Brussels tests limits of its powers with Energy Union

February 27, 2015 by Sonja van Renssen — 2 Comments

Energy Post takes stock of what the proposals for an Energy Union mean and ponders the key question: can Brussels deliver? The Commission is pushing hard on a far-reaching redesign of the electricity market, which is to be driven by the EU Emission Trading Scheme and increasingly run by EU institutions. In gas Brussels also wants to take a central role. When it comes to climate policy, the Commission has some substantial new proposals on energy efficiency and the transport sector. But all of it will have to be achieved with Brussels' existing, limited means: the Commission is not looking for new powers.

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“This is undoubtedly the most ambitious European project since the formation of the coal and steel community [which created the EU],” said European Commission Vice President for the Energy Union Maroš Šefčovič as he presented the **Energy Union** for Europe package on 25 February in Brussels. He was joined on the podium in the press room by his colleague Miguel Arias Cañete, EU commissioner for Energy and Climate Action. For once, the room was packed.

The package joins the **EU’s 2030 climate and energy package** and a **European Energy Security Strategy** to shape the bloc’s long-term energy and climate future. The Commission’s goal is to transform the EU energy system over the next five years, said Šefčovič. Europe must move away from an economy that is driven by fossil fuels and a centralised supply-side approach to energy.

Šefčovič’s original **five pillars** are still there. But they have been fleshed out, largely in line with the sneak preview offered by Cañete in Riga earlier this month. It will be Cañete’s job to implement much of what is being proposed over the next few years. After a series of interviews in the run-up to this big day (with Jean-Arnold Vinois, Georg Zachmann and Jean-Michel Glachant), Energy Post asks the now all-important question: has Brussels delivered?
Market redesign

But the Commission wants to go further. The electricity market as we know it is no longer working. That's old news. New is that Deputy Director General for Energy Christopher Jones announced last week that the Commission will launch a consultation on its ideas for a market redesign as early as June. Europe needs a new regulatory framework to incorporate 45% renewables into its power mix by 2030, he told a conference on local grids. (This is the electricity market share of the 27% renewables target agreed by European leaders last October.) Legislative proposals will follow in 2016.

The idea is that the EU Emission Trading Scheme (ETS), not renewables subsidies, drives energy investments in future, Jones explained. The Commission will push back on the renationalisation of energy policy through capacity mechanisms, propose new incentives for smart grids and introduce rewards for flexibility, he added. The electricity market redesign will include a retail market reform. And yes, it will also put forward new ideas for what ACER and the ENTSOs could take on. Further ETS reform proposals will also come out by June, Cañete announced on 25 February.

More regional cooperation is also part of putting the EU internal market back on track for the Commission. Concretely, it will develop guidance on regional cooperation “as a step towards full EU-wide market integration” – building on existing arrangements such as the Pentalateral Energy Forum and the Baltic Energy Market Interconnection Plan (BEMIP), it says in its Energy Union paper. This goes against Zachmann’s warnings that the regional approach could result in incompatible markets and miss out on the benefits of bringing more disparate nations together.
Negative and positive reactions

There were plenty of negative reactions overall, also from green groups. “Inspiring preamble, short on concrete vision,” said Birdlife. Some criticised what they saw as too great an emphasis on finding new gas supply routes (and sometimes, reviving nuclear power) rather than going all out for energy efficiency and renewables. The Greens in the European Parliament called it a “missed opportunity for promoting real energy transition in Europe”. “Why is so much energy put in replacing the gas dependency of the EU to one country by the dependency to another, when reducing the overall dependency is possible as of today?” asked Thomas Nowak, Secretary General of the European Heat Pump Association.

Others were more positive. “The EU has created a compelling vision for an economy driven by clean energy supported by a forward-looking climate policy,” said Stephanie Pfeifer, Chief Executive of the Institutional Investor Group on Climate Change (IIGCC). The proposal is a “clear signal to investors that Europe is open for business on zero-carbon energy”, agreed the European Wind Energy Association. Unexpectedly, Food & Water Europe, which has campaigned for a shale gas ban in Europe, welcomed the Commission’s apparent backing away from shale gas. “One year ago, its Communication on shale gas projected that 10% of EU energy demand in 2035 could come from shale gas,” said Director of EU Affairs Geert Decock. “Now, shale gas is just ‘an option’ with a number of important caveats about environmental impacts and public acceptance.”

For business leaders in the Prince of Wales Corporate Leaders Group on Climate Change, the bottom line was clear: the success of the Energy Union hangs on how effectively its plans are implemented.

And herein exactly, lies the rub. Will the Energy Union deliver? There are expensive investments to make, yes, never mind public opposition to infrastructure projects and indeed privacy concerns to overcome if we look indeed to a Googlisation of our energy system. But the biggest challenge of all is overcoming national interests. Vinois, Zachmann and...