



The Energy Union and the European Energy Dialogue

Position paper – April 2017

Introduction

The Energy Union is one of the ten priority work areas of the European Commission under the Presidency of Jean-Claude Juncker. The Energy Union strategy was launched in February 2015¹.

The strategy develops a vision for a coordinated and integrated European Energy Union, including the ideas of solidarity and one voice in international energy affairs; a continent-wide energy system with the free flow of energy; a low-carbon economy; an innovative and competitive energy technology sector; a skilled labour force for future energy system; future-oriented investments guided by market signals; and most importantly, an Energy Union with citizens at its core. This vision is complemented by broad objectives, namely energy security, sustainability, and competitiveness. These in turn are made more concrete through specific goals and measures pursued in five closely related policy areas: energy security, solidarity and trust; a fully integrated internal energy market; energy efficiency as a contribution to the moderation of energy demand; decarbonisation of the economy; and research, innovation and competitiveness². Since the Energy Union's launch, the European Commission has published a large number of legislative proposals, consultations, strategies, impact assessments, and progress reports.

At first glimpse, this level of activity is puzzling given that the energy sector accounts for little more than 2% of Europe's economy and less than 1% of employment³. In addition, key aspects of energy policy have remained a prerogative of Member States, from determining the national energy mix to questions of carbon taxation.

Taking a closer look, however, the current interest on the part of policy-makers and civil society organisations at EU and national level in energy policy becomes more understandable. Energy underpins the everyday life of Europe's citizens and economic activities across EU Member States and their borders. Questions of costs and prices of energy, as well as its reliable supply, therefore directly affect citizens' welfare and the

competitiveness of Europe's companies – and European coordination and market integration can help allocate energy production resources more efficiently. Moreover, the energy sector accounts for more than one third of Europe's greenhouse gas (GHG) emissions⁴. As the EU has confirmed its commitment to reduce GHG emissions in the Paris Agreement from December 2015⁵, energy policy emerges as a key field of activities to address climate change. In addition, geopolitical tensions, at times culminating in crises directly affecting gas supply to EU Member States, highlight another challenge for Europe's energy policy-makers, namely the import dependence of the EU⁶ and the need to speak with one voice vis-à-vis energy supplying countries. Finally, the energy field offers a rich field for innovation and technological leadership for Europe's industry in fields ranging from renewable energies, energy storage, energy efficiency to nuclear fusion.

What the European Union is doing

Europe's energy policy has come a long way from its sectoral, limited inception in the form of the EURATOM Treaty and the European Coal and Steel Union. Initially, the development of genuinely *common* energy policies was driven forward by the market liberalisation and integration agenda of the Single European Act from 1986, resulting in the legislative packages' opening of national gas and electricity markets⁷. This agenda was complemented – on the basis of expanded environmental EU competencies since the Maastricht Treaty in 1992 – by an ambitious climate change agenda, including the launch of the EU's Emissions Trading System (EU-ETS) in 2005⁸ and policy initiatives such as the energy and climate package⁹ of 2007 with its 20-20-20 targets¹⁰. Following the gas supply crisis in the winter of 2009, energy security policies joined the realm of common policies, e.g. in the form of the 2010 Regulation on the Security of Gas Supply¹¹.

1. Press release European Commission "Commission launches plan for Energy Union" (<https://ec.europa.eu/energy/en/news/commission-launches-plan-energy-union>). This concept was initiated by the EESC in the opinion "Involving civil society in a European Energy Community, OJ C 2012/C 068/03".
2. Communication "A framework Strategy for a Resilient Energy Union" (COM/2015/080 final).
3. Staff Working Document, European Commission "Monitoring progress towards the Energy Union objectives - Concept and first analysis of key indicators" (SWD/2015/0243 final).
4. Op. cit., SWD/2015/0243 final.
5. https://ec.europa.eu/clima/news/articles/news_2016093001_en.
6. More than half of the EU's supply of fossil fuels originates from sources outside the EU-28 (SWD/2015/0243 final).
7. The three energy packages: First package (96/92/EC, 98/30/EC), Second Package (2003/54/EC, 2003/55/EC), and Third Package (2009/72/EC, 2009/73/EC).
8. Directive establishing the EU-ETS (2003/87/EC).
9. Communication '20 20 by 2020' (COM/2008/30).
10. 20% renewable energies in the EU energy mix; 20% improvement in energy efficiency; 20% cut in GHG emissions to the level of 1990 by 2020.
11. Regulation No. 994/2010

Still, in spite of this increased involvement of EU institutions in devising energy policies, the implementation of common energy policies remained difficult¹² and the different subfields of energy policies unevenly developed and fragmented¹³.

As a result of this situation, the idea for a so-called "European Energy Community" was developed and promoted by, among others, the European Economic and Social Committee in 2010, aiming to create "a coherent European bloc, capable of confronting the multifaceted energy challenges together"¹⁴. The European Energy Union launched in February 2015 shares many features of this original Energy Community idea, most notably the notion that energy challenges need to be addressed as interconnected and in a spirit of solidarity.

