





## The Energy Union amidst global turmoil

Actors \ Dimensions	Security of Supply	Energy Market	Energy Efficiency	Decarbonisation	Research
 <b>European Commission</b>	9	6	3	9	6
 <b>European Parliament</b>	N/A	N/A	N/A	9	N/A
 <b>European Council</b>	6	N/A	6	6	N/A
 <b>Member States</b>	9	3	N/A	6	3

### 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 2017 (included), ranking from N/A (no action) to 12 stars (full action). 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 global confusion vis-à-vis topics which are key to the European energy sector, from decarbonization to the geopolitics of energy.** Indeed, the instability brought by the resurfacing of old issues, such as the Gazprom case, and the appearance of new ones, as in the uncertain destiny of the Paris Agreement, threatens the development of the Energy Union, still in process. Yet, these troubles could also represent a positive opportunity for the Commission; as Member States are facing issues on an increasingly greater scale, the Energy Union could represent the tool to resolve controversies, such as Gazprom's dominant position in Central and Eastern Europe, or to fully exploit possibilities, such as the development of Eastern Mediterranean resources, that States could not possibly solve alone. Yet, the potential depends on the ability of Vice President Šefčovič, and to some extent of Commissioner Arias Cañete, to tame Member States and to transform into legislation the proposals made in the massive Winter Package presented last February.

**Indeed, the Commission is seeking more involvement in the Russian question,** which has reappeared on the table following Gazprom's willingness to settle the antitrust case which was started by the DG Competition five years ago. This could be the chance to finally resolve the issue; Gazprom has proposed three commitments and a series of measures meant to soften its dominant position in Eastern and Central Europe, whose alleged abuse was at the centre of the antitrust case. The Russian company's commitment is now to guarantee free flow of gas in the markets in the area, for instance eliminating territorial restrictions and guaranteeing the possibility to change delivery points. The Commission has reacted positively to the proposal, which it believes will indeed allow cross-border flow of gas, align prices in Central and Eastern Europe to the rest of the continent and avoid Gazprom's solely exploiting gas infrastructures. This is an opinion with which many agree, including the Oxford Institute for Energy Studies (OIES). Yet, some Member States have been of a different mind; Poland has led the opposition against the agreement between the Commission and Gazprom, stating it will use "all legal means" to block it. "We believe that the Russians will use their supplies as an instrument of political influence" is the response of Poland's Foreign Minister Witold Waszczykowski to the possibility of an agreement being reached. Other Member States have followed the Polish position, namely the Czech Republic, Slovakia and Bulgaria. As a consequence, talks between the Commission and Gazprom have stalled again.

**Yet, solving the Russian question could represent a powerful advancement for the Energy Union,** especially since this was the initial reason for designing the initiative. Not by chance, the Commission is seeking increasing involvement in the question by proposing, for instance, to represent Member States in the Nord Stream 2 negotiations. The proposal, still unofficial at the time of writing, starts from the Commission's consideration that the pipeline will be affected by Third Package rules, at least for its onshore section. Pushed by the necessity to unblock the otherwise stalled infrastructure, this position could indeed lead the Commission to a prominent role in the negotiations, if Member States will agree to it in the next weeks. This will then accompany an already significant role of the Commission in Ukraine, to which the EU has delivered the largest Macro-Financial Assistance plan ever granted to a non-Member State: 2.81 billion euros also aimed at reforming the inefficient energy sector and the aging transmission system of the country.

**The second opportunity for the Commission comes from the future of the Paris Agreement,** which many believe to be in trouble. The G7 Rome Energy Ministerial Meeting closed without an official declaration, and the Americans were indeed to blame for this. The uncertain position of President Trump over the future role of his country in the agreement led to the inability of the seven to agree on a final statement, paving the way for the US exit from the Paris Agreement (which was finally declared on the first of June). This may cast worrying shadows over the future of what has been likely the most important diplomatic achievement of the EU in recent years, and one in which the Energy Union



and its fourth dimension (decarbonization) are aiming to play a key role, on both the domestic and international level. If the US exit leads to a domino effect, as happened with the Kyoto Protocol in 2001, what was achieved in Paris in 2015 will crumble.

**Yet, it is not 2001 anymore, and many things have changed** that Trump's move is not likely to affect. Renewables are an increasingly cheaper and more available labour-intensive source of energy, while coal is a declining sector whose survival would cost billions, likely to end up wasted in stranded assets. In a world where China invests 103 billion a year in renewables, where electrification in Sub-Saharan Africa will likely leap straight to a gas/renewables mix and where Europe is still a leader in green technologies, it is hard to understand why the rest of the world should follow the US decision, mostly influenced by the domestic troubles of the Trump administration. And this leaves even more space of a consolidated European leadership in fighting climate change.

**Indeed, Europe is already taking advantage of this**, strengthening its partnership with China, boosting cooperation with African countries on renewable energies (recently financing the Africa Renewable Energy Initiative with 300 million), and working on reinforcing its domestic tools to achieve its objectives. The latter has been facilitated by the inclusion of climate and energy diplomacy in the global strategy by the Council, and also by the Commission's hard work in reforming the EU ETS. Yet, there is still a long way to go; emissions are likely to stop decreasing, or decrease at a low pace, as the European economy slowly recovers from the crisis and coal still represents a key component in German and Polish generation. Poland itself remains a troublemaker for the European decarbonization plans, opposing the needed EU ETS reform to defend its heavily polluting electricity sector. This opposition could even arrive at the European Court of Justice, if Poland indeed proceeds with its threats.

