

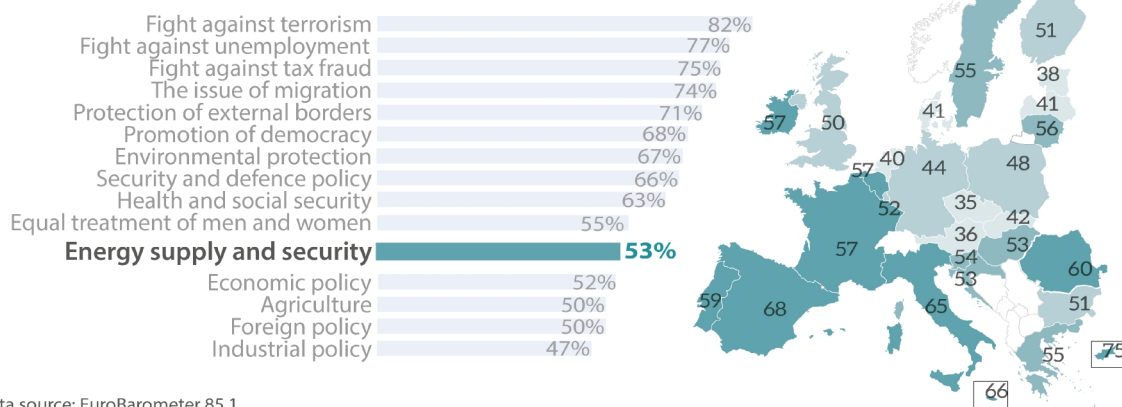
Energy supply and energy security

OVERVIEW

More than half of EU citizens would like to see the EU play a bigger role in energy supply and energy security. The EU was given competences in energy policy by the Lisbon Treaty in 2009. The main objectives of EU energy policy are sustainability, affordability and security of supply. The Energy Union strategy, adopted in 2015, provides a holistic framework for further integration of European energy markets. According to analysis carried out by the European Parliament, a more integrated single market for energy could result in annual efficiency gains worth €250 billion. Energy-related expenditure is spread across different parts of the EU budget. Energy is among the priorities of the European Fund for Strategic Investments (EFSI).

Public expectations and EU commitment on energy supply and energy security – is there a gap?

Percentage of respondents who would like the EU to intervene more than at present



Data source: EuroBarometer 85.1

According to a new Eurobarometer survey of the European Parliament on '[perceptions and expectations](#)', around half of EU citizens would like the EU to intervene more in energy supply and security than it does currently. There is significant variation in opinion across Member States. The strongest support for increased EU action was recorded in Cyprus (75%), Spain (68%) and Malta (66%), while the weakest was in the Czech Republic (35%) and Austria (36%). Energy supply and security is one of only two policy areas (together with equal treatment of men and women) in which more citizens rate current EU action as adequate (45%) than as insufficient (37%). Only in some countries is there a gap between citizens' expectations of EU involvement in energy supply and security, and actual EU involvement in this policy area.

Public support for spending in this area was stable between 2008 and 2011 – 22% perceived the energy sector as a priority spending category in both [2008](#) and [2011](#). However, support for EU funds being spent on energy dropped to 16% in [2015](#) (Eurobarometer data). Such a drop could reflect satisfaction with current EU involvement in this policy area (evident from the data), or indicate that other priorities have become more salient.

Differences across socio-demographic groups in terms of preference for more EU involvement are generally small. People under the age of 24 and over 75 express somewhat lower support for greater EU involvement in energy supply and security policy.

Legal framework

Energy policy was made an explicit EU competence by the Lisbon Treaty. The objectives of EU energy policy, set out in Article 194 of the Treaty on the Functioning of the European Union (TFEU), are a functioning energy market, interconnected energy networks, security of energy supply, promotion of energy efficiency and saving, and the development of new and renewable forms of energy. Articles 170-172 TFEU concern trans-European energy networks. Combating climate change is one of the objectives of EU environmental policy (Article 191 TFEU).

Energy policy is a shared competence between the EU and its Member States, and subject to codecision by the European Parliament (EP) and the Council (ordinary legislative procedure). However, Member States remain free to choose their energy sources and the structure of their energy supply.

