






## From action to consolidation

Actors	Dimensions	Security of Supply	Energy Market	Energy Efficiency	Decarbonisation	Research
	European Commission	6	9	6	3	3
	European Parliament	N/A	6	6	N/A	N/A
	European Council	N/A	N/A	N/A	N/A	N/A
	Council of the European Union	6	6	9	3	N/A
	Member States	6	6	6	N/A	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 March to May 2016 (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

**It is a time of transition for the Energy Union**, from a period in which we had significant action to one in which we can expect it. 2016 will be the year of the Energy Union, [wrote](#) Vice President Maroš Šefčovič for *The Parliament Magazine* on 26 April. Indeed, the early months of this year have already witnessed the publication of the Winter Package, which once again brought the focus of the Energy Union to security of supply. This followed the great diplomatic involvement on decarbonization to achieve success for COP21 during the whole previous semester. That is why these months have been dedicated to consolidating past actions and to focusing (or trying to focus) on the dimensions which have for the most part been neglected: Research and Development, Energy Efficiency and the Energy Market.

**On this particular aspect, the Commission published in April the first results of the sector inquiry on capacity markets**, launched by Commissioner Margrethe Vestager of DG Competition. Despite recognizing a potential positive impact of certain kinds of capacity markets, the analysis spotted several critical points, mostly related to the inability of Member States to fully assess the costs for consumers, or indeed to provide security of supply via the mechanisms they have set in place (up to 28 in total, for the 11 Member States considered), some of which are not even designed to be ready for European interconnection. The inquiry has been followed by a public consultation, open until July, and will be finalized in a report in the final quarter of 2016. At that time another long-awaited piece of legislation for the energy market will likely be published, the new Directive for renewables, hopefully providing an answer from the Commission side to the discussion on integration of renewable energies in the European energy market.

**As renewables are still waiting for action, in these months consolidation has been the motto for the decarbonization dimension.** This is the main outcome of the March [report](#) *Assessing the Implications of the Paris Agreement*, which also reviews the efficacy of the 2030 package. Indeed, the discussion avoids proposing an increase in the ambition level of targets, as already done in the immediate post-COP and despite recent pressure by the French, German and British governments. It rather focuses on *implementing the 2030 energy and climate framework as agreed by the European Council, as a priority in follow up to the Paris Agreement*. The report explicitly names the Energy Union, stating that it *provides a broader framework within which the EU can provide the right enabling environment for the energy transition*, stating right after the key measures which it intends to use to achieve this: (1) Innovation and competitiveness, (2) Investment and capital markets, (3) Carbon pricing and fossil fuel subsidies, (4) The role of cities, civil society and social partners, and (5) Climate diplomacy and global action. This is a list which can be read at least partially as the decarbonization agenda of the Energy Union, as many of the tools which are already implemented or under discussion are directly or indirectly named (European Fund for Strategic Investments, the ETS reform). Among them, a particular reference is made to energy efficiency, which is *expected to equal in scale investments in other parts of the energy system*.

**Indeed, VP Šefčovič keeps pushing the efficiency dimension to boost the 'efficiency first' call made already in the Energy Union Communication of February 2015**, but which still has a long way to go. Not by chance, in the previously mentioned *Parliament Magazine* article, VP Šefčovič explicitly refers to the heating and cooling strategy in the Winter Package and the measures addressed to buildings and smart technologies. Yet, with the exception of the heating and cooling strategy, action on the dimension has been quite limited in the past months.



**By contrast, activity on security of supply remains strong.** Decreasing *our market's dependence on a few suppliers by diversifying our sources* was in fact one of the targets of the Winter Package, as stated by VP Šefčovič in the *Parliament Magazine* article, and action has been taken in this sense, also in relation to the new LNG strategy, to boost the significantly underused EU capacity. This is a framework which involves both new routes—a High Level Energy Dialogue was held during VP Mogherini's visit to Iran—and old ones, through the first EU–Algeria Energy Business Forum and the Commission's approval of the agreement between TAP and the Greek authorities.

**As the Energy Union goes towards its full maturity, the need for new tools is being gradually replaced by the necessity for consolidating those that are already in place.** Yet, dimensions such as research and development and energy efficiency, and partially market integration, are still missing an effective contribution by the Energy Union. Possibly, it will be some time still before we witness what Šefčovič called *the Year of Delivery*.



