ENERGY POLICY: GENERAL PRINCIPLES

Challenges facing the EU in the field of energy include issues such as increasing import dependency, limited diversification, high and volatile energy prices, growing global energy demand, security risks in producing and transit countries, growing threats of climate change, decarbonisation, slow progress in energy efficiency, challenges posed by the increasing share of renewables, and the need for increased transparency, further integration and interconnection in energy markets. A variety of measures aiming to achieve an integrated energy market, security of energy supply and a sustainable energy sector are at the core of the EU’s energy policy.

LEGAL BASIS

Article 194 of the Treaty on the Functioning of the European Union (TFEU).

Specific provisions:
— Security of supply: Article 122 of the TFEU;
— Energy networks: Articles 170-172 of the TFEU;
— Coal: Protocol 37 clarifies the financial consequences resulting from the expiry of the Treaty establishing the European Coal and Steel Community in 2002;
— Nuclear energy: the Treaty establishing the European Atomic Energy Community (Euratom Treaty) serves as the legal basis for most EU actions in the field of nuclear energy.

Other provisions affecting energy policy:
— Internal energy market: Article 114 of the TFEU;
— External energy policy: Articles 216-218 of the TFEU.

OBJECTIVES

According to the Energy Union (2015), the five main aims of the EU’s energy policy are to:
— Diversify Europe’s sources of energy, ensuring energy security through solidarity and cooperation between EU countries;
— Ensure the functioning of a fully integrated internal energy market, enabling the free flow of energy through the EU through adequate infrastructure and without technical or regulatory barriers;
— Improve energy efficiency and reduce dependence on energy imports, cut emissions, and drive jobs and growth;
— Decarbonise the economy and move towards a low-carbon economy in line with the Paris Agreement;
— Promote research in low-carbon and clean energy technologies, and prioritise research and innovation to drive the energy transition and improve competitiveness.

Article 194 of the TFEU makes some areas of energy policy a shared competence, signalling a move towards a common energy policy. Nevertheless, each Member State maintains its right to ‘determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply’ (Article 194(2)).

ACHIEVEMENTS

A. General policy framework

The current policy agenda is driven by energy security concerns and by the alignment of the EU energy and climate targets, as proposed in July 2021 in the ‘Fit For 55’ package, including:
— A reduction of at least 55% in greenhouse gas emissions compared to 1990 levels by 2030;
— A reduction to net zero greenhouse gas emissions by 2050.

The current energy targets for 2030, agreed in October 2014 and revised in December 2018, are:
— An increase to 32% of the share of renewable energies in energy consumption;
— An improvement of 32.5% in energy efficiency;
— The interconnection of at least 15% of the EU’s electricity systems.

The new proposed EU energy targets for 2030, informally agreed in March 2023, include:
— An increase of the share of renewable energies in energy consumption to 42.5%, with the aim of achieving 45%;
— A reduction of 11.7% for the EU primary and final energy consumption, compared to the 2020 projections for 2030, equivalent to 40.5% and 38% respectively compared to the 2007 projections.

The current European energy policy is based on the Energy Union strategy (COM/2015/80) published in February 2015, which aimed at building an energy union to give EU households and businesses a secure, sustainable, competitive and affordable energy supply.

The current European regulatory framework for energy consists of several acts, covering governance and electricity interconnectivity (Regulation (EU) 2018/1999), electricity market design (Directive (EU) 2019/944 and Regulation (EU) 2019/943),

In 2021, the large EU ‘Fit For 55’ package was initially aimed at the alignment of all climate and energy targets. It consisted of a revision of all EU acts on climate and energy, including the Renewable Energy Directive (COM/2021/557), the Energy Efficiency Directive (COM/2021/558), the Energy Taxation Directive (COM/2021/563), the Energy Performance of Buildings Directive (COM/2021/802), and the Gas Directive (COM/2021/803) and Regulation (COM/2021/804). The revision introduced new decarbonised gas markets, such as hydrogen, and included new regulation proposals in the area of transport, such as the Regulation on the deployment of alternative fuels infrastructure (COM/2021/559), the ReFuelEU Aviation Initiative (COM/2021/561) and the FuelEU Maritime Initiative (COM/2021/562).

