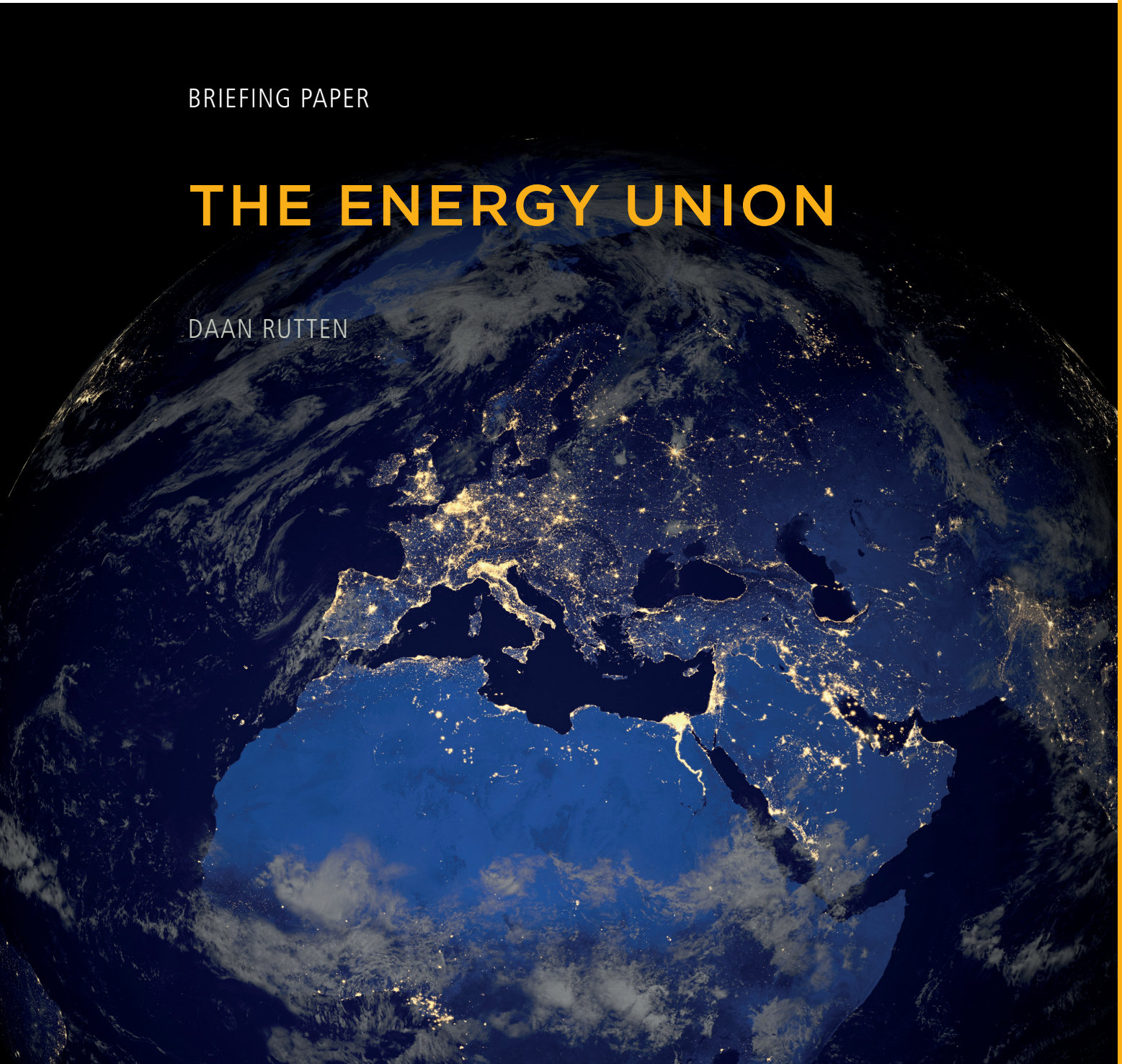BRIEFING PAPER

THE ENERGY UNION

DAAN RUTTEN

CIEP Briefing Paper on the Energy Union[1]

Daan Rutten

The concept of an *Energy Union* is anything but fixed. Its meaning has varied considerably over time, and there is still much disagreement on the topic. Nonetheless, concrete steps are being taken to make it a reality. On **25 February 2015** the European Commission (EC) published a set of documents called the **Energy Union Package**, thereby setting out its strategy for European energy and climate policy.

