

CONSIDERATION ON EU ENERGY STRATEGY

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Abstract: The European energy market is the world's largest regional market (over 500 million consumers) and the third largest energy importer at the global level. Several of the challenges facing the EU — climate change, access to oil and gas, technology development, energy efficiency — are common to most countries and rely on international collaboration. Member States called for the EU to speak with a common voice in third countries. Therefore it is necessary to look beyond the timescale of the present strategy to ensure that the EU is well prepared for the 2050 objective of a secure, competitive and low-carbon energy system.

The development human society is base on energy consumption. The actual stage o f the global economy request an important volume of energy. The well-being of our people, industry and economy depends on safe, secure, sustainable and affordable energy.

The demand for energy is driven by demography and economic performance. The world's population - at 6.3 billion today - is growing by almost 10,000 persons per hour. According to UN predictions, by 2015, the population of the planet will go beyond 7 billion people. At the same time, EU's total greenhouse gas emissions related to energy production, represent roughly 80%.

According with actual trends more people will be able to acquire the energy they need, especially in fast-growing countries such as China and India. After the US, China became the world's second largest energy consumer. Following the forecast of the International Energy Agency (IEA) between now and 2015 world energy demand will rise by one third, equivalent to 240 million barrels of oil per day.

1. Developing a common EU energy policy

A common EU energy policy has evolved around the common objective to ensure the uninterrupted physical availability of energy products and services on the market, at a price which is affordable for all consumers (private and industrial), while contributing to the EU's wider social and climate goals. The central goals for energy policy (security of supply, competitiveness, and sustainability) are now laid down in the Lisbon Treaty¹. This spells out clearly what is expected from Europe in the energy area.

After years of growth, the EU primary energy consumption has stabilized in 2005 and 2006 around 1 825 Mtoe² and slightly decreased in 2007 and 2008³ to reach around 1800 Mtoe. Although the economic crisis contributed to this decrease in energy consumption in the EU, the recorded stabilisation provides a certain confirmation of the decoupling of energy consumption and economic growth⁴. In addition, EU-27 energy intensity, measured as the ratio of gross inland energy consumption and the gross domestic product, has kept improving, decreasing from 187.3 in 2003 to 167.4 in 2008 kgoe / EUR.

¹ Article 194 of the Treaty on the functioning of the European Union (TFUE).

² 1 Mtoe = 11, 630 GWh

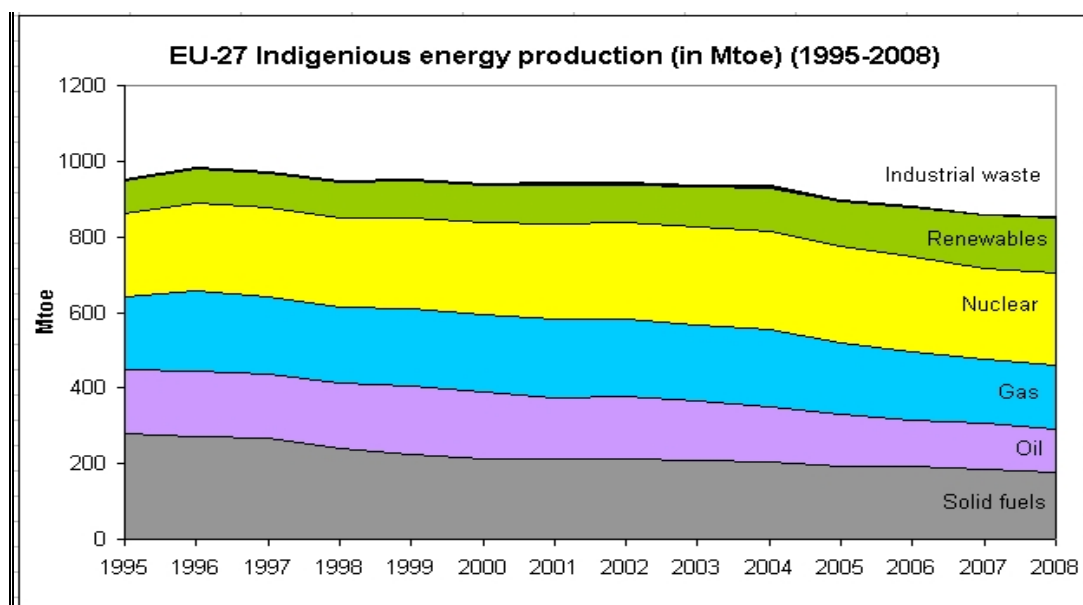
³ 2008 Eurostat data are the latest official data.

