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 affecting producing and transit countries, the 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 the comprehensive integrated climate and energy policy adopted by the European Council on 24 October 2014 and revised in December 2018, which sets out to achieve the following targets by 2030:

— A reduction of at least 40% in greenhouse gas emissions compared to 1990 levels;
— 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.


Decision (EU) 2019/504 introduced changes to the EU’s energy efficiency policy and the governance of the Energy Union in the light of the withdrawal of the United Kingdom
from the EU. It made technical adjustments to the projected energy consumption figures for 2030 to correspond to the Union of 27 Member States.

On 14 July 2021, the Commission adopted a package of proposals entitled ‘Delivering the European Green Deal’, with the aim of reducing emissions by at least 55% by 2030, compared to 1990 levels, and making the EU carbon-neutral by 2050. This large package consists of a revision of all existing EU acts on climate and energy, including the Renewable Energy Directive (COM(2021)0557), the Energy Efficiency Directive (COM(2021)0558) and the Energy Taxation Directive (COM(2021)0563), and new proposals such as the regulation on the deployment of alternative fuels infrastructure (COM(2021)0559), the ReFuelEU Aviation Initiative (COM(2021)0561) and the FuelEU Maritime Initiative (COM(2021)0562).

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; national independent regulators; cooperation; ACER; and fair retail markets. The package included, among others, Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency, and the Trans-European Networks for Energy (TEN-E) policy, based on Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure.

The Fourth Energy Package (2015-2020), entitled ‘Clean energy for all Europeans’, focused mainly on electricity market design (Electricity Directive, Electricity Regulation, Risk-Preparedness Regulation, ACER Regulation), introducing new electricity rules on energy storage and incentives for consumers aiming to contribute to the better functioning of the internal energy market and addressing the issue of Brexit (see fact sheet 2.1.9 on the internal energy market).

The Fifth Energy Package, entitled ‘Delivering the European Green Deal’, was released on 14 July 2021 and is currently under discussion. It aims to bring the energy targets into line with the new European climate ambition of becoming carbon-neutral by 2050. It focuses mainly on renewables, energy efficiency, energy taxation, air and maritime transport and buildings.

In September 2020, the Commission announced that a new regulatory framework for competitive decarbonised gas markets would be developed in the fourth quarter of 2021. In February 2021, the Commission began its consultation process. This new framework represents the first major overhaul of the EU gas market rule book since the Third Energy Package in 2009. It will result in a new EU regulatory framework for competitive decarbonised gas markets, accomplished through changes to both the Gas Directive (2009/73/EC) and the Gas Regulation ((EC) No 715/2009).

C. Energy efficiency

The cornerstone of EU energy efficiency policy is Directive 2012/27/EU on energy efficiency, which establishes a set of binding measures to help the EU reach its 20% energy efficiency target by 2020. The directive also introduced energy savings targets
and many energy efficiency policies, including on energy efficient renovations and mandatory energy certificates for buildings, minimum energy efficiency standards for a variety of products, energy efficiency labels and smart meters, as well as setting out consumers’ rights. In December 2018, the revised Energy Efficiency Directive increased the overall EU energy efficiency target for 2030 to at least 32.5% (relative to the 2007 modelling projections for 2030). In July 2021, a proposal for a revised Energy Efficiency Directive aims to increase the energy efficiency target for 2030 to 39% and 36% for primary and final energy consumption respectively, measured against updated baseline projections made in 2020, and to set the annual energy savings obligations for Member States to 1.5% of their final energy consumption from 2024 to 2030.

The amended Energy Performance of Buildings Directive (Directive (EU) 2018/844) 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, both public and private, with a view to creating a highly energy-efficient and decarbonised building stock by 2050. In October 2020, the Commission published the new renovation wave strategy (COM(2020)0662), which aims to double annual energy renovation rates in the next ten years.

The EU Ecodesign Directive (Directive 2009/125/EC) and the Energy Labelling Framework Regulation (Regulation (EU) 2017/1369) define ecodesign and energy labelling requirements for individual product groups (see fact sheet 2.4.8 on energy efficiency).

D. Renewable Energy

Solar power, onshore and offshore 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. One of the agreed priorities of the May 2013 European Council was to intensify the diversification of the EU’s energy supply and to develop local energy resources in order to ensure security of supply and reduce external energy dependency. With regard to renewable energy sources, Directive 2009/28/EC of 23 April 2009 introduced a 20% target to be reached by 2020. In December 2018, the new Renewable Energy Directive (Directive (EU) 2018/2001) set the EU’s binding overall renewable energy target for 2030 at minimum 32%. On 19 November 2020, the Commission unveiled the European Union Strategy on Offshore Renewable Energy (COM/2020/741), stepping up efforts to make the Union climate neutral by 2050. The Strategy proposes to increase Europe’s offshore wind capacity from its current level of 12 GW to at least 60 GW by 2030 and to 300 GW by 2050. Different strategies exist to boost the uptake of each renewable source (see fact sheet 2.4.9 on renewable energy). In July 2021, a proposal (COM(2021)0557) for a new Renewable Energy Directive sets out to increase the overall renewable energy target to 40% by 2030.