EU energy market policy has been successively developed since the 1990s as part of the broader single market. However, the EU internal energy market is still to be fully completed. Energy has been part of European integration from the very beginning (European Coal and Steel Community, 1952, and European Atomic Energy Community, 1958).

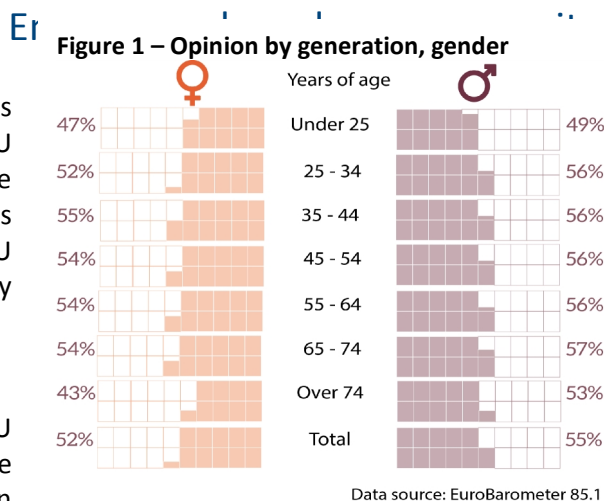
Current implementation and EU action

Energy has become a renewed focus of EU policy under the Juncker Commission, which published an [Energy Union strategy](#) in 2015. This strategy builds on the 2030 policy framework for climate change and energy and on the previous [European energy security strategy](#). The Energy Union strategy has five inter-related aspects: energy security, solidarity and trust; a fully integrated European energy market; energy efficiency contributing to moderation of demand; decarbonising the economy; and research, innovation and competitiveness.

The [internal energy market](#) in the EU was established by three market liberalisation packages adopted in the 1990s, 2003 and 2009, which provide for the 'unbundling' of energy production and supply from energy-transmission networks, as well as third-party access to gas storage facilities, stronger consumer protections, and enhanced regulatory surveillance.

The EU [climate and energy framework for 2020](#) aims to ensure the security of energy supply by increasing production from (mostly indigenous) renewable sources, and by reducing energy demand through efficiency measures. Even though Europe aims to reduce its dependency on energy imports, ensuring a reliable supply of fossil fuels (especially gas) remains an important priority in the light of declining indigenous production. The European energy security strategy of May 2014 focussed on short-term challenges as well as longer-term goals that have been taken up in the Energy Union strategy.

In October 2014, the European Council endorsed the EU [2030 climate and energy framework](#), which sets targets for cuts in greenhouse gas emissions, renewable energy and energy efficiency. Its implementation is part of the EU's contribution to the [Paris Agreement](#) on climate change, which aims at a transition towards a low-carbon energy system.



Potential for better implementation and further EU action

Better implementation

Despite incremental market liberalisation since the 1990s, the internal energy market in the EU has yet to be completed. The European Parliament and the European Council have repeatedly urged full transposition and implementation of the third internal energy market package. The Court of Auditors [special report 16/2015](#) found that the objective of completing the internal energy market by 2014 had not been reached, and that more and better targeted infrastructure initiatives were needed.

European Parliament implementation appraisals of [energy efficiency](#), [emissions trading](#) and [renewable energy](#) analyse the implementation of these policies and suggest possible ways to improve their effectiveness. According to the European Parliament study '[Mapping the Cost of Non-Europe, 2014-19 \(third edition\)](#)', a more economically and physically integrated single market in energy could bring annual efficiency gains worth at least €250 billion.

New EU tools

The Commission's 2015 [summer energy package](#) consists of two legislative proposals ([energy efficiency labelling](#); [reform of the Emissions Trading System](#)) and communications on energy markets and [consumers](#). In February 2016 the Commission presented the [sustainable energy security package](#), which consists of two legislative proposals ([security of gas supply](#); [intergovernmental agreements](#)) and two communications ([liquefied natural gas and gas storage strategy](#); [heating and cooling strategy](#)). Vice-President Šefčovič [announced](#) that 2016 would be the 'year of delivery', in which all the major initiatives for the Energy Union would be presented, so that they could be adopted during the current legislative term.