This package consists of **three** Communications from the EC[2]:

- A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy;
- The Paris Protocol – A blueprint for tackling global climate change beyond 2020; and
- Achieving the 10% electricity interconnection target. Making Europe's electricity grid fit for 2020.

This CIEP Briefing Paper on the Energy Union serves to provide an overview of the most recent developments and the discussions surrounding these Communications. The overall focus will be on the first document, mostly because the other two can be seen as elaborations on two specific aspects of it.

As an update to the original document, a brief overview has been included at the beginning on the developments that have occurred during the first year since the EC's original Energy Union proposal. However, if this is the first time reading this document, it is recommended to leave this section until the end and immediately proceed to 'Preceding events' on page 3.

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[1] This CIEP Briefing Paper was first published in April 2015 and last updated on 04-03-2016. All links in this document were then up to date.
[2] European Commission (2015), the documents are available at: http://ec.europa.eu/priorities/energy-union/.

UPDATE: THE ENERGY UNION'S FIRST YEAR[3]

Since its initial publication in February 2015, the EC's Energy Union project has continued through the publication of various legislative proposals, strategies, and progress reports.[4]

First up was a 'Summer Package' in July 2015[5] containing two legislative proposals: a revision of the EU ETS Directive for the post-2020 period[6] and a revision of the Energy Efficiency Labelling Directive. Also included was a Communication on energy consumers which aims to put them at the core of the Energy Union through better information provision and protection of their rights. Finally, a public consultation on a new electricity market design was launched.

In November 2015 the EC presented its first 'State of the Energy Union'.[7] It took stock of the progress made so far on the basis of the five pillars on which the Energy Union is to be build, and looked at the work still to be done. Accompanying this were various documents such as the 2nd list of Projects of Common Interest, progress reports on Energy Efficiency and Climate Action, as well as reports on the implementations of the EU Energy Security Strategy and the Nuclear Safety Directive. A public consultation on a 2016 revision of the Renewable Energy Directive was also launched.

In the State of the Energy Union, the EC called 2016 a key year for its implementation: a 'year of delivery'. To that end, in February 2016, it published a **'Winter Package on energy security'**.[8] The package contained a proposal for the revision of the Regulation on the Security of Supply for Gas as well as a revision of a Decision on Intergovernmental Agreements (IGAs). Together with these two proposals, the EC also published two strategy papers: one on LNG and Gas Storage and another on Heating and Cooling. The content of this Winter Package fits well with the security of supply concerns over the past years that gave rise to the EC's Energy Union Framework Strategy.

The EC's proposal for a revised Regulation attempts to move away from the national approach of its 2010 predecessor by introducing a high level of mandatory coordination and cooperation at the **regional level**. Certain principles and standards are to be set at the EU level and predetermined regional groups of Member States are to jointly assess supply risks and establish Preventive Action and Emergency Plans. Moreover, a **solidarity principle** is to be introduced which obliges countries

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[3] This section has been included into the Briefing Paper to provide an update of the progress made during the Energy Union's first year.
[4] For an overview of the various legal acts that are allowed under the EU treaties, see: http://europa.eu/eu-law/decision-making/legal-acts/index_en.htm.
[5] European Commission (2015), 'Transforming Europe's Energy System – Commission's Energy Summer Package leads the Way', http://europa.eu/rapid/press-release_IP-15-5358_en.htm.
[6] For more information on recent developments in the EU ETS see: D. Rutten (2016), 'CIEP Briefing Paper on the EU ETS Reforms', available at: http://www.clingendaelenergy.com/other_work/briefing_papers.
[7] European Commission (2015), 'The Energy Union on Track to deliver', http://europa.eu/rapid/press-release_IP-15-6105_en.htm.
[8] European Commission (2016), 'Towards Energy Union: the Commission presents Sustainable Energy Security Package', *http://europa.eu/rapid/press-release_IP-16-307_en.htm*.

that are connected through their transmission networks to assist one another in maintaining gas supplies to their protected customers in case of an emergency.

