

## One year gone, but a long road ahead for EU energy union

### Greenpeace analysis ahead of Commission's first state of the energy union speech

On **18 November**, European Commission vice-president for the energy union, Maroš Šefčovič, will for the first time take stock of the EU's progress on a number of energy files under the energy union heading and inform the Council on what policy initiatives the Commission is planning for the coming year. His speech will be accompanied by a report which will be submitted to EU governments [1]. This briefing assesses the priorities and flaws of the energy union so far.

According to the framework strategy that launched the energy union in February 2015 [2], the aim is to deliver a coherent plan on how to move the EU towards a clean, secure, sustainable, competitive and affordable energy supply, and create a policy framework to attract the necessary investments.

The Council conclusions of March 2015 identify five priorities [3]:

1. energy security, solidarity and trust;
2. a fully integrated European energy market;
3. energy efficiency contributing to moderation of demand;
4. a decarbonised economy;
5. research, innovation and competitiveness.

With the global climate conference starting in Paris in late November, Šefčovič's energy union report should demonstrate the EU's commitment to a decarbonised economy, and should showcase its progressive climate and energy policies, in particular on renewable energy. Instead, it appears to focus on heavy investments in gas infrastructure, under the banner of security of supply. This and other inconsistencies could ultimately raise the cost of renewable energy investments, continue the dependence on energy imports, and increase funding to support fossil fuels like gas and coal in the power system.

Commission president Jean-Claude Juncker and vice-president Šefčovič have repeatedly said that the EU should become the global leader in renewables [4]. Yet, European investments in renewables are slowing down, despite being on the rise in other major economies, including the USA and China. In 2014, the EU added just 7 gigawatts (GW) of photovoltaic power plants, while China added 10.6 GW and Japan 9.7 GW. Similarly, China added nearly double the EU's new installed capacity of wind power in 2014

**Greenpeace EU climate and energy expert Sebastian Mang** said: *"Renewables should be at the core of the energy union goals. But the renewables boom in Europe is flatlining, despite the fact that solar power and wind energy are becoming cheaper than fossil fuels. The reason for this is uncertainty about the policy framework. The Commission can put this right and use the energy union plans to unlock the potential for renewables to deliver security of supply, carbon cuts and a wide range of economic and social benefits. But Šefčovič must put his weight behind transitioning the EU towards a 100 per cent renewable energy system and making the Paris climate talks a success."*

#### **1: Energy security, solidarity and trust**

For the Commission, energy security in Europe is almost synonymous with natural gas and fossil fuel supply routes. The ability for renewables to substantially decrease fossil fuel imports is largely ignored. The Commission is particularly keen to diversify EU gas and also nuclear fuel imports. Its main concern is to find alternatives to unreliable gas, oil and nuclear fuel supplies from Russia.

While projects like the Southern gas corridor pipeline would enable Europe to import from Azerbaijan instead, the benefits in terms of gaining a more democratic and reliable partner are at best questionable. Moreover, the extensive timeline of such projects raises doubts about the EU's ability and commitment to phase out fossil fuels in the foreseeable future.

In a 2014 analysis [5], Greenpeace showed that strong EU policies on renewable energy and energy efficiency that resulted in 45% share of renewables in 2030 could reduce the need for energy imports by 45 per cent by 2030, compared to current climate and energy targets. Specifically, Europe could avoid annual imports of about 90 billion cubic meters of gas and 1.3 million barrels of oil by 2030, while no imports of coal would be needed at all. Compared to the Commission's approach, this represents an extra 35 per cent cut in gas imports and a 45 per cent cut in oil imports by 2030. This signifies two years of France's yearly gas consumption and three years of the UK's yearly petroleum consumption.

Renewable energy cut Europe's demand for fossil fuels by 98 million tons of oil equivalent in 2012 alone. Without the current contribution of renewables, Europe would have to buy at least 7 per cent more coal and natural gas [6].

## **2: A fully integrated European energy market**

The energy union lays out a plan to create an integrated European internal energy market that is free of market distortions. Yet, it fails to address the fact that energy markets are currently biased towards nuclear and fossil power sources. Europe's antiquated power systems find it hard to cope with multiple and smaller renewable energy sources, having been built to suit power supplies from large individual fossil and nuclear power stations. Markets are unfriendly to renewable energy generation, with unnecessary regulatory, financial and administrative burdens weighting down renewables. Moreover, governments are still heavily subsidising fossil and nuclear energy industries. As a result, renewables – small-scale renewables in particular – find it hard to compete in countries such as Spain, Italy, the UK, and much of Central and Eastern Europe.

While energy market reforms, foreseen for late 2016, will likely have a positive impact, for example by allowing more transparent and flexible energy pricing, they are unlikely to cancel out the subsidies and other support schemes for fossil fuels. Yet, at the same time, the energy union criticises renewable energy support schemes, despite the fact that these pale in comparison to fossil fuel subsidies.

In addition, the energy union fails to adequately address the fact that consumers are increasingly producing their own energy [7]. Future European market regulations should recognise and encourage the right to self-produce, self-consume and sell to the grid. Therefore, the Commission should consider prosumers in the forthcoming revision of the renewable energy directive. It should encourage EU governments to provide advice on the offers, tariffs, and financial liabilities that are associated with access to supply markets, energy storage and other innovative tools.

