

Europe's Energy Union: the house that Maroš and Miguel built

Blog post by Adviser Matthew Duhan, 02 December 2016

This week's 'Winter Package' of new energy and climate change legislation was described by an effusive European Commission Vice President Maroš Šefčovič as "a Christmas present" for MEPs on the ITRE and ENVI committees. They will now be the envy of their legislation-starved peers. At well over 1000 pages it is a monster, with 11 main documents and a plethora of supporting technical and risk assessment documents. However, within a complex package of measures, headlines jump out: the Commission's proposal to increase the EU's 2030 energy efficiency target from at least 27% to a binding 30% target; the removal of renewable energy's priority access to the grid; and the failure to ban subsidies for food-based energy crops. The latter two have already been the target of NGO fire.

In his response to the inevitable criticism on the 'inadequacy' of individual targets and measures Šefčovič asked MEPs to focus on the wider vision. He has a point. The Commission has outlined a transformational vision of Europe's energy future: efficient, decentralised, and decarbonised. The impact assessment estimates suggest that the package could create 900,000 jobs, add €190 billion to European GDP by 2030 and drive €170 billion of investment each year from 2021. There are few areas in which the Commission can claim such an all-encompassing vision - even in areas such as banking union.

But his critics are also right that it is action that matters. As such, the most important aspect of the package was the Commission's attempts to bolster its toolbox for influencing national energy markets. The heart of this is the Governance of the Energy Union Regulation which, starting with drafts in 2018, will require member states to submit biennial National Energy and Climate Plans out to 2030. The Commission will review and make recommendations, and propose remedies if they are considered to be inadequate.

Elsewhere the Electricity Market Regulation (EMR) seeks to bolster the role of the Agency for Cooperation of Energy Regulators (ACER) as a coordinator and arbitrator between national regulators. Through the EMR and DG Competition's sector inquiry into capacity mechanisms - used to pay power plants to remain online as back up - the Commission has also sought both to open the system up to cross-border flows and limit the participation of coal plants by instituting a emissions performance standard (EPS) of 550gCO₂/KWh with which existing plants will have to comply by 2026.

In isolation the measures appear small and perhaps toothless. However, incrementally they push forward once again the frontier of Brussel's intervention in national energy markets. There is a long way to go but monitoring and reporting is often the first step on a much

longer path towards a stronger EU-level role in enforcing policy choices at the national level. The EU's Fiscal Pact on deficits and debt has gone on a similar journey to greater centralised authority and the first basic enforcement mechanisms via agreements like the Two Pack.

In presenting the proposals, Šefčovič argued that member states would have to give up some national autonomy in return for wider European benefits. Indeed, the future of Energy Union depends on it. This much is obvious, but it is unusual for the Commission to say so explicitly. During a period of disenchantment with Brussels, energy is one area where the Commission believes it can do more. The Polish government's immediate objection to the EPS made it clear that not everyone agrees. Šefčovič used the image of the Winter Package "putting the roof" on the Energy Union house. For now, perhaps laying the foundations would be more appropriate.

The European Commission's 'Winter Package'

- Communication on Clean Energy for All Europeans
- Governance of the Energy Union Regulation
- Electricity Market Regulation
- Regulation on Risk Preparedness in the Electricity Sector
- Regulation on a European Agency for the Cooperation of Energy Regulators
- Sector Inquiry on Capacity Mechanisms
- Energy Efficiency Directive
- Energy Performance of Buildings Directive
- Ecodesign Working Plan
- Revised Renewable Energy Directive
- Communication on Accelerating Clean Energy Innovation