The EU's "Energy Union":
A Challenge of Continued Expectation Management

Severin Fischer [2]
ETH Zurich

The idea of an "Energy Union" has dominated the debate about the European Union's energy and climate policy since the Juncker Commission took office in 2014. With this new terminology and the concept's holistic approach, the Commission has managed to draw attention to policy-making in Brussels again. In the process of law-making, it becomes obvious, however, that not all expectations will be fulfilled.

The European Union's energy and climate policy has been dominated by three overarching themes over the last decade: first and foremost, by the creation of an internal energy market, exemplified by the better interconnection and increase of trade activities in the electricity and gas sector; second, by its environmental policies, its leading role in international climate negotiations, and the transformational dynamics to its economy; and third, by its energy security policy, trying to ease an overreliance on its biggest energy supplier Russia and supporting diversification attempts. Although significant progress has been achieved in all three dimensions, member states have started to raise critiques about an imbalance among the three dimensions, and claims to limit EU control over structuring the sector have become louder. Policy fragmentation and the discomfort of mainly Central and Eastern European countries became evident during the process of setting environmental framework targets for the period up to 2030 during European Council negotiations in 2013 and 2014.

---

[2] Dr. Severin Fischer is a Senior Researcher with the Global Security Team in the Center for Security Studies (CSS) at ETH Zurich. His research focuses on European energy policy, global energy security challenges and EU climate policy.

The Political Process Towards the "Energy Union"

EU Commission President Jean-Claude Juncker decided to make the creation of an "Energy Union" one of the five political priorities of his term in office, which began in 2014. The "Energy Union" idea was not new, however, but had been developed several years ago by former Commission President Jaques Delors and former Polish Prime Minister Jerzy Buzek. In 2014, the framework was revitalized by then Polish Prime Minister Donald Tusk as an effort to strengthen the energy security dimension of the EU and to establish a more pronounced policy against growing dependency on Russian imports.

With his long experience in EU agenda-setting as Prime Minister of Luxembourg, Juncker knew how to use the "Energy Union" proposals for his aims: instead of focusing solely on energy security themes, he re-framed the concept and called his project "a resilient Energy Union with a forward-looking climate change policy." The integration of different perspectives into one holistic policy framework without prioritizing any specific aspect, a concept also known as "constructive ambiguity," has dominated the EU's "Energy Union" process since then.

For more than two years, the Commission has advocated its policy approach in Europe and beyond, welcoming different perspectives from local communities to big utilities, from environmental NGOs to governments in Central and Eastern Europe. In the process of strategy development, this was reflected in the five dimensions of the "Energy Union," proposed by the Commission and accepted by the Council, which largely reflect the former five main working areas of the "integrated energy and climate policy" decided in 2007: energy security, solidarity and trust; an integrated energy market; increased energy efficiency; decarbonizing the economy; and research and innovation. Although this covers the whole range of relevant energy and climate policy topics, it refrains from prioritization of any one topic. In that sense, the "Energy Union" remains largely ambiguous.

The Legislative Agenda

With the European Council in October 2014 agreeing on headline targets for 2030 and a general approach for the "Energy Union," the main task of the Commission was the development of proposals on how to transfer strategies into measurable directives and regulations. As of March 2017, not a single major piece of legislation has been agreed in the context of the "Energy Union." Despite such setbacks, the Commission has provided several proposals that are in the process of negotiations between member state governments in the Council on the one side and the European Parliament on the other. The proposals can be grouped into three different packages:

- *Energy Security*: As the main theme brought up by the Polish government in the beginning of "Energy Union" discussions with a concrete proposal on an initiative for common gas buying by EU member states, the Commission has hurried to propose legislation in order to satisfy these demands. Central to this are a new security of gas supply regulation and a reformed information exchange between the Commission and member states on intergovernmental agreements with non-EU countries in the area of

2

energy. Critical elements of the regulation are the concrete steps towards implementing a solidarity principle as well as regional emergency approaches in the case of supply disruptions. This legislation remained below the level that the Polish government had expected the Commission to deliver on the security dimension, but it was still too much EU-level intervention from the perspective of German actors. After several rounds of negotiations in the Council, a common approach has been found and will be formally adopted by European Parliament and Council in the next step.

- *Climate Policy*: The EU already agreed in 2014 internally and in the context of the Paris Agreement on Climate Change in 2015 internationally to reduce greenhouse gas emissions by 40% until 2030 compared to 1990 levels. However, the discussions about implementation details only started in July 2015 with a proposal for a change to the EU's Emissions Trading Scheme (EU ETS) for the period 2021-2030. The EU ETS covers around 45% of the EU's total emissions and delivers the achievement of mitigation targets in industry and the energy sector. The proposal did not include a major system change but rather adaptations to the existing systems in the range of measures to prevent "carbon leakage," in the distribution of auctioning revenues, and in the question of price stability. Member states in the Council had to take an unusual majority decision to find a common approach in March 2017, opening the door for negotiations with the European Parliament. A second piece of legislation, a regulation for effort-sharing among member states in the areas not covered by the EU ETS, was proposed in July 2016 and will not be ready for conclusions anytime soon. The discomfort with smaller carbon budgets is especially prominent in Central and Eastern Europe, while at the same time, the EU has to underline its international commitments by a credible domestic de-carbonization policy.

- *Clean Energy Package*: The most comprehensive and controversial package of legislation was presented by the Commission at the end of November 2016, including 13 law-making procedures. It covers topics such as a new governance system for the relationship between the EU and its member states in the area of energy and climate, a new renewable energies directive, and rules for the electricity market and for energy efficiency. Although large in scope, the package seems cautious when it comes to changing the way Europe deals with this policy field. In the first round of exchange of views in the Energy Ministers' Council, many representatives still raised reservations on the content. It appears that a long legislative process lies ahead of this reform.

Evolution, Not Revolution

Despite all the great expectations raised in the context of the new "Energy Union," after three years of debates, the results look modest. Most dossiers are still in the process of finding acceptable solutions between the institutions, and the danger of national fragmentation has not been overcome yet. Although the Commission has done its work on proposing changes to the existing energy and climate policy in order to react to ongoing changes in the domestic and international political environments and the availability of new technologies, these proposals do not match the rhetoric that was used in the early days of the "Energy Union" debates. Still, maintaining what has been achieved so far and deciding on pragmatic adaptations to the EU's existing energy and climate policy could already be seen as a success. In an era of a general integration fatigue among EU member states, protecting the achievements of functioning natural

gas and electricity markets as well as setting a framework for a credible transformation process would already have some value.

References:

Andersen, Svein S., Golthau, Andreas, and Sitter, Nick. (2017). *Energy Union. Europe's New Liberal Mercantilism?* Palgrave MacMillan, London.

Fischer, Severin. (2017). "Energy Union: Delivery Still Pending," *CSS Policy Perspective*, vol. 5/1, February 2017, Zurich: http://www.css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/PP5-1.pdf.

Fischer, Severin, and Geden, Oliver (2015). "Limits of an 'Energy Union': Only Pragmatic Progress on EU Energy Market Regulation Expected in the Coming Months," *SWP Comments* 28/2015, Berlin:
https://www.swp-berlin.org/fileadmin/contents/products/comments/2015C28_fis_gdn.pdf.