In February 2022, the Russian invasion of Ukraine altered the timeline of the energy framework revision. The weaponisation of Russian gas and oil exports and the following energy market disruptions provoked a rapid reaction by the European Union. Supported by the Versailles Declaration of all EU leaders on 10 and 11 March 2022, the European Commission published the following series of acts to increase the security of EU energy supply:

— a new REPowerEU communication (8 March 2022);
— options to mitigate high energy prices with common gas purchases and minimum gas storage obligations (23 March 2023);
— a EU energy purchase platform to secure the supply of gas, liquefied natural gas (LNG) and hydrogen (April 2022);
— the REPowerEU plan to end the EU’s dependence on Russian fossil fuels and additional short-term options in gas and electricity markets (18 May 2022);
— a European gas demand reduction plan and proposal for a regulation (20 July 2022).

Parliament reacted to the review of the entire EU energy package by showing its full support and speeding up the legislative process. On 27 June 2022, Parliament and the Council adopted in record time new rules for minimum gas storage filling levels (Regulation (EU) 2022/1032). On 5 August 2022, the Council adopted a one-year voluntary target for Member States to reduce their natural gas consumption by 15% (Regulation (EU) 2022/1369). In March 2023, the Commission proposed extending this emergency legislation for another 12 months.
In the second half of 2022 and, crucially, ahead of winter, the Commission proposed all new legislative acts as urgent Council regulations, de facto excluding the European Parliament from the legislative process. Between September and December 2022, the Council adopted regulations on electricity demand reduction measures, a temporary revenue cap on infra-marginal electricity producers, a temporary solidarity contribution on excess profits of fossil fuel-based activities, an acceleration of the deployment of renewable energy and a suspension mechanism of natural gas transactions in the event of extremely high gas prices.

On 14 March 2023, the Commission proposed a reform of the electricity market design, reverting to the ordinary co-legislative procedure.

**B. Completing the internal energy market**

A fully integrated and properly functioning internal energy market ensures affordable energy prices, gives the necessary price signals for investments in green energy, secures energy supplies and opens up the least costly path to climate neutrality.

The internal energy market legislation was first introduced in the Third Energy Package (2009-2014) covering five areas: unbundling models; national independent regulators; cooperation; the European Union Agency for the Cooperation of Energy Regulators (ACER); and fair retail markets. In order to improve cross-border cooperation, the package created the European Networks for Transmission System Operators for Electricity (ENTSO-E) and the European Networks for Transmission System Operators for Gas (ENTSO-G). It included, among others, Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency, and the Trans-European Networks for Energy (TEN-E) policy based on Regulation (EU) 347/2013 laying down guidelines for trans-European energy infrastructure.

The Fourth Energy Package (2015-2020), entitled ‘Clean energy for all Europeans’, focused on electricity market design (Electricity Directive, Electricity Regulation, Risk-Preparedness Regulation, ACER Regulation). It introduced new electricity rules on energy storage, incentives for consumers aimed at contribute to the better functioning of the internal energy market, 10-year national energy and climate plans (NECPs) for 2021-30 and a reinforced role for ACER. In its final years, it also addressed Brexit.

The Fifth Energy Package, entitled ‘Fit For 55’, was published in two parts on 14 July and 15 December 2021 and is currently in the final approval phase. It brings energy targets into line with the new European climate ambition of reducing emissions by at least 55% by 2030 compared to 1990 levels and becoming carbon neutral by 2050, and focuses mainly on renewables, energy efficiency, energy taxation, buildings, air and maritime transport, buildings, gas and hydrogen markets.

The Russian invasion of Ukraine of 24 February 2022 produced major market disruptions, forcing the EU to change its regulatory framework for energy. Among all measures taken affecting the market, in 2022 the Commission proposed:

- Options to mitigate high energy prices,
- The creation of a platform for joint purchases of gas,
- New gas storage rules and obligations,
— The easing of liquidity measures for energy market players,
— Electricity and gas demand reduction measures,
— Gas solidarity measures among Member States,
— New price benchmarks for LNG,
— Measures for redistributing the energy sector’s surplus revenues to final customers,
— A safety price ceiling.

Between September and December 2022, the Council set three exceptional temporary market measures:

1. A voluntary overall reduction target of 10% of gross electricity consumption and a mandatory reduction target of 5% of electricity consumption in peak hours;
2. A market revenue cap at 180 euros/MWh for electricity generators using renewables, nuclear and lignite;
3. A mandatory temporary solidarity levy for the fossil fuel sector.

In March 2023, the reform of the electricity market was aimed at accelerating the uptake of renewables and the phase-out of gas, making consumer bills less dependent on volatile fossil fuel prices (see fact sheet 2.1.9 on the internal energy market).

