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SER-2 [02] Memo on the Security and Solidarity Action Plan

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In the second installment of this series analysing the Second Strategic Energy Review (SER-2) by the European Commission, the focus is on to the Memo entitled “EU Energy Security and Solidarity Action Plan”.

This Action Plan is one of the new concepts brought about by SER-2 and marks a visible turn of the Commission's understanding of the European Energy system. Whereas during the first years of its term the Commission relegated Energy Security to second plan, expecting it to magically emerge as consequence of the internal market liberalization and deregulation, now it takes a front seat role in the Commission's Energy Policy.

An audio version of this log entry can be downloaded here.

This is a crosspost from the European Tribune.

After a generic introduction squaring this Action Plan with the 20-20-20 agenda, the document immediately goes to admit (even if implicitly) the failure of the past focus on liberalization:

> Energy security is an issue of common EU concern. With the integration of energy markets and infrastructures within the EU, specific national solutions are often insufficient. And while each Member State is in the first instance responsible for its own security, solidarity between Member States is a basic feature of EU membership. Strategies to share and spread risk, and to make the best use of the combined weight of the EU in world affairs can be more effective than dispersed national actions.

The Plan is divided in five action points, that are discussed separately.

1. Promoting infrastructure essential to the EU's energy needs.

The idea is to promote cross-border infrastructure allowing for a deeper market integration and broadening importing choices. This point of the Plan will be enhanced by the Third Internal Market Legislative Package which will facilitate investment in these infrastructures. It breaks down the following way:

> - Development of a Baltic interconnection plan, better linking the region with the rest of the EU,

improving the security and diversity of its energy supply, enabling solidarity;
- Development of a Southern Gas Corridor for supply from Caspian and Middle Eastern sources and possibly other countries in the longer term, improving security of supply;
- As liquefied natural gas (LNG) is now contributing to diversity of gas supply, sufficient capacity should be available to all Member States, either directly or through other Member States on the basis of solidarity arrangements; particularly important for the Member States which are currently overwhelmingly dependent on a single gas supplier; an LNG Action Plan to be considered;
- Completion of a Mediterranean energy ring, linking Europe with the Southern Mediterranean through electricity and gas interconnections to improve energy security and to help develop the vast solar and wind energy potential;
- Development of North-South gas and electricity interconnections within Central and South-East Europe, building on the Energy Community inter alia, supporting the national energy regulators and Transmission System Operators;
- Development of a blueprint for a North Sea offshore grid, interconnecting national electricity grids and plugging in planned offshore wind projects.

There is a clear concern in these lines with the dependence on Russian gas, that is hedged with a boost in LNG gasification and a direct link to the Middle East. Although increasing the gas importing paths to Europe will in principle increase security of supply, none of the proposed options seems to represent a real advantage over the link to Russia. While a corridor from the Middle East will have to pass by a series of countries to reach Europe, from Russia it has to pass one intermediary at most. As for LNG, it is unlikely that this market can have a serious impact in future EU requirements, especially when taking account that other countries are also expanding their gasification capacity, promising to fuel the market dispute during the following decade.

To close this point a question must be asked: why aren't the measures to foster alternative energy supplies at the forefront? Relegated to last place, and with the questionable option of a “blueprint”, the North Sea wind resource seems especially disregarded. There's no supply more secure than that coming within the EU's borders; while the dependence on foreign energy won't disappear any time soon, developing indigenous sources is the best way to reduce it.

2. A greater focus on energy in the EU's international relations.

> The EU needs to intensify its efforts in developing an effective external energy policy; speaking with one voice, identifying infrastructure of major importance to its energy security and then ensuring its construction, and acting coherently to deepen its partnerships with key energy suppliers, transit countries and consumers. The Commission will identify the concrete mechanisms necessary for ensuring transparency between Member States and the EU, so that a common message can be constructed.