The main change in the proposed update on the Decision on IGAs is to introduce the possibility for the EC to conduct **ex-ante** checks of IGAs as opposed to ex-post. Although this will not provide the EC with an ex-ante veto, Member States are to 'take utmost account of the European Commission's opinion'. By doing this, the EC can slow down the decision making process and enforce some ex-ante checks, thereby attempting to ensure compatibility of the IGAs with the internal market rules.

The various legislative proposals made over this first year will now have to go through various readings by the European Parliament and the European Council. Although the final outcomes are uncertain, there is no doubt that amendments will be proposed to the EC's proposals, reflecting the different interests of the stakeholders involved.

PRECEDING EVENTS

Following the crisis in Ukraine and the Russian intervention in Crimea, then-Prime Minister of Poland **Donald Tusk** called for the creation of an EU-wide **Energy Union** to tackle Europe's energy dependency on Russia. This was first done through a non-paper[9] on an Energy Union to the EC on 4 April 2014[10], and later publicly in the 21 April 2014 edition of the *Financial Times*.[11] According to Tusk, this Energy Union is to be founded on **six guiding principles**:

1. The European Union (EU) should develop a mechanism for jointly negotiating energy contracts with Russia.
2. Mechanisms guaranteeing solidarity among Member States should be strengthened in case energy supplies are again cut off.
3. The EU should support the building of adequate energy infrastructure.
4. The EU should make full use of its available fossil fuels, including coal and shale gas.
5. The EU should reach out to partners outside of Europe, such as the US and Australia, for LNG.
6. Energy security should be boosted not only for the EU but for Europe as a whole (through a strengthening of the Energy Community[12]).

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[9] A non-paper is a discussion document drawn up either by one of the EU's institutions or by a government of a Member State. They aim to stimulate discussion, especially when dealing with sensitive issues.

[10] The Polish Government, 'Roadmap Towards an Energy Union for Europe: Non-paper addressing the EU's energy dependency challenges', available at: https://www.msz.gov.pl/resource/34efc44a-3b67-4f5e-b360-ad7c71082604:JCR.

[11] Financial Times (2014), 'A United Europe Can End Russia's Energy Stranglehold'.

[12] The Energy Community is an international organisation which aims to extend the EU internal energy market to Southeast Europe and beyond on the basis of a legally binding framework. Contracting parties include the European Union, Albania, Bosnia and Herzegovina, Kosovo, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine. Observers are Armenia, Georgia (who is also a candidate as of February 2014), Norway and Turkey. For more information, please see: http://www.energy-community.org.

Though not a new concept – Jacques Delors and Jerzy Buzek had called for a **European Energy Community** a few years earlier[13] – Tusk's Energy Union proposal received a great deal of media attention, in part because its strong anti-Russian stance fit well with European sentiment on the ground following Russia's annexation of Crimea a month before.

In line with the increased prominence of energy security concerns, **May 2014** saw the publication of the first-ever **European Energy Security Strategy**[14] by the EC. This was the result of a request made by the **European Council of 20/21 March 2014**.[15] The most immediate concerns addressed were related to possible gas supply disruptions during the upcoming winter. Subsequently, in **October 2014**, the EC published its Communication **'On the Short Term Resilience of the European Gas System'**, also called the *Gas Stress Test*.[16] This Communication looked at possible gas supply disruptions from the East during the fall and winter of 2014/2015 and included concrete recommendations on short-term measures for the most vulnerable of the EU Member States and neighbouring countries.

The idea of an Energy Union received a further strong political impulse when then-candidate for EC Presidency **Jean-Claude Juncker** presented his ten Political Guidelines for the upcoming EC, one of which was: 'A Resilient Energy Union with a Forward-Looking Climate Change Policy'[17]. After being elected President of the EC, he created the position of **EC Vice-President for Energy Union**, a post now filled by **Maroš Šefčovič**.[18] The new EC began its work on 1 November 2014. Also elected to an important European post was Donald Tusk, whose Presidency of the European Council started on 1 December 2014.[19]

The new Vice-President for Energy Union will guide the team responsible for the realisation of point three of the new EC's work programme: a resilient Energy Union

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[13] European Parliament (2010), 'Full text of the Buzek and Delors Declaration on the creation of a European Energy Community', http://www.europarl.europa.eu/former_ep_presidents/president-buzek/en/press/press_release/2010/2010-May/press_release-2010-May-4.html.

