



2nd STRATEGIC ENERGY REVIEW

- **EU ENERGY SECURITY AND SOLIDARITY ACTION PLAN:
2nd STRATEGIC ENERGY REVIEW**

- **1. Why the strategic energy review?**

Europe has agreed a forward-looking political agenda to achieve its core energy objectives of sustainability, competitiveness and security of supply, by reducing greenhouse gas emissions by 20%, increasing the share of renewables in the energy consumption to 20% and improving energy efficiency by 20%, all of it by 2020. This agenda means very substantial change in Europe's energy system over the coming years, with public authorities, energy regulators, infrastructure operators, the energy industry and citizens all actively involved. It means choices and investments during a time of much change in global energy markets and international relations. Europe's political leaders need to give clear messages on the energy strategy. Hence the Strategic Energy Review.

● 2. The EU approach to energy security

Energy security is an issue of common EU concern. With the integration of energy markets and infrastructures within the EU, specific national solutions are often insufficient. And while each Member State is in the first instance responsible for its own security, solidarity between Member States is a basic feature of EU membership. Strategies to share and spread risk, and to make the best use of the combined weight of the EU in world affairs can be more effective than dispersed national actions.

From a medium to long-term energy security viewpoint, the EU's 20-20-20 strategy is the right direction to go in. An energy system with a diversity of non-fossil fuel supplies, flexible infrastructures and capacities for demand management will be very different in energy security terms than today's system.

In the short to medium term, Europe's dependence on imports means that effective provisions for preventing and dealing with supply crises must be in place. Europe can and must diminish its vulnerability to energy supply shocks, first and foremost by developing its own strengths, internally and externally.

● 3. EU energy security and solidarity action plan

The Commission proposes a five-point EU Energy Security and Solidarity Action Plan:

- Infrastructure needs and the diversification of energy supplies
- External energy relations
- Oil and gas stocks and crisis response mechanisms
- Energy efficiency
- Making the best use of the EU's indigenous energy resources.

● Promoting infrastructure essential to the EU's energy needs

The 3rd internal energy market legislative package encourages investments in infrastructures, notably cross-border infrastructures. The Commission considers that a number of infrastructure developments should be recognised as energy security priorities of the Community:

- Development of a Baltic interconnection plan, better linking the region with the rest of the EU, improving the security and diversity of its energy supply, enabling solidarity;
- Development of a Southern Gas Corridor for supply from Caspian and Middle Eastern sources and possibly other countries in the longer term, improving security of supply;
- As liquefied natural gas (LNG) is now contributing to diversity of gas supply, sufficient capacity should be available to all Member States, either directly or through other Member States on the basis of solidarity arrangements; particularly important for the Member States which are currently overwhelmingly dependent on a single gas supplier; an LNG Action Plan to be considered;
- Completion of a Mediterranean energy ring, linking Europe with the Southern Mediterranean through electricity and gas interconnections to improve energy security and to help develop the vast solar and wind energy potential;

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- Development of North-South gas and electricity interconnections within Central and South-East Europe, building on the Energy Community inter alia, supporting the national energy regulators and Transmission System Operators;
- Development of a blueprint for a North Sea offshore grid, interconnecting national electricity grids and plugging in planned offshore wind projects.¹

The Trans-European Energy Networks (TEN-E) instrument and its budget were conceived and developed when the EU was considerably smaller and faced energy challenges of a completely different dimension compared to today. The Commission is tabling a Green Paper that launches a reflection on how the existing TEN-E instrument could be replaced by a new, the EU Energy Security and Infrastructure Instrument with the possible objectives of completing the Internal Energy Market, ensuring the development of the grid to permit the achievement of the EU's renewable energy objectives and guaranteeing EU security of energy supply, through infrastructure projects within and outside the EU. In addition, the Green Paper launches a reflection on how best to ensure the effective use and evolution of the EU's external policy and financial instruments to contribute to achieving these objectives.

- **A greater focus on energy in the EU's international relations**

The EU needs to intensify its efforts in developing an effective external energy policy; speaking with one voice, identifying infrastructure of major importance to its energy security and then ensuring its construction, and acting coherently to deepen its partnerships with key energy suppliers, transit countries and consumers. The Commission will identify the concrete mechanisms necessary for ensuring transparency between Member States and the EU, so that a common message can be constructed.

In substance, with energy interdependence of countries growing, international frameworks are needed which are capable of sustaining the major investments and innovations needed in the coming years. The European Economic Area and the Energy Community with our neighbours provide very good bases. Effective cooperation with Norway, part of the European Economic Area, is essential for EU energy security. A framework for cooperation is also provided by the Energy Community which is building an integrated energy market in South-East Europe anchored to the EU. If negotiations are successful, the accession of Ukraine, the Republic of Moldova and Turkey to the Energy Community would catalyse their energy sector reforms and create a mutually beneficial enlarged energy market based on common rules.