Relations with Norway are to be strengthened within the framework set by the European Economic Area. Negotiations are under way for Ukraine, Moldova and Turkey to enter the Energy Community. In the case of Ukraine it will be interesting to know how the recent row with Russian gas transit will influence the process. It is important to note also that Georgia (presently an observer country of the Energy Community) isn't mentioned, *qui sas* a consequence of last August's *coup de théâtre*.

As for more distant producers, new agreements will be sought with major energy suppliers: Russia and Caspian countries, in order to match the EU's need for security of supply with these partners' need for security of demand. The memo also calls for a proper assessment of Africa's role in the Union's energy needs.

This section ends with a brief reference to the EU-OPEC Energy Dialogue and the need to cooperate with energy importing nations in order to achieve a “global climate deal”. How this last issue can deal with security of supply is hard to envision.

While the tactics used to spread the EU's regional economic sphere of influence might be an effective way of turning around the lack of coherence of the Union's foreign policy, on larger chessboards things won't go as easily. It is quite possible that a consensus on a common foreign policy towards energy will be easier to obtain than on geo-politic issues, but nonetheless, the EU will likely benefit from having some sort of foreign affairs office (preferably transparently elected) as a *de facto* external representative of these common interests, displaying for the outside world a clear, strong and unambiguous vision on energy.

3. Improved oil and gas stocks and crisis response mechanisms.

> The Commission proposes a revision in the EU's strategic oil stocks legislation, improving coherence with the International Energy Agency regime, reliability and transparency on available stocks and clarifying emergency procedures. To improve oil market transparency, the Commission proposes that the EU publish weekly, on an aggregated basis, the level of commercial oil stocks held by EU oil companies.

Quite welcome. Too bad oil had to reach 147 dollars per barrel for something like this to happen.

> The Commission, after its evaluation of the Directive on Security of Gas Supply concludes that greater harmonisation of security of supply standards and predefined emergency measures at regional and EU levels are needed. The threshold for triggering EU action should be reconsidered and compensation arrangements should be clarified. The Commission considers that there is insufficient evidence at this stage for making strategic gas stocks obligatory. A revision of the Directive on Security of Gas Supply2 may be tabled in 2010.

The Commission will change this assessment shortly. The EU possibly needs some sort of counterpart to the US Department of Energy's EIA, to accumulate information on stocks for European as a whole, so that problems as those identified by Rune Likvern won't go unnoticed to the wider public again. (On this specific issue it still remains to be seen how Ireland will be impacted by the lack of storage capacity in Britain).

4. A new impetus on energy efficiency.

> The 2006 Energy Efficiency Action Plan will be evaluated in 2009. In the meantime, a 2008 Energy Efficiency Package is being tabled, focused on improvements in the legislation on the energy performance of buildings and on energy labelling as well as intensification of the implementation of ecodesign and cogeneration Directives. These are all areas in which energy efficiency improvements can be achieved, with substantial impact on Europe's energy consumption and energy security. A new Sustainable Energy Financing Initiative is being prepared jointly with European Investment Bank and other financial organisations, to mobilise large-scale funding from capital markets for

> investments in energy efficiency as well as renewable energies, clean use of fossil fuels and combined heat and power from renewables in Europe's cities.

Several points amalgamated into one paragraph make little of the most important energy policy of any importing nation: Efficiency. This is the one point that has an impact on any chapter of energy policy, be it climate concern, depletion or security of supply. As to the later, addressing the demand side of the equation is certainly an indispensable way of guaranteeing that suppliers can cope with the EU's demand.

Closing this point, it is especially worrying to see the words “clean use of fossil fuels” in a section dedicated to Energy Efficiency.