Many low-income households face energy poverty. While the Commission has stated its wish to address this in the context of the Energy Union, it fails to draw the link between tackling energy poverty and installing small-scale renewables and energy-savings programs. Yet, these hold tremendous potential.

## **3: Energy efficiency contributing to moderation of demand**

The Commission has placed energy efficiency at as a core component of the energy union. Its "*energy efficiency first*" principle should be applied in practice by ensuring that energy efficiency is the first consideration in any energy related decision. The Commission should review the EU's energy efficiency directive and 2030 energy efficiency target to reflect cost-effective saving potentials. However, the Commission has not yet sufficiently acknowledged the growing number of individual consumers and producers and the related benefits of participating in both energy supply and demand management.

Prosumers partaking in the energy market can have significant benefits for the integration of renewable energy.

#### **4: Decarbonising the economy**

The energy union plans anticipate that decarbonisation will be delivered through EU climate policy and the EU's objective of becoming the world number one in renewables. However, the EU's ambition on decarbonisation is inconsistent with some of the other energy union policies and priorities (see section 1). In fact, in the absence of strong and coherent policies, the energy union's decarbonisation ambition is an empty promise.

A recent study by the European Environment Agency [8] revealed that greenhouse gas emissions in the EU decreased by 23 per cent between 1990 and 2014. However, projections in European countries show that the EU is heading only for a 24 to 25 per cent reduction overall by 2020, adding only a one or two per cent decrease in carbon emissions over the next six years. In other words, the pace of progress towards the EU's goal to cut carbon emissions by 80 to 95 per cent by 2050 has slowed substantially.

Not only has the Commission failed to strengthen the EU's energy and climate targets for 2030, current discussions on how EU countries are to achieve these targets largely favour a voluntary approach with no binding national targets. If a voluntary approach is endorsed it would create a substantial obstacle in Europe's path towards a transformed energy sector.

Moreover, at this stage, the EU's negotiating position for the international climate negotiations in Paris later this month represents a poor basis for a global deal. The EU should support the revision of government commitments to cut carbon emissions every five years, starting in 2020. It should endorse the long-term phase-out of fossil fuels by 2050 and thereby enable the transition towards 100 per cent renewable energy. This would improve the confidence of global markets in the energy transition and help the EU reach its climate and energy goals within the framework of a global climate deal.

#### **5: Research, innovation and competitiveness**

Many renewables and efficiency technologies are already commercially available, but research and innovation can help accelerate Europe's energy transition. Throughout Europe many businesses have already embraced the opportunities presented by renewable energy and efficiency, with almost half a million additional jobs created in the last five years [9].

The Commission supports the creation of an *innovation fund* and a *modernisation fund* as part of the revision of the emissions trading system directive. The intention is to support low carbon innovation in industrial sectors. The new funds would build on the existing *NER300* (New Entrants Reserve) programme, which is expected to direct €2.1 billion (and an additional € 2.7 billion of private investments) to innovative projects in 20 EU countries [10].

As applications to the NER300 have shown, small-scale businesses have found it hard to compete because of administrative burden. The Commission should ensure that small-scale businesses, which often present the cradle of true innovative breakthroughs, can participate. In addition, the Commission should rule out investment into phantom technologies, such as carbon capture and storage (CCS), which are largely unproven, dependent on the continued use of fossil fuels and which will not be ready in time to protect the climate.

**Notes:**

- [1] A 15-page draft of the report was leaked to the press: [http://www.greenpeace.org/eu-unit/Global/eu-unit/reports-briefings/2015/Leaked%20draft%20-%20state%20of%20energy%20union\\_231015.pdf](http://www.greenpeace.org/eu-unit/Global/eu-unit/reports-briefings/2015/Leaked%20draft%20-%20state%20of%20energy%20union_231015.pdf)
- [2] [http://ec.europa.eu/priorities/energy-union/docs/energyunion\\_en.pdf](http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf)
- [3] <http://www.consilium.europa.eu/en/meetings/tte/2015/03/05/>
- [4] [http://europa.eu/rapid/press-release\\_SPEECH-15-5614\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-15-5614_en.htm)
- [5] <http://www.greenpeace.org/eu-unit/Global/eu-unit/reports-briefings/2014/20140625%20briefing%20EU%20summit%20-%20link%20to%20the%20reportPDFfile.pdf>.
- [6] <http://www.eea.europa.eu/publications/renewable-energy-in-europe-approximated>.
- [7] Consumers are becoming *prosumers*, which are proactive energy consumers that produce their own (renewable) energy, sell energy back to the grid and engage in energy demand management.
- [8] <http://www.eea.europa.eu/media/newsreleases/climate-change-eu-shows-leadership>.
- [9] Source: EurObserv'ER database <http://www.eurobserv-er.org/>.
- [10] [http://ec.europa.eu/clima/policies/lowcarbon/ner300/index\\_en.htm](http://ec.europa.eu/clima/policies/lowcarbon/ner300/index_en.htm).

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