



EUROPEAN PARLIAMENT

2014 - 2019

Committee on Industry, Research and Energy

2014/2153(INI)

11.12.2014

DRAFT REPORT

on European Energy Security Strategy
(2014/2153(INI))

Committee on Industry, Research and Energy

Rapporteur: Algirdas Saudargas

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
EXPLANATORY STATEMENT.....	13

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on European Energy Security Strategy (2014/2153(INI))

The European Parliament,

- having regard to the Commission communication entitled ‘European Energy Security Strategy’ and the accompanying working documents (COM(2014)0330),
- having regard to the Commission communication entitled ‘Energy efficiency and its contribution to energy security and the 2030 framework for climate and energy policy’ (COM(2014)0520),
- having regard to the Commission communication entitled ‘Progress towards completing the internal energy market’ (COM (2014)0634),
- having regard to the Commission communication entitled ‘Short term resilience of the European gas system. Preparedness for a possible disruption of supplies from the East during the autumn and winter of 2014/2015’ (COM (2014)0654),
- having regard to the Commission communication entitled ‘Making the Internal Energy Market Work’ and the accompanying working documents (COM(2012)0663),
- having regard to the Commission communication entitled ‘Energy infrastructure priorities for 2020 and beyond – a blueprint for an integrated European energy network’ (COM(2010)0667),
- having regard to the Commission Communication entitled ‘Long-term infrastructure vision for Europe and beyond’ (COM(2013)0711), which sets out the list of energy infrastructure projects of common interest (PCIs),
- having regard to Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009,
- having regard to Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010,
- having regard to the Commission communication of 13 November 2008 entitled ‘Second Strategic Energy Review: an EU Energy Security and Solidarity Action Plan’ (COM(2008)0781),
- having regard to the Memorandum of Understanding on the Baltic Energy Market Interconnection Plan of 17 June 2009, signed by the Baltic Sea Member States and the Commission,

- having regard to the Commission communication entitled ‘For a European Industrial Renaissance’ (COM(2014)0014),
- having regard to Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC,
- having regard to the Commission communication entitled ‘Promotion of clean and energy-efficient road transport vehicles’ (COM(2013)0214),
- having regard to the Commission communication entitled ‘A European strategy on clean and energy-efficient vehicles’ (COM(2010)0186),
- having regard to Directive 2009/33/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of clean and energy-efficient road transport vehicles,
- having regard to Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings,
- having regard to the Commission communication on security of energy supply and international cooperation entitled ‘The EU Energy Policy: Engaging with Partners beyond Our Borders’ (COM(2011)0539),
- having regard to the report from the Commission to the European Parliament, the Council and the European Economic and Social Committee entitled ‘Implementation of the Communication on Security of Energy Supply and International Cooperation and of the Energy Council Conclusions of November 2011’ (COM(2013)0638),
- having regard to the report by the Council of the European Union of 12 December 2013 on the progress on the completion of the EU internal energy market in the follow-up to the European Council of 22 May 2013,
- having regard to the Commission communication entitled ‘A policy framework for climate and energy in the period from 2020 to 2030’ (COM(2014)0015),
- having regard to the European Council conclusions of 26/27 June 2014,
- having regard to the European Council conclusions of 23/24 October 2014,
- having regard to the public hearing on the European Energy Security Strategy organised by the Committee on Industry, Research and Energy on 5 November 2014,
- having regard to the future proposal on the Energy Union, due in the first quarter of 2015,
- having regard to Rule 52 of its Rules of Procedure,
- having regard to the report of the Committee on Industry, Research and Energy (A8-0000/2014),