C. Energy Efficiency

The cornerstone of EU energy efficiency policy is the Energy Efficiency Directive 2012/27/EU (EED), revised in 2018, which establishes a set of binding measures to help the EU reach its 32.5% energy efficiency target by 2030, measured against 2007 baseline projections. The directive also introduced energy savings targets and many energy efficiency policies, including on energy efficient renovations and mandatory energy efficiency certificates for buildings, minimum energy efficiency standards for a variety of products, energy efficiency labels and smart meters, and extended consumers’ rights.

The Commission’s proposal of July 2021 for a revision of the Energy Efficiency Directive (COM/2021/558) included higher energy efficiency targets for EU primary (39%) and final (36%) energy consumption by 2030, setting a limit of 1 023 and 787 million tonnes of oil equivalent (Mtoe) in primary and final energy consumption, compared to 1 128 and 846 Mtoe respectively under the 2018 EED. These new targets would become binding at EU level and reinforced by a benchmarking system for Member States to set their national indicative contributions to this binding EU target. The Commission’s proposal would almost double the annual energy savings obligations (+1.5%) that Member States are expected to meet over the 2024-2030 period (compared to +0.8 % under the 2018 EED).

The Commission proposal of May 2022 revised the EU energy efficiency targets and baseline (COM/2022/222) to phase out the imports of Russian fossil fuels. Currently under negotiation, it includes a range of reduction targets of 40-42% and of 36-40% for the EU primary and final energy consumption. On 10 March 2023, the European Parliament and the Council reached a provisional agreement on an overall EU energy
efficiency target of 11.7% for 2030, compared to 2020 baseline projections, and on an annual energy savings obligation of 1.49% of final energy consumption on average, from 2024 to 2030, reaching 1.9% by the end of 2030.

The EED and the 2018 revision of the Energy Performance of Buildings Directive (Directive 2010/31/EU) define the energy policy for EU buildings, the aim of which is to achieve a highly energy efficient and decarbonised building stock by 2050, create a stable environment for investments and empower consumers in their energy choices. The current legislation sets out roadmaps with indicative milestones for 2030, 2040 and 2050 and long-term strategies for Member States to support the renovation of the national stock of residential and non-residential buildings.

The renovation wave strategy (COM/2020/662) and the July 2021 revision of the Energy Performance of Buildings Directive (COM/2021/802) propose to increase the rate of renovation for the worst performing buildings in each country, replace long-term renovation strategies with national building renovation plans, and introduce minimum EU-level efficiency standards. On 14 March 2023, the European Parliament defined its first reading position on the need for residential buildings to achieve at least energy performance class E by 2030 and class D by 2033 (as opposed to F and E under the Commission’s proposal).

The energy efficiency policy for energy-using products is defined by the EU Ecodesign Directive 2009/125/EC and the Energy Labelling Framework Regulation (EU) 2017/1369, which establish ecodesign and energy labelling requirements for product groups. In March 2021, the EU energy label for products eliminated the ratings A+, A++ and A+++ and returned to a simpler A-G scale (see fact sheet 2.4.8 on energy efficiency).

D.  Renewable Energy

Solar power, wind, ocean and hydropower, biomass and biofuels are all renewable energy sources. Energy markets alone cannot deliver the desired level of renewables in the EU, meaning that national support schemes and EU financing schemes may be needed. The principles of the EU’s renewable energy policy include the diversification of its energy supply, the development of local energy resources in order to ensure security of supply and the reduction of its external energy dependency. With regard to renewable energy sources, the Renewable Energy Directive (EU) 2018/2001, substantially revised in 2018, established a minimum 32% share of renewable energy sources in the EU's final energy consumption by 2030. A special role is played by hydrogen, which is a decarbonised energy carrier.

The Commission’s proposal of July 2021 for a revision of the Renewable Energy Directive (COM/2021/557) increases the EU’s renewable energy target to 40% by 2030. In May 2022, in line with the REPowerEU plan (COM/2022/230), the Commission increased the renewable energy target to 45% by 2030 and shortened and simplified permitting processes.

The solar strategy (COM/2022/0221) of May 2022, released as part of the REPowerEU plan, aims to double solar photovoltaic capacity by 2025 by installing 320 GW by 2025
and 600 GW by 2030, bringing the total EU renewable energy generation capacities to 1,236 GW.

