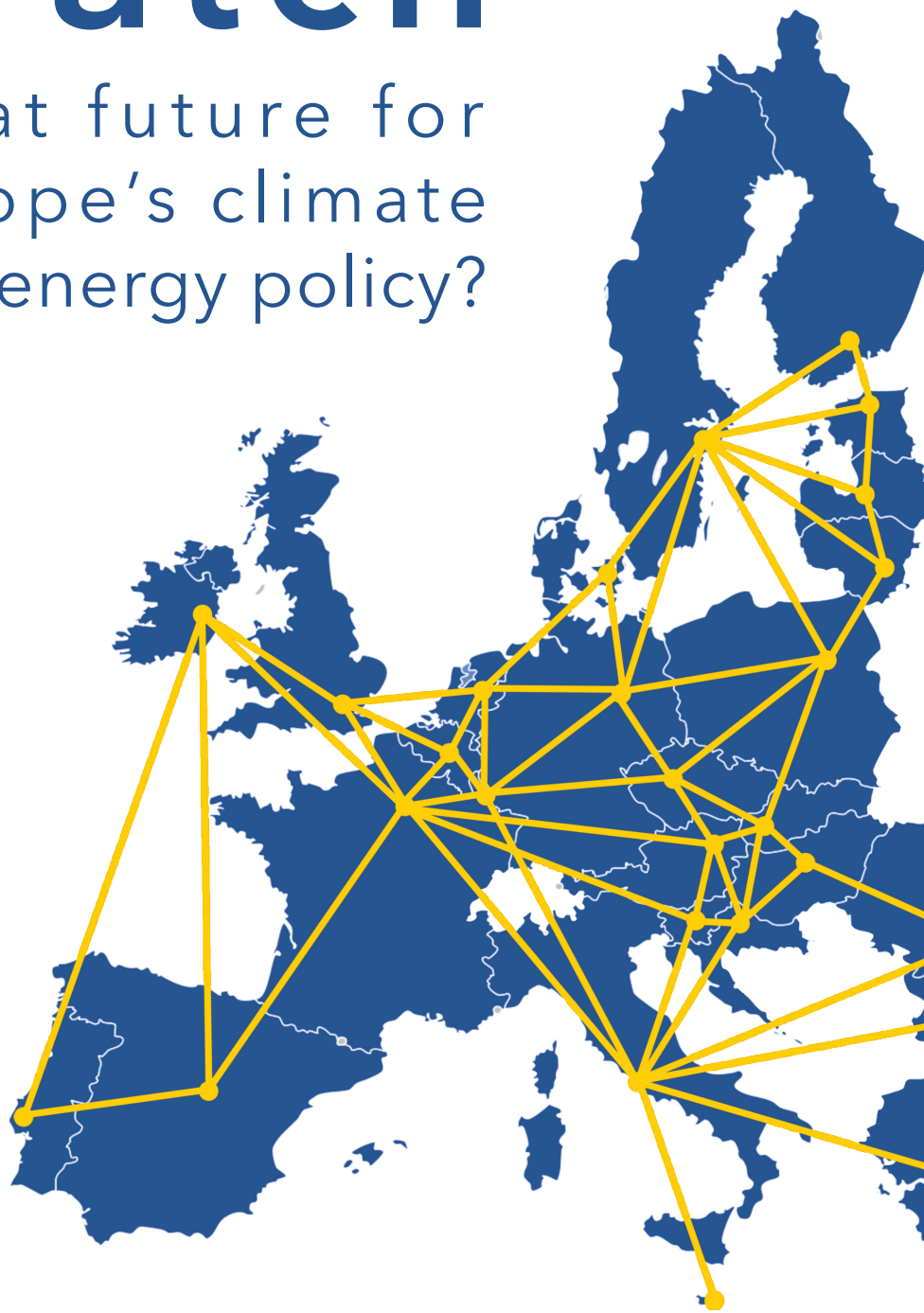


Energy Union Watch

What future for
Europe's climate
and energy policy?



About the Energy Union Watch

Energy Union Watch is a project launched by the Istituto Affari Internazionali (IAI) in cooperation and with the support of Edison to follow step by step the evolution of one of the widest initiatives launched by the Juncker Commission, the Energy Union, and to bring the discussion closer to public opinion and the key stakeholders. Since 2015, the project has been monitoring 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. It has also covered the debate among the key national and European stakeholders, including industrial players, think tanks and interest groups, on the evolution of the policies and measures adopted in the framework of the initiative. 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.

<https://www.iai.it/en/ricerche/energy-union-watch>

About the IAI

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation, focusing on topics such as European integration, security and defence, energy and climate policies, as well as key regions such as the Mediterranean, the Middle East, Asia, Eurasia, Africa and the Americas. The IAI publishes an English-language quarterly (The International Spectator), an online webzine (AffariInternazionali), two book series (Quaderni IAI and IAI Research Studies) and other paper series related to IAI research projects.

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

About the authors

Margherita Bianchi is Researcher in the ECR Programme of IAI. She focuses on dynamics of the energy transition and on the EU integration process.

Lorenzo Colantoni is Researcher for the ECR Programme of IAI, with specific attention to European energy policy and the geopolitics of energy transition.

With the contribution of Nunzio Scalera and Riccardo Antonucci, trainees in the ECR Programme of IAI

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THE FOCUS OF THIS REPORT

This issue of the Energy Union Watch comes after the closing of the VIII European institutional cycle and the beginning of a new one. Despite the changes that we expect in the European energy and climate policy under the new President of the European Commission, Ursula von der Leyen, the significant work done with the Energy Union in these past five years by former Vice-President and Commissioner for the Energy Union Šefčovič and former Commissioner for Energy and Climate Cañete is an important legacy for the new executive.

Similarly to the May 2019 edition of the Energy Union Watch, this issue comes with new features, offering a “handbook” on the evolution of the European energy and climate agenda, on the debate around the main energy and climate topics, and on the vision presented so far by the President and the Commissioners. Bearing in mind the lessons learned through the Energy Union, we present ten proposals on how to address the transition from the Energy Union to the new EU Green Deal, flagging some areas that in our view deserve attention in the years to come: some in continuity with the work done so far, some exploring new possibilities.

For this issue we retain the prism of the five dimensions of the Energy Union while including the considerations of the World Energy Council (WEC) on the current state of affairs in the European energy sector.

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PART ONE

WHAT FUTURE FOR EUROPE'S CLIMATE AND ENERGY POLICY?

This will be our last publication titled "Energy Union Watch". While our analysis on the evolution of the EU energy and climate integration continues, from now on we will look at the European Green Deal and the initiatives that will be launched in the months to come. The President of the European Commission Ursula von der Leyen has been very keen to set up a forward-looking vision. She has recognised the successes of the Energy Union and the need to focus on further developing an integrated, interconnected and properly functioning European energy market. Likely, several Energy Union initiatives will be further carried on within the European Green Deal framework and in this Commission's vision for energy, climate and industrial policies, where several members of the College have been confirmed, starting from the now Executive Vice-President Frans Timmermans, a crucial figure in both the Juncker and Von Der Leyen executives.

Some continuity can indeed be expected in the Commission's approach to energy and climate policy, while other aspects might evolve or change. First of all, the ambition of this Commission goes in the direction of openly "mainstreaming" climate change in its action, making it the fil rouge connecting sectors and policy areas, ranging from industry and transport to agriculture, digitalisation, taxation and finance, with a crosscutting approach encompassing the whole

European economy and society. Certainly a leap from the previous climate strategy mostly focused on energy.