**The Energy Union has however been active also in other sectors**, facing past and new issues with alternating success. The Council has finally approved an early approach for a surveillance and testing system on motor vehicles, de facto delivering the first piece of legislation aimed at addressing the "dieseldgate" scandal. Yet, this comes significantly later than the eruption of the news story, hardly serving to repair the damage to the reputation of the EU, and to its ambition of leading the global fight against climate change. The Parliament has also tackled again the issue of biofuels, already discussed by the Commission in the revised Renewable Energy Directive last November (yet with quite an ambiguous approach). The EP's proposal to ban palm oil in biofuels is ambitious, but led to a series of protests by producing countries, which will make negotiations with the Commission and the Council significantly harder.

**As the Energy Union makes its way through both possibilities and threats, the key to solving all these ambivalent situations lies in the future of the second Winter Package.** The massive set of measures could indeed deliver the tools to face most of the issues detailed above: the new Renewable Energy Directive could boost a sector whose integration in the European energy market is still uncertain and thus threatens the achievement of Europe's decarbonization target. The review of the energy market could address some of the opposition by several Member States whose national markets are inefficient, closed, and ravaged by prices significantly higher than the rest of Europe. Most of all, the review of the governance system will allow for the greater involvement in domestic, but mostly external energy and climate issues, that the Commission is actively seeking.

**Progress is already being made, as in these three months the first piece of legislation has been approved by both the Council and the European Parliament.** And it was an important one: the revised rules for intergovernmental agreements in the field of energy, which now fully oblige Member States to inform the Commission about the details of their energy plans with third countries before signing them. European law already included such measures dating from 2012, but they were never truly applied. The approval of the Commission's proposal will lead to an update on the rules, and hopefully their real use.



**The further advancement of the Winter Package will then rely on the ability of the Commission to negotiate with Member States** (individually and through the Council and the Parliament), and thus to increase their willingness to move forward the Energy Union vision. It will not be an easy task, as proved by the recent demand by several Member States for a more relaxed attitude over the achievement of the energy efficiency target. This is however a key objective for the Energy Union, whose “efficiency first” promise is core to the initiative. Similar opposition to the Commission’s project could truly undermine its nature and its success.

**Yet, it will be fundamental to build a coherent and compact European energy and climate leadership,** a prospect which is entirely necessary given the uncertain future of Europe’s relations with its suppliers, of the Paris Agreement and of several other matters now in delicate balance.





## Five Guiding Dimensions Details of the evaluation

### 1. Security of Supply Evaluation: 9/12



*The discussions on the Russian energy front continue. While the Commission works on the commitments proposed by Gazprom to solve its antitrust case (see the “Energy Market” section), it also strengthens the delicate Ukrainian position through financial disbursements and support to improve the aging transmission system. Poland also tries to empower its future role in the debate, via an increased diversification of its supplies (in particular from Norway) and allying with Ukraine over the legal case against the Commission’s decision to lift the limitations on the use of the Opal pipeline, upstream of Nord Stream. On the other hand, Russia brings forward its pipeline plans. Despite the exit from Nord Stream 2 of its European investors, the project has received support from the German network regulator, while plans have been submitted by the consortium for its Swedish component. Meanwhile, early work on the Turkish Stream has started.*

*Security of supply also increases through developments on the domestic side; new rules on Intergovernmental Agreements (IGAs) are approved, alongside new measures to enhance solidarity among Member States during crises. Finally, the Mediterranean also witnesses significant action, as the energy dialogue between the EU and Algeria continues and the East Med pipeline is further confirmed through a joint declaration of commitment by Italy, Greece, Cyprus and Israel.*

#### LATEST DEVELOPMENTS IN POLAND AND THE DELICATE UKRAINIAN BALANCE

- Ukrainian company Naftogaz asks the European Court of Justice to join the Polish PGNiG in the case it initiated against the Commission decision to lift the cap on the use of the Opal pipeline (upstream pipeline of Nord Stream) by Gazprom (2 March, [here](#)).
- A further 600 million euros are disbursed to Ukraine by the EU, as part of a Macro-Financial Assistance plan which totalled 2.81 billion from 2014. It is the largest ever granted to a non-Member State, and it is also aimed at furthering the ongoing reform of the Ukrainian energy sector (16 March, [here](#)).
- The Italian Snam, the Slovakian Eustream and the Ukrainian Naftogaz and Ukrtransgaz sign an MoU to enhance collaboration and improve the gas network in Ukraine, an aging transmission system with an increasing need for maintenance. The agreement takes place while Ukraine is unbundling the network from the incumbent Naftogaz, an operation in which the country has already demanded assistance from European transmission system operators (10 April, [here](#)).
- Poland aims at increasing its diversification options. While attempting to reduce its reliance on Russian supplies, the country aspires to finalize its new pipeline system from Norway via the Baltic Sea by 2022, when the long-term supply deal with Gazprom will expire (14 March, [here](#)). PGNiG has also increased its presence in Norway, acquiring a stake in the newly discovered field in Storklakken (23 March, [here](#)), while Polish gas transmission operator Gaz-System decides to increase capacity of the first LNG plant in the country by



50% (20 April, [here](#)).