[14] European Commission (2014), 'European Energy Security Strategy', available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0330&from=EN.

[15] European Council (2014), 'Conclusions of the European Council (20/21 March 2014)', available at: https://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/141749.pdf.

[16] European Commission (2014), 'On the Short Term Resilience of the European Gas System', available at: https://ec.europa.eu/energy/sites/ener/files/documents/2014_stresstests_com_en_0.pdf.

[17] Jean-Claude Juncker (EC) (2014), 'My Agenda for Jobs, Growth, Fairness and Democratic Change. Political Guidelines for the Next European Commission', available at: http://ec.europa.eu/priorities/docs/pg_en.pdf.

[18] European Commission (2014), 'The Juncker Commission: A strong and experienced team standing for change', http://europa.eu/rapid/press-release_IP-14-984_en.htm.

[19] European Council (2014), 'The President of the European Council', http://www.consilium.europa.eu/en/european-council/president/.

with a forward-looking climate change policy.[20] **Maroš Šefčovič** has indicated **five pillars** on which he wishes to establish an Energy Union[21]:

1. Security, solidarity and trust;
2. A competitive and completed internal market;
3. Moderation of demand;
4. Decarbonisation of the EU energy mix; and
5. Research and innovation.

Of particular importance to this is the Commissioner for Climate Action and Energy, **Miguel Arias Cañete,** whose portfolio reflects the interrelation between the two separate Directorate-Generals (DGs): Energy and Climate Action.

The interconnection between these two closely-related DGs is also visible in the **'2030 Framework for Climate and Energy Policies'**.[22] This framework was adopted by the European Council of October 2014 in the final days of the previous EC, Barosso II. It was largely compatible with a proposition made by the EC in January 2014 and thus has roots from before the Energy Union discussions described here. The framework builds on the experience of, and lessons learnt from, the 2020 climate and energy framework. It also provides a precedence for the European position at the United Nations Climate Change Conference at the end of 2015 in Paris, for which the EC has produced a separate Communication in its Energy Union Package.

Energy also featured in **Juncker's Investment Plan** in the form of strategic infrastructure[23], which could fund infrastructure identified in the EC's Gas Stress Test of two months before. Overall, energy has received much attention over the past year at the European level, and not only because of the ongoing conflict in Ukraine. The European Council of December 2014, furthermore, called upon the Commission to present a comprehensive Energy Union proposal before the March 2015 European Council.

The resulting **Energy Union Package** sheds more light on the EC's vision on this topic. The EU Member States, however, also have visions of their own on this matter.

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[20] European Commission (2014), 'Commission Work Programme 2015', http://ec.europa.eu/priorities/work-programme/index_en.htm.
[21] European Commission (2014), 'Opening Speech VP-Designate for Energy Union Maroš Šefčovič. Hearing, Strasburg, 20 October 2014', available at http://ec.europa.eu/commission_2010-2014/sefcovic/documents/speeches/2014_10_20_hearing_opening_energy_union_en.pdf.
[22] European Commission (2014), '2030 Framework for Climate and Energy Policies', http://ec.europa.eu/clima/policies/2030/index_en.htm.
[23] European Commission (2014), 'Commission Priority - Investment Plan', http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm.

MEMBER STATES' POSITIONS

Draft versions of the EC's Communications[24] and an EC internal discussion paper[25] sparked considerably interest, and during the months preceding the EC's release of the Energy Union Package several non-papers were published by EU Member States. These reflected different visions on what an Energy Union should entail and commented on Maroš Šefčovič's five pillars. Disagreement was especially profound regarding the Energy Union's governance framework.[26]

A **German** non-paper clearly advocated a strong role for the EC when it comes to the Energy Union's governance framework:

> *'[…] it would not satisfy the implementation of the 2030 Council conclusions, if the new Energy Union governance was merely a soft law process without any differentiation for areas with targets.'*

Furthermore, Germany advocates 'a clear differentiation between the overall Energy Union governance as an overall "umbrella" and the specific 2030 governance for achieving the EU targets'. This could indicate **German concerns** about the implementation process of the 2030 Framework. Germany also calls for strong incentives for ambitious national contributions to renewable energies and energy efficiency, though without requiring further national targets. The country states that '**a reliable governance** was the compromise for refraining from national binding targets for renewable energies and energy efficiency'.