Secondly, the assignment of portfolios is quite different from Team Juncker: if energy and climate remain separated with the latter being included under Timmermans' sphere of competence, where once there was a Vice-President for the Energy Union, now the Executive VP has the climate portfolio. His role as chair of the college in the absence of the President also gives him an extra relevance among the three Executive Vice-Presidents. Many figures are dedicated to the environmental projects of the executive, other than Timmermans. The new Commissioner for Economic Affairs, the Italian Paolo Gentiloni, is in charge of relevant initiatives concerning energy policy, ranging from the review of the Energy Taxation Directive to the proposal for a Border Carbon Tax and the Sustainable Europe Investment Plan. He is responsible for coordinating the implementation of the Sustainable Development Goals (SDGs) in the context of the European Semester. The Executive Vice-President for "An Economy That Works for People", the Latvian Valdis Dombrovskis, coordinates the Sustainable Europe Investment Plan and focuses on turning the European Investment Bank (EIB) into a "climate bank". Energy and climate are also covered by other apical figures, as the Commissioner for Environment and Oceans, the Lithuanian Virginijus

Sinkevičius, and by Maroš Šefčovič, now Vice-President for Interinstitutional Relations and Foresight.

Such a crosscutting approach on climate serves also to reflect the different perception, confirmed by the European Parliament elections results in May 2019, that public opinion has developed in the past few years on this subject, calling on governments and institutions to quickly address a changing European economy and society. If on the one side the energy policy remains highly sensitive for Member States but distant somehow from the general public, on the other side the fight against climate change has reached the centre of the debate, climbing up the agenda of the new Commission as a recipe for relaunching the EU action for the next cycle, not just within its own space but as a global leader pursuing a different and more sustainable model. With such global leadership by Europe in the renewables and decarbonisation sectors, the legacy of the Energy Union might represent a key element to relaunch the EU integration project on the internal side, and strengthen its stance on the global stage.

This change in attitude on climate policies clearly emerges from the new priorities identified by the Ursula von der Leyen Commission. While we will debate the different dimensions separately later on in the report, it is already worth noting that the “European Green Deal” document proposes a substantial refocusing of the European energy policy towards the climate-related sector, while less focus is dedicated, for the moment, to the energy security aspect central to the action of the former Commission. The external dimension of the European Green Deal is read through the lens of climate change and the need to promote the EU’s role as global leader in mitigation of climate harms, establishing the concept of “climate

diplomacy” as a paradigm shift for the EU’s global role. Logical results include the commitment to implementation of the Paris Agreement, the development of international carbon markets and the pursuit of positive relations both with the neighbouring regions – the Balkans, Southern Neighbourhood and Eastern Partnership – and with global actors such as China and Africa.

These features of the European Green Deal mark a reorganisation of priorities and competences compared to the Junker Commission. The Energy Union itself was initially triggered by the tensions heating on the Russian–Ukrainian border, and a big part of the job of Commissioner Šefčovič has been – quite successfully – to address those tensions around the trilateral gas talks. A change in attitude is perhaps apparent in the new Commission and the Green Deal, which seems to depart from the traditional European perception of energy policy, mostly seen as a security issue for the region due to its strong external dependence.

Similarly, Ursula von der Leyen has made very few references to energy governance, another legacy of the Energy Union. The Regulation on the Governance of the Energy Union probably fell short of intentions to reform and expand the European role in coordinating the national energy policies, but still has provided the framework for the integrated National Energy and Climate Plans (NECPs) yet to be all delivered in their definitive versions. Currently, the European Green Deal published by the von der Leyen Commission explicitly states June 2021 as the timeframe for revising the “relevant energy legislation” connected to the previously mentioned Regulation.

Certainly a lesson is to be learned from the Energy Union: there can only be a European ambition if Member States are truly willing to subscribe to a shared vision. But even subscribing to a common ambition doesn’t come

with the certainty of hitting the targets. Looking at the draft National Energy and Climate Plans, the EU is set to miss its 2020 efficiency target, as all Member States (MS) are facing infringement procedures for having only partially implemented the 2012 Energy Efficiency Directive (despite a revised one having been adopted in the meantime). The aggregate national emissions reduction and renewables targets are hardly at the level required to reach the European 2030 targets, and much further away from the 50%/55% reduction of Greenhouse Gases (GHG) emissions currently under discussion. So far there is no indication on how the Commission intends to address a possible mismatch between national contributions (or their indicative trajectories) in the NECPs and the EU targets for 2030. It remains to be seen whether a greater economic and political appeal of the European Green Deal, compared to previous policies, will lead to a renewed effort by Member States towards a common vision and a collective result. Yet, the fragmentation anticipated by the draft National Energy and Climate Plans (NECPs)¹, which the Commission will have to assess and re-evaluate once they are finalised, the lack of compactness proved by the Member States on key topics for European security, such as the Nord Stream 2 issue, and all the uncertainties that have surrounded the composition of the new College, carry all the premises for either a quest for a stronger lead by the Commission in energy and climate matters or a return to intergovernmental dynamics. In this sense, the evolution in the distribution of powers and competences between European, national and regional dimensions, could prove useful to test the future evolution of the energy governance provisions introduced with the abovementioned Regulation

approved in December 2018. The same holds true for the evolution of the reformed Agency for the Cooperation of Energy Regulators (ACER) through the new EU Regulation adopted in 2019.² The latter gives the Agency in principle a consistent extension of its powers in elaborating the Network Codes and in the coordination of regional decision-making. Although failing to build the encompassing “European Energy Agency” that many expected, the new Regulation might cater for an approach that could be replicated in other sectors – but which has not yet appeared in the proposals of the new Commission.

Nevertheless, the vision of the President is definitively ambitious and remains in continuity with some other suggestions brought in by her predecessor, such as the intention to upgrade the gas market design under the sector coupling initiative and the renewed attention to the concept of a “just transition” for which a dedicated policy – the Just Transition Mechanism – was announced on 14 January 2020. Furthermore, the President further highlighted the intention to reopen the debate over fiscal matters and energy taxation. This in particular was included in one of the last items presented by the previous Commission, the April 2019 Communication on “A more efficient and democratic decision making in EU energy and climate policy”, suggesting a radical shift in the decision-making on energy taxation by considering a move from unanimity to qualified majority for Council decisions. References to fiscal matters and taxation have been widely included in von der Leyen’s mission letters, from Timmermans’ and Simson’s to Gentiloni’s and Dombrovskis’, and have resulted in two initiatives confirmed in the European Green Deal communication, one for a review of the

1 We provided a detailed analysis of these in issue no. 15 of the Energy Union Watch, available at: <https://www.iai.it/en/pubblicazioni/energy-union-watch-no-15>

2 Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators.

2003 Energy Taxation Directive, aimed at aligning its principles to the new climate ambition of the Commission, and one for a Border Carbon Tax, the latter carrying visible connections to trade and industrial policy in its external dimension.