⁴ See SEC(2008) 2871 and SEC(2009) 1734, Annual reports of the Market Observatory of the European Commission.

As was mentioned above the EU primary energy consumption represents 1800 Mtoe (2008 data). EU indigenous energy production covered 850 Mtoe. Therefore, energy imports, representing 1015 Mtoe, made the EU dependent on external energy supplies to the level of 54.8% all fuels taken together (see Annex VI on EU-27 energy demand developments and total final energy consumption by sectors; Annex VII on EU-27 energy imports dependency).

The Commission assume in October 2006 “Energy Efficiency Action Plan”, to create a coherent framework of legislation, policies and measures for achieving the 20% energy efficiency objective compared to what was expected to happen under business as usual scenario.

Starting from this point, in January 2007, the Commission promote the first EU Energy Action Plan¹ which was endorsed by the European Council in March 2007. The Commission proposed further energy market liberalisation measures, with the aim of complete the integration of the EU gas and electricity market. This proposal was agreed by the Council and the Parliament in July 2009².



Source: Eurostat

The European Council adopted in 2007 ambitious energy and climate change objectives for 2020 – to reduce greenhouse gas emissions by 20%, rising to 30% if the conditions are right³, to increase the share of renewable energy to 20% and to make a 20% improvement in energy efficiency. The European Parliament has continuously supported these goals. The European Council has also given a long term commitment to the decarbonisation path with a target for the EU and other industrialised countries of 80 to 95% cuts in emissions by 2050.

To speed up and secure investments in infrastructure and technology projects in the energy sector, the European Energy Programme for Recovery⁴ was agreed in July

¹ COM(2007) 1.

² Directive 2009/72/EC, Directive 2009/73/EC, Regulation (EC) No 714/2009, Regulation (EC) No 715/2009, Regulation (EC) No 713/2009.

³ The European Council specified: "provided that other developed countries commit themselves to comparable emission reductions and economically more advanced developing countries to contributing adequately according to their responsibilities and respective capabilities"

⁴ Regulation (EC) No 663/2009 of the European Parliament and of the Council establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy.

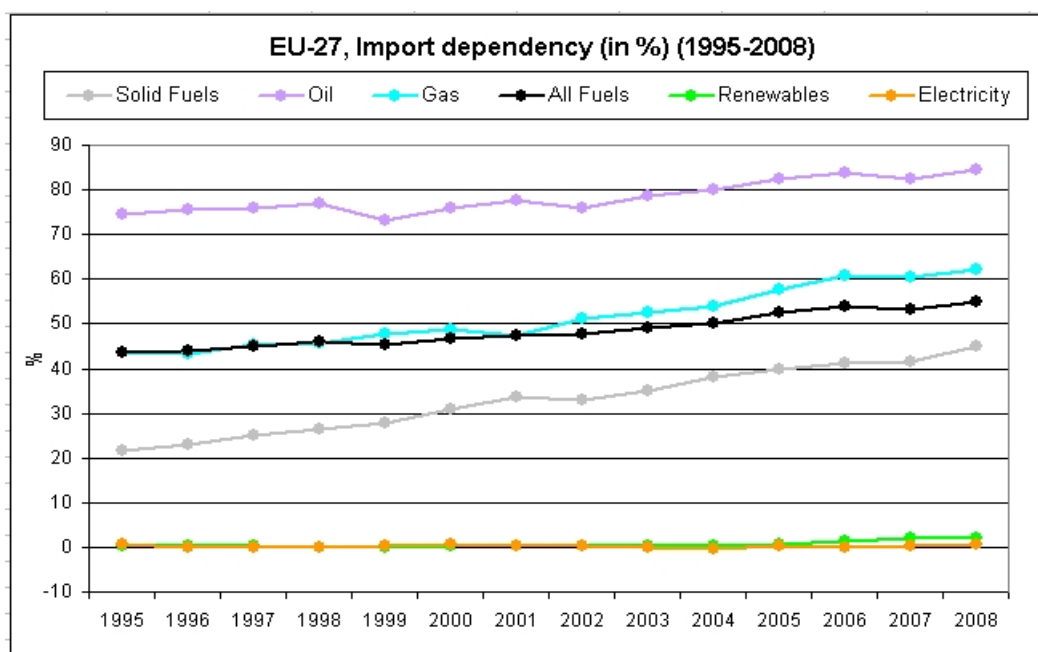
2009 allocating €3.98 billion to finance mature energy infrastructure and technology - CCS and offshore wind - projects during 2010 and 2011. This unprecedented financing stimulus package was added to the various existing energy financing instruments.