On the other hand, another non-paper, jointly written by **the United Kingdom (UK) and the Czech Republic**, calls for:

> *'[…] a light touch [and non-legislative] governance system that focusses on collective delivery of EU energy goals while reflecting the need for national flexibility'.*

The UK and the Czech Republic support **a holistic view** in which the 2030 climate and energy goals form an integral part of the overall (light touch and non-legislative) Energy Union governance system that should deal collectively with all EU climate and energy policy goals. This would serve, above all, to 'avoid any unnecessary duplications or overlaps'. They also state that there should be no preference from the EC when it comes to choices for specific low-carbon technologies, nor should there be any restriction of Member States' energy choices. According to them, apart from the non-ETS sectors national targets should not be compulsory.

The Netherlands, in its non-paper[27], put its weight behind a **regional approach**, which it expects would contribute to the accomplishment of the three goals of EU energy policy: affordability, sustainability and security. The country can be said to adopt **an investor approach** by calling for a stable, reliable and predictable

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[24] European Commission (2015), 'DRAFT Energy Union Package: A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at: http://www.euractiv.com/sections/energy/leak-names-acer-energy-union-supervisor-312309.

[25] European Commission (2015), 'Débat d'Orientation sur l'Union de l'Energie', available at: http://stollmeyer.eu/?p=96. The document is in English.

[26] Euractiv (2015), 'Germany Wants Robust Single Energy Markets, at Odds with Britain'. The German and UK/Czech Republic non-papers can be found at: http://stollmeyer.eu/?p=86.

[27] The Netherlands, 'Non-paper of the Netherlands: Key Messages for the Energy Union'.

regulatory climate. It says that adapting existing directives at a time when Member States have just recently adopted national policies would imperil investments in infrastructure, which are desperately needed to create a truly interconnected Energy Union. An explicit preference for renewables is not present in the non-paper, which instead calls for 'market-based flexibility […] [and] an efficient cross-border use of current flexible generation facilities'. A European strategy on renewables is deemed necessary due to this type of energy's current high costs and dependence on subsidy schemes.

A **Danish** position paper[28] also advocates regional cooperation while emphasising that the Energy Union should produce a more integrated climate and energy policy overall. According to Denmark the European governance process should also be strengthened, with stronger competences for ACER and the ENTSOs. The country also emphasises that the Energy Union and the 2030 Framework should be seen as intermediate steps towards the **EU 2050 goals** of an 80-95% reduction of GHG emissions compared to 1990 levels.[29] In this light, Denmark calls for 'incentives for continued deployment of renewables in order to reach the EU-wide target [for 2030]'.

All countries strongly support market-based instruments that would allow the Energy Union to proceed. Making the completion of the internal market a priority is mentioned in all papers. Also receiving special attention is regional cooperation, though some (the Netherlands and Denmark) put it in stronger words than others do (such as the UK, Czech Republic and Germany), who emphasise that it should take place on a voluntary basis. All but one country, the Netherlands, explicitly mention the need to respect Member States' right to choose their own energy mix.[30]

Just before its final presentation, on **6 February 2015**, an important event on the Energy Union took place in Riga, Latvia. This provided the different stakeholders with another opportunity to obtain information before the release of the EC's **Energy Union Package** on **25 February 2015**.

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[28] Denmark, 'Danish Position Paper: Views on the Energy Union with a Forward-Looking Climate Policy'.
[29] European Commission (2011), 'Energy Roadmap 2050', available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0885:FIN:EN:PDF.
[30] The Netherlands does mention it in a separate fiche on the EC's Energy Union Package, available at: http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2015/04/08/informatievoorziening-over-nieuwe-commissievoorstellen.html (in Dutch).

ACTION POINTS OF THE ENERGY UNION PACKAGE

The **five pillars** proposed by **Maroš Šefčovič** feature prominently in the EC's Communication, and the overall framework strategy is summarised in fifteen **action points**[31]:

1. Full implementation and strict enforcement of existing energy and related legislation is the first priority to establish the Energy Union.