Possible ways forward

The Energy Union strategy provides a framework for the further integration of the European internal energy market and coordination of national energy policies and energy diplomacy. The annual reports on the [State of the Energy Union](#) will provide an opportunity to take stock of progress, and debate the possibilities for further EU action. Parliament expressed its views on the Energy Union in a [resolution of 15 December 2015](#), reiterating its calls for more ambition on energy efficiency and renewable energy and for a fully integrated European energy market.

The recurrent debates about gas pipelines (notably the [Nord Stream 2](#) project) and electricity interconnections show there is an interest in coordinating energy supply and energy infrastructure at European level, in a spirit of solidarity among Member States.

The EU budget and energy

Energy supply and energy security issues are connected to a number of other policy areas. Many programmes and funds include objectives related to energy, energy efficiency, a low-carbon economy or climate action. It is difficult to clearly indicate all related EU funding because it is spread across many different budgetary headings.

The [European Energy Programme for Recovery](#) provided almost €4 billion for key EU [energy projects](#) running from 2009 to 2019. The [Connecting Europe Facility](#) (CEF) was created under the 2014-2020 Multiannual Financial Framework (MFF) to promote and part-finance cross-border transport, energy and telecommunications infrastructure links. It includes a financial envelope of €5.4 billion for energy-related projects. CEF funding can leverage other funds using financial instruments, such as project bonds.

Other funding is available to Member States via the [European Structural and Investment Funds](#) (ESIF). For instance, around €2 billion from the [European Regional Development Fund](#) (ERDF) is allocated to large-scale electricity and gas infrastructure, 'the low carbon economy' being one of four priority areas for the period 2014-2020.

The EU also encourages research activities in the energy field, with the aim of developing new technologies for energy supply and increased energy security. In terms of financial support, the [International Thermonuclear Experimental Reactor](#) (ITER) is probably the biggest project, with a budget of almost €3 billion under the 2014-2020 MFF. In this case, EU funds are channelled via the European Joint Undertaking for ITER and the Development of Fusion ([F4E](#)). [Horizon 2020](#) provides financial support for research projects focused on both nuclear and non-nuclear energy. It will provide €5.9 billion in funding between 2014 and 2020.

Energy cooperation, particularly around supply, is an important element of [European Neighbourhood Policy](#). The [European Neighbourhood Instrument](#) also has an energy policy element, specifically in terms of energy efficiency and renewable energy, and energy networks.

Financial instruments outside the EU budget

Energy is among the priorities of the European Fund for Strategic Investment (EFSI), which is pooling EU contributions to specific [projects](#) with European Investment Bank (EIB) funding, with a view to attracting public and private investments worth at least EUR 315 billion. The EIB helps finance energy projects in the areas of renewable generation, infrastructure, and new technologies by providing companies with loans and other financial instruments.

The [European Development Fund](#), which is outside the EU budget, includes a budgetary heading on energy, which is one of the key objectives of EU development aid.

With the creation of the EFSI, the financial leverage of EU funds has become an increasingly important aspect of EU policy. This principle is also applied within the [NER 300](#) programme for carbon capture and storage and innovative renewable energy technologies.

Potential for further financing at EU level

The European Court of Auditors [recommends](#) better targeting of EU funds to selected priority projects. This is in line with an earlier [EP resolution](#) from 2013 calling for support for key infrastructure projects that may not be commercially viable.

The [EP resolution](#) from 2015 calls for a pan-European electricity grid and gas network with the capacity to transmit power and gas across EU countries from multiple sources. More specifically, it calls for better interconnection of Spain and France and for a Mediterranean Gas Hub with increased LNG capacity.

In the same document, the EP also calls on the Commission to explicitly list the different funding and financing instruments at its disposal.

Disclaimer and Copyright

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2016.

eprs@ep.europa.eu

<http://www.eprs.ep.parl.union.eu> (intranet)

<http://www.europarl.europa.eu/thinktank> (internet)

<http://epthinktank.eu> (blog)