This integrated approach to addressing the challenges in the energy field is not only reflected in the broad vision and the five dimensions of the Energy Union underpinning the Energy Union. The approach also becomes visible in the two main legislative packages proposed under the umbrella of the Energy Union.

In February 2016, the European Commission presented its "Security of Gas Supply" package¹⁵, containing the revision of security of gas supply regulation, the EU liquefied natural gas (LNG) and storage strategy, the EU heating and cooling strategy, and the revision of the Decision concerning Intergovernmental Agreements in the Energy Field. In November 2016, the European Commission released its "Clean Energy for All Europeans" package¹⁶, including proposals for renewable energies, the electricity market design, energy efficiency, energy performance of buildings, and the governance of the Energy Union – along with communications about energy costs and prices, clean energy innovation, and eco-design. With the release of these two packages, the European Commission claims to have delivered 90% of the Energy Union legislative programme.

The Energy Union also entails the regular monitoring of progress made in the five dimensions against the Energy Union objectives through the so-called annual State of the Energy Union report¹⁷, further testimony to the EU's efforts to view energy challenges as multi-dimensional and interconnected.

Position of the European Economic and Social Committee (EESC)

The EESC has followed the Energy Union process closely. The Committee has produced as many as 22 opinions directly in response to the Energy Union initiative, ranging from general ones concerning the Energy Union construct to sectoral ones covering policy proposals in each of the five pillars. Given the direct impact of Energy Union policies on citizens, the EESC has welcomed this opportunity to facilitate a dialogue between the European institutions and Europe's organised civil society.

There are five main themes that emerge from this dialogue among the members of the EESC and between EESC members and experts, stakeholders and other European institutions: civil society's overall positive reception of the Energy Union idea in general, concerns about prices and market distortions, the importance of recognising the social dimension of the energy transition, a focus on vulnerabilities and opportunities for energy consumers, and the importance of civil society involvement for the governance of the Energy Union.

Idea of the Energy Union

The EESC has broadly commented on the Energy Union in particular through its opinion "The Energy Union strategic framework"¹⁸ and the "State of the Energy Union 2015"¹⁹.

In these opinions, the EESC

- underlines the need for the Energy Union in light of the multifaceted challenges Europe's energy sector and economies face;
- highlights the overall importance of the Energy Union for Europe's political project by referring to the free flow of energy as the fifth EU freedom; and
- stresses the importance of a political will and vision, shared by European institutions and Member States, to achieve the Energy Union.

12. This is, e.g., indicated by the number of infringement proceedings (SWD(2014) 315 final).

13. Buchan (2014): *Energy Policy – Sharp Challenges and rising Ambitions*, in: Wallace, Young, Pollack (eds): *Policy-Making in the European Union*, OUP, p. 344-366

14. Joint declaration EESC-Notre Europe "Joint responses to energy challenges through a European Energy Community" <http://www.eesc.europa.eu/resources/docs/qe-32-12-051-en-c.pdf>.

15. Press release European Commission: *Towards Energy Union: The Commission presents sustainable energy security package* (http://europa.eu/rapid/press-release_IP-16-307_en.htm).

16. Press release European Commission "Commission proposes new rules for consumer centred clean energy transition" (<http://ec.europa.eu/energy/en/news/commission-proposes-new-rules-consumer-centred-clean-energy-transition>).

17. *Second State of the Energy Union report (COM/2017/53 final)*; *First State of the Energy Union report (COM/2015/572 final)*.

18. OJ, C 383, 17 November 2015.

19. OJ C 264, 20.7.2016, p. 117.

While viewing the idea of the Energy Union favourably, the Committee identifies a number of aspects that require further attention by the European institutions and Member States.

Energy market distortions and prices

A functioning energy market, in particular the electricity market, is a key challenge for Europe's policy-makers. The market is where prices are formed. Prices in turn shape behaviour of households and industry but also of investors. It is therefore important to get the prices and the market design right. As part of its engagement with the Energy Union, the EESC produced two opinions on energy markets²⁰.

In these opinions, the EESC:

- welcomes the fact that the European Commission recognises the need for a fundamental transformation of energy markets in view of the increasing share of energy originating from variable renewable sources and driven by the opportunities offered by digitalisation;
- criticizes the persistence of subsidies for all energy sources that interfere with fair competition on the market and emphasises the importance of reforming the EU's Emissions Trading System to internalise some of the external costs of energy sources;
- urges the European Commission to recognise the increasingly important role of small-scale electricity producers and allow them to participate fully in energy markets by adjusting existing market rules that were originally designed for centralised, large-scale energy production.

While a new market design comes with opportunities such as the development of low-carbon technologies or new business models, it also comes with risks.

Social dimension of the energy transition

It is important to bear in mind that the energy transition entails the transformation of entire carbon-intensive economies, resulting in social and economic risks to different groups and regions.