It is premature to determine how far these ideas will go and exactly which direction they will take. Still they remain central to von der Leyen's vision, and rightfully so: energy and climate taxation might offer new tools and levers for the evolution of the economic model the European Union intends to pursue, and for the ability of Member States to define their energy and economic policy. Most importantly, this could be done without having to change the treaties or start a lengthy discussion at the Council. The perspective of the Energy Taxation Directive carries all the premises to test the space for improving the functioning of the single market and the evolution of the European model, be it towards intergovernmental dynamics or towards more centralisation. And it will also offer an important part of the toolkit to address the just transition that has been kept so high in the von der Leyen vision. As a tool to concretely realise the ambitions set in the European Green Deal document, the Commission presented the Sustainable Europe Investment Plan – which aims at mobilising public investment and stimulating private funds through EU financial instruments for at least € 1 trillion in investments.³

Putting consumers at the centre of the action has been a key element of the Energy Union and within the Clean Energy for All Europeans initiative. Much work remains to be done, but the President seems to

be aware of this. In her mission letter, Kadri Simson is asked to “make use of the Energy Poverty Observatory to help Member States identify areas needing the most support” and to “focus on putting consumers at the heart of our energy system, notably through the full implementation of the newly revised electricity market design” with the Clean Energy for All Europeans package itself. Within the European Green Deal document, the Commission also pledged to produce guidance to assist MS in addressing energy poverty by 2020.⁴ Yet, implementation of the relevant rules has hardly yet begun, and whether the enactment will result in the full empowerment of citizens will indeed largely depend on the ability to include in national legislation the core set of rules for the self and collective generation of energy throughout Europe, so as to promote the Energy Communities currently growing in Germany, Italy, Spain and other Member States. Having these rules implemented with a clear and homogeneous understanding across the Internal Market is another challenge that the new Commission is called to meet. Within Energy Communities in particular there is a big potential to close the distance between the reality and the perception of energy policy on the part of citizens and consumers, as this model actively promotes and supports local participation in governance and in decision-making. To a large extent this will involve the continuing development of a communication effort undertaken by previous European Commissioners, as best represented by the “Energy Union Tours” of the 28 Member States that Šefčovič performed during his mandate. Von der Leyen's agenda thus requires strong, systematic efforts by the Commission as a whole, to fully engage

3 “Financing the Green Transition: The European Green Deal Investment Plan and Just Transition Mechanism”, 14 January 2020, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_17

4 “Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: The European Green Deal”, https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

European citizens in the ambitious plan the new Commission is launching.

Generally speaking, the European Green Deal is certainly good news, but a clear evaluation will be possible only once its proposals are detailed and some questions addressed. Among the first proposals to be unveiled have been the abovementioned Investment Plan and the Just Transition Mechanism which, despite very good intentions,

at first sight appear to include relevant gaps in the related proposals.⁵

Considering then the many issues the von der Leyen team will have to deal with, and building on the analysis we dedicated to the Energy Union in the past four years, in the following pages we propose a few suggestions for the Commission to come – organised, as a last tribute to the initiative publication “Energy Union Watch”, along its five dimensions.

5 G. Clays and S. Tagliapietra, A Trillion Reasons to Scrutinise the Green Deal Investment Plan, 15 January 2020, <https://bruegel.org/2020/01/a-trillion-reasons-to-scrutinise-the-green-deal-investment-plan/>

PART TWO

TEN PROPOSALS FOR EUROPE'S ENERGY AND CLIMATE FUTURE

SECURITY OF SUPPLY

- 1: Further enhancing the role of EU energy diplomacy
- 2: Creating an energy risk and investment observatory

ENERGY MARKET

- 3: Overcoming the gas & electricity market dichotomy
- 4: Establishing common guidelines and streamlining authorisation processes for investments in clean capacity or infrastructures

ENERGY EFFICIENCY

- 5: Defining new channels for efficiency financing and consolidating successful structures
- 6: Putting the just transition at the core of the energy transition: the role of energy efficiency

DECARBONISATION

- 7: Supporting an adequate climate for sustainable investment in Europe
- 8: Providing robust evaluation and guidance on National Energy and Climate Plans (NEPCs) and national strategies

RESEARCH AND INNOVATION

- 9: Mainstreaming energy and climate research & innovation (R&I)
- 10: Seizing the industrial opportunities linked with R&I

1 . SECURITY OF SUPPLY

General evaluation

Security of supply was a visibly a prominent pillar in the 2014–2019 European cycle. The EU institutions focused on the external aspects of this pillar, agreeing on several relevant pieces of legislation such as revised Regulations on Security of Gas and Electricity Supply, a revised Decision on Intergovernmental Agreements in the field of energy (IGAs) and a targeted revision of the gas Directive to apply its provisions (unbundling, Third Party Access and tariff setting) also to pipelines between the EU and third countries. The European Parliament has also promoted its own initiatives for a new strategy on Liquefied Natural Gas (LNG) and gas storage. Tackling the EU's import dependence and strengthening the security aspects was openly linked to the functioning of the single market and the Clean Energy for All Europeans package, especially through the promotion of strategic Projects of Common Interest under the Connecting Europe Facility to further develop gas and electricity interconnections.

As no Green Deal can be reached without security of supply, the issue should remain high on the agenda of the new Commission. Together with traditional aspects of energy security such as diversification and generation flexibility and adequacy, new priorities such as access and affordability should remain high in the new Commission's agenda in making sure that all new energy provisions and initiatives enable the fulfilment of the climate neutrality objective without detriment to the abovementioned security aspects. The external energy dimension remains crucial in this regard. The continuation of the trilateral gas talks, the development of the LNG market, and the regional cooperation with neighbouring countries (Russia and Ukraine, the Eastern Mediterranean and Africa) represent key areas where a continued attention will have to be ensured.

The Green Deal will have to continue to address many outstanding security challenges, from dealing with the persisting "energy islands" to the progressive shutdown of coal or nuclear capacity in several Member States along with decreasing EU gas production. It will also have to find solutions to decisive dossiers that will certainly continue fuelling the debate, starting from the fast-evolving Nord Stream 2 saga.

Among the many tools the EU needs to preserve or even reinforce in order to provide adequate responses to the energy security challenge, an effective energy diplomacy and a strategic vision on investments and infrastructures can be certainly identified as top priorities. A lot has already been done with the previous Commission, yet there is margin for the EU to progress on these fronts.

PROPOSAL 1

Further enhancing the role of EU energy diplomacy

The EU has sent a strong message to other countries around the world that it intends to continue leading by example, especially on climate. While the goals of its energy and climate diplomacy can best be delivered if the EU is able to speak with one voice in its external relations, it still holds true that for a number of crosscutting policy areas that are either shared or exclusive the EU still needs to abide by the principle of sincere cooperation between Member States. Certain patterns of cooperation are evident, resulting in bilateral partnerships (i.e., “energy dialogues”), international initiatives (i.e., International Energy Agency, International Renewable Energy Agency), regional platforms (i.e., the Eastern Partnership, the Union for the Mediterranean...), chapters in trade agreements and cooperation among regulators (MedReg). Initiatives or funds aimed at enhancing resources for energy scope in partner countries are also available (EIP).⁶

The successes of energy diplomacy are encouraging. Still, the scope, the policy objectives and the tools could be reinforced: the Commission could (a) strengthen energy diplomacy efforts in areas that are crucial for the Union’s security, i.e., on the trilateral gas talks and towards the wider Mediterranean region, building on Šefčovič’s positive scheme and legacy. The discussion around energy security aspects could be

fostered in all Member States following the “Energy Union Tours” model; (b) reorient energy diplomacy objectives so as to reflect the changing geopolitics in light of the energy transition, starting from defining in a coherent way the security and decarbonisation objectives for energy diplomacy and framing foreign policy objectives accordingly, in line with the EU development policy and in parallel with proposal 2 on third-country investments in Europe; (c) ensure that EU companies investing in third countries can voluntarily maintain high social and environmental standards, which would ultimately reinforce the “leading by example” mission of the EU and help marginalise the phenomenon of delocalisation; and (d) consolidate the EU governance for energy diplomacy. The EU does not have a single platform charged with energy diplomacy tasks, and still relies on a multi-layered and fragmented set of initiatives. There is scope for aligning and expanding both capacities and functions of the relevant decisional centres for energy diplomacy, ranging from the European Union External Action to the competent European Commission Directorate-Generals dealing with the external aspects of policy on energy, trade, competition, development, climate and finance. In this sense we encourage aiming for a more coherent approach, ideally accompanied by an Energy Security Observatory.