5. Making better use of the EU’s indigenous energy reserves.

> Indigenous production currently provides 46% of the energy used in Europe. The EU's greatest potential source of indigenous energy is renewable energy. Today it accounts for about 9% of final EU energy consumption and the agreement is to raise this to 20% by 2020. Technology is crucial in developing and using our resources in a cost-effective and environmentally-sustainable way so our next step in the Strategic Energy Technology Plan will be a Communication on Financing Low Carbon Technologies. This will propose ways to support large scale demonstrations at EU level, including up to twelve Carbon Capture and Storage (CCS) demonstration plants. Europe's aim to have up to twelve commercial scale demonstration plants in operation by 2015 and the G8 commitment to launch twenty demonstration plants globally by 2020 will require greater incentives than currently available. Use of coal in the longer run is only compatible with climate challenge if highly-efficient plants predominate and CCS is widely available. The Berlin Fossil Fuel Forum will look at which additional measures could be taken at Community and national level, and in partnership with Norway, to promote cost-effective and environmentally-compatible access to indigenous EU fossil fuels.

Reading “indigenous energy reserves” one would expect a few lines on Wind, Solar, Hydro-electric and other renewable energies. In fact the second sentence acknowledges these as the energy sources with greater potential, but it all ends up with blatant promotion of CCS. Startling.

Even if technical data existed to confirm the cryptic claim that “coal isn't compatible with climate change”, CCS would continue to be a terrible option, because of the efficiency penalty it implies. Given that half of the coal used in the Union is imported, a much more effective way to reduce its usage would be to simply cap import volumes or introduce extra tariffs on them. The promotion of this sort of tactic makes absolutely no sense in the context European Energy policy and much less within a document dedicated to Security of Supply and Solidarity.

Point five ends with a important, if short, reference to Nuclear energy:

> It is for each Member State to choose whether or not to invest in nuclear energy. However, the nuclear safety and security framework applied everywhere in the EU is of common interest. A common legislative framework on the safety of nuclear installations and the management of nuclear waste is needed. The Commission is tabling a revised proposal for a Directive on nuclear safety.

This measure echoes an important concern referenced in one of the Nuclear energy discussions at The Oil Drum, that managed to avoid the traditional pro/against stance on the issue. At this moment this approach seems a plausible way for the Commission to follow. Still, being the European community as old as Nuclear Energy (actually EUROATOM was one of the first European institutions), it seems extremely odd that it took 50 years for the work on common legislation on the subject to start. In the future, as it becomes clear that natural gas is finite, a clear European Nuclear Energy Policy will likely have to take shape.

The memo terminates with a look forward:

> **Towards a vision for 2050**
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> The EU's agenda for 2020 has set out the essential first steps in the transition to a high-efficiency, low-carbon energy system. The EU needs to develop a vision for 2050 and a policy agenda for 2030. The fundamental technological shifts involved in decarbonising the EU electricity supply, ending oil dependence in transport, low energy and positive power buildings, a smart interconnected electricity network will only happen with a coordinated agenda for research and technological development, regulation, investment and infrastructure development. In addition, the transition to a high-efficiency, low-carbon energy system needs to be promoted not only in Europe but worldwide. The Commission will prepare in the framework of the Strategic Energy Technology Plan a Roadmap towards a 2050 Energy Policy, in dialogue with Member State officials, academics and industry experts.

Of important note in this final paragraph is the vision of a transport infrastructure not dependent on oil; unfortunately this is left for a later date, for now EU citizens have to content themselves with the agro-fuel pipe dream. This shows the underlying optimism of the Commission towards future fossil fuel availability that sadly remains as a common denominator to its Energy Policy.

An objective review of the whole document isn't easy. How much of it will be translated into legislation? How much will be impossible to achieve by lack of executive powers? How much is simple rhetoric? On the whole, the document seems to correctly identify important problems and presents a broad choice of measures to deal with them. On the down side is a lack of focus on efficiency and renewable energy (the 20% target by 2020 might not even be enough to replace internal gas depletion). Promoting CCS in this scope is inexplicable, being a stain that seriously compromises the credibility of the Action Plan.

Previous entries of the series:

SER-2 [01] Introduction