#### THE RUSSIAN FRONT: PIPELINE DIPLOMACY

- German network regulator Bundesnetzagentur expresses its opinion on the application of the Third Energy Package on Nord Stream 2 which, as stated by the agency, it is not applicable to the infrastructure (10 March, [here](#)). The Commission has thus offered to Member States to negotiate on their behalf with Russia on Nord Stream 2 and the application of EU principles on the pipeline (29 March, [here](#)). Meanwhile, the consortium publishes its plan regarding the German segment for public consultation (6 April, [here](#)), as the public referrals for the Swedish component start (10 April, [here](#)). Similar documents have however not been yet submitted for Denmark, which aims at modifying its legislation to allow for the possibility of blocking pipeline projects on the basis of security and geopolitical concerns (10 April, [here](#)).
- Gazprom starts construction of the TurkStream pipeline on the Russian coast of the Black Sea using the Pioneering Spirit, the largest construction vessel in the world, which was also already contracted for the construction of South Stream (9 May, [here](#)).

#### WORKING ON SOLIDARITY

- MEPs approve the rules proposed under the umbrella of the Energy Union, which will oblige Member States to inform the Commission of their plans for energy deals with third countries. After final approval by the European Council (21 March, [here](#)), the Commission proposal has entered into force (21 March, [here](#)). This represents an update of the EU law on intergovernmental agreements in the field of energy, which was enacted in 2012 but was missing key components. It is also the first element of the 2016 Energy Union Winter Package to be approved, and represents a core part of the Commission's vast proposal.
- Following a deal between the EU Parliament and the Council, emergency assistance and supply among Member States during gas crises becomes compulsory. Four risk groups are defined for "joint risk assessment" and "joint establishment of preventive and emergency measures" (27 April, [here](#)).
- The Italian transmission system operator (TSO) Snam aims at completing a reverse-flow project in the Alps by 2018, enabling it to export up to 13 bcm per year to France, Germany, Slovenia, Hungary, Austria and eventually Ukraine through three interconnection points (25 April, [here](#)).

#### THE FUTURE OF THE SOUTHERN GAS CORRIDOR AND EASTERN MEDITERRANEAN REGION

- The Italian Council of State approves the TAP pipeline, but work is delayed by the attempt of activists to block construction (28 March, [here](#)). After a further appeal by Regione Puglia is refused by the Italian court TAR, the pipeline is finally cleared to resume work (20 April, [here](#)).
- EU's Commissioner for Climate Action and Energy, Miguel Arias Cañete, and energy ministers from Italy, Greece, Cyprus and Israel pledge their commitment to develop the 2,200-km East Med pipeline from the Eastern Mediterranean gas fields to Europe, during a conference in Tel Aviv. As they stated, a full development plan will be presented by the end of the year (3 April, [here](#)).
- Eni increases its presence in Cyprus, by acquiring a 50% stake in Block 11 from Total, which remains however the operator of the concession (7 March, [here](#)).



## STABILIZING EU-US COOPERATION

- Vice-President Maroš Šefčovič makes his first visit to the US, underlining in his speech the need for an “open, competitive and transparent” global energy market, specifically referring to restrictions on LNG exports (14 March, [here](#); Šefčovič’s speech available [here](#)). Similar remarks are made in the Chair’s Summary of the G7 Rome Energy Ministerial Meeting, where the ministers “reaffirmed the importance of greater flexibility of commercial clauses in LNG contracts, including relaxing destination clauses, and similar restrictive mechanisms.” (10 April, [here](#)).

## DEVELOPMENTS IN EU–ALGERIA COOPERATION

- Energy cooperation between the EU and Algeria is reaffirmed, following a series of meetings between High Representative Mogherini and the Algerian Minister of State and Minister for Foreign Affairs and International Cooperation Ramtane Lamamra (13 March, [here](#)) and between Commissioner Arias Cañete and Algeria’s Energy Minister Nouredine Boutarfa (11 April, [here](#)). During the EU–Algeria Association Council of 13 March, energy is reaffirmed as one of the strategic priorities for cooperation (13 March, [here](#)), and a 40 million euro package is agreed to support the Algerian economy, also through the development of renewable energies (13 March, [here](#)).

## 2. Energy Market

Evaluation: 3/12



*A major evolution takes place regarding Gazprom, as the company presents three commitments and a series of relative measures to resolve the five-year-long antitrust case, started by the DG Competition of the Commission over alleged abuse of the company's dominant position. The proposal is well received by the Commission and generally positively judged by analysts (see the report by the Oxford Institute for Energy Studies in the "Public Debate" section). A series of factsheets explaining benefits for individual Member States have been published by the Commission, but opposition by Poland and other Member States remains strong, as the country leads the action to block the agreement between the Commission and Gazprom, also through its state-owned gas company PGNiG. As a result, talks between the two have not yet led to resolution of the case.*

*Member States have been also active on the national side, taking a series of measures aimed at increasing the liberalization of their markets, such as the opening of the Latvian market, the selling of several Greek energy assets and the French decision to fine Engie for abuse of its dominant position. The Energy Union is also set for a boost on interconnections, through the opening of consultations for extending the list of Projects of Common Interest (PCIs) and the unblocking of an additional 800 million euros in funding from the 2017 CEF Programme.*

### THE GAZPROM CASE GOING FORWARD

- The Commission publishes the three commitments presented by Gazprom to resolve the antitrust case against the company which started five years ago. These are "enabling the free flow of gas in Central and Eastern Europe", "ensuring competitive gas prices in Central and Eastern Europe" and "removing demands obtained through its dominant market position" (13 March, [here](#)). The Commission has also presented a series of factsheets explaining the benefits for individual Member States:
  - \* Benefits for the Bulgarian gas market ([here](#))
  - \* Benefits for the Polish gas market ([here](#))
  - \* Benefits for the Slovak gas market ([here](#))
  - \* Benefits for the Latvian gas market ([here](#))
  - \* Benefits for the Lithuanian gas market ([here](#))
  - \* Benefits for the Hungarian gas market ([here](#))
  - \* Benefits for the Estonian gas market ([here](#))
  - \* Benefits for the Czech gas market ([here](#))

However, Poland confirms its intention to use "all legal means" to impede the Commission from settling the Gazprom antitrust case (15 March, [here](#)). The Polish position has been affirmed by several other Member States (5 April, [here](#)) and was further supported by PGNiG's additional requests for a tougher stance on Gazprom (18 May, [here](#)). After a meeting between Gazprom's deputy chief executive Alexander Medvedev and Commissioner Margrethe Vestager, the possibility of a deal between the EU and the Russian company has finally been postponed (30 May, [here](#)).