⁶ For a complete overview of patterns for cooperation, please see: M. Barra and M. Svec, *Reinforcing Energy Governance under the EU Energy Diplomacy: A Proposal for Strengthening Energy Frameworks in Africa*, College University Press, 2018

PROPOSAL 2

Creating an energy risk and investment observatory

Facilitate capital mobilisation and allocation in Europe is crucial, particularly where it is difficult to activate and scale up investments, such as in cross-border network infrastructure, key to energy security. In this regard the Connecting Europe Facility was a useful tool for further interconnecting the internal market and boosting security and diversification. However, one major risk – recognised in the 2014 Strategy on Energy Security – concerns the control of infrastructures by non-EU entities, which might progressively gain control over strategic assets, creating unfair competition vis-à-vis other players. While the recent review of the gas Directive seems to go in the direction of tackling these aspects, this issue gains further relevance in perspective as several Member States and the EU are on the verge of a deep rethinking of industrial policy so as to compete with fierce international competition, especially from Chinese and US giants.

The Union has become very receptive to foreign investments in its strategic energy assets, as the recent Chinese attempts to control one of the strategic companies of the Iberian Peninsula demonstrate. The EU proved somehow unprepared to mitigate such a risk⁷, and recently recognised the need to increase the scrutiny on these aspects and update its policy posture. A recent

proposal to screen foreign investment at the EU level cleared the path for closer monitoring of third-country companies willing to invest in the EU's strategic sectors, including energy.⁸ The new framework will create a centralised database of current investments and a cooperation mechanism where the Commission and Member States could raise concerns related to third-country investments. However, despite the alert mechanism established by this initiative, the final decision on approving deals lies with Member States. Time will assess the effectiveness of this approach, as the new provisions will enter into force next year.

As the instrument might appear as a loose “coordination and cooperation” framework, possibly weak if compared to a robust EU-wide investment-screening tool, we suggest to accompany this with (a) a permanent “Energy Observatory”, updating and monitoring lists of energy assets and services that have an impact on the European energy market, and analysing economic opportunities and risks coming with foreign investment; and (b) to update and upgrade competition policy, so as to reinforce tools to counter possible abuses in the internal market and ensure reciprocity on key areas of Foreign Direct Investment and regimes.

⁷ Also at the MS level. Not all countries have a public list or description of gas and electricity infrastructures relevant for SoS. Some have adopted investment screening laws, ownership.

⁸ In March 2019, the EU adopted a regulation setting up a framework for the screening of investments from non-EU countries (foreign direct investment) that may affect security. Available at: <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2006>

2. ENERGY MARKET

General evaluation

The European market for electricity and gas has progressed considerably today compared to ten years ago. Since the approval of the Third Energy Package and with the most recent approval of the Clean Energy Package, results are evident: energy is now traded more freely across countries and market areas thanks to new rules and antitrust measures, market coupling benefits were delivered to consumers and a billion euros each year is now saved just by managing infrastructures better. Price convergence between source and costs especially in the gas sector is becoming closer across the Union.

In other words, some core activities relevant to the energy market today are mature and developed while others, more recent but progressively relevant in perspective such as batteries and hydrogen, are yet to be fully addressed from the policy and regulatory aspects to ensure the necessary investor certainty for a market to quickly emerge and grow. Along the energy transition, these new activities will have to be developed with a clear understanding of competences, roles and responsibilities, without competitive distortions or destabilising effects in an energy system that becomes increasingly decentralised. For the past ten years the narrative around natural gas as a “bridging fuel” has dominated, and the source is unquestionably key to allowing growing penetration of renewable energy sources into the system, thus playing a crucial role in the energy transition. With an increasingly electrified system emerging as a driver for efficiency and sustainability, the longer perspectives for gas in its greener version(s) should be reframed. While 2020 will be a crucial year for governments to start implementing the new rules of the Clean Energy Package, the next few years might see an evolving regulatory environment where the deployment of clean solutions will need a more coordinated and attentive planning at national and local levels.

Forward-looking action in the market will also include the fulfilment of ACER’s growing mandate, possibly matched by adequate resources following the approval of the Clean Energy Package.

PROPOSAL 3

Overcoming the gas & electricity market dichotomy

Traditionally, the European policy and regulation on the gas and electricity sectors have been carried out in parallel, yet separately. As the pace of decarbonisation in Europe intensifies, and gas becomes more and more important to ensure the stability and the viability of systems with increasing shares of renewable energy, the Commission should gradually overcome the gas and electricity dichotomy towards a market framework that caters for better synergies between the two. The sector coupling anticipated with the European Green Deal could bring substantial efficiency gains and major environmental and flexibility benefits, especially in those sectors that are currently difficult to decarbonise.

The decarbonisation path will be outlined by Member States within the NEPCs, due to be finalised by December 2019. Starting from the NEPCs and in light of each country's specificity, the challenge in perspective is to understand to what extent each sector will contribute to meeting the common EU targets with a coherent vision.

In terms of vision, the Commission's first priority is to understand what role gas should have and how existing and new infrastructures can be used with new forms of renewable and "green" gases, thus enabling the development of other sources such as bio-methane

and hydrogen. A proper definition of these gases seems to be a right starting point, followed by adjustments on the regulatory, infrastructure and equipment levels. This debate should continue addressing the need to align new priorities with a strong development of non-programmable RES, storage and decentralisation, and electrification of consumption.

In moving towards a more integrated energy market a constant dialogue between the electricity and gas sectors should be fostered, in order to arrive at an integrated vision, followed by integrated planning on (a) infrastructures, where interesting initiatives are already occurring, i.e., the ENTSO-E ten-year network development plan (TYNDP) 2018 report⁹; (b) research and development; and (c) regulation, which is crucial especially as sector coupling gains ground.¹⁰

Expanding physical interconnections and tackling infrastructure gaps should remain a priority, in particular where alternative sources of supply or reverse flow services are not yet a reality. All existing tools should be made fit for the transition and become real enablers of change, starting from the 8.7 billion euros foreseen in 2021–2027 on energy infrastructure, through CEF regulation, to the TEN-E regulation defining rules for PCIs or to the state aid regime.

⁹ TYNDP 2018 Scenario Report: Main Report, <https://tyndp.entsoe.eu/tyndp2018/scenario-report/>

¹⁰ For in-depth reading: https://cadmus.eui.eu/bitstream/handle/1814/59294/PB_2018_17.pdf?sequence=1&isAllowed=y

PROPOSAL 4

Establishing more effective guidelines and authorisation processes for investments in clean infrastructures

The pace of increase in the share of RES has slowed since 2014 and efforts should be stepped up quickly to ensure the adequate deployment of clean capacity. To meet the 2030 target, a 150 per cent equivalent of wind and PV capacity should be installed compared to what has been done in the past decade.¹¹ If on the one side more attention should be given to repowering activities, the Union also needs a strong acceleration of RES deployment, allowing already existing and mature RES technologies to be deployed on an industrial scale. The contribution of hydropower, thanks to its dispatchability and flexibility characteristics, also deserves more attention.

Allowing quicker and larger capacity could be realised in two ways. The first is

defining common European guidelines for speeding up permitting and authorisation for RES projects across the European Union, in order to create the conditions for faster approval of RES projects, both for installing capacity and for building the needed infrastructures and interconnections. A special status for strategic and beneficial RES projects should be evaluated, in order to speed up the pace of authorisation, similarly to PCs—or included within them. Secondly, functional to this priority would be the development of mechanisms for transnational and regional projects with European tenders involving the relevant stakeholders (including regulators, TSOs and industry), based on the H2020 programme model.