## Five Guiding Dimensions Details of the evaluation

### 1. Security of Supply Evaluation: 6/12



*After presentation in the last trimester of the Winter Package, with its strong focus on security of supply in the gas sector, the efforts of the EU in this domain have been centred on managing relations with its current and future energy partners. Europe's Energy Diplomacy action has focused in particular on reinvigorating energy relations with Algeria, whose contribution to EU energy security could be notably increased if appropriate policies and business-environment measures are put in place by the Algerian government. If successful, the EU–Algeria bilateral Energy Business Forum organized in May could be taken as a benchmark/model for the Energy Union's comprehensive approach to external energy cooperation, and extended to other energy partners, as proposed by the European Delegation led by the High Representative Mogherini and Commissioner Cañete in Iran. Besides relations with partners, the availability of infrastructure is a key element for EU energy security: in this context, the steps ahead in the realization of the Trans-Adriatic Pipeline, but also the status of the existing LNG facilities in Europe, offer a positive outlook in terms of security of supply. At the same time, the relationship with Russia remains tense, with continuous delay in bilateral talks to settle the antitrust case against Gazprom and in discussions over the realization of Nord Stream 2.*

#### STRENGTHENING DIVERSIFICATION OPTIONS

- EU High Representative Federica Mogherini leads an EU delegation to Iran in the framework of the Joint Comprehensive Plan of Action signed in Vienna in July 2015. During the meeting, EU Commissioner for Climate Action and Energy Miguel Arias Cañete and the Iranian Ministers of Petroleum, Bijan Namdar Zanganeh, and of Energy, Hamid Chitchian sign a Joint Statement on Energy aimed at establishing a bilateral High Level Energy Dialogue. The dialogue would cover range of topics, including energy security, technology transfer, research and innovation, and legal and regulatory measures, not only in the oil and gas sector but also in electricity, renewables and energy efficiency. Participants discuss the establishment of an Energy Business Forum to facilitate dialogue and investments between institutions, investors and companies (17 April, [here](#)).
- The European Union and Algeria organize the first bilateral Energy Business Forum, aimed at strengthening energy ties and at facilitating much-needed investment in Algerian gas exploration and production, renewable energy and energy efficiency sectors. The Forum, a follow-up to the EU–Algeria Political Dialogue on Energy launched last year by the Commission in the framework of the Energy Union, is a concrete example of how EU Energy Diplomacy can be expected to make use of the foreign policy instruments available at the European level to establish strategic energy partnerships with key energy producing and transit countries or regions (24 May, [here](#)).

#### THE SOUTHERN GAS CORRIDOR MOVES FORWARD

- The European Commission approves the agreement between the Greek authorities and the Trans Adriatic Pipeline (TAP). According to Brussels, the deal complies with the EU



regulation enhancing competition within the Single Market. Nevertheless, the favourable tax regime granted by Greece to TAP shareholders for 25 years from the start of commercial operations may give the company an economic advantage over its competitors, likely to raise claims appealing to rules for EU state aid (3 March, [here](#)).

- The TAP inauguration ceremony is held in Thessaloniki, Greece, in the presence of EU Vice-President Maroš Šefčovič and Greek Prime Minister Alexis Tsipras. In his speech, VP Šefčovič highlights the importance of energy diversification policies to ensure internal competitiveness, better services and lower prices. He also points out the necessity for greater solidarity within the EU and stronger support to neighbouring countries, including Central Asian countries, towards which Šefčovič expects the Southern Corridor to expand in the future (17 May, [here](#)).
- Activities on the EastMed gas pipeline project are ongoing; the infrastructure has been agreed by the Israeli, Greek and Cypriot governments in January 2016 and funded for half its cost by the European Commission under CEF funding. The feasibility study will be published by the end of July 2016 (April, [here](#)).