- A. whereas the EU's prosperity and security require a rational use of energy and a stable, affordable and sustainable energy supply;
- B. whereas significant progress has been made in strengthening the EU's energy security over the last years; whereas, however, the EU still imports 53 % of its total energy consumption and a number of Member States are still dependent on a single external source of supply which impedes Europe's economic growth and endangers national and EU security;
- C. whereas 61 % of gas consumed in the European Union is used in buildings and 75% of these are residential buildings; whereas any interruptions in gas supply leading to inadequate heating puts at risk the health and wellbeing of a large proportion of EU citizens;
- D. whereas the EU's external energy bill represents more than EUR 1 billion per day – EUR 400 billion in 2013 – and more than one fifth of total EU imports;
- E. whereas in the context of the crisis in Ukraine the issue of ensuring a reliable natural gas supply is more important than ever;
- F. whereas from the experience of 2006 and 2009, when Russia cut off gas supply to Ukraine, it is clear that the disruptions experienced in some of the central and eastern European Member States evidenced the risks existing to security of energy supply;
- G. whereas the so called 'winter package' of USD 4.6 billion was agreed on 30 October 2014 and is being implemented, securing gas supply for Ukraine and also for EU Member States;
- H. whereas the Member States have committed themselves to the completion of the internal energy market by 2014 and to the elimination of the EU's 'energy islands' by 2015;
- I. whereas the Commission has drawn up the list of energy infrastructure projects of common interest to be implemented by 2020, and the EU's multiannual financial framework for 2014-2020 contributes to their funding under the Connecting Europe Facility and the Investment Plan;
- J. whereas improved energy efficiency has partially decoupled economic growth from energy consumption over the last decade, and this process needs to continue;
- K. whereas the EU's gas imports can be reduced by 2.6 % for every additional 1 % in energy savings according to the Commission;
- L. whereas at their summit on 24 October 2014 the Heads of State and Government agreed on a binding renewable energy target at EU level for 2030 of at least 27 % and an indicative target at EU level of at least 27 % energy efficiency improvement, and also endorsed a binding EU target of a reduction of at least 40 % in domestic greenhouse gas emissions by 2030 compared to 1990;

- M. whereas better interconnection levels for electricity and gas will increase energy security while balancing supply and demand between the Member States;
- N. whereas the external dimension of EU energy policy needs more coherence and is not yet able to contribute to playing its full role in terms of security of energy supply and the Union's competitiveness;
- O. whereas an energy security strategy must include actions to moderate energy demand and equally effective actions to overcome major and imminent disruptions, as well as solidarity and coordination mechanisms to protect and strengthen energy generation, transmission and distribution infrastructure and interconnectors; whereas this infrastructure must be capable of handling variable renewables, and be built into a fully integrated and well-functioning internal energy market as an essential part of an Energy Union with diversified external supplies;

Towards a European Energy Union

1. Welcomes the Commission communication entitled 'European Energy Security Strategy', noting that it is based on a thorough analysis of the EU's energy dependence, highlighting the main areas and describes the essential work that must be undertaken in the short, medium and long term perspectives in order to overcome the challenges to energy security;
2. Notes that equal energy security, competitiveness and sustainability in a fully integrated energy market constitute the main pillars for the creation of an Energy Union, which can be achieved by pooling resources, connecting networks, ensuring unified energy market regulation and establishing unified negotiating positions vis-à-vis third countries;
3. Notes that the 2014 crisis in Ukraine and the results of the stress tests carried out by the Commission should lead to further acceleration of the completion of the internal market, including the integration of existing 'energy islands', and to the updating of risk assessments, preventive action plans and emergency situation plans;
4. Emphasises that, as the gas stress tests carried out by the Commission demonstrated, particular attention needs to be paid to the most vulnerable Member States;
5. Stresses the importance for strengthening energy independence of short-term measures such as storage of gas, development of reverse gas flow infrastructure, preparation of regional security of supply plans, and more effective use of the opportunities to import liquefied natural gas in those Member States which are exclusively dependent on one single supplier of natural gas; points out that there is a vital need for cooperation between the Commission, Member States, neighbouring countries, regulatory bodies, ACER, transmission system operators and gas suppliers;
6. Emphasises that the Energy Union, in addition to ensuring security of supply, should adopt a comprehensive approach focusing on key pillars such as achievement of a fully integrated internal energy market, moderation of energy demand, decarbonisation of the energy mix, and research and innovation;

