border electricity flows in Europe cross Swiss borders. Switzerland is de facto an integral and important part of the European electricity grid. We are also a significant gas transit country. Substantial volumes from the North Sea to Italy move through the 18 Bcm Transitgas pipeline (controlled by Fluxys, which operates a major gas trunk system from the UK Interconnector through Belgium-Germany-Switzerland to Italy), with transit volumes exceeding Swiss demand about five-fold. Transitgas is currently being geared for reverse flow. Due to this existing integration all initiatives of the Commission will have a considerable impact on Swiss energy supply.

- The EU has struggled for years to develop a functioning, common energy market for Europe, both on the regulatory and physical levels. Nonetheless, the situation still needs to be improved, due in particular to some resistances of Member States that prevent the achievement of the EU energy market. What do you think can be the role of the Energy Union in this? How can the initiative affect the ongoing negotiations between Switzerland and the EU on the single energy market?

Switzerland strongly supports the idea of a European-wide well-functioning energy market. The Energy Union can play a crucial role. Switzerland sees itself as an integral part of the European electricity market. In 2007, Switzerland and the EU launched negotiations on an electricity agreement. The purpose is to establish a legal basis for the integration of Switzerland in the European electricity market in order to enhance security of supply and make more efficient use of existing and new infrastructure. The progress of the Energy Union makes such an agreement even more important. However, the timetable depends on the resolution of the institutional and immigration issues between Switzerland and the EU.



- The Energy Union has a strong external and diplomatic component. At the same time, the paradigms of extra-EU cooperation are evolving and need to be revised. Given your perspective as an EU energy partner, how do you evaluate the current attitude of the Energy Union and the Commission towards third parties, and what do you think should be the best diplomatic recipe for this? the EU energy market. What do you think can be the role of the Energy Union in this? How can the initiative affect the ongoing negotiations between Switzerland and the EU on the single energy market?

Unlike other third countries Switzerland is historically an integral part of the European energy network. Close cooperation between Switzerland and the EU, and especially with our neighbours, is therefore an absolute necessity. We hope that an agreement for electricity is concluded soon. In the meantime we expect the Commission to at least preserve the status quo and to keep Switzerland within all the European projects in order not to destroy value.

Roadmap for the Energy Union



The items in this timeline have been listed by the Commission in the latest State of the Energy Union. Those with a check mark (✓) are the initiatives already taken by the Energy Union since the publication of the State.



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, 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 papers' 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 currently researcher in the Security and Defence Programme at the Istituto Affari Internazionali, and in the Energy Programme. He works on the evolution of technologies in the security domain, paying particular attention to the concept of energy security. In addition, his research focuses on the geopolitics of energy, with specific attention to the geographical areas of the Caspian and Central Asia, Russia, and the Mediterranean. Finally, his activity focuses on the external dimension of Italy's and EU's energy policies, on the emerging role of Turkey as a regional energy player, and on the implications of the development of the Southern Gas Corridor, and on the governance of the energy policies in the EU framework. He's Ph.D. student at the Department

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.

Updated 29 February 2016