#### INTENSE DEBATE OVER NORD STREAM 2 AND GAZPROM ANTITRUST CASE

- Manfred Weber, President of the European Peoples' Party (EPP, the largest group in the European Parliament), expresses his party's concerns over the building of Nord Stream 2. In his letter sent to Energy Commissioner Cañete and German Vice Chancellor and Minister of Economy Sigmar Gabriel, Weber highlights that the project is incompatible with EU principles and detrimental to foreign and energy policy objectives, as it would increase the continent's dependency on a single producer, Russia, and at the same time would turn our back to Ukraine, weakening its position vis-à-vis Moscow. Strong anti-Nord Stream 2 positions are also expressed by members of the European Parliament during the Plenary Session in Strasbourg, which hosted a debate with Commissioner Cañete (2 May, [here](#); 9 May, [here](#)).
- Both the EU Competition Commissioner Margrethe Vestager and Gazprom's Deputy Chief Executive Alexander Medvedev announce imminent bilateral talks aimed at settling the antitrust case against the Russian gas company without a regulatory fine, which could be up to 7.6 billion dollars. According to the Statement of Objections sent by the Commission to Gazprom, some of the business practices adopted by the company in Central and Eastern European gas markets constitute an abuse of its dominant market position in breach of EU antitrust rules. In the last month the position of the parties seem to have moved towards a 'mutually acceptable' solution, but the meeting announced by Ms. Vestager and Mr. Medvedev is still being delayed (20 May, [here](#))

#### DEBATE ON GAS PACKAGE GOES ON

- The Council of European Energy Regulators (CEER) comments on the EU LNG Strategy presented in February, pointing out that the existing LNG facilities can be sufficient to satisfy the gas needs in most of the EU, in light of current and future demand trends in Europe. CEER, stressing the importance of careful cost-benefit analyses of the infrastructure expected to receive a PCI (Projects of Common Interest) status, encourages the Commission to make a careful distinction between projects needed to satisfy gas demand under normal circumstances and those necessary just in case of supply disruptions (13 May, [here](#))
- The European Parliament's Committee on Industry, Research and Energy (ITRE) organizes a public hearing as follow-up to the presentation of the 'Gas Package' by the European Commission last February. The presentations of the speakers focus in particular on the risks related to security of gas supply, on the potential contribution of US LNG and on the impact of Energy Union measures toward a more effective regional approach (23 May, [here](#)).

## 2. Energy Market

Evaluation: 9/12



*During the trimester, the shape of the future energy market has been widely discussed in different European fora. The need for investments in infrastructure and interconnection, stronger cross-border security of supply and cooperation among TSOs, but also the central role of consumers in an innovative market design are among the issues most debated by EU stakeholders. In the interconnection sector, along with relevant initiatives such as the establishment of the 'Electricity Interconnection Group' by the European Commission and the preparation of the Ten-Year Network Development Plans (TYNDs) by ENTSO-G and ENTSO-E, one should highlight the ongoing efforts to fund energy interconnections development through the Commission's Connecting Europe Facility (CEF), which also provides funding for two studies on the extension of the gas interconnection between Spain and France and its adaptation to allow bi-directional flow. In this context, the Commission continues to keep under scrutiny the level of competition within the European energy market, not least because the results of an Interim Report on capacity mechanisms released by DG COMP show a series of criticalities such as lack of transparency and clear rules. The case of Germany is significant: on the one hand the Commission considers the strategic reserve mechanisms established by the government inadequate to respond to long-term generation requirements; on the other, the General Court of Justice of the European Union judges the German legal framework for the production of electricity from renewable energy to be 'State aid' and thus incompatible with the internal market.*

### SHAPING THE FUTURE EUROPEAN ENERGY MARKET?

- The EU Energy Ministers meet informally to discuss the state of the European electricity market and to address the actions needed to achieve an affordable, reliable and sustainable Energy Union. Priority actions include full implementation of the already existing legislation for the electricity market; improvements in the functioning of the short-term market, so as to give appropriate price signals to consumers; better coordination of national subsidy schemes in order to make them more effective; and stronger cross-border security of supply, driven also by effective cooperation among TSOs. In their press statement, the Ministers encourage the active participation of consumers in the debate, stressing the importance of demand-side responses to increase market design flexibility and efficiency (11 April, [here](#)).
- The European Commission's Competition Directorate releases an Interim Report on capacity mechanisms as a form of state aid for electricity producers within the Union. The results of the report underline a quite critical situation: the number of existing mechanisms (28) is more than double the number of investigated States (11). Among the key criticalities are the fact that Member States do not decide the price of capacity payments through competitive procedures as well as the lack of a clear and unified process to define the levels of security of supply desired. While some of the mechanisms adopted are validated by the Commission's scrutiny, others, like Germany's strategic reserve, are considered as inadequate to respond to long-term generation requirements. The interim report concludes by stressing the importance of transparent and open rules for participation in capacity mechanisms, highlighting the fundamental contribution of electricity prices in