¹¹ C. Jones, A. Piegbals and J. M. Glanchant, Energy Priorities for the Von der Leyen Commission, Florence School of Regulation, October 2019 <https://fsr.eui.eu/publications/?handle=1814/64787>

3 . ENERGY EFFICIENCY

General evaluation

Energy efficiency is a key element for the challenging decarbonisation targets von der Leyen is setting – not only because the promotion of renewables alone cannot be anticipated to achieve the expected emissions reduction, but because employing energy efficiency measures will often be much more cost effective, particularly for sectors such as heating and cooling (responsible for circa 50 per cent of final energy consumption in Europe) and for countries holding significant potential for efficiency improvement (Eastern and Central Europe above all). Yet, delivering on the “efficiency first” principle has been troublesome for the Juncker Commission, which indeed failed in adequately addressing the dimension, despite the efforts dedicated to designing a review of the energy efficiency Directive and to other legislative items. The situation the new Commission will have to face is thus delicate: the EU is close to missing its 2020 energy efficiency target, while many Member States lack the tools to move towards the more ambitious 2030 objectives, as the implementation of even the 2012 energy efficiency Directive is lagging for most European countries. This is serious trouble that should be at the top of von der Leyen’s agenda, and that will require a precise scrutiny of the Energy Union’s lessons learned.

Indeed, energy efficiency remains a crucial policy area where difficulties persist in delivering tangible results and fully untapping the potential. Financing energy efficiency without losing in competitiveness remains crucial for large industries and businesses, while the application and monitoring of efficiency measures is further complicated by the fact that often local administrations – and even citizens directly, in terms of building refurbishments – are involved with a high degree of heterogeneity among Member States. Further investigating project financing and project aggregation might contribute to facilitating investments in energy efficiency and advancement with targets. Generally speaking, the new Commission could have a big chance now to reshape the approach taken so far, focusing on three principles: it should act now, as the work on energy efficiency requires a long-term perspective to achieve visible results (particularly in relation to buildings). The Commission should also keep it ambitious, but simple, having in mind the numerous complexities that derive from the local dimension of energy efficiency measures. And finally, it should focus on the local level. Helping in the design of blueprints for financial instruments or for the attraction of private finance in the sector will be key to achieving the implementation of measures throughout Europe. The Sustainable Europe Investment Plan can play a great role in mobilising investments in energy efficiency and helping achieve the EU targets, while the EIB has announced dedicated initiatives and tools for energy efficiency in buildings. These developments carry all the potential to help deliver on measures and targets without employing too much political budget.

PROPOSAL 5

Defining new channels for efficiency financing and consolidating successful structures

One of the key reasons energy efficiency has failed to deliver on its promises in the previous cycle of the European Commission is the inability to attract adequate funding, particularly towards the renovation of buildings. This, however, despite significant returns. Many are the obstacles hindering development of an adequate energy efficiency finance: the return on investment of energy savings is often much harder to detail than the cash flow that will be produced by a new project, particularly in generation. Energy efficiency will also become convenient over longer lifetimes of investment than the latter, thus increasing the difficulty in detailing its convenience and associated risk. Furthermore, most investments are made by individuals, rather than by larger entities (private and public sector), for whom a full evaluation of the project is much harder and indeed often beyond their capabilities. The “landlord/tenant problem” also highlights the split incentives between the two in delivering improvements in apartments – landlords are not keen to increase their investment costs in measures whose savings will benefit only the tenant, who in turn does not want to bear the whole cost of the improvement. Ultimately, unless stronger action is taken on the policy level, incentives to attract finance to energy efficiency remain low.

The Commission has started working on new tools since the previous cycle, but efforts have to be increased. The Juncker Commission has tried to deliver a series of instruments, such as the “Smart Finance for Smart Buildings” initiative, an already approved component of the Clean Energy for All Package but still largely to be implemented across Member States. The EIB has also boosted its involvement in energy efficiency through the lending strategy published in November 2019, which

increased the amount of financing for building renovation. The initiative launched by the bank could fund up to three quarters of investment in building renovation, support the aggregation of renovation projects and “unlock new markets in energy efficiency mortgage-based lending or securitization”. The suggestion for the new Commission is thus to keep following the path traced by the EIB’s new lending strategy, while (a) expanding the number of instruments to increase the available funding and to ease access of citizens to such funds, and (b) strongly involving Member States and national institutions in the definition of suitable national measures, built on broad tools defined on a European level. The model of Energy Performance Contracting could be the structural basis for the development of new instruments. It is a valid option to reduce the risk borne by individuals, as energy upgrades are funded by energy servicing companies (ESCOs) and repaid through cost reductions. This will also increase the reach of public and private funding as ESCOs will channel funds to individuals, acting as intermediaries. It will however be necessary for Member States to shape Energy Performance Contracting on the basis of the different structure of their real estate market and cities, as well as set up a positive environment for the action of ESCOs. Information should be provided on a national basis to support individuals in understanding the economic convenience of efficiency investments, and to ease the access to loan and grants. Generally, it will be necessary to bridge the gap between the allocation of efficiency finance, and its actual use by the individuals responsible for building improvements; the role of energy authorities in Member States in this sense could be strengthened and consolidated.

PROPOSAL 6

Putting the just transition at the core of the energy transition. The role of energy efficiency

Achieving a socially just transition is already one of the central pieces of von der Leyen's agenda – a new "Just Transition Mechanism" has just been presented with the Green Deal to help address the issue. Vulnerable consumers received attention especially since the Clean Energy for All initiative and an Observatory for Energy Poverty were established at the European level. The Just Transition concerns energy consumers, first of all the vulnerable ones, and industries; it fully embodies the social dimension of the energy transition. This aspect could however be strongly supported by a renewed focus on energy efficiency. Indeed, vulnerable consumers are often those suffering the most from inefficient systems, having to pay higher energy bills than average, without owning the resources to afford newer goods, or the power to ask landlords for improvements. This issue is worrying increasing shares of the European population, as energy costs for lower income households having been rising in past years. It also strongly affects the implementation of EU measures

for energy efficiency, which are often demanded of those who can least afford them. The suggestion for the President and her team is thus to make the just transition a fundamental pillar of her plans for energy efficiency. This could be achieved by, first, putting a strong focus for the Just Transition Mechanism on supporting energy efficiency measures for low income households, favouring the purchase of energy efficient goods and the scrapping of old ones, or providing support to access finance for building refurbishment. And second, by envisaging a dedicated section for energy efficiency and for buildings in the Sustainable Investment Plan for Europe with specific attention to people and regions affected by fuel poverty. Such a match between fighting energy poverty and improving efficiency will have positive spill-overs in many of the sectors where the Energy Union has been lagging behind, favouring the implementation of efficiency measures, the inclusiveness of a just energy transition and the empowerment of consumers – a win-win situation for both the EU and Member States.

4 . DECARBONISATION

General evaluation

Decarbonisation has emerged as a central dimension for the new Commission. Considering the number of initiatives taken in the past, including the Clean Energy for All package, and the proposals announced with the Green Deal, expectations in this regard are high.

Still, the wide and encompassing plan for the European Green Deal will have to make a difficult match between the climate and environmental ambitions declared by the new Commission, and the need to maintain (or possibly increase) the industrial and general economic competitiveness of the EU. In other words, the von der Leyen team will have to prove that a transition which is sustainable from both an environmental and an economic perspective is possible, and her team will face a series of complicated trade-offs for short-term planning. Truly planning for a zero-carbon Europe by 2050 will require adequate budgeting and resource allocation, keeping the current focus on mitigation and starting some serious work on adaptation and building resilience as well. This will be further complicated by the need for a socially just transition – a key priority in several EU countries.