E. Strengthening external energy relations

The EU established an information exchange mechanism in 2012 to facilitate coordination between EU countries and non-EU countries and to ensure that EU law is respected (Decision 994/2012/EU). 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 Member States.

F. Improving security of energy supply

As part of the ‘Clean energy for all Europeans’ package, 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.

In the light of the crucial importance of gas and oil for the security of the EU’s energy supply, the EU has adopted several measures to ensure that risk assessments are carried out and that adequate preventive action plans and emergency plans are developed. In 2017, the security of Gas Supply Regulation (Regulation (EU) 2017/1938) introduced gas security safeguards and enhanced prevention, solidarity, and crisis response mechanisms. Under the EU’s Oil Stocks Directive (Directive 2009/119/EC), Member States are required to maintain 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 Commission has proposed extending the scope of application of the Gas Directive (Directive 2009/73/EC) to pipelines to and from third countries, including existing and future pipelines (COM(2017)0660). The Gas Directive was amended in 2019 by Directive (EU) 2019/692, ensuring that the rules governing the EU internal gas market apply to gas transmission lines between a Member State and a third country, with derogations for existing pipelines. Special provisions exist under the Directive on Safety of Offshore Oil and Gas Operations (Directive 2013/30/EU). In response to the crisis in Ukraine, Regulation (EU) 2017/1938 provides for enhanced regional cooperation, regional preventive action plans and emergency plans, and a solidarity mechanism to safeguard the security of the gas supply.

As part of the European Green Deal, the proposed Just Transition Fund (COM(2020)0022) supports coal and carbon-intensive regions in making the transition to low-carbon energy sources.

The energy infrastructure of EU countries is covered by the TEN-E policy, which identifies nine priority corridors (four electricity corridors, four gas corridors and one oil corridor) and three priority thematic areas (smart grids, electricity highways, cross-border carbon dioxide networks) to develop better-connected EU energy networks.

G. Research, development and demonstration projects

The Horizon 2020 framework programme ran from 2014 to 2020 and was the main EU tool for promoting energy research. Funds amounting to EUR 5.9 billion were earmarked to support the development of clean, secure and efficient energy and sustainable development. Its successor, the Horizon Europe framework programme, will run from 2021 to 2027 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 plan (SET-Plan), adopted by the Commission on 22 November 2007, aims to accelerate the market introduction and take-up of a climate neutral energy system through the adoption of low-carbon technologies. It identifies 10 actions for research and innovation (renewable technologies, reducing costs of technologies, new technologies and services for consumers, resilience and security of energy systems, new materials and technologies for buildings, energy efficiency for industry, competitiveness in the global battery sector and e-mobility, renewable fuels and bioenergy, carbon capture and storage, and nuclear safety), covers the whole innovation chain, including financing and the regulatory framework, and has an overall governance structure.

Owing to the major role of electricity in decarbonisation, batteries as electricity storage devices have been identified as key enabler technologies of a low-carbon economy. The EU legislation on waste batteries is embodied in the Batteries Directive (Directive 2006/66/EC). The strategic action plan on batteries (COM(2018)0293) aims at building a globally integrated, sustainable and competitive industrial base for batteries. On 10 December 2020, the Commission proposed (COM(2020)0798) a new Batteries Regulation to ensure that batteries entering the EU market are sustainable and safe throughout their entire life cycle.

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 in the area of energy have seen an increase in the relevance of all climate and environmental objectives underpinning EU energy policy: on 28 November 2019, it declared[1] the climate and environmental emergency in Europe; on 15 January 2020, it confirmed[2] the European Green Deal as the climate rationale for the Energy Union’s targets; on 10 July 2020 it urged[3] the Commission to update the guidelines for the trans-European energy infrastructure, bringing it into line with the new EU climate policy. As a reaction to the COVID-19 pandemic, green

and digital strategies have been reaffirmed as the cornerstones of a more integrated, robust and efficient EU Energy Union.

On 8 October 2020, Parliament voted to enter into negotiations[^4] with the Council with an overall target of 60% reduction in greenhouse gas emissions by 2030, aiming to phase out all direct and indirect fossil fuel subsidies by 2025 at the latest. On 24 June 2021, after negotiations with the Council, it agreed to a greenhouse gas emissions reduction target[^5] of ‘at least 55%’.

With regard to the current ‘Clean energy for all Europeans’ package, Parliament has adopted the following positions:

— On **17 January 2018**, Parliament supported[^6] a reduction of 40% in the EU primary and final energy consumption by 2030, an increase[^7] to a binding 35% EU energy efficiency target together with indicative national energy efficiency targets, and an increase[^8] of the share of renewable energy to at least 35% of the EU’s energy mix;

— On **13 June 2017**, Parliament adopted its position[^9] on simplifying energy labels for home appliances by introducing a scale running from A to G, enabling customers to choose products that reduce energy consumption and their energy bills, at first reading.

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

With a view to Europe’s growing dependence on fossil fuels, Parliament welcomed the SET-Plan, convinced that it would make an essential contribution to sustainability and security of supply and would prove to be necessary for attaining the EU’s energy and climate goals for 2030 and 2050.

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.

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