## THE EU AND THE UK AFTER BREXIT

- In an effort to diminish Irish energy dependence on the UK while facing Brexit, EU funding is provided to two major energy projects in Ireland. These regard the France–Ireland electricity link and an LNG import terminal (6 March, [here](#)). The Business, Energy and Industrial Strategy Committee of the UK Parliament stresses in a report the need to maintain strong energy ties with the EU, in order to avoid the risk of being dependent from EU decision making in the energy sector after the completion of Brexit (2 May, [here](#)).

## MEMBER STATES WORKING ON THEIR OWN ENERGY MARKETS

- As part of the bailout plans agreed between Greece, the EU and the IMF, some of the assets (coal fired plants) of the country's main power utility, Public Power Corp (PPC), will be sold. This follows a declaration by the Greek government which on 28 March confirmed its intention to maintain the company under state control (29 March, [here](#)).
- The Latvian gas market has been liberalized by splitting the monopolist Latvijas Gaze, owned by Gazprom for its 34%, in different entities. The country is the last among Baltic countries to liberalize its gas markets, while its electricity sector was already opened to competition in 2015 (3 April, [here](#)).
- The Commission is demanding full compliance by Hungary on Third Package rules, which are considered not yet in place, while recent amendments on energy legislation can undermine the power of market operators on network tariffs (27 April, [here](#)). Italy has been referred to the Court of Justice of the EU for infringing EU rules on energy taxation by providing discounts to motorists in the Friuli Venezia Giulia region (27 April, [here](#)).
- The French utility Engie is ordered to pay 100 million euros by the French competition authority, over abuse of its dominant position (22 March, [here](#)). Later in the year, the French competition authority also demands that Engie raise its corporate gas prices, which have been judged too low and thus harmful to competitors (2 May, [here](#)).
- During the European Nuclear Energy Forum (ENEF), the Slovakian and the Czech Prime Ministers Roberto Fico and Bohuslav Sobotka underline the importance of nuclear energy for the future energy mix of their countries. Despite their intention of replacing coal with nuclear energy, the two are still struggling with the high realization and running costs of planned nuclear plants (23 May, [here](#)).

## EVALUATING STATE AID

- The Commission has opened an in-depth investigation into German plans for capacity reserves (7 April, [here](#)). However, it has also cleared a series of investment and support measures in the energy sector:
  - \* The planned Paks II nuclear power plant in Hungary (6 March, [here](#)).
  - \* The €420 million Czech support scheme for combined heat and power (7 March, [here](#)).
  - \* The acquisition of Gamesa by Siemens (13 March, [here](#)).
  - \* The Belgian support for long-term operation of three nuclear power reactors Tihange 1, Doel 1 and Doel 2 (17 March, [here](#)).
  - \* Latvian renewables and cogeneration plants (24 April, [here](#)).
  - \* A French gas-fired power plant in Brittany, subject to conditions (5 May, [here](#)).
  - \* Three French initiatives to produce more than 17 gigawatts in renewable energy (5 May, [here](#)).



## BOOSTING INFRASTRUCTURE

- The Commission opens public consultation for projects to be potentially included in the list of Projects of Common Interests (PCIs), which will then receive support and financial assistance through the CEF financial facility (27 March, [here](#)). The 2017 CEF Energy Work Programme is also adopted (4 April, [here](#)), thereby clearing 800 million euros in funding for projects already listed as PCIs and specifically covering the areas of electricity, gas and smart grid infrastructures (26 April, [here](#)).
- The gas pipeline between Germany and Belgium “Zeelink” completes its regional planning assessment (6 March, [here](#)), and publishes an evaluation of its progress (13 March, [here](#)). The regional planning process starts shortly thereafter (4 May, [here](#)).

### 3. Energy Efficiency

Evaluation: 6/12



*An overall positive action in the energy efficiency dimension is shadowed by suspicions of decreasing commitment by Member States in the sector. Indeed, reports from the Informal Council in Malta point to requests from national ministers of the EU 28 for increasing flexibility in achieving the 2030 efficiency target, in view of concern for the costs entailed. Yet, this follows a period of strong involvement by the Commission in the sector. Funding occasions have been extended, as in the case of the 30 million budget provided for the European Local Energy Assistance (ELENA) facility. The launch of the Clean Energy for EU Islands initiative (part of the second Winter Package) and the approval of new energy efficiency labelling by the Council and the Parliament also confirm their involvement on the legislative side.*

#### THREATENING THE "EFFICIENCY FIRST" PROMISE

- In an Informal Council of the EU 28 energy ministers held in Malta, Euractiv reports that Member States are requesting "flexibility" in achieving the bloc's energy efficiency target by 2030. The request appears in contradiction to the ambition of the Commission to keep "energy efficiency first", and reflects the fear that many have expressed about the excessive cost burden that reaching this objective will impose on Member States (22 May, [here](#)).