Furthermore, the new Commission will have to narrow its currently very wide proposal. Despite the appeal of such a perspective, which mainstreams climate change and sustainability throughout all sectors, an effective decarbonisation will require a specific focus on a series of issues which are key to putting the EU on track to fulfil its climate ambitions: an adequate financial framework and a streamlining of climate governance.

Most of all, it will be necessary to match EU ambitions, both those declared in Paris four years ago and the upgrade proposed by von der Leyen, with the available tools. Despite the significant amount of legislation inherited by the previous Commission, the new team will still have to monitor and improve the Emission Trading System and to establish a system of checks and balances among the National Energy and Climate Plans (NECPs) to grant coherence between the EU vision and the Member States' action. It will also be fundamental to assure the correct, on-time implementation of EU rules.

PROPOSAL 7

Supporting an adequate climate for sustainable investment in Europe

The Green Deal has announced a Sustainable Investment Plan following the recent initiatives launched by the Commission under the Sustainable Finance Action Plan and aligning the future relevant policies to the climate objectives. Several recent developments, including the EIB revised lending criteria for the energy sector in the process of becoming a Climate Bank, or the recent Commission proposal for an EU taxonomy of the economic activities considered as sustainable for investment purposes, clearly confirm this direction. Investment decisions, whether of a public or a private nature, have to take several variables into consideration while reorienting themselves towards sustainable solutions, and the next cycle carries all the premises to bring many new factors into the equation, on top of the recently adopted rules for the electricity market under the Clean Energy Package that introduce already some quantitative parameters (Emission Performance Standards) that must be met by new capacity, ensuring that generation adequacy is compatible with the EU climate objectives. With climate being mainstreamed across different policy areas under the Green Deal, different members of the new Commission and DGs will be engaged in this exercise, calling for a necessary dialogue on such an important agenda.

While several criteria are being determined to define sustainable activities in the European energy sector, the market and technological landscapes are evolving rapidly, making

the case more than ever for a clear understanding of the surrounding conditions for energy investment.

The experience gathered in Europe confirms the importance of a stable and predictable framework for investment decisions and planning over a long-term horizon. Criteria, metrics and thresholds (especially when targeting CO₂ emissions) coming from different EU initiatives share the common aim of mobilising and reorienting capital and investments towards the climate objectives and the energy transition. Over the time horizon of the energy transition, and bearing in mind the different patterns envisaged by the NECPs and the opportunities offered by the Internal Market, the EU initiatives and programmes having the aim to reorient, mobilise and support investments compatible with the climate objectives should ensure the necessary clarity, visibility and predictability. This could be pursued and achieved by enhancing the dialogue between relevant actors, starting from ACER and the ESAs, charged with defining key elements and guidance for energy and capital markets, and the relevant Commissioners and DGs. The upcoming Platform on Sustainable Finance to be established under the Taxonomy Regulation, and its governance, gain importance in this perspective and could offer a first space to bring together all the relevant actors and ensure the development and the update of a crucial framework for the energy transition and for its financial and economic robustness.

PROPOSAL 8

Providing robust evaluation and guidance on NECPS and national strategies

The main element of frailty in the 2030 energy and climate targets is the lack of binding national targets, which indeed has already resulted in NECPs often unaligned with the European level of ambition. One of von der Leyen's main tasks will be to achieve the coherence the Juncker Commission failed to reach; a three-step approach could be key to reaching this objective.

First, it will be useful to (a) define and adopt indicators monitoring the action of Member States in a schematic, easily comparable way. Such indicators will have to show the progress in absolute and relative terms, evaluate the status of core issues for the EU (security of supply, emissions reduction) and for specific regions and/or Member States (coal phase-out, market opening). These elements will then form the basis for (b) promoting coordination between the EU and Member States, which will have to be well-structured and codified: it could be positive to include representatives from the Commission in certain steps of national planning – although this could be outside the manpower capacity of the institution – and/or to include regional cooperation

platforms, such as the Baltic Energy Market Interconnection Plan, in the definition of NECPs.

Finally, an ambitious yet necessary step would be to (c) implement a system of rewards and punishments for Member States in relation to their alignment to the EU plan, possibly evaluated through the already proposed set of indicators. Generally speaking, it will be necessary to overcome both the failing voluntary approach adopted for the 2030 targets, and the use of infringement procedures as countermeasures for the missing implementation of EU rules, as these have so far rarely delivered any success in the climate and energy sectors. Such rewards and punishments could be instead related to the budget structure of the Sustainable Europe Investment Plan, granting more funding for adhering Member States, as well as energy tax cuts or more allowances, while penalising disobedient MS. While the legislative basis for such a system will not be easy to find, it will be necessary to align Member States on the common path for decarbonisation most of them are still widely diverging from.

5 . R & I

General evaluation

Research, innovation and competitiveness are crucial to finding transformative solutions and reducing the cost of advanced low-carbon technologies. Together with energy efficiency, the pillar has however progressed more slowly compared to the other dimensions of the Energy Union, especially in a number of sectors including energy efficiency and industrial decarbonisation.

Horizon 2020 and the Strategic Energy Technology (SET) Plan are the most important tools to bolster EU progress in innovation and to trigger investments in clean technologies R&I. From InnovFin (EU Finance for innovators) on energy demonstration projects¹² to undisbursed funds from the NER 300 programme¹³ or the Commission's R&I initiatives within its membership in Mission Innovation,¹⁴ the list of activities and funds for this pillar in the past five years is very long. Results were overall encouraging except for a number of crucial sectors, such as efficiency solutions for the EU building stock or Europe's energy-intensive industries. The private sector proved crucial, accounting for more than 75 per cent of investments in clean energy research and innovation, having increased spending from 10 billion to over 16 billion euros per year within a decade. Public funding is a fundamental guarantee in early stages of R&I, but engaging the private sector remains a number one EU priority, despite the tendency to invest in different sectors.¹⁵

More action is needed in both old and new areas. Stronger efforts are required to better assess breakthrough technologies in storage, carbon capture and utilisation to deliver the deep emission reductions needed across key industrial processes. We need broader understanding of scenarios associated with transforming the current apparatus and to test the impact of new gases such as hydrogen on the end-use systems. We also need new technical solutions and policy response: if the EU aims to achieve full transition in three decades, several hard-to-decarbonise sectors require answers, including aviation, shipping, metals, chemicals, petrochemicals and paper industries – game-changing sectors if tackled properly.

Energy and climate R&I is comprehensibly mentioned in Simson's and Gabriel's mission letters. Surprisingly, there is no connection between R&I and the role of Frans Timmermans. Similarly, industrial policy sits outside the European Green Deal, leaving a blurred picture of the vital nexus between R&I with climate, energy, industry and competition policies until 2024.

In order to unleash the EU budget's full potential, an all-inclusive R&I approach is needed, in particular as addressed in proposals 9 and 10 below.

¹² These projects have mobilised around 140 million euros in 2018, compared to the 25 million deployed between 2015 and 2017 during the pilot phase.

¹³ These funds forming the third phase of the ETS have partly been reallocated to finance additional demonstration technologies.

¹⁴ As part of its membership of Mission Innovation, the Commission is on track to invest around 2 billion euros in 2020 in energy R&I. Within this coalition the Commission has also launched interesting initiatives, notably the co-investment fund with Breakthrough Energy.

¹⁵ See S. Tagliapietra et al., "The European Union Energy Transition, Key Priorities for the Next Five Years", available here: <https://cadmus.eui.eu/handle/1814/63553>

PROPOSAL 9

Mainstreaming energy and climate research & innovation

Environmental transformations and the transition in the energy sector are affecting all sectors of the EU economy. The increasing complexity of decarbonisation requires a transversal approach in R&I decisions, in order to correspondingly ease an integrated and crosscutting policy approach. The competitiveness of our economy depends upon the ability to adapt and become more climate-change resilient and resource-efficient, demanding eco-innovation as well as societal, economic, organisational and technological solutions.