2. The EU needs to diversify its supply of gas and make it more resilient to supply disruptions.

3. Intergovernmental agreements should comply fully with EU legislation and be more transparent.

4. The right infrastructure is a precondition for completing the energy market, integrating renewables and security of supply.

5. Creating a seamless internal energy market that benefits citizens, ensuring security of supply, integrating renewables in the market and remedying the currently uncoordinated development of capacity mechanisms in Member States call for a review of the current market design.

6. The regulatory framework set-up by the 3rd Internal Energy Market Package has to be further developed to deliver a seamless internal energy market to citizens and companies.

7. Regional approaches to market integration are an important part of the move towards a fully integrated EU-wide energy market.

8. Greater transparency on energy costs and prices as well as on the level of public support will enhance market integration and identify actions that distort the internal market.

9. The EU has set itself the target of reaching at least 27% energy savings by 2030.

10. Buildings have huge potential for energy efficiency gains. Retrofitting existing buildings to make them energy efficient and making full use of sustainable space heating and cooling will reduce the EU's energy import bills, reinforce energy security and cut energy costs for households and businesses.

11. The EU needs to speed up energy efficiency and decarbonisation in the transport sector, its progressive switch to alternative fuels and the integration of the energy and transport systems.

12. The EU agreed a climate and energy framework for 2030 at the October European Council. This now needs to be implemented. The EU will provide an ambitious contribution to the international climate negotiations.

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[31] The Communication contains bullet points under each action point with initiatives to be undertaken by the EC. They have been left out here due to spatial considerations. European Commission (2015), 'Energy Union Package – A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at: http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf.

13. The EU has agreed the target of at least 27% at EU level for renewable energy by 2030.

14. The EU needs to develop a forward-looking, energy and climate-related R&I strategy to maintain European technological leadership and expand export opportunities.

15. The EU will use all external policy instruments to ensure that a strong, united EU engages constructively with its partners and speaks with one voice on energy and climate.

Important to note is that these action points show quite some resemblance to a Notre Europe publication by **Sami Andoura** and **Jean-Arnold Vinois**, Honorary Director of the European Commission – Directorate General for Energy, dated January 2015.[32]

Following the publication of the Energy Union Package, the **Councils of the European Union** on Energy and Environment came together on 5 and 6 March 2015, respectively, to lay the groundwork for the **European Council** of **19 and 20 March 2015**. The topic of the Energy Union featured prominently on the Council's agenda, with its President, **Donald Tusk**, attempting to steer the talks in a security of supply narrative compatible with his proposal of last year.[33] Overall, the European Council meeting served as a first reading for the Member States, which then effectively gave a green light for the EC to carry on. Still, large differences remain, especially when it comes to the issue of transparency regarding intergovernmental agreements on energy matters.[34]

REFLECTIONS

The EC aims to implement the Energy Union Package within the current legal framework and advocates no treaty changes. The **completion of the internal market** stands out as the number one priority, while topics such as **heating and cooling**, **buildings** and **energy efficiency** also receive special attention. Topics worth further elaboration in this CIEP Briefing Paper are discussed below. Important to keep in mind is that since the original publication of the Energy Union Framework Strategy in February 2015, work has already been done on some of these topics. Please see the 'Update' section at the beginning of this document for a brief overview of the developments that have occurred during the Energy Union's first year.

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[32] Sami Andoura and Jean-Arnold Vinois (2015), 'From the European Energy Community to the Energy Union: A Policy Proposal for the Short and the Long Term', available at: http://www.institutdelors.eu/media/energyunion-andouravinois-jdi-jan15.pdf?pdf=ok.
[33] Energy Post (2015), 'Ex-Polish Prime Minister Tusk Reclaims Energy Union Agenda'.
[34] Euractiv (2015), 'Leaders Broadly Endorse ´Energy Union´ Plans, Leave Details to Later' and Reuters (2015), 'Debate on Gas Contract Secrecy Overshadows EU Quest for Energy Union'.