#### INVESTING IN EFFICIENCY

- Following an agreement between the European Commission and the European Investment Bank (EIB), a 30 million budget is agreed on for the European Local Energy Assistance (ELENA) facility, which provides grant funding for projects concerning energy efficiency, distributed renewables and sustainable urban transport. Of the 30 million total, 20 will be specifically dedicated to the first two topics (2 May, [here](#)).
- Best practices in the Nordic countries to finance energy efficiency are discussed in a conference organized under the umbrella of the Sustainable Energy Investment Forums initiative, funded by the EU Horizon 2020 programme (19 May, [here](#)).

#### RAISING AWARENESS AMONG CONSUMERS

- The Council and the European Parliament reach agreement on a regulation for a framework for energy efficiency labelling, replacing Directive 2010/30/EU. The piece of legislation reduces the number of higher efficiency classes, such as A++, and includes rules for promotional campaigns and for transparency at the national level (22 March, [here](#)).

#### EFFICIENCY AND TECHNOLOGICAL INNOVATION

- The Commission is pushing to innovate public lighting, aiming at setting up 10 million advanced streetlamps by 2025. The new lamps will provide status information, and can be dimmed on bright days, leading to a reduction in the energy bill of up to 70% of the 2015 value. Yet, local administrations lament the overly high price of this new technology (21 March, [here](#)).

- According to the European Environment Agency (EEA), fuel efficiency of new cars sold in the EU increased in 2016, but at the slowest rate recorded over the last 10 years. While the 130 g CO<sub>2</sub>/km target established for 2015 has been clearly achieved, more efforts are required to achieve the 95 g CO<sub>2</sub>/km expected by 2021 (20 April, [here](#)). Full data on car emissions available [here](#)).
- The initiative “Clean Energy for EU islands” is launched in Malta, as part of the Clean Energy for All Europeans (the so-called second Winter Package) of February 2016. The project aims at accelerating the energy transition in the European islands, strongly focusing on the energy efficiency aspect (18 May, [here](#)).

## 4. Decarbonisation

Evaluation: 9/12



*The EU faces a time of troubles and opportunities. The detachment of the US from the Paris Agreement is increasingly evident and is clearly shown by the inability to publish a final statement of the G7 Energy in Rome due to US opposition. While the statement of White House Press Secretary Sean Spicer preannounces the country leaving the Agreement (as then confirmed by President Trump early in June), the EU strengthens its global climate leadership both on the diplomatic and the internal front. Indeed, the European commitment post COP21 is confirmed by Commissioner Arias Cañete on a series of occasions, alongside that of several other signatories of the Treaty, while support to the energy transition in Africa is expanded. Meanwhile, despite a still strong Polish opposition, the EU ETS goes forward; early data are collected to understand the number of allowances to be included in the Market Stability Reserve, as part of the reform of the system, designed to avoid the collapse in carbon prices which took place in the past. The achievement of the 2030 targets also appears more likely, as the Effort Sharing Regulation is approved by the Council, and thus the distribution of emission cuts proposed by the Commission on a national and sectorial basis. Likewise, transport witnesses significant action; while the debate continues over biofuels, the Council and the Parliament finally approve new rules to reform the car emissions testing system and address the flaws revealed by the dieselgate scandal.*

### EU CLIMATE LEADERSHIP FOR AN UNCERTAIN WORLD

- The G7 Energy Ministerial Meeting is held in Rome, but the event concludes without a final statement due to the unwillingness of the US to express themselves on the Paris Agreement and the clean energy transition (10 April, [here](#)). Chair's Summary [here](#)). White House Press Secretary Sean Spicer confirms that President Trump will not announce his decision on the future of the role of the US in the Paris Agreement until the end of the G7, as then done by the White House on June 1 (9 May, [here](#)). However, after the meeting Commissioner Arias Cañete underlines the unaltered commitment of the EU and the other G7 countries in fighting climate change (10 April, [here](#)), as already affirmed during a previous encounter with Canada's Environment and Climate Change Minister, Catherine McKenna (2 March, [here](#)).
- The Council adopts conclusions on the part of the EU global strategy related to climate and energy diplomacy. The conclusions aim at strengthening collaboration between the different components of the EU energy and climate diplomacy, establishing also a number





of actions and priorities for 2017 (6 March, [here](#)).

- EU energy-related CO2 emissions continue to decrease, even if at a slow pace (-0.4%). Indeed, the decrease in the levels of Member States such as Italy (-2.9%) and Portugal (-5.7%) is offset by the increase of others, most notably Germany (+0.7%) and Finland (+8.5%) (4 May, [here](#)).
- Support for African renewable energies on the part of the EU continues, through the disbursement of an additional 300 million euros to the Africa Renewable Energy Initiative, aiming at leveraging a total investment of 4.8 billion euros (4 March, [here](#)). In the definition of the political priorities for the strategic partnership between the EU and Africa, the European Commission and the High Representative highlight energy as one of the key elements to increase the quality and quantity of jobs in the continent, especially for the young (4 May, [here](#)).
- During a UN climate conference, the EU and 70 African, Caribbean and Pacific countries (more than half of the signatories of the Paris Agreement) reaffirm their commitment to the treaty. The EU also pledges 800 million to the Pacific region, half of it specifically dedicated to fighting climate change (18 May, [here](#)). During the same conference, Commissioner Arias Cañete welcomes the progress on the implementation of the Paris Agreement, referring in particular to the technical and practical work done during the meeting (18 May, [here](#)).

