ENERGY POLICY: GENERAL PRINCIPLES

Challenges facing the EU in the field of energy include issues such as import dependency, limited diversification, high and volatile energy prices, growing 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 more transparent, integrated and interconnected energy markets. A variety of measures aiming to achieve a complete Energy Union is 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 European energy policy is based on the Energy Union strategy 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 EU energy targets for 2030 include:
— An increase in the share of renewable energies in final energy consumption to 42.5%, with the aim of achieving 45%;
— An 11.7% reduction in primary (indicative) and final energy consumption compared to 2020 projections, equivalent to no more than 992.5 and 763 million tonnes of oil equivalent (Mtoe) respectively;
— The interconnection of at least 15% of the EU’s electricity systems.

The current European regulatory framework for energy was built on the EU’s substantial ‘Fit For 55’ package, which was initially aimed at aligning all climate and energy targets. This was successively modified by the REPowerEU plan, whose aim was to rapidly and completely phase out dependency on Russian fossil fuels.

and climate plans (NECPs) for the period from 2021 to 2030, submit a progress report every two years and develop consistent national long-term strategies to meet the agreed energy targets and the goals of the Paris Agreement.

As a result of the REPowerEU modifications, the energy framework was extended to include rules for minimum gas storage filling levels of 90% ahead of winter (Regulation (EU) 2022/1032), voluntary gas demand reduction targets for Member States of 15% (Regulation (EU) 2022/1369; extended to March 2024), voluntary demand aggregation of gas (Regulation (EU) 2022/2576; EU Energy Platform), electricity demand reduction targets of 10% and 5% during peak hours and time-limited emergency interventions to address high energy prices (Regulation (EU) 2022/1854). The current policy agenda is still driven by energy security and price affordability concerns.

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, first introduced in the Third Energy Package (2009-2014), was based on the principles of cross-border cooperation and fair retail markets. The packages that followed focused on risk-preparedness, coordination, incentives for consumers, decarbonisation and security of energy supply. Institutional negotiations between the co-legislators on reforming the design of the electricity market are ongoing (see fact sheet 2.1.9 on the internal energy market).

C. Energy Efficiency

The cornerstone of the EU’s energy efficiency policy is the new Energy Efficiency Directive (Directive (EU) 2023/1791 (EED)), which is based on the ‘energy efficiency first’ principle and established, as the EU’s energy efficiency target for 2030, an 11.7% reduction in the EU’s primary (indicative) and final energy consumption, compared to 2020 projections. This is equivalent to no more than 992.5 and 763 Mtoe respectively. The ‘energy efficiency first’ principle sets an obligation for EU countries to ensure that energy efficiency solutions are considered in planning, policy and investment decisions in both the energy and non-energy sectors (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. The cornerstone of EU renewable energy policy is the new Renewable Energy Directive (EU) 2023/2413, which established a 42.5% target for the share of renewable energies in the final energy consumption of the EU by 2030, with the aim of achieving 45%. A special role is played by hydrogen, which is a decarbonised energy carrier. Several strategies and plans exist for different sources of renewable energy (see fact sheet 2.4.9 on renewable energy).
E. Strengthening external energy relations

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 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, the EU worked with international partners to diversify supplies, secure liquefied natural gas (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 supporting Ukraine, Moldova, the Western Balkans and the Eastern Partnership countries.

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.

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.

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.

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 aims at building a globally integrated, sustainable and competitive industrial base for batteries.
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.

Parliament’s latest resolutions on energy have seen an increase in the relevance and ambition of all climate and environmental objectives underpinning EU energy policy. In November 2019, Parliament declared the climate and environmental emergency in Europe. In October 2020, it called for an EU target reduction in all EU greenhouse gas emissions of 60% by 2030 and for a phase-out of all fossil fuel subsidies by 2025 at the latest. As a reaction to the COVID-19 pandemic, it reaffirmed the green and digital strategies as the cornerstones of the EU Energy Union. In September 2022, it supported more ambitious energy efficiency and renewable energy targets.

On 1 March 2022, Parliament condemned Russia’s illegal, unprovoked and unjustified military invasion of Ukraine. In April 2022, it called for an immediate full embargo on Russian imports of oil, coal, nuclear fuel and gas. In October 2022, it called on EU countries to avoid cutting off energy supplies and evictions for vulnerable households and expressed regret that the Commission tabled many of its proposals in the form of a Council regulation instead of a co-decision procedure. It also adopted several other resolutions on specific aspects of the conflict: welcoming the granting of 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 on 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, as well as for additional public and private funding.

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

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11/2023