- providing signals of scarcity to national electricity markets (13 April, [here](#)).
- EU gas and power transmission system operators (Entso-G and Entso-E) start a joint consultation process on future developments in their respective markets as a result of the commitment to energy transition and decarbonization policies. The two organizations, in order to establish their Ten-Year Network Development Plans (TYNDPs) by 2018, are defining a set of scenarios based on which they expect to identify the investment needs and benefits of future electricity and gas transportation projects. The role of carbon capture and storage, nuclear and renewables, electric vehicles and the configuration of power generation are among the variables considered in establishing the network development scenarios, which will be discussed in a stakeholders' seminar at the beginning of June (12 May, [here](#)).
  - The European Parliaments adopts a Resolution on delivering a new deal for energy consumers, in which the EU legislative body recommends the introduction of collective buying, encourages household self-generation and self-consumption practices, and calls for better price comparison tools for all and for measures to make it easier to switch energy providers and tariffs. In the context of the Energy Union, the European Commission puts great emphasis on the role of consumers in the energy market, as demonstrated by the content of the Summer Package presented by Brussels in July of last year (26 May, [here](#)).

#### PUSHING INTERCONNECTIONS

- The European Commission sets up the Electricity Interconnection Group, a group of experts on electricity interconnection targets. The group is in charge of studying the factors potentially able to impact the exchange of electricity among Member States, while providing technical advice for pursuing the 15% interconnection target set for 2020 within the EU. In addition, the experts are tasked with identifying the different risks that could prevent achievement of the 2020 objective, while suggesting solutions to avoid implementation bottlenecks (9 March, [here](#)).
- In the framework of the Connecting Europe Facility (CEF) initiative, the European Commission puts on the table an additional 200 million euros for investments in key energy infrastructures. Grants will be assigned to proposals for the 195 energy PCIs able to improve the EU's internal energy market and attainment of energy and climate goals. In the past two years the fund financed 69 projects with an investment of more than 1 billion euros (18 March, [here](#)).
- Under the CEF programme, the project for the extension of gas interconnection between Spain and France and its adaptation to allow bi-directional flow receives two grants amounting to 5.6 million euros to complete the studies necessary to launch construction work. According to EU Climate Action and Energy Commissioner Miguel Arias Cañete, the MidCat pipeline project, which will connect Spain's huge LNG regasification capacity with continental gas infrastructure, represents a step forward for the integration of the Iberian Peninsula within the EU market, and for enhanced EU energy security in general (6 April, [here](#)).
- First positive results one year after inauguration of the Malta–Italy electricity interconnector. Along with investments in solar and wind generation, in the last year the new interconnector with Sicily has allowed Malta to become the EU country that accomplished the biggest cut in CO2 emissions in 2015, despite a 1.1% GDP growth. The interconnector puts an end to Malta's energy isolation, ensuring 35% interconnection with the European electricity market (3 May, [here](#). Data regarding emissions reduction are available on the Eurostat website, [here](#), and on the Maltese government website, [here](#)).



## OVERLOOKING COMPETITION

- The Commission gives the green light to the partnership between EDF (French) and CGN (China) to build new nuclear power plants in the UK: according to the Commission's judgement, competition in the wholesale supply of electricity in the UK will not be hindered by EDF and CGN's limited market shares in the country. The decision unlocks the construction of Hinkley Point, the first nuclear power facility to be built on the island in more than 20 years and intended to provide 7% of Britain's electricity needs by 2025 (10 March, [here](#)).
- The EU Commission approves the scheme proposed by the Italian government to support electricity produced by renewables sources, confirming that the plan is in line with the 'Guidelines on State Aid for Environmental Protection and Energy' and does not distort market competition. The type of support depends on the size of the different projects: large projects (>5MW) compete in specific category tenders and enjoy a 'top-up' on the market price; medium projects (between 5 and 0.5MW) undergo a similar treatment, with the choice based on requirements still to be defined; and small ones (<0.5MW) have direct access to funding upon request and the right to benefit from feed-in tariffs (29 April, [here](#)).
- The General Court of Justice of the European Union judges the German law revising the legal framework for the promotion of electricity production from renewable energy (EEG/2012), entered into force in 2012, as 'State aid' and thus incompatible with the internal market. The Court dismissed Germany's action against a Commission decision that classified as 'State aid' the support schemes introduced by the EEG/2012, even though the European Commission eventually approved the majority of the support measures introduced by the law (10 May, [here](#)).