Mainstreaming the Green Deal priorities in existing and future research policies and projects is for this reason crucial. We call for (a) including compulsory energy and climate proofing in all projects; (b) recognising the value of efficiency-first and decarbonisation priorities in all R&I plans; and (c) better recognising the multidimensionality of the social, economic and environmental challenges in R&I, seeking to look at the broader picture in all R&I actions. Ambitious programmes are already built on this comprehensive approach and constitute an example to follow, such as PRIMA, the Partnership for R&I in the Mediterranean Area.

PROPOSAL 10

Seizing the industrial opportunities linked with R&I

Enhancing the links between research, innovation and industry is of utmost importance for the European Union, which has frequently failed, for the time being, to properly build the entire value chain, as witnessed by the uncompleted efforts on batteries.

We consider the need to (a) complement the drive for R&I specialisation with wider support for technology development, and to (b) foster the emergence of a corresponding industrial ecosystem by defining a strategic follow-up roadmap connected with research and

innovation, especially in those low-carbon sectors where the EU might develop a comparative advantage. We suggest for this reason to (c) embrace a broader approach that includes research, development, demonstration, validation and deployment of the technology, rather than using the narrower “research and innovation” lens. The setting up of (d) a specific fund for the deployment of efficient and decarbonised new technologies in the different sectors of the EU economy and industry could be regarded as a possible solution to overcome the gap.

6. PUBLIC DEBATE

The debate on the new Commission and its priorities is lively and rich within think tanks.

- **The European Green Deal has been defined by Bruegel as a remarkable attempt to mitigate global warming and achieve the 1.5° target.** However, on a global scale it is expected to be insufficient if globally emulated, since developing countries should receive a proportionally larger budget compared to the developed ones (3 January 2020, [here](#)). The think tank also deeply analysed the Commission's plan of a € 1 trillion budget over ten years for the European Green Deal's Investment Plan, addressing the fact that the proposed amount is ultimately not enough to deliver the needed investments and that the achievement of the desired outcome depends also on national governments and private sector (15 January 2020, [here](#)).
- **Similarly, the Florence School of Regulation considers the key priorities for the next five years,** starting from an overview of the achievements of the last decade, which managed to integrate a significant amount of RES into the picture alongside increased energy efficiency and efforts on emissions cuts. According to the FSR, the EU now needs a much deeper energy transformation on three priorities: (a) decarbonise in line with the Paris agreement; (b) seize the economic and industrial opportunities offered by the global transformation; and (c) develop an EU approach to energy competitiveness and security (July 2019, [here](#)).
- **E3G recently focused on the role of Central Banks and climate change,** a topic that the same ECB Governor Christine Lagarde included in her mandate and addressed as part of her priorities. The involvement of Central Banks in climate policies is seen by E3G as legitimised by the fact that financial stability, the main goal of CBs, is likely to be affected by climate change, such that CBs' actions to bias capital away from carbon emitters are coherent with their mission (21 January 2020, [here](#)).
- **CEPS investigates the future of gas in the European Union.** If on the one side until 2030 the demand for natural gas is projected to remain stable or to decrease slightly, on the other side this industry is projected to face significant transformations as the EU move towards the 2050 targets. Indeed, a mix of low and zero-carbon gaseous fuels, such as biogas, biomethane, (blue and green) hydrogen and synthetic methane, are expected to replace natural gas, with implications for the existing gas networks and their operators. The think tank has released a series of studies on gas (14 August 2019, CEPS, [here](#)). CEPS also considers options for establishing an enabling framework for Carbon Capture and Storage (CCS) in the EU. The technology is a pre-requisite for the decarbonisation of energy-intensive industries, responsible for about a fifth of all GHG emissions in the Union. However, these technologies have only been tested at smaller scales and are not yet available at scale for the energy-intensive industries that need them. To prepare for larger-scale CCS deployment in the period after 2030, steps should be taken to address economic as well as political barriers, and thereby support the development of key infrastructure and technology. Policy should focus on improving the investment case for both CCS and low-carbon industrial products that carbon capture makes possible (23 September 2019, CEPS, [here](#)).

The following list includes the major legislative and political actions of the Energy Union since its launch in February 2015. The different elements are divided per year and have an indication on the dimensions to which they belong (square brackets for the dimensions it dominantly refers to, parentheses for those which are only partially included in the measure). Approved pieces of legislation also have an indication of the date of the relative legislative proposal by the Commission. SEP, WEP and CEP respectively refer to the Summer Energy Package, the Winter Energy Package and the Clean Energy Package.

2015

25 February: **Communication “A framework Strategy for a resilient Energy Union with a Forward-Looking Climate Change Policy”** COM(2015)80

[Security, Market, Efficiency, Decarb., R&I]

25 February: **Communication “Achieving the 10% electricity interconnection target Making Europe’s electricity grid fit for 2020”** COM(2015)82

[Market/Security (Decarb.)]

June: **Gas Platform Launched**

[Security, (Market)]

15 July: [SEP] **Communication “Delivering a New Deal for Energy Consumers”** COM(2015)339

[Market, (Efficiency, R&I, Decarb.)]

15 September: **Communication “Towards an integrated Strategic Energy Technology (SET) Plan”** [C(2015)6317]

[R&I]

18 November: **Formally adopted: 2nd List of PCIs Delegated Act**

[Market (Security, Decarb.)]

2016

January: Renewables and energy efficiency platform launched (Part of the attempt to "Strengthen Euromed cooperation on gas, electricity, energy efficiency and renewables")
[(Security, Market)]

16 February: [WEP] Communication "An EU strategy for liquefied gas and gas storage" COM(2016)49
[Security]

16 February: [WEP] Communication "An EU strategy on Heating and Cooling" COM(2016)51
[Efficiency (Security, Market, Decarbonisation, R&I)]

20 July: Communication "A European Strategy for Low-emission Mobility" COM(2016)501
[Decarbonisation (Efficiency, R&I)]

14 September: Communication "Strengthening European Investments for Jobs and Growth: Towards a Second Phase of the European Fund for Strategic Investments and a New European External Investment Plan" COM(2016)581
[Efficiency (Decarbonisation)]

24 November: Signed: Memorandum of understanding on an upgraded strategic partnership with Ukraine
[Security (Market)]

20 November: Communication "Accelerating Clean Energy Innovation" COM(2016)763
[R&I]

2017

21 March: [WEP] (Legislative proposal: 16/02/2016) Formally adopted: Decision (EU) 2017/684 on establishing an information exchange mechanism with regard to intergovernmental agreements and non-binding instruments between Member States and third countries in the field of energy, and repealing Decision No 994/2012/EU
[Security (Market)]

26 June: [SEP] (Legislative proposal: 15/07/2015) Formally adopted: Regulation (EU) 2017/1369 setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU
[Efficiency (Security, Decarbonisation, R&I)]

9 October: (Legislative proposal: 16/02/2016) Formally adopted: Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010
[Security (Market)]

November: **Published: Report on achieving the 10 % and 15 % targets, by the Commission expert group on electricity interconnection targets**
[Market (Security, Decarbonisation)]

23 November: **Formally adopted: 3rd list of PCIs**
[Market (Security, Decarbonisation)]

23 November: **Communication “Strengthening Europe’s Energy Networks” COM(2017)718**
[Security/Market]

12 December: **(Legislative proposal: 14/09/2016) Formally adopted: Regulation amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub**
[Efficiency (Decarbonisation)]

