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**22nd Round of Informal Russia-EU Consultations on EU Regulatory
Topics**

&

**15th meeting of the EU-Russia gas Advisory Council's Work Stream
on Internal Market Issues**

Walter Boltz

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Summary



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- **EU energy policy in a nutshell**
- **From current EU Energy Policy to the future Energy Union**
- **Energy Union and EU-Russia Gas Dialogue**
 - **Compliance with EU legislation**
 - **Reinforcing the SOS and reducing vulnerability**
 - **Strategic Partnerships**
 - **Emerging EU Energy diplomacy**
 - **Work in progress**
- **EU-Russia energy relations needs to get back on track!**

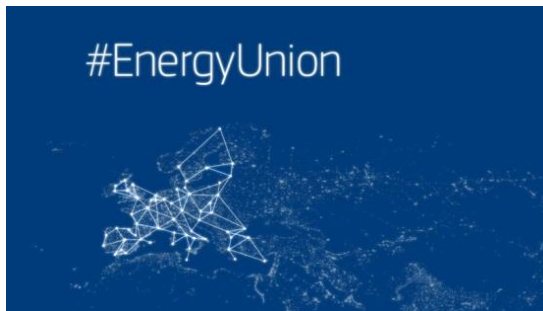


EU energy policy in a nutshell

Improvements needed!



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Currently, the energy policy is half way between national policies mainly driven by national considerations and a common energy policy based on integrated energy markets.

1951 - 1970

- *Start of European cooperation;
- *Integration based on post-war energy needs

1970 - 1986

A number of severe energy crisis increased European cooperation and common policy measures

1986 - 1992

Single market and liberalization are discussed

1990s

- *Creation of the European Union
- *Growing importance of environment/renewable
- *Gradual liberalization of energy markets

2000s

- *Three goals: sustainability, competitiveness & security of supply
- *Energy policy to become EU competence (shared with Member States)

Since the 25th of February 2015

Towards Energy Union

2009: TFUE, Article 194

March 2007: *New Energy Policy for Europe* defined by the European Council

From current EU Energy Policy to the Energy Union



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“Resetting the EU’s Energy Policy in the right direction that of an Energy Union”... but no overhauling of the strategy!

Concrete objectives:

- 1) Away from an economy driven by fossil fuels
 - a. EU Emission Trading System
 - b. Renewable Energy Directive
 - c. Energy Efficiency Directive;
- 2) Development of energy infrastructure and supporting large-scale deployment of energy from renewable sources, but attracting investments;
- 3) Completion of a competitive and well functioning internal energy market;
- 4) Reinforcing Energy SOS; (Gas AND Electricity)
- 5) Maintaining technological advantage / staying on the cutting edge of technology.

Energy Union and EU-Russia Gas Dialogue



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Compliance with EU legislation

Requisite:

1. **Enhanced transparency** in intergovernmental agreements (IGAs) and ensuring compliance with the EU internal energy market;
2. **Enforcement of EU legislation**, especially the Third Energy Package;
 1. Numerous infringement cases against MS ongoing
3. **Antitrust enforcement in case of:**
 - limitation of the freedom of movement of gas between EU member states;
 - prevention of diversification of gas supplies to EU countries;
 - imposing unfair prices on contractors.

Major points of contention:

- September 2012: European Commission has opened formal proceedings to investigate whether Gazprom might be hindering competition in Central and Eastern European gas markets, in breach of EU antitrust rules
- April 2015: EU Commission has sent a Statement of Objections to Gazprom.

Reinforcing SOS and reducing vulnerability



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Requisite:

1. Completion of a competitive and well-functioning internal EU energy market;
2. Regional cooperation and progressive integration of networks (no energy island);
3. Strategy of diversification of routes and sources, e.g. opening of the Southern Gas Corridor;
4. Avoiding a nationalistic approach that aims to maintain costly and unrealistic energy dependence in an interdependent world

Challenges:

- Re-establishing a constructive dialogue between the EC and Russia
- Possible redirection of gas flows into the EU pipeline system
 - Role of the new project “Turkish Stream”?
 - Connection of the project “Turkish Stream” to the Greek pipeline system?
 - Transit role of Ukraine after 2019?

Strategic Partnerships

Requisite:

1. Reinforcement or establishment of strategic energy partnerships with increasingly important (new and additional) producing and transit countries (e.g. Azerbaijan and Turkmenistan, Turkey, etc.);
2. Mandates granted to the EC to negotiate in the name of the EU some agreements with suppliers;
3. Adoption of the *acquis communautaire* of the internal market and bringing good governance to the South Eastern European countries, Moldova and Ukraine.

Possible tensions:

- Possible conflict of interest in Central Asia; Gas supplies could go to Russia, China or Europe
- Implementation of the *acquis communautaire* in Ukraine;

Emerging EU Energy diplomacy

Requisite:

1. Stronger leadership and authority of the European Commission;
2. European energy diplomacy strives to share and defend European interests in European trade policies (diversification of supplies + access to energy resources located outside the borders of the EU)
3. Eastern and Southern corridors at the heart of the EU energy diplomacy.

Challenges:

- Large EU MS are used to bilateral energy partnerships and agreements;
- Establishing a sustainable EU-Ukraine-Russia energy dialogue.

Work in progress



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- Establishment of strategic partnerships with important producing countries, e.g. Turkmenistan;
- Development of the Southern Gas Corridor;
- Strengthening of the Energy Community;
- Strategy for LNG and its storage, removing obstacles to LNG imports from the US and other LNG producers;
- Improvement of the EU Emissions Trading System.

EU-Russia energy relations needs to get back on track!



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Relations have deteriorated rapidly since 2014, but energy remains a topic of common interest that could be the basis for the resumption of dialogue between the Russian Federation, Ukraine and the EU.

Facts

- North American LNG will not free Europe from the need for Russian gas;
- From the point of view of production costs, Russian gas could remain the most economically competitive source of gas into European market;
- Diversification is a goal shared by the EU and Russia, at least regarding diversification of routes

What should we do?

- Reducing vulnerability to short-term supply disruptions and ensure sustainable diversification for all member states rather than attempting to eliminate Russian gas imports all together.
- Allowing the development of fair and non-discriminatory (regional or European) competition in the wholesale markets.

For more information...



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- On European Fund for Strategic Investments:
http://ec.europa.eu/priorities/jobs-growth-investment/plan/financing/index_en.htm
- On security of supply issues and common purchasing, see the position of CEER:
http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/C_EER_PAPERS/Gas/2015/C15-GWG-118-03_EC_SoS_consultation_CEER_final_150407.pdf
- On PCIs: Map of PCIs for gas
https://ec.europa.eu/energy/sites/ener/files/documents/2014_pci_gas_cef_0.pdf



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