### 3. Energy Efficiency

Evaluation: 3/12



*Despite the 'efficiency first' call of the February 2015 Energy Union Communication and the publication of the heating and cooling strategy in the February 2016 Winter package, energy efficiency remains one of the less addressed dimensions. On the one hand, action has been taken in preparation for the revision of the 2009/125 Directive on energy efficiency, expected for the end of 2016, through public participation via the European Energy Efficiency Platform, launched in April, and additional EU funding under the Horizon 2020 umbrella towards a number of sectors, from public to institutional consumers. On the other, calls to increase the level of ambition (by, for example, Friends of the Earth through an Ecofys report) have not been taken into consideration in the post-COP21 assessment phase where implementation of the 2030 strategy has been considered.*

- The Joint Research Centre (JRC) of the European Commission launches the European Energy Efficiency Platform, an online meeting point aiming at spreading information about the most updated findings in the fast-developing field of energy efficiency, and a platform where experts can discuss and actively contribute to the sharing of knowledge and expertise. The platform can be seen as a tool to reach the 27% efficiency improvement target set by the Energy Union strategy for 2030. The beta version of the tool is already available, in order to allow stakeholders to provide feedback, while the final version will be publicly accessible in the coming months (5 April, [here](#)).
- The European Parliament Research Service publishes an assessment of the implementation of the 2012 Energy Efficiency Directive, as decided in June 2015 by the ITRE Committee. The report, which also received input from the University of Oxford and the Fondazione Eni Enrico Mattei, issues a series of recommendations for the full implementation, in particular increasing monitoring, providing guidance to Member States, boosting long-term commitment by national governments and considering more ambitious targets, even if with moderation, during the forthcoming revision of the Directive (19 April, [here](#)).
- An Ecofys report, commissioned by Friends of the Earth Europe, highlights the impact on GHG reduction of a stronger energy efficiency and renewable energy target, amounting to a cut of more than 50% by 2030. The greatest result would be achieved considering a renewable energy target of 33% (6% higher than the current target) and 40% for energy efficiency (16% higher), leading to a 51% emissions reduction (18 April, [here](#)).
- An EU Parliament vote amends the Directive 2009/125 on eco-design, preventing home appliance manufacturers from having a 10% margin of error between the advertised and actual energy consumption of their goods. This is in order to reduce the overestimation of energy savings by appliances such as fridges or computers, affecting up to 20% of the total being currently used, according to an inquiry led by The Guardian. Light bulbs are however excluded from the amendment due to the significant share of producers affected, raising concerns about the impact of the exclusion (19 April, [here](#)).

## 4. Decarbonisation

Evaluation: 6/12



*Much of the European debate has focused on the process of enactment of the Paris Agreement, with the Commission taking a leading role in this effort, thanks to the framework offered by the Energy Union, but also paying great attention to implementation of the EU 2030 energy and climate policies. The definition of more ambitious emissions targets, the future of the carbon market and the progress of renewable energies have been broadly discussed within European institutions. The push by large member states such as Germany, France and Britain for stricter gas emission targets within the bloc has encountered strong opposition from central and eastern European ministers within the EU Council. Debate on the ETS has taken place in the European Parliament, with the European's People Party (EPP) clearly expressing its priorities for the reform of the European emissions trading scheme: in this context, the Commission's refusal to grant free extra carbon credit allowances to four German energy-intensive industries reinforces the voices asking for a revision of the ETS. The proactiveness of the Parliament in the decarbonization domain is confirmed by the release of a draft 'Renewable Energy Progress Report' by the ITRE Committee, which expresses concern about the performances of various Member States, invited by the MEPs to revise their policies in order to be sure to achieve the 2020 objectives.*

### TOWARDS THE IMPLEMENTATION OF THE PARIS AGREEMENT

- The European Commission presents the Communication 'The Road from Paris: Assessing the implications of the Paris Agreement and accompanying the proposal for a Council decision on the signing'. The document looks at how the results attained by the COP21 Conference held in Paris in December 2015 can be implemented within the EU context. The main guidelines offered by the Commission to give continuity to the agreement include: achievement of the Energy Union's low carbon transition; better innovation and competitiveness policies; improved investments and capital markets; reliable carbon pricing and phasing out of fossil fuel subsidies; growing involvement of cities and civil societies; and effective climate diplomacy and global action. In this context, the full implementation of the EU 2030 energy and climate framework is considered a necessary step for reaching the objectives agreed in Paris (2 March, [here](#)).
- Along with the Communication, the Commission also presents a proposal for a 'Council Decision on the signing, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change'. The document highlights consistency of EU policies with the objectives of the Paris Agreement, and presents the legal basis allowing the Council to sign the agreement on behalf of the European Union (2 March, [here](#)).
- The EU and its 28 Member States sign the Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC), at UN headquarters in New York. In his speech at the signing ceremony, EU Climate and Energy Commissioner Miguel Arias Cañete praises the EU's pioneering initiative in climate issues and its leadership role in the international arena to achieve the necessary results, announcing that before summer the Commission will present to Member States its proposal to ratify the Paris Agreement on behalf of the European Union. The agreement will enter into force and will thus be legally binding after