The offshore renewable wind strategy of November 2020 (COM/2020/741), released ahead of the ‘Fit For 55’ package, aims to make the EU climate neutral by 2050 and proposes to increase the EU’s offshore wind capacity to at least 60 GW by 2030 and 300 GW by 2050.

The hydrogen strategy (COM/2020/301) of July 2020, revised in May 2022, aims to install at least 6 GW of renewable hydrogen electrolysers by 2024 and 40 GW by 2030. It sets renewable hydrogen production targets of 10 million tonnes for domestic production and of 10 million tonnes for imports by 2030 and called for increased sub-targets for specific sectors and additional funding.

The biomethane action plan of May 2022 proposed to increase the production of biomethane to 35 billion cubic meters by 2030. The target has been included in Parliament’s first reading position on the gas decarbonisation package of 9 February 2023.

Different strategies exist to boost the uptake of each renewable source (see fact sheet 2.4.9 on renewable energy).

E. Strengthening external energy relations

In 2012, the EU established an information exchange mechanism to facilitate coordination between EU and non-EU countries and compliance with EU law (Decision (EU) 2017/684). It requires EU countries to submit all existing international energy agreements to the Commission for assessment and requires a certain level of information exchange among EU Members States.

Following the decision to phase out Russian energy imports, the current EU external energy policy is driven by the diversification of its energy supply. In March 2022, the REPowerEU communication (COM/2022/108) proposed massive and fast reductions in EU fossil gas use of at least 155 bcm, equivalent to the volume imported from Russia in 2021, two thirds of which is to be achieved within a year. In May 2022, in line with the REPowerEU plan (COM/2022/0230), the EU worked with international partners to diversify supplies, secure LNG imports and increase new pipeline gas deliveries. It created the EU Energy Platform, a voluntary coordination mechanism supporting the joint EU purchase of gas and hydrogen, and published the EU External Energy Strategy (JOIN/2022/23) supporting Ukraine, Moldova, the Western Balkans and the Eastern Partnership countries, as well as the EU’s most vulnerable partners.

F. Improving security of energy supply

The current EU energy security policy includes coordination measures to secure energy supplies and rules to prevent and respond to accidents on offshore installations and potential disruptions to energy supply and emergency oil and gas stocks, including exploration and production licences. After the Russian invasion of Ukraine in February 2022, security of energy supply became the main energy priority.

Regulation (EU) 2019/941 on risk-preparedness in the electricity sector requires the EU Member States to cooperate with each other to ensure that, in an electricity crisis, electricity goes where it is most needed. The regulation ensures that the Member States
put in place the appropriate tools to prevent, prepare for and manage possible electricity crises in a spirit of solidarity and transparency.

Regulation (EU) 2018/1999 on the governance of the Energy Union sets an electricity interconnection target of at least 15% by 2030, defined as import capacity over the installed generation capacity of EU countries.

Regulation (EU) 2017/1938 on measures to safeguard the security of gas supply includes gas security safeguards and enhances prevention, solidarity, and crisis response mechanisms. It provides for enhanced regional cooperation, regional preventive action plans and emergency plans, and a solidarity mechanism to safeguard the security of the gas supply.

In June 2022, after Russia’s invasion of Ukraine, the European Parliament and the Council revised, in three months, the gas storage regulation, introducing minimum gas storage filling level obligations by 1 November (80% for 2022 and 90% for the following years), intermediary targets and a new certification process to reduce the risks of outside interference.

Regulation (EU) 2022/2576 enhances energy solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks. It provides a legal framework for the EU Energy Platform to support EU countries in their preparation for winter 2023/24 and, in particular, in filling their gas storage facilities.

Directive 2009/119/EC requires Member States to maintain emergency minimum oil stocks, corresponding to either 90 days of average daily net imports or 61 days of average daily inland consumption, whichever is greater.

The scope of application of Gas Directive 2009/73/EC extends to future gas pipelines to and from third countries, with derogations for existing pipelines. Special provisions exist under Directive 2013/30/EU on the safety of offshore oil and gas operations.

As part of the European Green Deal, the Just Transition Fund is the main cohesion instrument supporting coal and carbon-intensive regions in their transition to low-carbon energy sources.

The EU’s trans-European energy infrastructure policy is covered by the TEN-E regulations. Adopted in June 2022, TEN-E Regulation (EU) 2022/869 identifies eleven priority corridors in different geographic regions for electricity, offshore grid and hydrogen infrastructure. It defines EU Projects of Common Interest (PCIs) within EU countries and projects of mutual interest (PMIs) between the EU and non-EU countries, ends support for new natural gas and oil projects and introduces mandatory sustainability criteria for all projects. TEN-E Regulation (EU) 2022/869 is funded by the Connecting Europe Facility 2021-2027, established by Regulation (EU) 2021/1153.

