



SER-2 [03] Communication of the Security and Solidarity Action Plan

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Continuing the analysis of the [Second Strategic Energy Review \(SER-2\)](#), the focus this time is on the document entitled "Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions". This is a formal document that details the Energy Security and Solidarity Action Plan, presented in the Memo reviewed last time.



This post tries to highlight important aspects that aren't referenced in the Memo and presents the implementation steps proposed by the Commission to put the Plan into practice.

Update: Over at the [European Tribune](#) an effort is being taken for a common reply to the [Public Consultation](#) on the **Green Paper Towards a Secure, Sustainable and Competitive European Energy Network**. Come and [join in](#).

An audio version of this log entry can be downloaded [here](#)

On the introductory section of the document the following paragraph is worth highlighting:

However, complementary measures are necessary to attain all three underlying objectives of the EU's new energy policy: sustainability, competitiveness and, above all, security of supply. For example, the EU is projected to remain dependent on imported energy - oil, coal and especially gas – for many years to come. Europe's indigenous production of fossil fuels is declining. As a result, net imports of fossil fuels are expected to stay at roughly today's levels in 2020 even when the EU's climate and energy policies are fully implemented.

These lines pretty much wrap up the motives and expectations that drive European Energy Policy at the moment: internal fossil fuel depletion is fully acknowledged forcing an end to the growing consumption, but faith still remains on an ever available foreign supply. This expectation of stable imports is a very relevant aspect of SER-2, that will become more clear in the analysis of following documents.

For each of the five strategic lines that compose the Action Plan, the Commission outlines a

number of steps that more or less correspond to a chronological approach to implementing these strategies. The following is a summary of these steps.

Promoting infrastructure essential to the EU's energy needs.

First step: the EU should agree that the projects outlined by the Commission are energy security priorities. These are the infrastructure projects described in the Memo, listed below. The Communication goes to some length describing them, a worthy reading that for the sake of brevity isn't fully reproduced here.

- **Baltic Interconnection Plan** - to be developed in 2009 with the aim of connecting the remaining isolated energy markets in Europe, covering gas, electricity and storage. A regional Summit will be held in the second half of 2009 to start its implementation.
- **Southern Gas Corridor** - connecting to the Caspian and Middle Eastern sources. In its first phase, the objective is to build pipelines to Azerbaijan and Turkmenistan, Iraq and Mashreq countries, later eyeing Uzbekistan and Iran; no objective time frame is given.
- **Liquefied natural gas** – later this year the Commission shall propose an LNG Action Plan aiming to foster regasification capacity in Europe as well as liquefaction capacity in gas exporting nations. This plan is seen as vital to states that are today dependent on a single supplier; the Solidarity Plan should facilitate the transport of gas liquefied in coastal states to inner states.
- **Completion of the Mediterranean Energy Ring** - linking Europe and North Africa with gas and electricity interconnectors, essential to developing the region's solar and wind resources. By 2010 the Commission shall present a Communication outlining the links that are missing from the plans set by the December 2007 [Euromed](#) Energy Ministerial meeting and the Mediterranean Solar Plan adopted in Paris in July 2008.
- **North-South gas and electricity interconnections within Central and South-East Europe** - a continuation of the New European Transmission System (NETS) initiative to create a common gas transmission system operator, the [Energy Community Gas Ring](#), the priority interconnections identified by the [Energy Community](#) ministerial in December 2007, and the [Pan-European Oil Pipeline](#).
- **Blueprint for a North Sea offshore grid** - in order to interconnect national electricity grids in North-West Europe and plug-in several planned offshore wind projects. Together with the Mediterranean Ring and the Baltic Interconnection projects, the Commission aims at a future European Supergrid.

Second step: lay out the details for the above actions, including identifying financing needs and potential sources of finance. These needs will be identified by the Commission in collaboration with member states, industry, energy operators and regulators and the Parliament. The work shall take place during 2009 and 2010 resulting in a series of Communications.

Third step: implementation 2010 onwards. This last step will most likely require a budget

reformulation; the Commission has today for this area a budget of 22 million euros, provided by the [TEN-E instrument](#), that is clearly insufficient for projects of the dimension outlined above. Accompanying SER-2, a Green Paper was issued which provided an outline of a possible replacement of TEN-E with a new financing instrument, the EU Energy Security and Infrastructure Instrument, which would have broader powers.