INTERNAL DIMENSION

Moderating energy demand

7. Recalls that the moderation of energy demand through energy efficiency is triply crucial, impacting positively on the EU's energy security, competitiveness and sustainability;
8. Notes that the EU is not yet on track to meet its commitment of saving 20 % of energy (371 Mtoe) by 2020, and that over one third of reduced energy consumption is actually attributable to lower levels of economic activity;
9. Stresses that energy demand in the building sector is responsible for about 40 % of energy consumption in the EU and a third of natural gas use, and that it is therefore necessary to speed up renovation of buildings in order to reduce energy demand while encouraging greater involvement of the European Investment Bank and promoting energy services for which EU funds can complement national financing schemes;
10. Acknowledges that the role of local authorities of European cities in increasing energy efficiency through cogeneration, modernisation of district heating systems, increasing the use of cleaner public transport, encouraging more active travel models and renovation of buildings is also undoubtedly an important contribution to energy independence;
11. Notes that improved vehicle performance standards and fuel efficiency are crucial for both reducing EU oil dependency and cutting greenhouse gas emissions, and therefore calls on the Commission to continue and accelerate its efforts in this field;
12. Calls on the Member States to be ambitious in implementing EU energy efficiency legislation, and thus to be prepared with national and regional measures for sharply reducing energy demand both before and in response to supply shocks;
13. Calls on the Commission to closely monitor the implementation of the Energy Efficiency Directive and the Energy Performance of Buildings Directive and to carry out a limited review of the Energy Efficiency Directive in order to update the provisions relevant to the indicative 2030 energy efficiency improvement target of at least 27 %; believes that measurement and verification of energy efficiency improvements should be an integral part of the annual European semester reporting;
14. Notes the importance of integrating the planning of energy demand and supply, in order to achieve cost-optimal security of supply and avoid unnecessary or over-dimensioned infrastructure investments and stranded costs;
15. Considers that investment to moderate energy demand, especially in buildings, is a significant contribution to energy security and that this should be taken into account when considering financial allocations;

Increasing indigenous energy production

16. Stresses that a long-term strategy for developing indigenous energy sources should be further promoted in the EU;
17. Emphasises that it is essential to increase the participation of European industry and technology in the entire energy production chain, which includes not only raw materials but also generation, transportation and distribution, since these are crucial elements for decreasing the EU's dependence on energy imports;
18. Considers that any energy source that might contribute to energy security in the Union should be taken into account and developed in full compliance with environmental requirements;
19. Considers that nuclear energy, which is carbon-neutral, continues to be a significant alternative for electricity production; notes that the choice of whether to use nuclear energy remains the competence of Member States;
20. Believes that the development of renewable energy sources with the objective of 20 % by 2020 and at least 27 % by 2030 is essential, taking into consideration energy costs; stresses the importance of developing smarter energy grids and new energy storage solutions for the integration of renewables;
21. Calls on the Commission to introduce common standards for smart grids, since they ensure a stable supply and free flow of energy across borders and contribute to energy security;
22. Notes that a more decentralised energy system, with power sources being placed closer to the point of usage, diminishes the risk of attacking vulnerable infrastructure and simultaneously provides business opportunities for small and medium-sized enterprises; calls on the Commission and the Member States, therefore, to facilitate further development of local renewable energy sources and of local distribution networks;

Developing energy technologies

23. Stresses that effective use of research and technological innovations fosters the leadership of European industry and contributes to the main EU energy policy goals, including security of supply, competitiveness and sustainable development of energy production, transportation and consumption;
24. Calls on the Member States to seek for better interaction and coordination of national and European research programmes among themselves and with the Commission, especially in the fields of energy and construction, in order to ensure that priority is given to common challenges such as increasing energy efficiency and reducing greenhouse gas emissions;