In November 2007, the Commission presented the “Strategic Energy Technology (SET) Plan¹”, that introduced priorities for future energy technologies.

2. Strengthening the Supply Security Within the EU

EU's dependence on imports of petroleum products and natural gas lead to a negative experiences that was faced by the EU economy, in the winters of the years 2006, 2008, 2009 and 2010 During these periods the natural gas supply disruption appear do to geopolitical instability as well as and the uncertainty in many producer regions.

Due to global challenges of energy security, global reluctance on combating climate change, EU's rising external supply dependence, the appearance of China and India as huge energy consumers, volatility of the energy prices, external dimension has become an integral part of the EU's developing energy policy.



Over the years, successive European Councils, echoed by the European Parliament, stressed the need for a common approach to external energy policy. The Energy Action Plan of 2007 called for enhancing relations with EU's main supplier, consumer and transit countries, identifying main partners as well as areas for action. The second Strategic Energy Review of November 2008 called for incorporating energy in the EU's international relations and its agreements and external assistance programmes. It pointed particularly to the need for more robust international legal frameworks based on balance of commitments and benefits and highlighted the role of energy infrastructure, including that from third countries, in the EU's efforts to enhance energy security.

Since 1968, even before the first oil crisis started in October 1973, EU legislation imposes an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products that can be used in the event of a supply crisis to replace all or part of the shortfall.

1 COM (2007) 723.

Consecutively, in order to reinforce the EU's capacity to face a supply disruption, the Commission started in 2008 the revision of the oil stockholding system. The new directive¹ that was adopted in September 2009, aligns the stockholding obligation and the calculation methodology with those of the International Energy Agency (IEA), enables the EU – both IEA and non-IEA Member States – to contribute better to an IEA action and improves the availability of stocks. Member States have to transpose the new directive into national legislation by the end of 2012. In order to, comply with the requirements of the directive is under development a new reporting system.

Security of gas supply is addressed in several legal acts², recognizing the right of Member States to regard security of supply as a public service obligation.

The Directive 2004/67/EC established a Gas Coordination Group to facilitate coordination of security of supply measures by the Community in the event of a major supply disruption. This group could also assist Member States in coordinating measures taken at national level.

With the goal to guarantee the normal functioning of the internal market for gas the Commission provide a new document regarding “Regulation concerning measures to safeguard security of gas supply” and to establish a common legal and technical framework for tackling the effects of supply disruptions³. The new document establishes the responsibilities of all major players, for instance natural gas undertakings, competent authorities of the Member States and the European Commission in the area of security of supply.

The national authorities are responsible for carrying out on a periodic base risk assessments and set up the preventive actions plans with the measures to reduce the risks. The plans lays down national measures in order to fulfil the commonly defined infrastructure and supply standards, evaluates the risks, draws up preventive measures and provides information on public service obligations. The Member States are also required to establish an Emergency Plan defining the measures to be taken in a crisis situation to mitigate the impact of a gas supply disruption. Cooperation among Member States and the Commission is strengthened both in the preventive and in the crisis management stage.