In many of the EESC's opinions about the Energy Union, the social dimension features prominently. The EESC:

- stresses the importance of ensuring new green jobs are high quality jobs (in terms of protection, social security, and more) and employees are assisted, e.g. through training and education programmes, to adapt to the changing job profiles in the energy sector and beyond; and
- is concerned about the lack of progress in addressing energy poverty across the EU²¹, welcomes the announcement of the Commission²² to set up an Energy Poverty Observatory as requested by the EESC in 2015²³, and highlights opportunities for vulnerable consumers that arise from the price decline of solar panels and the organisation of energy cooperatives²⁴.

Vulnerabilities and opportunities for consumers on energy markets

The European Commission also envisages a new role for consumers on the energy markets that the EESC strongly supports, namely for "citizens [to] take ownership of the energy transition, benefit from new technologies to reduce their bills, [and] participate actively in the market"²⁵, going hand in hand with the idea of the prosumer (entities that consume and produce energy) and the diffusion of digital technology in the energy sector.

The EESC has engaged with these changes in two opinions²⁶. The EESC:

- points out and welcomes that change on Europe's energy markets is already taking place on the ground, with a notable rise of decentralised renewable energy prosumers²⁷, implying an empowerment of consumers to become active market participants; and
- is concerned that energy consumers not only face conventional challenges such as comparable and intelligible bills, fraud, lack of market information, switching fees, and relatively high retail energy prices, but also new ones associated with the emergence and regulation of new players on the markets, the rise of digital technology in the energy sector (data protection, digital divide), and their new role as prosumers (technology choice).

20. Opinion "Launching the public consultation process on a new energy market design" (OJ, C 82, 3 March 2016); Opinion "The new electricity market design and potential impacts on vulnerable consumers" (OJ C 34, 2.2.2017, p. 78).

21. Staff Working Document, European Commission "Monitoring progress towards the Energy Union objectives – key indicators" (SWD(2017) 32 final).

22. Communication "Clean Energy For All Europeans" (COM(2016) 860).

23. Opinion "For coordinated European measures to prevent and combat energy poverty" (OJ, C 341, 21 November 2013).

24. Opinion "The new electricity market design and potential impacts on vulnerable consumers" (OJ C 34, 2.2.2017, p. 78).

25. Op. cit., COM/2015/80 final.

26. Opinion "Delivering a New Deal for Energy Consumers" (OJ C 82/22, 3.3.2016); opinion "The new electricity market design and potential impacts on vulnerable consumers" (OJ C 34, 2.2.2017, p. 78).

27. Opinion "Prosumer Energy and Prosumer Power Cooperatives: opportunities and challenges in the EU countries" (OJ C 34, 2.2.2017, p. 44).

Energy Dialogue, civil society involvement, and the governance of the Energy Union

While prosumerism is about the economic participation in energy markets, it is – in the view of the EESC – also imperative to engage citizens and civil society in energy policy decisions and reporting associated with the Energy Union. The European Commission has – in their framework strategy communication on the Energy Union²⁸ – stressed the need for an "energy dialogue with stakeholders to inform policy-making and support active engagement in managing the energy transition".

The EESC has been developing the concept of the European Energy Dialogue²⁹ since 2012 – and shared and discussed the idea with the European Commission and the other European institutions, as well as key stakeholders in the energy field. In practice, the EESC already proactively engages in such an Energy Dialogue not only through its opinions, in particular its annual response to the State of the Energy Union report, but also through conferences, public hearings, studies, its Permanent Study Group "European Energy Community", and the contributions of EESC members to conference and go-local events.

28. *Op. cit.*, COM/2015/80 final.

29. *Opinion "Involving civil society in the establishment of a future European Energy Community"* (OJ C 68/15, 6.3.2012), *Opinion "Exploring the needs and methods of public involvement and engagement in the energy policy field"* (OJ C 161/1, 6.6.2013).



Related EESC opinions

The Energy Union strategic framework

<http://www.eesc.europa.eu/?i=portal.en.ten-opinions.35311>

State of the Energy Union 2015

<http://www.eesc.europa.eu/?i=portal.en.ten-opinions.37914>

Launching the public consultation process on a new energy market design

<http://www.eesc.europa.eu/?i=portal.en.ten-opinions.36786>

Delivering a New Deal for Energy Consumers

<http://www.eesc.europa.eu/?i=portal.en.ten-opinions.36833>

Related EESC events

The new energy market design: Fit for the future?, December 2015

<http://www.eesc.europa.eu/?i=portal.en.events-and-activities-energy-market-design>

The European Energy Union – its impact and consequences on civil society in Bulgaria, March 2016

<http://www.eesc.europa.eu/?i=portal.en.events-and-activities-energy-union-bulgaria>

Civil society's expectations on the Energy Union, may 2015

<http://www.eesc.europa.eu/?i=portal.en.events-and-activities-energy-union-expectation>

Further information

European Economic and Social Committee

<http://www.eesc.europa.eu/?i=portal.en.home>

EESC Section "Transport, Energy, Infrastructure and the Information Society (TEN)"

<http://www.eesc.europa.eu/?i=portal.en.ten-section>

European Commission, Priority Area Energy Union and Climate

https://ec.europa.eu/commission/priorities/energy-union-and-climate_en