## THE FUTURE OF THE ETS

- Poland opposes the new structure of the ETS, airing the possibility of bringing the legislation before the European Court of Justice as the country states that the deal has not been concluded with the unanimity of the Member States (3 March, [here](#)).
- The Commission publishes the amount of allowances on the European carbon market, in a preliminary attempt to understand how many such allowances will come under the Market Stability Reserve. The aim is to reduce the total number, after 2019, to avoid the drastic fall in carbon prices the EU ETS suffered in past years (12 May, [here](#)).
- The European Parliament approves the Commission proposal for greenhouse gas emission cuts in sectors not covered by the EU ETS, the so-called Effort Sharing Regulation, meant to achieve the 30% emissions reduction by 2030. The approved proposal sets binding targets on the national level and in sectors such as transport, building and agriculture (30 May, [here](#)).

## FIGHTING COAL

- In an effort to achieve the objectives set in Paris, electric companies from all Member States, with the exception of Poland and Greece, pledge to stop building any coal-fired plants in the EU from 2020 (5 April, [here](#)).
- According to an analysis by the Energy Post on the 2016 preliminary Commission report on emissions for the EU ETS, coal emissions fell by a significant 11% in 2016, even if they still represent 39% of total EU ETS emissions, due to the impact of German and Polish coal powered generation (4 April, [here](#). Report available [here](#)).

## THE ROLE OF TRANSPORT

- The EU Parliament votes a resolution calling for a ban on the use of palm oil in biofuels, and for strict clauses in trade agreements to stop the consumption of unsustainable palm oil. The proposal needs to be approved by the Council and the Commission, but it has already triggered significant protests from several palm oil producers, such as Costa Rica



and Indonesia (4 April, [here](#). A commentary by The Guardian [here](#)).

- As reported by Reuters, the EU Commission may propose to link road toll charges to CO2 emissions, leading to higher charges for bigger polluters. If enacted, this measure will be the first road toll to be applied on a European-wide level (21 April, [here](#)).
- The European Investment Bank and the Dutch bank ABN Amro sign a deal to provide 150 million euros to finance green shipping, through support of the CEF and the European Fund for Strategic Investments. The aim is to promote low-cost financing for sustainable maritime transport projects (21 April, [here](#)).
- The Council approves the approach to reform the type approval and market surveillance system on motor vehicles, with a specific focus on enhancing control tests on car emissions and aiming at counteracting the “dieseldgate” scandal. The new rules, still to be negotiated with the European Parliament, will improve the quality of testing but also provide a conformity check on cars already in the market, expecting a minimum number of checks equivalent to 1 in every 50,000 new vehicles (29 May, [here](#)).

#### DEFENDING AIR QUALITY

- Member States approve tighter air pollution limits for emissions by power plants. The result follows six years of negotiations by the European Environmental Bureau; it is estimated the tighter control will prevent up to 20,000 premature deaths (28 April, [here](#)).
- The Commission delivers a final warning to Italy, to address the high level of small particulate matter (PM10) and increase air quality in the country. With at least 66,000 premature deaths from this particular kind of pollution, the Member State is the most affected in the EU by the issue (27 April, [here](#)).

## 5. Research

Evaluation: 3/12



*Among all dimensions of the Energy Union, Research and Development again receives the least attention in these three months. Nevertheless, important opportunities for funding have been made available, in particular through the "Secure, Clean and Efficient Energy" Horizon 2020 call, which makes 105 million euros available for clean energy research, and the 22.1 million euros delivered through the CEF to projects on improving connections between transport and energy infrastructures. The Commission has also worked on a number of projects aimed at increasing collaboration among European institutions, such as the EU-funded project NESTER, focused on Cyprus.*

### EU TECHNOLOGIES GOING FORWARD

- Aiming at increasing visibility of and support for European innovators, VP Šefčovič announces a partnership with World Alliance for Efficient Solutions leader Bertrand Picard, responsible for the round-the-world flight of the solar-powered plane "Solar Impulse" (28 March, [here](#)).
- The EU will work for enhanced collaboration between leading institutions on thermal solar energy and the Cyprus Institute (Cyl), through the EU-funded project NESTER. The aim is to bridge the gap in knowledge exchange due to the distant location of Cyprus from other EU countries (31 March, [here](#)).

### FUNDING RESEARCH

- The EU is funding the IMP-PAN energy research centre in Poland, under the umbrella of the SuPREME project, aiming at increasing the exchange of know-how between the Polish and other European institutions and supporting the transition of the still largely polluting energy sector of the Member State (3 May, [here](#)).
- Member States approve a Commission proposal for a 22.1 million euro investment on improving connections between transport and energy infrastructures through the CEF. The funds will be destined to seven initiatives which will influence at least one project from the PCI list, and will target transport priorities "motorways of the sea", "maritime ports" and "multimodal transport modes", as well as smart grids, with a focus on railways (24 April, [here](#)).
- Fifteen energy projects, ranging from biofuels to support market uptake for renewable energy, have been selected for the 2016–2017 "Competitive Low-Carbon Energy" Horizon 2020 call (21 April, [here](#)). Further, the last Horizon 2020 "Secure, Clean and Efficient Energy" Work Programme call opened, destining a total budget of 105 million euros to clean energy research (11 May, [here](#)).