ratification by at least 55 States, corresponding the 55% minimum for global greenhouse gas emissions (22 April, [here](#); speech by Cañete [here](#)).

#### TOWARDS MORE AMBITIOUS EMISSION TARGETS?

- During a meeting of the EU Environment Council, the ministers of Germany, France and Britain push for stricter gas emission targets within the EU bloc, currently expected to cut emissions by at least 40% by 2030. The proposal finds opposition from eastern and central European countries, which consider the initiative as premature and detrimental to their economic performance. Other Member States such as Austria, Belgium, Portugal and Sweden welcome the motion, joined by EU Climate and Energy Commissioner Cañete, who, however, encourages the two factions to find shared objectives (4 March, [here](#)).
- The UK Parliament' Energy and Climate Change Select Committee encourages the government to set an emission target for 2030, in the context of the five-year carbon budgets through which the UK aims at cutting emissions by 80% on 1990 levels by 2050. The measure is urged in order to define a clearer energy policy in pursuing the progressive phasing out of fossil fuels, and in particular to properly balance the closing of coal-fired power plants by 2025 and to avoid possible shortages due to lack of investment (27 April, [here](#)).

#### THE UNCERTAIN FATE OF THE CARBON MARKET

- The European Commission rejects the request of four German energy-intensive industries for free extra carbon credit allowances. While the final decision on Germany's request is expected later this year, the opinion released by an adviser of the European Court of Justice gives strength to the voices asking for a revision of the ETS, in order to limit the current allowance oversupply that brought carbon prices to a record low (8 March, [here](#)).
- The European People's Party (EPP), the largest political group within the European Parliament, is actively involved in the debate on the reform of the ETS, launched by the Commission in July 2015. The priorities identified by the Party include: Linear Reduction Factor (LRF) at 2.2%; share of free allocations to be higher than the proposed 43%; greater attention to non-ETS sectors such as the building sector and sustainable transport; introduction of new allocation measures to avoid carbon leakage; harmonized arrangements to compensate for indirect costs at the Union level; and establishment of innovation and modernization funds (4 May, [here](#)).
- A delegation of MEPs taking part in the High Level Meeting of the International Civil Aviation Organisation (ICAO) states the need to include CO<sub>2</sub> emissions by the aviation sector in the Paris Agreement and to find 'a fair and robust global market-based measure' to mitigate these emissions. The aviation sector is rapidly expanding and is likely to be responsible of 22% of total greenhouse emissions by 2050. Application of the ETS scheme to intercontinental flights was frozen in 2014 in the aim of finding a global, instead of regional solution (13 May, [here](#)).

#### HETEROGENEOUS RESULTS AMONG MEMBER STATES

- Ambiguous signals are sent by the new Environment Minister of Poland, Jan Szyszko, when it comes to the promotion of renewable energies. Szyszko confirms the government's intention to slow the expansion of wind energy, a position already expressed in the bill on wind investments presented in February. The key proposals backed by the Minister include the duty to build turbines at least 2 km away from houses, 2-year licensing for operation of a wind turbine and a specific permission to repair or modernize a turbine, plus the imposition of a considerable fee (3 March, [here](#)). Setback for Poland also in the biofuels domain, as the country is referred by the Commission to the Court of Justice for establishing restrictions in Polish law against certain imported biofuels and raw materials



for biofuel (26 May, [here](#)).