2018

27 February: **[SEP] (Legislative proposal: 15/07/2015) Formally adopted: Directive [COM(2015)337] amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments**
[Decarbonisation (Security, Market)]

May: **4th edition of the Energy Infrastructure forum**
[Security (Market)]

14 May: **(Legislative proposal: 20/07/2016) Formally adopted: Regulation on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement (non-ETS).**
[Decarbonisation]

14 May: **(Legislative proposal: 20/07/2016) Formally adopted: Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU**
[Decarbonisation]

14 May: **[CEP] (Legislative proposal: 30/11/2016) Formally adopted: Revised Energy Performance of Buildings Directive (EU) 2018/844. Before 2026, the Commission should review in depth the functioning of the whole directive.**
[Efficiency (Decarbonisation, R&I)]

24 May: **EU ends the antitrust case against Gazprom**
[Security (Market)]

4 December: [CEP] (Legislative proposal: 30/11/2016) Formally adopted: Review of the Energy Efficiency Directive
[Efficiency (Decarbonisation, R&I, Security)]

4 December: [CEP] (Legislative proposal: 30/11/2016) Formally adopted: Regulation on the Governance of the Energy Union - Regulation (EU) 2018/1999 on Energy Union and Climate Action
[Decarbonisation (Security, Market, R&I, Efficiency)]

4 December: [CEP] (Legislative proposal: 30/11/2016) Formally adopted: Directive on the promotion of the use of energy from renewable sources
[Decarbonisation (Market, Security)]

2019

9 January: Commission Decision C(2019)125 approved the optional model clauses and guidance developed pursuant to Art. 9(2) of the Decision (EU) 2017/684 on information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy
[Security (Market)]

21 January: Beginning of trilateral gas talks between the EU, Russia and Ukraine
[Security]

26 March: [CEP] (Legislative proposal: 30/11/2016) EP adopted: Regulation on the internal market for electricity. Still needs to be formally adopted by the Council
[Market (Security, Decarbonisation, Efficiency)]

26 March: [CEP] (Legislative proposal: 30/11/2016) EP adopted: Electricity market directive. Still needs to be formally adopted by the Council
[Market (Security, Decarbonisation, Efficiency)]

26 March: [CEP] (Legislative proposal: 30/11/2016) EP adopted: Regulation [COM(2016)863] Review of the Agency for the Cooperation of Energy Regulators (ACER) and the energy regulatory framework. Still needs to be formally adopted by the Council
[Market (Security, Decarbonisation)]

26 March: [CEP] (Legislative proposal: 30/11/2016) EP adopted: Review of the Directive concerning measures to safeguard security of electricity supply [COM(2016)862]. Still needs to be formally adopted by the Council
[Security (Market, Decarbonisation)]

18 April: (Legislative proposal: 08/11/2017) EP adopted: Review of Directive on the Promotion of Clean and Energy Efficient Road Transport Vehicles. Still needs to be formally adopted by the Council
[Efficiency (Decarbonisation)]

28 February: (Legislative proposal: 04/02/2019) Under discussion: Revision of the EU system for monitoring, reporting and verification of CO2 emissions from maritime transport (Regulation (EU) 2015/757) [Market (Decarbonisation)]

15 April: (Legislative proposal: 8/11/2017) Formally adopted: Review of Regulations setting emission performance standards to establish post-2020 targets for light duty vehicles [Decarbonisation]

22 May: [CEP] (Legislative proposal: 30/11/2016) Formally adopted: Regulation [COM(2016)0861] on the internal market for electricity [Market (Security, Decarbonisation, Efficiency)]

22 May: [CEP] (Legislative proposal: 30/11/2016) Formally adopted: Directive [COM(2016)0864] on electricity market [Market (Security, Decarbonisation, Efficiency)]

22 May: [CEP] (Legislative proposal: 30/11/2016) Formally adopted: Regulation [COM(2016)863] Review of the Agency for the Cooperation of Energy Regulators (ACER) and the energy regulatory framework [Market (Security, Decarbonisation)]

22 May: [CEP] (Legislative proposal: 30/11/2016) Formally adopted: Review of the Directive concerning measures to safeguard security of electricity supply [COM(2016)862] [Security (Market, Decarbonisation)]

13 June: (Legislative proposal: 08/11/2017) Formally adopted: Review of Directive on the Promotion of Clean and Energy Efficient Road Transport Vehicles [Efficiency (Decarbonisation)]

13 June: (Legislative proposal: 17/05/2018) Formally adopted: Legislative proposal for a Regulations setting emission performance standards to establish post-2020 targets for heavy duty vehicles [Decarbonisation]

Von der Leyen Commission

11 December: (COM(2019) 640 final) Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: The European Green Deal
[Decarbonization]

2020

14 January: (COM(2020) 21 final) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Sustainable Europe Investment Plan. European Green Deal Investment Plan
[Decarbonization]

14 January: (COM(2020) 22 final) Proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund
[Decarbonization]

14 January: (COM(2020) 23 final) Amended proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument
[Decarbonization]

15 January: European Parliament resolution of 15 January 2020 on the European Green Deal (2019/2956(RSP). Adopted.
[Decarbonization]

The European region comprises over 30 national energy systems, including some of the world's largest importer-exporter nations. There is an increasing diversity in the overall energy mix, which includes community/district; centralised and decentralised electricity grids; hydrocarbon, renewable and nuclear power generation. Compared with other regions, the European one is also well endowed with both new and ageing national and cross-border energy infrastructures.

Starting from that scenario, according to the "European regional perspective" included in "World Energy Scenarios 2019", a report released in September by WEC, the following issues will be the main challenges for European energy policy makers in the coming years.

Energy investment: In a context where there is an abundance of cheap capital on a global level and the green finance sector is rising, it is a challenge to attract the investment needed to manage and maintain existing systems, decommission/repurpose or build new infrastructures and manage stranding of assets. A mix of public-private investment will be required, and yet there is no certainty that adequate investment will be forthcoming.

Energy trade: Recent years have seen a re-emergence of political tensions, including between the West and Russia, which will affect the future of gas in Europe. In parallel, new opportunities for accelerating global energy transition are emerging, including new pathways for global clean energy trade.

Digitalisation is a key feature for the future of the European energy system, but pace of change and scale of impact vary considerably among different countries. The impact of digitalisation is increasing in every part of all types of energy value chains. Digitalising gains include increased resource and energy efficiency through digital design, digital manufacturing, digital distribution, digital maintenance, smart systems integration and business information management.

Shift to a consumer-centric energy system: There is a growing demand for a socially just and fair transition. The full costs of transition to a sustainable energy future must become more transparent and must be shared more fairly throughout the whole of society.

Economics of whole system transition: Despite increasing digital transparency the development of true cost accounting (inclusion of costs of reliability, reflection of social and environmental externalities, calculation of co-benefits, etc.) is not straightforward. Achieving a pragmatic way forward will involve education and

awareness-raising among consumers and the many and increasingly diverse set of actors involved in energy transition within and beyond the energy sector.

Integrated energy-industrial strategies and sector-coupling policies: In the context of global energy transition, the links between energy transition and industrial competitiveness and transformation are in flux, and there is an opportunity to look beyond traditional policy trade-offs and to leverage new synergies and co-benefits.

Build new capabilities in dynamic resilience and cross-scale governance: The role of national governments in energy security policy is shifting. The geopolitics of energy are broadening beyond oil and gas, and systemic risks of decentralised and renewable energy systems include extreme weather events and cyber crisis. It is necessary to clarify at what level decisions about energy security and resilience should be made. Some decisions are best made at the pan-European level, others at the local community level.



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Istituto Affari Internazionali
Via Angelo Brunetti, 9 - 00186 Roma
Tel: +39 063224360
iai@iai.it

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