- **The Centre for European Policy Studies (CEPS) publishes its paper “Channeling Progress in Central & South East European Energy Market Integration”** (17 March, [here](#)). In the document, the authors analyse the success of the Central and South Eastern Europe Gas Connectivity (CESEC) initiative by the European Commission, with the aim of setting proposals for the new CESEC working groups, in order to increase integration in the regions covered by the initiative.
- **E3G publishes its paper “Brexit and the EU Energy Union: Keeping Europe’s Energy and Climate Transition on Track”** (5 April, [here](#)). The London-based think tank discusses the role of energy and climate in the Brexit talk—two sectors often disregarded in the public discussion, but of vital importance for both the European and the British targets.
- **The Oxford Institute for Energy Studies (OIES) publishes “The EU Competition Investigation into Gazprom’s Sales to Central and Eastern Europe: A Comment on Commitments”** (21 April, [here](#)). The OIES analysis focuses on the recently published commitments by the Russian company to end the five-year-long antitrust investigation by the DG Competition of the EU Commission, providing an overall positive opinion on the proposed settlement, however underlining the likely risk of Polish opposition.
- **The European Union Institute for Security Studies (ISS) publishes “Securing the Energy Union: Five Pillars and Five Regions”** (29 March, [here](#)). In the document, the Institute provides an evaluation of the energy challenges affecting the different regions of Europe, also in terms of different or shared priorities and projects, then examining the possible role of the Energy Union in solving these issues.

We also highlight a series of documents published in the past three months by the European Parliament and the European Commission:

#### European Parliament

- Assessing the state of Energy Union (May, [here](#))
- Intergovernmental agreements in the field of energy ( May, [here](#))
- Improving energy performance of buildings (9 March, [here](#))
- Revised Energy Efficiency Directive (21 March, [here](#))
- Post-2020 reform of the EU Emissions Trading System (April, [here](#))

#### Commission

- Assessing the European clean energy finance landscape, with implications for improved macro-energy modelling (March/April, [here](#))
- EU energy trends and macro-economic performance (March/April, [here](#))
- Good practice in energy efficiency for a sustainable, safer and more competitive Europe (28 April, [here](#))





## Carlo Calenda

Minister of Economic Development, Italy

- **How has the Energy Union changed (and how is it changing) the role of Italy in the European energy policy? In which of the five dimensions can Italy play the most prominent role? Where can our country improve?**

The creation of the Energy Union is a fundamental element for the definition of a coherent picture which will guarantee a wide vision on all the EU areas of intervention regarding energy. The initiative has indeed put emphasis on a systematic approach among all components of energy policy, from energy security to the major theme of decarbonizing our economies.

Until now, the European energy policy has developed in a not always coherent way, stimulated by contingent events rather than medium- or long-term planning. The Energy Union is therefore a chance we should not miss.

The Energy Union has to be a solid and complete political project, plausible also for investors and the private sector, so as to offer a stable framework for investments and favour the competitiveness of European industry.

In order to achieve this, it is first important to guarantee that all dimensions of the Energy Union (security of supply, energy market, energy efficiency, decarbonization and research and development) will receive the same attention and the same level of priority. This is the true challenge that the Energy Union poses for us.

Italy has been a front-runner in this systemic approach, by adopting the National Energy Strategy already in 2013, a document we are currently revising to adapt it to the next global context and the challenges it poses.

The new National Energy Strategy aims at creating the conditions for sustainable growth from an economic and an environmental point of view. We are also convinced we can significantly contribute to delineating a virtuous path, through a wide array of measures, reconciling the need to keep our economy competitive with the need to implement the Paris Agreement, which we believe is irreversible.

There is no doubt that Italy can play a key role in all components of the Energy Union.

Security of supply is the core around which the Energy Union has been structured. Italy is the country that has put the most work into diversification of energy supply; thanks to this, we now benefit from one of the most resilient energy systems, which is also one of the most fit to face supply crises.

Italy has also a considerable role in energy efficiency, as we have an energy intensity that is among the lowest in Europe, showing that what has been invested in the sector goes beyond mere savings on the energy bill, but is a key element for competitiveness in industrial sectors deeply exposed to external challenges.



The decarbonization of our economies is, however, the key challenge from a long-term perspective. This is where particular attention will be given, in harmonizing environmental issues with growth and the economic sustainability of our choices, if we want to truly aim towards a low-carbon economy.

- **The EU has the ambition of creating a gas hub in Southern Europe. Thanks to a portfolio of possible interconnections (TAP from Azerbaijan, Poseidon from Russia, EastMed from the Eastern Mediterranean) our country can play a prominent role in this. Which are the necessary and concrete actions, both on the domestic and the European and international level, to achieve this goal?**

One of the key questions about security of supply is diversifying sources and supply routes, and in this respect gas clearly has a crucial role. Thus, the effort required to reach a target as ambitious as the creation of a gas hub, is very high. We are working on different fronts so the various interconnection projects can be finalized, as we believe that such infrastructures have a strategic role to play in European and national security.

Nevertheless, it is important to specify that infrastructure investments and the routes of gas and other hydrocarbons are determined more by markets than by governments, as they are regulated by business logic and then by market rules and the commodity prices. The investments are thus a consequence of their profitability. In the case of gas, both via pipeline and liquefaction plants, these are linked to the long-term contracts to use the plants, and thus to long-term supply contracts.

Regarding the TAP pipeline, the Italian government has always supported the realization of the project, recognizing the added value for our national interests provided by the infrastructure, which has also been included in the Projects of Common Interest (PCIs) and received co-funding for one of the study phases by the European Commission.