- The European Parliament's Committee on Industry, Research and Energy (ITRE) releases a draft Renewable Energy Progress Report acknowledging that the EU is on track to reach its 2020 RES. The document presents a Motion for a European Parliament resolution, as well as expressing concern about the performance of countries such as Belgium, France, Luxembourg, Malta, the Netherlands, Spain and the United Kingdom, which are invited to revise their policies in order to be sure to hit the 2020 targets. The general recommendations expressed in the report address the importance of renewable support schemes in attracting long-term investment, as well as appropriate integration of renewables in the grid, and transparency and public participation in decisions (4 April, [here](#)).
- According to a draft document leaked from the German Ministry of Environment, the country expects to eliminate coal plants well before 2050 as planned and is investigating measures to balance the move. The document expresses concerns about the economic impact of the coal phase-out, and plans to set up an ad hoc committee to provide recommendations to manage this thorny issue. Indeed, Germany produces 40% of its electricity from coal, which has outpaced natural gas as the complement for the increasing renewable generation capacity. The Ministry of Environment is paying attention to the energy sector as a source of emissions, and plans to cut in half the levels of CO2 produced by the energy sector, by 2030 (3 May, [here](#)).

## 5. Research

Evaluation: 3/12



*R&D is still lagging behind the other dimensions. However, the Energy Union received an explicit mention in the Joint Research Centre (JRC) programme, presented in February for 2016 and 2017, where the five dimensions represent the major guidelines for action on energy research by the Centre. The Energy Union is nonetheless still missing a more structured approach to the dimension, also in terms of funding and coordination with Member States measures.*

- The Commission presented the JRC's Work Programme for 2016–2017, which is managed in the framework of the Horizon 2020 EU Research and Innovation Program. Among the priorities of the programme, a key role is covered by support to the Energy Union, via knowledge management activities to increase data availability, also from external stakeholders, and modelling, evaluation and general support to the Commission along the five dimensions, with reference also to 'Safe, secure and sustainable use of the nuclear energy' in terms of global technological leadership (26 February, [here](#)).
- In the framework of the Horizon 2020 Research and Innovation Programme, the Commission makes € 194 million available through 2016 and 2017 for funding energy efficiency projects. Among the key topics treated by the new Horizon 2020 call are the role of consumers and public authorities in sustainable energy, improvement of efficiency measures in buildings, implementation of efficiency laws on products, increasing efficient processes in industry and services, and better financing practices for sustainable energy. The deadline to apply is 15 September 2016 (5 April, [here](#)).
- A draft paper from the EU's sustainable energy technology plan, leaked by Der Spiegel, reveals a Commission proposal to strengthen cooperation on nuclear energy research among Member States. The document discusses a possible focus on mini reactors, so as to put the technology in use by 2030 (17 May, [here](#)).
- The Commission launches the European Smart specialization platform on energy, a tool expected to help regions to coordinate, rationalize and plan their respective energy strategies, develop a shared vision on knowledge-based energy policy development, and set up a strategic agenda of collaborative work. In particular, the platform supports the region in making effective use of Cohesion Policy funds and in sharing their expertise on sustainable energy investments and especially on the deployment of innovative low-carbon technologies. The platform is a joint project joint of DG Regional and Urban Policy (REGIO), DG Energy (ENER) and the Joint Research Centre (JRC), with the latter being in charge of ensuring the functioning of the tool (26 May, [here](#)).



#### A PERSPECTIVE ON INFRASTRUCTURE AND ENERGY SECURITY IN THE TRANSITION: E3G

- The presentation of the Commission's Winter Package fosters debate over the EU's energy security. A report released by a consortium led by the European Climate Foundation assessed the resilience of the EU gas system and the adequacy of existing capacity in a range of possible future scenarios. The report—manifesting a certain degree of pessimism towards the picture presented through the Package—highlights Europe's gas infrastructure resilience to supply shocks (with some minor exceptions in South East Europe), also because the delivery of the EU's 2030 targets is expected to significantly reduce gas imports into Europe, making new gas infrastructure assets superfluous by 2050 (3 March, [here](#)).

#### EUROPE'S ENERGY UNION. FOREIGN POLICY IMPLICATIONS FOR ENERGY SECURITY, CLIMATE AND COMPETITIVENESS: CHATHAM HOUSE

- Chatham House also focuses on security of supply, highlighting how the Energy Union, by helping the EU to resolve differences between Member States and build a common vision for future priorities, provides an opportunity to strengthen Europe's capacity to manage its external energy policy challenges. At the same time, the initiative launched by the Commission offers the opportunity to enhance the value of low-carbon systems vis-à-vis geopolitics-driven price and supply risks. The report published by the British think tank, however, identifies a set of key actions that include the capacity to better respond to global oil market developments; deeper integration of climate change and sustainability measures into EU external policies towards its neighbourhood; and greater attention to internal energy competitiveness, by putting consumers at the centre of the Energy Union architecture (17 March, [here](#))