25. Stresses that the commitment to reducing greenhouse gas emissions must not undermine the EU economy's global competitiveness; considers, therefore, that a complex approach to climate change and competitiveness is needed;
26. Calls on the Commission and the Member States to make full use, for the purposes of increased energy security and the transition to a low-carbon economy, of the possibilities allowed for financing energy projects through state aid, as well as the financial instruments available through the European Regional Development Fund, Horizon 2020, the European Neighbourhood Policy Instrument, and the investment facilities of the European Investment Bank and the European Bank for Reconstruction and Development and public and private intermediaries;
27. Acknowledges that in order to reduce energy dependence, diversify and consolidate supply options, optimise energy network infrastructure and increase energy efficiency in the medium and long term, it is necessary to develop new energy technologies, using funds from the Horizon 2020 Framework Programme for Research and Innovation;
28. Calls on the Commission and the Member States to increase IT security and the protection of strategic energy infrastructures which provide crucial services for consumers;

Towards a fully integrated internal energy market

29. Calls for the development of well-integrated and competitive regional electricity and gas markets – including, where necessary, capacity markets – covering all parts of the Union; demands that the Commission act decisively against all instances of anti-competitive behaviour and barriers to market entry and exit;
30. Believes that one of the most important factors of the completion of a transparent, well-functioning and fully integrated gas and electricity market is the full implementation of the Third Energy Package;
31. Acknowledges that a more integrated energy system could enhance crossborder solidarity during times of external energy supply shocks; calls on the Commission to ensure that energy generation and transmission can operate as a functional element of the EU internal market across national borders without undue restrictions;
32. Welcomes the European Council's proposal for a minimum level of electricity interconnection between Member States of 10 % by 2020 and 15 % by 2030;
33. Stresses the need for electricity stress tests to continue until the dependence of Member States' control of transmission systems on third countries operators is fully eliminated and synchronous operation within the European Continental Networks is implemented;
34. Emphasises that acceleration of the implementation of strategic infrastructure projects is highly necessary, and therefore encourages the Commission to participate more actively in this process;

35. Calls for the Projects of Common Interest (PCI) adopted in 2013 to be executed without delay;
36. Stresses the need for regional cooperation to be strengthened throughout the EU, as energy security issues can be resolved more effectively and energy can be produced and consumed more rationally at the regional level; notes that the Baltic Energy Market Interconnection Plan, which aims to integrate the countries of the Baltic Sea region into the EU energy infrastructure networks, is an excellent example of regional cooperation;
37. Emphasises that energy must be made affordable to all citizens of the EU; considers that avoiding unnecessary consumption, efficiency improvements and sustainable energy investment, particularly in buildings, would enable many households to escape energy poverty;

EXTERNAL DIMENSION

Diversifying external supply

38. Stresses that dependence on one single supplier of energy resources, with the resulting lack of competition, can impede economic growth and endanger security at national and EU level, and that, therefore, all projects for diversifying energy suppliers must be implemented consistently;
39. Stresses that the EU's energy diversification must prioritise those projects that diversify not only routes but also sources and must meet all requirements of EU law; emphasises that the diversification of routes must be directed towards reliable suppliers;
40. Expresses the opinion that Russia can no longer be considered a reliable partner as it explicitly questions EU law, including at the World Trade Organisation, and uses energy supply for political purposes; stresses, therefore, that more attention should be concentrated on the development and further expansion of the gas supply infrastructure with Norway, the Southern Gas Corridor and the Mediterranean gas hub;
41. Stresses that third-country companies participating in the whole EU energy production chain, which includes raw materials, generation, transportation and distribution, as well as gas storage, must respect all the requirements of the EU legislation, so as to avoid market distortion and safeguard a competitive and transparent internal energy market in the overall interests of energy security;
42. Calls on the Commission and the Member States to increase their efforts towards the implementation of strategic energy infrastructure projects; believes the existing infrastructure needs to contribute to regional integration;