THE ROLE OF EUROPE IN ENERGY AFFAIRS

The EC does not see the Energy Union as an inward-looking project.[35] It seems to envisage **a stronger European role** in energy affairs, one which includes a strengthening of the Energy Community and an upgrading of the Strategic Partnership on energy with Ukraine. The EC also finds it important that it be 'informed about the negotiation of **intergovernmental agreements [IGA]** from an early stage, so that a better ex ante assessment of IGA's compatibility with internal market rules and security of supply criteria is ensured'.[36] This idea is strongly supported by Poland and other countries which also pay higher prices for Russian gas than, for example, Germany. The latter, together with other countries such as the Netherlands, is strongly opposed to this idea, fearing that sensitive information might in this way be made public. Therefore, in its conclusions, the European Council stated that 'the confidentiality of commercially sensitive information needs to be guaranteed'.[37] Hungary is another country which opposes the idea, due to the fact that it recently obtained more favourable terms for natural gas supplies from Russia.[38] This was preceded by a deal in January 2014 which awarded the designing, building and maintaining of two nuclear reactors in Hungary to a subsidiary of Russian state-owned **Rosatom**. Euratom ultimately refused to approve the plans, which would have precluded Hungary's **import of nuclear fuel** from any country but Russia for the next 20 years. This is in line with a section on nuclear energy in the European Energy Security Strategy which warns against **over-dependency on Russian nuclear fuel** as a result of the use of non-EU technology.[39] Also receiving scrutiny from the EU is the way in which the contracts for the Hungarian nuclear reactors were awarded without a public tender, as well as concerns about possible violations of EU rules on state aid.[40] These developments, together with the cancellation of South Stream[41] and the EC's antitrust case against Gazprom[42], suggest a more engaged Europe in energy affairs.

SECURITY OF SUPPLY

At the event in Riga, Miguel Arias Cañete presented a long list of actions to be taken which resembled the EC's documents. He also announced **new security of supply measures**, including plans for a new LNG strategy for Europe, a strategic alliance with Turkey and a paper on 'promoting domestic resources' with a special mention

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[35] European Commission (2015), 'Energy Union Package – A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at: http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf.
[36] Ibidem.
[37] European Council (2015), 'European Council Conclusions on the Energy Union' (19 March 2015), http://www.consilium.europa.eu/en/press/press-releases/2015/03/conclusions-energy-european-council-march-2015/.
[38] Wall Street Journal (2015), 'Putin Offers Hungary Natural-Gas Deal'.
[39] European Commission (2014), 'European Energy Security Strategy', available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0330&from=EN.
[40] Financial Times (2015), 'EU Blocks Hungary-Russia Nuclear Deal' and Financial Times (2015), 'Hungary Bows to EU Pressure on Nuclear Fuel Deal'.
[41] Foreign Policy (2015), 'Let Slip the Bureaucrats of War'.
[42] European Commission (2015), 'Antitrust: Commission sends Statement of Objections to Gazprom for Alleged Abuse of Dominance on Central and Eastern European Gas Supply Markets', http://europa.eu/rapid/press-release_IP-15-4828_en.htm.

on shale gas.[43] Also mentioned were progress on a Mediterranean gas hub and the Southern Gas Corridor.[44] The EC's Communication also refers to these, although there is no specific comment on an upcoming paper on domestic resources.[45] The European Council does mention improved energy security through access to indigenous resources, including safe and sustainable low-carbon technologies.[46]

When discussing security of supply, the EC clearly focuses on gas, while electricity can be said to receive less attention. Nonetheless, new legislation on security of supply for electricity is to be expected in 2016. This prioritisation of gas is clear in the draft version of the EC's Communication, in which security of supply for electricity was mentioned as a separate action point. However, in the final version it had been incorporated into the action point on capacity mechanisms and market design.[47]

COMMON GAS PURCHASING

The EC states in its Communication that it 'will assess options for **voluntary demand aggregation mechanisms** for a collective purchasing of gas during a crisis and where Member States are dependent on a single supplier. This would need to be fully compliant with WTO rules and EU competition rules'.[48] This is in line with a statement made by Maroš Šefčovič on 2 February 2015 during a visit to Warsaw, where he said that many Western European countries were opposed to the idea of working as a single EU gas buyer because they believed it breached competition and **free-market rules**. Central and Eastern European countries, however, hold a different view and attach much value to it. They advocate the possibility to **collaborate on a voluntary basis** in the event of **a market failure or crisis** if respecting EU law and WTO rules.[49] Interesting is that in its conclusions the European Council also mentions 'voluntary demand aggregation in full compliance with WTO and EU competition rules'[50] but omits the EC's requirements of the existence of a crisis and the dependency on one single supplier.