#### PROPOSALS FOR REFORMING THE EU EFFORT SHARING DECISION: ECOLOGIC INSTITUTE

- The Ecologic Institute proposes a reform of the EU Effort Sharing Decision (ESD), a policy instrument that sets national emission targets for 2020, expressed as percentage changes from 2005 levels. The main suggestion is moving the projections to 2015 and even beyond: this would be a way to make the commitments taken in the context of the Paris Agreement legally binding in EU legislation, and to give investors a long-term certainty of commitment. The Institute also suggests a comprehensive review clause able to empower the Commission to propose target adjustments and eventually additional measures to reach the targets (21 April, [here](#)).

#### ENERGY ACROSS THE MEDITERRANEAN: A CALL FOR REALISM: BRUEGEL

- Bruegel investigates the evolution of the EU's energy policies in the Mediterranean region. The report criticizes the multilateral approach followed by the EU towards the energy sector, and in particular its attempts to harmonize energy policies and regulatory frameworks, while calling for more pragmatic bilateral energy policies towards selected Mediterranean partners, delivered through public-private partnerships involving the European Bank for Reconstruction and Development (EBRD) and European companies (28 April, [here](#)).



## Stephan Kamphues

President - ENTSOG

- In October 2010, the Commission declared that Member States should have achieved the N-1 standard *'by 3 December 2014 at the latest'*: what is the state of the European gas interconnections in 2016? When do you expect that all network codes will be completed, so the current regulatory framework can be fully implemented?

Overall, the European gas interconnections are well established. However, in some areas, such as the Baltic States or South-East Europe, there is room for improvement. Regarding the completion of network codes, ENTSOG has already delivered all required network codes. Two of them are still in the EU-Comitology Process. ENTSOG expects them to be adopted by the end of 2016. Full implementation of all network codes for gas is expected in 2019.

- Having been in charge of the ENTSO-G since 2009, you have witnessed a period of great change in the European gas networks, marked by significant advances in the 2009–2015 period, as in the case of reverse flow, and then the birth of the Energy Union: what do you think are the novelties of the Juncker Commission's initiative, and how do you think it will address gaps and inconsistencies among Member States, in particular among national TSOs?

The current and previous Commission were working on the PCI process to promote investments. On top of that, the Juncker Commission encourages work on the Security of Supply. This focus is supported by ENTSOG which has not only introduced more flexible regions, and with the Commission taking a closer look at our supply corridor concept using the well-established flow-modelling already utilized for stress tests and seasonal outlooks.

- More specifically, how do you think the Energy Union will address critical bottlenecks in the EU gas transmission network, such as in the Baltics or in Central-Eastern Europe? And do you think that the Commission's LNG strategy properly addresses the gap between the gas transmission network and LNG terminal?

Initiatives such as the introduction of reverse flow from west to east and from south to north will strengthen the Security of Supply within the EU. They will also contribute to more flexibility. Currently gas quality issues are tackled as ENTSOG looks deeper into potential consequences of including CEN-standards into the Interoperability Network Code. I am convinced that the implementation of the network codes will improve the situation, e.g., with the bundling of capacities.

- The February 2016 Winter Package had a significant focus on gas, but mostly on its external dimension (i.e., legislative proposals for Intergovernmental Agreements (IGAs) and on security of gas supply). Do you think that the internal dimension has been properly addressed, or that the package was indeed unbalanced?

Let's only look at the intergovernmental agreements [IGAs]. Major European cross-border transmission systems have been created without intergovernmental agreements. I don't think they are necessary. When it comes to other issues, such as the usage of airspace, such agreements are



needed. If, in some cases, when an intergovernmental agreement is needed we should question the reasoning. We should look for the gap and what is missing rather than looking for IGA. These agreements should be left to the parties responsible for managing it, which—in my mind—are the TSOs. They should work on the interconnection agreement. The TSOs have to agree on the arrangements of the capacities at the border and that's it. I don't see the necessity for IGAs in these cases even if there were LNG or storage facilities at the borders. Those should be left to the market. The involved companies should manage the contracts, not the states.

# 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 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, and 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 will evolve over time, 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/>

 @IAIonline

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](mailto:iai@iai.it)

[www.iai.it](http://www.iai.it)

### Nicolò Sartori - Senior Fellow

[n.sartori@iai.it](mailto: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 - Junior Fellow

[l.colantoni@iai.it](mailto: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 31 May 2016