G. Research, development and demonstration projects

Horizon Europe is the framework programme running from 2021 to 2027 and the main EU tool for promoting energy research, with a budget of EUR 95.5 billion (in 2018 prices), including EUR 5.4 billion from the NextGenerationEU programme.

The European Strategic Energy Technology (SET) plan accelerated the market introduction and take-up of a climate neutral energy system through the adoption of
low-carbon technologies. It identified 10 technologies and actions for research and innovation covering the whole innovation chain, including financing and the regulatory framework.

Owing to the major role of electricity in decarbonisation, batteries as electricity storage devices were identified as key enabler technologies of a low-carbon economy. The strategic action plan on batteries (COM/2018/293) aims at building a globally integrated, sustainable and competitive industrial base for batteries. On 10 December 2020, the Commission proposed a new batteries regulation (COM/2020/798) to ensure that batteries entering the EU market will be sustainable and safe throughout their entire life cycle. Interinstitutional negotiations on the battery regulation are currently ongoing.

ROLE OF THE EUROPEAN PARLIAMENT

Parliament has always expressed its strong support for a common energy policy addressing decarbonisation, competitiveness, security and sustainability issues. It has called numerous times for coherence, determination, cooperation and solidarity between Member States in facing current and future challenges in the internal market and for the political commitment of all Member States, as well as a strong initiative from the Commission as regards progress towards the 2030 and 2050 objectives.

Parliament has been striving for greater energy market integration and the adoption of ambitious, legally binding targets for renewable energy, energy efficiency and greenhouse gas reductions. In this connection, Parliament supports the adoption of stronger commitments to the EU’s own targets, underlining the fact that the new energy policy must support the objective of reducing the EU’s greenhouse gas emissions and reaching climate neutrality by 2050.

Parliament’s latest resolutions on energy have seen an increase in the relevance of all climate and environmental objectives underpinning EU energy policy: on 28 November 2019, it declared the climate and environmental emergency in Europe; on 15 January 2020, it confirmed the European Green Deal as the climate rationale for the Energy Union’s targets; on 8 October 2020, in its first reading position, it called for an EU target reduction in all EU greenhouse gas emissions of 60% by 2030 and for all fossil fuel subsidies to be phased out by 2025 at the latest. As a reaction to the COVID-19 pandemic, it reaffirmed green and digital strategies as the cornerstones of the EU Energy Union.

Parliament has adopted the following key positions since the Russian invasion of Ukraine and the ensuing energy crisis: on 1 March 2022, Parliament condemned Russia’s illegal, unprovoked and unjustified military aggression against Ukraine and Russia’s invasion of Ukraine; on 7 April 2022, Parliament called for an immediate full embargo on Russian imports of oil, coal, nuclear fuel, and gas; on 14 September 2022, Parliament supported more ambitious energy efficiency and renewable energy targets than the Commission’s initial proposal and the Council’s position, equivalent to a 40% reduction in final energy consumption, a 42.5% reduction in primary energy consumption and to 45% renewable energy sources in final energy consumption by 2030; on 5 October 2022, Parliament called on the Member States to avoid cutting
off energy supplies and evictions for vulnerable households and expressed regret that the Commission had tabled many of its proposals in the form of a Council regulation instead of a European Parliament and Council co-decision procedure.

Parliament has also adopted several other resolutions on specific aspects of the conflict: welcoming the Commission’s formal recommendation to grant EU candidate status to Ukraine and Moldova and a European perspective for Georgia; enhancing the EU’s protection of children and young people fleeing the war in Ukraine; and highlighting the impact of the war against women.

Parliament also supports the diversification of energy sources and routes of supply. It has stressed the importance of the gas and electricity interconnections through central and south-eastern Europe along a north-south axis for creating more interconnections, diversifying LNG terminals and developing pipelines, thereby opening up the internal market.

In highlighting the significant role of research in ensuring a sustainable energy supply, Parliament stressed the need for common efforts in the field of new energy technologies and both renewable energy sources and sustainable fossil fuel technologies, as well as for additional public and private funding to ensure the successful implementation of the plan.

For more information on this topic, please see the website of the Committee on Industry, Research and Energy.

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