



Securing European Energy Supplies: Making the Right Choices

Prospectus for a new CEPS Energy Task Force

A project of the CEPS Unit on Energy and Climate Change

Four full-day meetings scheduled for
31 March 2009
2 June 2009
2 July 2009
September/October 2009

Chairman: **Knud Pedersen**, Senior Vice President, DONG S/A; former Deputy Director-General, Danish Energy Authority

Rapporteurs: **Arno Behrens**, Research Fellow, CEPS
Christian Egenhofer, Senior Research Fellow, CEPS
Arianna Checchi, Research Fellow, CEPS

1 Introduction

Following the publication of the Second Strategic Energy Review by the European Commission in November 2008 and the adoption of the integrated energy and climate package by the European Council and Parliament in December 2008, EU energy policy is gaining speed. The European dimension of energy policy has been re-emphasised by the recent Russia-Ukraine gas dispute in January 2009, which severely affected several EU member states. Additional dynamics are contributed by the global climate change negotiations – supposed to be completed in Copenhagen by December 2009 – and the ratification of the Lisbon Treaty, which provides a basis for a common energy policy (albeit on the abstract notion of “a spirit of solidarity”).

Within the context of these developments and linked to the importance of energy security on the EU political agenda in 2009, this new CEPS Energy Task Force on Securing European Energy Supplies will look at how the EU and its energy sector can prepare for the challenges posed by global energy markets and climate change. After taking stock of the most recent EU policy developments, this CEPS Task Force will focus on whether the proposed EU policy responses will be able to meet the challenges and whether Europe makes the right choices. Internal EU developments will be at the centre of the discussions, but the CEPS Task Force will also look beyond the EU borders, focusing on the EU’s eastern partners and the growing role of the Mediterranean in shaping the response of the EU to current supply risks.

2 Proposed topics of the CEPS Task Force

Although it is up to the Task Force to decide upon the final terms of reference, CEPS proposes several key issues to be discussed in the course of the four CEPS Task Force meeting.

- ✓ A European concept of security of supply/energy policy including indicators to measure EU and member state robustness to risks
- ✓ The relationship between security of supply and security of demand
- ✓ Energy solidarity measures: What markets can deliver and the supplementary role of policy
- ✓ Infrastructure: A critical and realistic assessment of the EU role
- ✓ Giving meaning to the concept of interdependence with Russia
- ✓ The Mediterranean Union and energy security
- ✓ Assessing the impacts of climate change and climate change policy on energy security

In addition, this CEPS Task Force will provide a constant update on developments related to the Second Strategic Energy Review.

A European concept of security of supply

The existence of different interpretations and approaches to energy security of supply makes its definition difficult and elusive. The literature is divided between those who interpret energy security from an economic perspective and those who stress the political and strategic side of it. The CEPS Task Force aims to sharpen the concept of energy security for different energy sources and to analyse what such a concept could mean for Europe. Against this background, the CEPS Task Force will discuss how much energy security is actually required for the European economy to minimise risks of disruptions and to avoid unnecessary costs associated with overemphasising security concerns. To ensure policy coherence between EU and member state policies, the European concept of security of supply could include a number of (energy policy) indicators against which to benchmark member states’ policies. The CEPS Task Force will also assess the relationship between security of supply and security of demand.

Energy solidarity

In its Second Strategic Energy Review, the European Commission highlighted the need for solidarity between member states in the effort to increase security of European energy supplies. The Commission, however, does not go beyond this rather generic formulation, due to the expected resistance of some member states fearing wrong incentives for national energy policies, referred to as 'moral hazard'. To avoid such risk taking at the expense of others, there would almost certainly have to be a European Commission review process of member states' energy security of supply efforts, based possibly on indicators. In addition, the CEPS Task Force will look at how markets can achieve solidarity and what role there needs to be for policy. For example, it is often argued that strengthening the single European gas market would increase de facto solidarity between all consumers and that the risk associated with import dependencies could be greatly reduced.

Infrastructure

The CEPS Task Force will deal with the crucial issue of investments in infrastructure, both in terms of upstream investments and in terms of investments in European energy systems (production and distribution) in the face of upcoming energy challenges. The role of infrastructure in completing the internal markets for gas and electricity will be discussed, as well as the state of the European electricity grid and its ability to cope with low-carbon technologies. Similarly, the CEPS Task Force will discuss the investment policy for energy infrastructure aimed at diversifying European gas supplies (e.g. pipeline projects, electricity and gas interconnections, LNG terminals, capacity for renewable electricity production), as well as the role of the EU in financing these investments.

Climate change

Given that energy related emissions account for about 80% of all greenhouse gas emissions in the EU, climate change policy based on recently adopted EU reduction targets will require profound changes in European energy systems. Climate change thus plays an ever-increasing role in energy policy making and the value of considering interactions between global warming and energy security is increasingly recognised. The CEPS Task Force will discuss these interactions and their relevance for the European energy infrastructure.

External aspects of energy security

The CEPS Task Force will discuss external aspects of energy security and the main geopolitical issues involved. This primarily entails the geographical diversification of suppliers and fuels, the establishment of further energy cooperation with major producer, transit and consumer countries, and a common reaction to external energy crises. The CEPS Task Force will look at different regions (including Russia and the Mediterranean region) and different energy carriers to evaluate the need for action. At the same time, alternative proposals to current supply routes will be assessed, as well as their potential to increase security of supply. The role and content of dialogues and partnerships between consumer, producer and transit countries will also need to be looked at, including issues related to the increasing competition for energy with emerging economies.