Regarding the EastMed project, it will link the gas basin in the East with the European market, pointing towards Greece and Italy, and possibly also the Balkans through the IGB and IAP interconnections. Italy has been the promoter of several meetings among the four involved countries (Italy, Greece, Cyprus and Israel) and the EU, where the common interest in this strategic corridor has been expressed. The first meeting took place in Rome on 1 December 2016, during the Ministerial conference "Euromed Energia", while the most recent happened in Tel Aviv last April. Furthermore, during the Energy G7 in Rome, on 9 and 10 April, along with Commissioner Cañete, I showed the other ministers the value and strategic relevance of the project.

Thus, we are actively working to define an intergovernmental agreement, the four of us, which will accelerate the development of the project. In addition, considering the benefits the EastMed will bring to the EU, we are working to include it in the next list of PICs, to obtain European funds from the Connecting Europe Facility (CEF). These will be necessary to co-finance the next planning and designing phase (FEED phase), aimed at facilitating the next steps of the process.

Lastly, considering the possible further connection with Russia from the south along the two lines of the TurkStream, we can think of two solutions: either it will connect to the TAP, if the second phase of the pipeline (up to 20 bcm of gas) is realized, or through a branch of the IGI-Poseidon, which has already obtained the necessary ministerial authorization from Italy and is a technically and commercially feasible option. This can be considered as a possible interconnection for Italy with the EastMed project as well.



- The Energy G7 concluded without a final statement because of the US resistance over the climate issue. How can Italy bring forward the success of Paris and give a clear political direction to sectors such as renewables, while facing such uncertainty from the US side? What will be the Italian recipe to reform renewables subsidies in the new National Energy Strategy, and how will this relate to the proposal which came from the Commission in the past months?

The Energy G7, titled “from Rome 2014 to Rome 2017”, was focused on energy security. It has been the occasion for a fruitful and constructive debate about priorities and challenges to share in the G7 energy process. We discussed in detail several topics, such as those related to energy security, including electric security and integration of renewables, new energy drivers (energy employment and research and development) and how to manage the energy transition (energy efficiency, alternative fuels and inefficient subsidies for fossil fuels). Holding the G7 presidency, Italy worked hard to reach a shared position, trying to highlight the aspects shared by all countries. Even if a final common declaration has not been concluded— and it would have not addressed all topics on the agenda anyway—full agreement was reached on several important questions, such as the effort to be made in support of Ukrainian energy security, the future of natural gas, the importance of LNG and of interconnections with multiple supply sources, on cybersecurity in the energy sector, on the importance of research and development in clean tech and thus in its role in bringing forward “Mission Innovation”.

We would also like to remark that, despite the US administration’s reservations about its orientation on climate change and the Paris Agreement, the other countries and the EU never doubted their effort to implement the Paris Agreement. Instead, they all continue to consider this a key priority on which we will concentrate our efforts in a solid and decisive way. Italy is deeply involved in this direction as well.

Specifically, regarding renewables we have agreed with the other G7 parties that we will face the opportunities and challenges derived from integrating variables into the grid as well as decentralized renewable sources (also considering that their share in the energy mix is increasingly growing), to guarantee a resilient energy system. This is the key to reaching the European targets by 2030 (a 40% reduction of greenhouse gases compared to the 1990 level, a share of 27% of renewables in the energy mix and an improvement by at least 27% in energy efficiency).

As is already known, our country has already reached and passed the renewables target for 2020. Thus, it is ambitious, it seems possible that Italy will reach the European target by 2030, which we have already proposed in the new 2017 National Energy Strategy.

Concerning renewables, Italy has already reached the 2020 targets with a 17.5% penetration on whole consumption in 2015, compared to a 17% target for 2020. This is why we believe the 27% renewables target on whole consumption by 2030 is ambitious, but reachable, according to how we have structured it in the National Energy Strategy. We defined measures and investments to act in a synergic and coordinated way in all the sectors considered, with the following approach:

- Renewables for electricity with a 48–50% share by 2030, compared to 33.5% in 2015, which will be accompanied by a phase-out of coal.
- Thermal renewables with a 28–30% share by 2030, compared to 19.2% in 2015.
- Renewables for transport with a 17%–19% share by 2030, compared to 6.4% in 2015.



- **As discussed during the Energy G7, Italy is increasingly more involved in access to energy in Africa, with a growing presence of the private sector. What are the prospects for this, and how can the EU and Italy support this positive trend?**

The issue of access to energy in Africa has been at the centre of the energy debate in the past years. Not by chance, the topic was specifically discussed on the occasion of the G7, also through a dedicated side event entitled “Africa 2030: Empowering the continent through innovation, green tech solutions and capacity building”. The event was indeed a major success, confirming the growing attention to this theme.

Clearly, we are now fully conscious that the sustainable development of this continent cannot exclude the debate over the question of energy poverty. The common effort to secure access to energy systems that are available to all, reliable, sustainable and modern—in Africa and also in developing countries in other regions—was also prominent during the G7 debate. There are already signs of change, as the increased rate of access to energy and the development of renewables in the continent, but we need to do more. We need to focus on new technologies if we want to win this challenge. Yet, to fully exploit the opportunity that technology is offering we need to strongly invest in two aspects: good governance offering an adequate legislative framework and which will then favour private investments, and human capital which is an integral and essential part of the sustainable energy transition in Africa. And we want to focus on these two very factors in the next years to obtain ambitious results.



# Roadmap for the Energy Union

The items in this timeline have been listed by the Commission in the 2015 and 2017 States of the Energy Union. Items with a check mark (✓) are the initiatives already taken by the Energy Union since the publication of the documents, and then approved by the Council and the Parliament.





## 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/>

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

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