CEPS Energy Task Force on:

SECURING EUROPEAN ENERGY SUPPLIES: MAKING THE RIGHT CHOICES

ISSUES PAPER

Arianna Checchi & Arno Behrens

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TOPICS

- A European concept of security of supply
- Solidarity
- Infrastructure
- Climate Change
- External aspects of energy security
A EUROPEAN CONCEPT OF SECURITY OF SUPPLY (1)

• National energy policies are increasingly influenced by EU policies (Lisbon Treaty)
• Need to reconcile individual national energy policy interests with the priorities of a common EU energy policy
• The first requirement is to create a European concept for security of supply which reflects EU’s policy objectives
• For the moment, there are different interpretations of the concept of energy security

→ What should be the key features of a European concept of security of energy supply?
A EUROPEAN CONCEPT OF SECURITY OF SUPPLY (2)

- No mechanism to ensure a systematic assessment of impacts of national energy policies and measures on the EU
- Robust **energy policy indicators** would ensure more coherence between EU and MSs’ policies by improving data sharing and increasing transparency
- Examples: share of biggest irreplaceable single import/energy source; internal market indicators; degree of protection of vulnerable consumers against supply disruptions

→ *What is the most appropriate set of indicators?*
SOLIDARITY

• The Second Strategic Energy Review calls for greater energy solidarity among member states
• EU energy solidarity seen as the key strategy to face energy crises such as the recent Russia-Ukraine gas dispute
• However, the EU has not provided a definition of solidarity

→ What does solidarity actually mean?
→ What are the appropriate mechanisms to make it work?
→ How should a European emergency strategy look like?
→ What is the role of the market in a context of energy solidarity?
INFRASTRUCTURE (1)

In the EU

• $90 billion investment for transmission and distribution of natural gas (by 2030) and $374 billion for electricity (by 2015) are needed
• Increasing LNG and gas imports will add further capacity risks
• The TEN-E has supported the development of cross border interconnections but the TEN-E budget is 0.2-0.5% of the total investment needs
• The proposed European Economic Recovery Plan has allocated €1440m for gas interconnectors and €910m for electricity interconnectors

→ In what extent is financing the main concern?
→ Is a stable regulatory framework across the EU the real crux of the matter?
Energy producing countries also need massive investment in energy infrastructures: by 2030, $8.4 trillion investment in the oil and gas sector are needed upstream.

National investments are limited, especially in the context of the financial crisis.

Reluctance to allow foreign investment.

Unpredictable legal, fiscal and regulatory framework in energy producing countries.

→ What could be the role of the EU to change the status quo?
→ Will the financial crisis make energy producing countries more reasonable?
CLIMATE CHANGE (1)

• Limit global warming to 2°C above pre-industrial levels
• Global emissions -50% by 2050 (base year=1990)
• Emissions in industrialised countries -80% to -95%
• 80% of GHG emissions are energy related
• Profound changes in European energy systems are required
• Climate change will play an increasing role in energy policy-making

→ How can energy policy contribute to achieve climate change goals and vice-versa?
CLIMATE CHANGE (2)

Synergies with sos
- Energy Efficiency
- Energy Sufficiency
- Renewable energy sources
- CCS
- Nuclear
- Cooperation with energy producing states (e.g. Russia)

Conflicts with sos
- “Dirty substitutes”
- Natural gas
- Coal (unless CCS)
- Nuclear
- Indecision regarding global climate change agreement delays investments in power sector
- Adaptation needs in power sector

→ ...but synergies are not always straightforward...
EXTERNAL ASPECTS OF ENERGY SECURITY (1)

• More than 50% of EU energy consumption is imported
• Import dependence is not a problem *per se* but the risks attached to it are perceived as sources of vulnerability
• 2006 *Green Paper* proposed a **coherent external energy policy**
• Energy dialogues and partnerships as the backbone of the EU external energy strategy
• Extension of the EU market rules abroad as a bottom line strategy

→ *Is this approach effective?*
→ *How is it perceived abroad?*
→ *Will the Second Strategic Energy Review make any difference?*
EXTERNAL ASPECTS OF ENERGY SECURITY (2)

- **Speaking with one voice** is the mantra of the EU external energy policy.
- However, member states continue to pursue different national policies and interests (e.g. foreign and economic policy).
- A functioning common market for gas and electricity is a necessary step towards a common foreign energy policy.

→ *Are Member States ready to take themselves seriously and develop a common energy approach towards third countries?*

→ *In what extent the relationship between the private sector and national governments could influence the final outcome?*
THANK YOU FOR YOUR ATTENTION

Arianna Checchi
arianna.checchi@ceps.eu
Place du Congrès 1
B-1000 Brussels
T: +32 2 229 3911
F: +32 2 219 4151
www.ceps.eu