

*CEPS Energy Task Force on:*

# **SECURING EUROPEAN ENERGY SUPPLIES: MAKING THE RIGHT CHOICES**

**ISSUES PAPER**

*Arianna Checchi & Arno Behrens*

*Brussels, 31 March 2009*

## 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?*

## INFRASTRUCTURE (2)

*In energy producing countries*

- 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)

→ ...but synergies are not always straightforward...

### 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

## 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