In the recent period the Commission has enhanced dialogues and cooperation with the world's major energy players. The political agreements are base on Memoranda of Understanding.

Energy cooperation are parts of a broader multi-sector bilateral agreements and instruments, for example, in the energy chapters of the European Neighbourhood Policy (ENP) Action Plans, Partnership and Cooperation agreements, Energy Partnership with Africa, and the Euromed cooperation. Moreover, energy cooperation with EU's partners is typically comprehensive in scope, encompassing issues from regulatory cooperation, infrastructure development, and promotion of sustainable policies to joint projects.

The EU coordination in international organizations such as the International Energy Agency, the Energy Charter and the G8/G20 has strengthened, allowing for a greater input into global energy discussions

Starting from EU energy acquis and the principles of the Energy Charter Treaty, as well as other existing international commitments on energy such as in the framework of the WTO a special attention was granted to the relations with Russia and Ukraine and

¹ Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and / or petroleum products.

² The Gas Directive (2009/73/EC)

³ COM(2009) 363 repealing the Directive 2004/67/EC; the Regulation is expected to be adopted in autumn 2010.

with the Central Asia/Caspian region is pursued through regional cooperation (Baku Initiative) and the implementation of bilateral Memoranda of Understanding (Azerbaijan – November 2006, Kazakhstan – December 2006, Turkmenistan – May 2008).

In this respect, it is foreseen that the bilateral agreement currently under negotiation EU-Russia Agreement, and Free Trade Agreement and Partnership and Cooperation Agreement with Ukraine will include specific energy provisions.

Out of the notable achievements over the last several years are the efforts to extend the Energy Community Treaty beyond Southeast Europe. Moldova became a full member in May 2010. The recent adoption of a new gas law in Ukraine paved the way for the signature in September 2010 of a Protocol on the accession of Ukraine to the Energy Community. Negotiations with Turkey are ongoing.

Efforts are also progressing to diversify the EU's suppliers and supply routes. The Commission has been engaging the major players countries in the region on establishing a Southern Gas Corridor, including a trans-Caspian gas link, the importance of which was underlined in the Second Strategic Energy Review.

An important milestone was set in 2009 with the signature of an Intergovernmental Agreement on the Nabucco gas pipeline project. The Commission, European Investment Bank and the World Bank are currently investigating the feasibility and possible structure of a mechanism for the purchase of Caspian gas, a "Caspian Development Corporation" (CDC), which would also examine infrastructure aspects (across the Caspian). the countries from the Caspian region.

Conclusion

The new energy strategy focuses on five priorities:

- Achieving an energy efficient Europe;
- Building a truly pan-European integrated energy market;
- Empowering consumers and achieving the highest level of safety and security;
- Extending Europe's leadership in energy technology and innovation;
- Strengthening the external dimension of the EU energy market.

Nevertheless, the existing strategy is currently unlikely to achieve all the 2020 targets, and it is wholly inadequate to the longer term challenges. EU energy and climate goals have been incorporated into the Europe 2020 Strategy for smart, sustainable and inclusive growth¹, adopted by the European Council in June 2010, and into its flagship initiative ‘Resource efficient Europe’. The urgent task for the EU is to agree the tools which will make the necessary shift possible and thus ensure that Europe can emerge from recession on a more competitive, secure and sustainable path.

Bibliography

1. Article 194 of the Treaty on the functioning of the European Union (TFUE).
2. 2008 Eurostat data are the latest official data.
3. See SEC(2008) 2871 and SEC(2009) 1734, Annual reports of the Market Observatory of the European Commission.
4. COM(2007) 1. Communication from the Commission (doc. 7110/10 of 5 March 2010).
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6. Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and / or petroleum products.
7. The Gas Directive (2009/73/EC)
8. Directive 2009/72/EC, Directive 2009/73/EC, Regulation (EC) No 714/2009, Regulation (EC) No 715/2009, Regulation (EC) No 713/2009.
9. Regulation (EC) No 663/2009 of the European Parliament and of the Council establishing a

1 Communication from the Commission (doc. 7110/10 of 5 March 2010).