Coordination and speaking with one voice

43. Affirms the overarching principle of solidarity between all Member States; stresses that energy security of supply is a matter of collective action and concerns all Member States, despite differing scales of vulnerability to supply shocks; stresses that no Member State shall by its action or inaction jeopardise the security of another Member State or of the EU as a whole;
44. Emphasises that the Energy Community could be an effective instrument for raising pan-European energy security; stresses that its enforcement mechanism and institutional set-up should be further enhanced in order to strengthen investment stability; believes the Energy Community can be useful for purposes of associating candidate countries and potential candidates with the EU solidarity mechanisms; stresses that this should result in a better consolidated European energy neighbourhood policy;
45. Calls on the Member States to strengthen the legal capacities of the Energy Community Secretariat in order to ensure swift and efficient implementation of the EU energy acquis in the Energy Community countries; stresses the need to boost the energy security not only of the EU, but of Europe as a whole;
46. Invites the Commission to analyse the potential structure of a collective purchasing mechanism and its impact on the functioning of the internal gas market and contribution to ensuring security of gas supply; notes that since there are several models of collective purchasing mechanisms, further work needs to be done to determine the best market-based model applicable for EU regions and the suppliers concerned;
47. Takes the view that the main condition for the creation of the future European Energy Union is the completion of an integrated EU internal energy market, which requires full implementation of the Third Energy Package and the existence of a strong external dimension for an EU energy policy that is based on close coordination of positions and speaking with one voice with third countries;
48. Highlights the need to enhance the EU's ability to speak with one voice in order to deliver a more coherent energy diplomacy in partner countries and in multilateral fora; notes in this regard that the mandatory participation of the Commission as an observer in negotiations for intergovernmental agreements, as well as both ex ante and ex post evaluation of the negotiated agreements, should be required in order to minimise the possibility of non-conformity with EU law;
49. Fully agrees with the European Council that a reliable and transparent governance system should be developed to help ensure that the EU meets its energy policy goals, with the necessary flexibility for Member States and on a basis of full respect for their freedom to determine their energy mix;
50. Calls on the Commission to support, as a matter of urgency, the completion of the European Energy Union in terms of both energy demand and energy supply, with regard to diversified and secure external energy relationships and to a well-functioning and resource-efficient Internal Energy Market; calls on the Member States to demonstrate a strong political will to achieve the goals of the Energy Union;

51. Stresses that a regular review of the implementation of the European Energy Security Strategy must be ensured, and that the annual progress assessment of the Strategy must be carried out having regard to the relevant challenges to energy security; calls on the Commission to submit annual reports on the state of play of the European Energy Security Strategy;
52. Instructs its President to forward this resolution to the Council, the Commission and the Member States of the Energy Community.

EXPLANATORY STATEMENT

Introduction

The outbreak of the crisis in Ukraine has reminded the European Union of the importance of energy security and its crucial role in confirming Europe's strong political and economic position. The vulnerability of the energy market in the context of geopolitics has made energy policy as one of the strategic priorities in foreign affairs. Therefore, the European Union needs to develop an energy policy based on close coordination of positions and speaking with one voice.

The European Commission has outlined the main challenges in the energy sector in its Communication on a European Energy Security Strategy and now there is a need of political impulse from the European Parliament to outline the framework for an improved energy security. The current report will also address the Commission's Communication on Energy efficiency and its contribution to energy security and the 2030 framework for climate and energy policy, Communication on Progress towards completing the internal energy market and the Communication on The short term resilience of the European gas system. All these documents reflect the current situation in the EU energy market.

Whereas there has been a significant progress towards strengthening the EU's energy security over the last years, the EU still faces a number of challenges such as instability in regions delivering energy, fragmented internal market and a changing climate. The EU imports 53 % of its total energy consumption and many Members States are still dependent on a single external source of supply which impedes Europe's economic growth and endangers national and EU security.

