

European Commission Releases Energy Union Strategic Framework

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On February 25, the European Commission released a strategic framework of the Energy Union. This is to address energy policy challenges that EU has to face now, namely challenges for energy security, sustainability and climate change measures, market efficiency and enhanced competitiveness. The Energy Union was adopted as one of the EU's long-term strategies at a meeting of the European Council in June 2014. When the new European Commission was inaugurated in November 2014, new Commission President Jean-Claude Juncker positioned the Energy Union as one of the 10 top priorities.

The Union does not mean any new organization but systems and policies for enhancing extensive EU initiatives to address the abovementioned challenges through cooperation between EU member countries. While the EU has traditionally aimed to form a single market, the EU member countries have tried to collectively address energy and environment problems, as symbolized by the greenhouse gas emission reduction target for the whole of the EU. In fact, however, individual EU countries have developed their respective measures and strategies for energy security while promoting initiatives for the whole of the EU.

But new developments surrounding the EU have prompted the EU to develop a new strategy. First, energy security enhancement has emerged as a very important challenge as the Russia-Ukraine dispute has grown more serious. In addition, European energy supply costs have remained relatively high due to various background factors, making it important for the industry and consumers in EU to secure energy supply at more competitive prices. As my 190th special bulletin on “A Japanese Perspective on the International Energy Landscape” noted, Europe has been urgently required to not only enhance climate change measures but also secure quantitative and qualitative energy security.

In this way, it has become indispensable for the whole of the EU to redouble its efforts to address energy and environmental problems. This situation is a background for the Energy Union initiative. The EU has chosen to enhance union-wide cooperation to simultaneously achieve the three E's -- economic efficiency, energy security and environmental protection.

The Energy Union strategic framework consists of five major components: (1) energy security, (2) a fully-integrated internal energy market, (3) energy efficiency, (4) decarbonization of the economy, and (5) research and innovation. We must pay attention to the fact that energy security is put first, with priority given to the diversification of energy supply (supply sources, suppliers and supply routes) in the context of energy security. This symbolizes the EU's present situation.

The supply diversification focuses on gas. The framework concludes that it is important to enhance the Southern Gas Corridor plan to transport gas from Central Asia to Europe, and that northern Europe should form a highly liquid gas hub accessed by a diversity of suppliers. Taking up liquefied natural gas as one of the key factors for the diversification of gas supply, the framework clarifies the EU's attitude of pursuing various LNG potentials including the importance of LNG as an additional gas supply source in the event of a tight supply-demand relationship and the expansion of LNG trade to eliminate global gas price gaps by region. It also specifies the European Commission's plan to work out a comprehensive LNG strategy. This is an attention-attracting point.

As a matter of fact, the Ukraine problem has been a key factor behind the growing need to enhance energy initiatives. The problem has made it politically important for Europe to reduce and hold down its dependence on Russia. The strategic framework, though falling short of naming Russia, apparently indicates that the gas supply diversification as a top priority aims to counter EU's gas dependence on Russia. The supply diversification strategy cannot be implemented immediately. And it may require massive initial investment. Russia for its part is expected to approach individual EU member countries, Turkey and other relevant countries to maintain its presence in the European market. We must watch how plans given in the strategic framework would make progress to achieve its targets.

The strategic framework clarifies not only the gas supply diversification but also other comprehensive policies and measures. Regarding the fully-integrated internal energy market, the framework indicates the necessary measures to achieve the specific minimum interconnection target for electricity at 10% of the installed electricity production capacity of each member states by 2020 and gives a plan to report next year on the necessary measures to reach the 15% target by 2030. It also provides various targets and measures for enhancing energy conservation and introducing renewable energy to achieve climate change targets. Based on the strategic framework, the EU will promote discussions at top leader, ministerial and working levels on how to implement the specific policies in the framework. Europe as well as Japan is struggling to achieve the three E's. We will have to closely watch how Europe will develop such discussions and implement specific initiatives.

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