3 How does this CEPS Task Force work?

The CEPS Task Force's main objective will be to involve the CEPS constituency in the crucial EU policy processes relating to the Second Strategic Energy Review on the security of European energy supplies and its follow-up. This involves i) informing about policy formulation in the EU its member states, as well as ii) regular feed-in from the CEPS Task

Force into the relevant policy processes of the European Commission, the European Parliament and member states.

In practical terms, the CEPS Task Force will be based on four full-day multi-stakeholder workshops designed to create an informal but structured dialogue on the security of European energy supplies. The Task Force will constitute a unique forum of representatives from the European Commission (DG Transport & Energy, DG Environment, DG Enterprise and DG Competition), Members of the European Parliament, officials from member states, representatives of energy regulators, international organisations, business and industry (i.e. energy supply companies, energy-intensive industries, traders, equipment suppliers, project developers), small consumer associations, NGOs and other stakeholders to facilitate an in-depth discussion and provide background research. At the end of the Task Force, CEPS will **publish** and circulate among EU and member state policy circles policy recommendations together with a **CEPS Task Force Report**, which will also be formally published in the CEPS Task Force Report publication series.¹ This report will be based on discussions in the meetings supplemented by research carried out by the rapporteurs.

The new CEPS Task Force on **Securing European Energy Supplies: Making the Right Choices** will meet four times between March and September/October 2009.

Chairman will be **Knud Pedersen**, Senior Vice President, DONG S/A and former Deputy Director-General, Danish Energy Authority. Rapporteurs will be Arno Behrens, Research Fellow, Christian Egenhofer, Senior Research Fellow and Arianna Checchi, Research Fellow, CEPS. CEPS will present an **Issues Paper** at the first meeting.

4 Proposed meeting schedule

CEPS proposes to organise the following meetings:

- 1) **Meeting 1 (31 March 2009)** will focus on **identifying the key issues** related to this CEPS Task Force and will therefore tie up the broad agenda that has been formulated in this Prospectus.

Draft Agenda

1000-1015	Introduction by CEPS and Chair of Task Force
1015-1045	International energy market outlook by representative of IEA
1045-1115	Discussion
1115-1145	Introduction to Second Strategic Energy Review by representative of European Commission (DG TREN)
1145-1155	Comments by MEP
1155-1210	Comments by representative of power industry
1210-1300	Discussion
1300-1400	Lunch
1400-1420	Presentation of CEPS Issues Paper
1420-1510	Comments by representatives of gas sector, regulator, energy-intensive industry, energy efficiency industry, member states and NGOs
1510-1600	Discussion

¹ For further information, please visit www.ceps.eu or contact Arno Behrens at arno.behrens@ceps.eu.

1600-1630 Wrap-up of meeting and agreement on the terms of reference

2) **Meeting 2 (2 June 2009)** will focus on a European concept of security of supply, including indicators to ensure coherence between EU and member states' policies. In the afternoon, the meeting will focus on the external dimension of Europe's energy supplies.

Issues:

- Key messages from first meeting of CEPS Task Force
- Definitions of security of supply
- Indicators for security of supply
- External dimension of security of supply
- Interdependency with producer countries
- Security of demand

3) The morning session of the **third meeting (2 July 2009)** will focus on the EU energy infrastructure and how the concept of solidarity can be put into practise to increase the security of European energy supplies. In the afternoon, the CEPS Task Force will discuss how climate change policies affect energy supplies and where synergies between these two policy areas can be highlighted. Topics could include:

Issues:

- The critical role of infrastructure and the EU role in energy infrastructure
- Energy solidarity and the role of markets in delivering it
- Turning climate change into an opportunity to increase security of supply

4) In the **fourth and final meeting (September/October 2009)** of the CEPS Task Force, CEPS will present the draft Task Force Report, which will be open for discussion and comments to all participants (the report will be finalised after the last meeting followed by adoption through written procedure). CEPS will also table a set of key messages and recommendations which will need to be agreed upon by all participants and which will then serve as the main tool for communicating the results of the CEPS Task Force to policy-makers.

5 Conditions for Participation

The CEPS Task Force is primarily designed for CEPS Corporate Members but participation is open to non-members as well, albeit at a higher fee.

The fee covers participation in all workshops, documentation, lunches and three copies of all reports produced. Upon request by participants, CEPS will mail additional copies of the final CEPS Task Force Report to persons identified by participants.

Participation fee for CEPS Corporate Members ²	EUR 1.000
Participation fee for non-members:	EUR 7.000

For registration, see APPENDIX at the end of this prospectus.

² Regarding information on CEPS Corporate Membership, please contact Staffan Jerneck, Deputy Director and Director for Corporate Relations (staffan.jerneck@ceps.eu) at +32 2 229 3910 or +32 475 903 924.

APPENDIX



Registration Form

Securing European Energy Supplies: Making the Right Choices

0 I wish to participate in the CEPS Task Force

Name:.....

Title:.....

Company:.....

Address:.....

.....

Postcode:.....Country:.....

VAT N°.....

Email:.....

0 As a corporate member of CEPS my company pays 1000 Euro (+ 21% VAT)

0 My company is a not a corporate member of CEPS and pays 7000 Euro (+ 21% VAT)

0 My company is interested in becoming a corporate member of CEPS³.

Please return to:

Isabelle TENAERTS
CEPS
Fax: 32.2.219.41.51
Isabelle.tenaerts@ceps.eu

³ Regarding information on CEPS Corporate Membership, please contact Staffan Jerneck, Deputy Director and Director for Corporate Relations (staffan.jerneck@ceps.eu) at +32 2 229 3910 or +32 475 903 924.