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[43] Energy Post (2015), 'The Energy Union: "A holistic approach to the energy transition"'.

[44] Energy Post (2015), 'viEUws VIDEO: Brussels Briefing on Energy – Special on Energy Union'.

[45] European Commission (2015), 'Energy Union Package – A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at: http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf.

[46] European Council (2015), 'European Council Conclusions on the Energy Union' (19 March 2015), http://www.consilium.europa.eu/en/press/press-releases/2015/03/conclusions-energy-european-council-march-2015/.

[47] Action point two in the draft version can found as part of action point five of the final version.

[48] European Commission (2015), 'Energy Union Package – A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf. Bold in the quote by the author of this paper.

[49] Euractiv (2015), 'EU Energy Boss Says Joint Gas Buying Would Have to be Voluntary'.

[50] European Council (2015), 'European Council Conclusions on the Energy Union' (19 March 2015), http://www.consilium.europa.eu/en/press/press-releases/2015/03/conclusions-energy-european-council-march-2015/.

GOVERNANCE STRUCTURE

In the EC's Communication, as opposed to the internal discussion paper, the topic of governance received more attention. The EC advocates **a holistic approach** to climate and energy policy to ensure more and longer-term policy coherence: 'Our vision is of the Energy Union as a sustainable, low-carbon and climate-friendly economy that is designed to last […] An ambitious climate policy is an integral part of our Energy Union.'[51] This was also stated by Maroš Šefčovič in Riga: 'This is the first time we have a holistic approach to how we need to achieve the energy transition.'[52]

Implementation of the 2030 energy and climate framework is seen as a high priority, **regional cooperation** is viewed positively, and **annual reporting to the EP and the European Council** on the state of the Energy Union is also advocated to address key issues and steer the policy debate.

The EU's regulatory framework is also up for revision, with the European Networks of Transmission System Operators for Electricity and Gas (ENTSO-E/G) being in need of an upgrade, according to the EC. The creation of regional operational centres should also be realised in order to effectively plan and manage cross-border electricity and gas flows. Also important is the EC's statement that 'EU-wide regulation of the single market should be strengthened, through a significant reinforcement of the powers and independence of ACER to carry out regulatory functions at the European level in order to enable it to effectively oversee the development of the internal energy market and the related market rules as well as to deal with all cross-border issues necessary to create a seamless internal market'.[53] This proposal regarding ACER was not present in the EC's internal discussion paper. Whereas present in the draft version of the EC's Communication, the word 'European regulator' was emitted in the final version[54], indicative of **the sensitivity of this topic**.

The EC concludes the governance section by stating that 'the Commission will launch a dynamic governance process for the European Energy Union. While there will be clear links between this governance process and the European Semester, the two processes will be managed separately'.[55]

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[51] European Commission (2015), 'Energy Union Package – A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at: http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf.
[52] Energy Post (2015), 'The Energy Union: "A holistic approach to the energy transition"'.
[53] European Commission (2015), 'Energy Union Package – A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at: http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf.
[54] See page 9 of both the draft and the final version of the EC's Communication.
[55] European Commission (2015), 'Energy Union Package – A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy', available at: http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf.

UPCOMING

Important to keep in mind is that the EC's Energy Union Package entails a raft of measures which will be followed by legislative and non-legislative proposals by the EC, as presented in the Communication's Annex called 'Roadmap for the Energy Union'. These proposals will be accompanied by extensive consultation with the many different stakeholders, most notably the European Parliament and the EU Member States themselves. The rotating Presidency of the European Council could therefore prove important in the setting of priorities when it comes to the shaping of the Energy Union. It could reflect the national interests of the Member State in question, as well as being a possible reason to avoid certain topics which deeply touch upon its sovereignty.

The current (1st half of 2016) President of the European Council is **the Netherlands**. **Slovakia** will follow for the 2nd half of the year, thereafter it will be **Malta** for the 1st half of 2017. The final shape of the Energy Union is therefore still far from set in stone.

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