With producer countries outside Europe - notably Russia, Caspian countries - we need to develop a new generation of "energy interdependence" provisions in our broad-based agreements. As much as Europe seeks security of supply, external suppliers and industry seek security of demand. The increasingly important role of Africa in the EU energy security needs to be assessed.

The EU-OPEC Energy Dialogue recognises the common interests of producer and consumer countries in encouraging regular supply at affordable prices.

Relations with other consumer countries are important in energy security. Cooperation needs to be deepened, promoting a common view on global energy security and addressing sustainability. Progress on a global climate deal could be a powerful driver of cooperation and change worldwide.

¹ See European Coordinator's report and the Communication "Offshore wind Energy: Actions needed to deliver on the Energy Policy objectives for 2020 and beyond"

- **Improved oil and gas stocks and crisis response mechanisms**

The Commission proposes a revision in the EU's strategic oil stocks legislation, improving coherence with the International Energy Agency regime, reliability and transparency on available stocks and clarifying emergency procedures. To improve oil market transparency, the Commission proposes that the EU publish weekly, on an aggregated basis, the level of commercial oil stocks held by EU oil companies.

The Commission, after its evaluation of the Directive on Security of Gas Supply concludes that greater harmonisation of security of supply standards and predefined emergency measures at regional and EU levels are needed. The threshold for triggering EU action should be reconsidered and compensation arrangements should be clarified. The Commission considers that there is insufficient evidence at this stage for making strategic gas stocks obligatory. A revision of the Directive on Security of Gas Supply² may be tabled in 2010.

- **A new impetus on energy efficiency**

The 2006 Energy Efficiency Action Plan will be evaluated in 2009. In the meantime, a 2008 Energy Efficiency Package is being tabled, focused on improvements in the legislation on the energy performance of buildings and on energy labelling as well as intensification of the implementation of ecodesign and cogeneration Directives. These are all areas in which energy efficiency improvements can be achieved, with substantial impact on Europe's energy consumption and energy security. A new Sustainable Energy Financing Initiative is being prepared jointly with European Investment Bank and other financial organisations, to mobilise large-scale funding from capital markets for investments in energy efficiency as well as renewable energies, clean use of fossil fuels and combined heat and power from renewables in Europe's cities.

- **Making better use of the EU's indigenous energy reserves**

Indigenous production currently provides 46% of the energy used in Europe³. The EU's greatest potential source of indigenous energy is renewable energy. Today it accounts for about 9% of final EU energy consumption and the agreement is to raise this to 20% by 2020. Technology is crucial in developing and using our resources in a cost-effective and environmentally-sustainable way so our next step in the Strategic Energy Technology Plan⁴ will be a Communication on Financing Low Carbon Technologies. This will propose ways to support large scale demonstrations at EU level, including up to twelve Carbon Capture and Storage (CCS) demonstration plants. Europe's aim to have up to twelve commercial scale demonstration plants in operation by 2015 and the G8 commitment to launch twenty demonstration plants globally by 2020 will require greater incentives than currently available. Use of coal in the longer run is only compatible with climate challenge if highly-efficient plants predominate and CCS is widely available. The Berlin Fossil Fuel Forum⁵ will look at which additional measures could be taken at Community and national level, and in partnership with Norway, to promote cost-effective and environmentally-compatible access to indigenous EU fossil fuels.

It is for each Member State to choose whether or not to invest in nuclear energy. However, the nuclear safety and security framework applied everywhere in the EU is of common interest. A common

² Council Directive 2004/67

³ Nuclear energy is included as the fuel represents only a small part of the value of the energy.

⁴ Com(2007) 0723; ec.europa.eu/energy/res/setplan/communication_2007_en.htm

⁵ http://ec.europa.eu/energy/oil/berlin/index_en.htm

legislative framework on the safety of nuclear installations and the management of nuclear waste is needed. The Commission is tabling a revised proposal for a Directive on nuclear safety.

● 4. Towards a vision for 2050

The EU's agenda for 2020 has set out the essential first steps in the transition to a high-efficiency, low-carbon energy system. The EU needs to develop a vision for 2050 and a policy agenda for 2030. The fundamental technological shifts involved in decarbonising the EU electricity supply, ending oil dependence in transport, low energy and positive power buildings, a smart interconnected electricity network will only happen with a coordinated agenda for research and technological development, regulation, investment and infrastructure development. In addition, the transition to a high-efficiency, low-carbon energy system needs to be promoted not only in Europe but worldwide. The Commission will prepare in the framework of the Strategic Energy Technology Plan a Roadmap towards a 2050 Energy Policy, in dialogue with Member State officials, academics and industry experts.

More information is available at http://ec.europa.eu/energy/ser2/index_en.htm