The Rapporteur perceives the strategy not as a short term action plan but as a long term strategy which identifies strategic objectives in relation to Europe's energy security. Therefore the report includes actions to moderate energy demand, actions to increase indigenous energy production and to develop energy technologies, further actions to build a fully integrated and well-functioning internal energy market as well as solidarity and coordination mechanisms.

A European Energy Union for European Energy Security

As the new Commission has taken office, a new concept of Energy Union is emerging and needs to be clarified and developed. The new portfolio of the Vice-President on Energy Union was established in order to underline the need of common energy policy. The European Parliament should be seen as an intermediary in defining the steps towards the creation of Energy Union. The Rapporteur believes that the European Energy Security Strategy should be an integral part of the broader, emerging concept of Energy Union and would encourage the new Commission to continue working in this direction.

In addition to security of supply the Energy Union should be developed following a comprehensive approach by focusing on key pillars, such as the completion of a fully integrated internal energy market, moderation of energy demand, decarbonisation of the

energy mix and research and innovation. Energy policy based on close coordination of positions and speaking with one voice with third countries is the basis for the existence of Energy Union, therefore collective purchasing of gas should be considered.

Moderating energy demand

The moderation of energy demand through energy efficiency is crucial for the EU's energy security, competitiveness and sustainability. Energy efficiency positively affects such areas as energy supply, energy poverty, energy prices, industrial productivity, employment and resource management. However, despite this enormous potential, the European Union is not yet on track to meet its commitment of saving 20 % of energy by 2020. Therefore, EU should speed up efforts to significantly enhance energy efficiency beyond 2020 as existing instruments are not sufficient.

Local authorities of European cities could significantly contribute to energy efficiency through cogeneration, modernisation of district heating systems, increasing the use of cleaner public transport, encouraging more active travel models and renovation of buildings.

Increasing indigenous energy production and developing energy technologies

In order to reduce energy dependence the EU has to increase its indigenous energy production and to develop energy technologies. It is stressed in the report that a long-term strategy is necessary to develop indigenous energy sources within the European Union. The EU should consider the development of any energy source that might contribute to EU's energy security. New energy technologies could help to decrease energy dependence, to diversify and consolidate supply options, to optimise energy network infrastructure and to increase efficiency of energy consumption.

A well-functioning Internal Energy Market

A well-functioning internal energy market ensures the participation of different energy suppliers which may offer reliable services at lower prices. Europe is well underway towards the completion of the internal energy market. However, further efforts are needed to develop interconnections and remove bottlenecks to ensure competitive and well-integrated regional energy markets. The Rapporteur welcomes the European Council's opinion that priority should be given to solve the problem of inadequate interconnections of Member States with the European gas and electricity networks and to ensure synchronous operation of Member States within the European Continental Networks. This would help to reach the target of 15 % minimum level of interconnection between Member States. Moreover, there is an urgent need for effective and consistent implementation and application of the provisions set out in the Third Energy Package.

External dimension of EU energy policy

With regard to the current geopolitical situation Russia can no longer be treated as a reliable partner as it explicitly questions EU law and uses energy for political purposes. Therefore it is highly necessary to diversify energy routes and sources and especially to make sure that routes are directed towards reliable suppliers.

Since regional integration is a key element for energy security the EU has to increase its

efforts towards the implementation of strategic energy infrastructure projects.

By emphasising the principle of solidarity, the Rapporteur underlines that energy security is a matter of collective action. Member States should ensure transparency in negotiations and adopt a common stance towards foreign suppliers. As reported in the Commission's Communication on the short term resilience of the European gas system, Member States supply strategies are currently unilateral in nature and insufficiently coordinated. In this regard the Parliament invites the Commission to analyse potential mechanisms for collective gas purchasing.

The importance of the Energy Community should also be highlighted in this regard. By implementing the EU energy *acquis*, the Energy Community could be an effective instrument of raising pan-European energy security. It is important to boost the energy security not only of the EU, but of Europe as a whole as this could lead to more consolidated European energy neighbourhood policy.