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

The document discusses at some length economic relations in the energy field with several countries, and describes several approaches to strengthening such ties. Energy is posed as essential content of the EU's foreign relations, both at the trade and political levels, something that the document alludes to not being exactly the case at the moment. Below is a summary of the recommended approaches.

- **Norway** - supplier of 24% of the EU's gas imports and 16% of its oil imports, is already integrated in the European Economic Area. The Commission aims at deepening further energy relations with Norway, collaborating with it for the maximization of the energy output from the Norwegian continental shelf, include its wind resource.
- **Ukraine, Republic of Moldova and Turkey** - negotiations are under way for these three countries to join the [Energy Community](#), a programme to create a south-eastern energy market subject to the EU's legislation for the internal market, and security of supply of gas and electricity (with discussions on the way for an extension to oil). The Commission expects this programme to kick-start a reform of these countries' energy sector, especially an upgrade of Ukraine's gas transit infrastructure.
- **Belarus** - in a single sentence, the document calls for the development of a specific strategy to secure the transit of energy from Russia through this neighbouring country.
- **Russia** - is and will for long be the EU's largest energy partner (*read supplier*). The Commission shows the intent of renegotiating the 1997 Partnership and Cooperation Agreement, replacing it with a new agreement deepening the EU's relations with Russia. Two goals are proposed: the liberalization of Russia's internal market (which according to the Commission would facilitate its reform) and the establishment of transit rules across the pan-European continent. So far Russia has limited negotiations on a new Agreement to its entrance into the World Trade Organisation
- **Caspian** - the Commission calls for the development of a Partnership with the countries of this region along the same lines of that developed with Russia. Empowered by the Council's decision to give high priority to the relations with these countries, the Commission will work to strengthen the [Baku process](#) and to build bilateral relationships.
- **Iraq and the Gulf Cooperation Council** - already in cooperation with the EU through the [EU-OPEC Energy Dialogue](#). The Commission will develop further relations with these countries in the field of hydrocarbons (e.g. clean technologies) and procure bilateral agreements to secure the energy supplies from the region.

- **Australia, Canada, Japan** and the **US** and emerging consumer countries (**China** and **India**) - promote cooperation with these countries for the transparency of international energy markets and to commonly address sustainability issues.
- **Latin America** and the **Caribbean** - home to alternative energy suppliers with whom the EU is already developing multilateral and bilateral partnerships. **Brasil** is referenced as an important supplier of biofuels.
- **Algeria, Egypt, Libya** and **Nigeria** - already important suppliers of energy, these countries are part of a continent with great potential, not only with respect to hydrocarbons, but also for renewable energies. The major goal put forward by the Commission is the Trans-Sahara Gas Pipeline, that it pretends to secure with bilateral agreements using instruments such as [European Neighbourhood and Partnership Instrument](#), the [European Development Fund](#) and the [European Investment Bank](#).

On Nuclear energy, the document offers the following approach:

With the Instrument for Nuclear Safety Cooperation, the EU will cooperate with and assist third countries in improving their nuclear safety culture and the safety of their operating nuclear power plants. For emerging countries intending to build nuclear power plants, the EU will help in the development of competent and independent nuclear regulatory authorities, capable of ensuring that the new plants are built according to international nuclear safety standards and operate in accordance with the highest standards.

Closing this section, a reference is made to the construction of a common foreign energy strategy. The Commission expresses that to make such common policy a reality, a single foreign energy representative is not needed, but a proper planning and effective coordination of State level with Commission level policies. To that goal the Commission proposes to identify concrete mechanisms to ensure transparency between these two executive planes. It goes further with possible legislative measures:

[...] the Commission will consider proposing a revision of Regulation 736/96 which obliges Member States to notify to the Commission investment projects of interest to the Community in the petroleum, natural gas and electricity sectors, in order to increase its relevance to today's energy challenges. The Commission will consider how best to further develop early warning systems with key neighbouring energy partners.

Improved oil and gas stocks and crisis response mechanisms

The Commission starts this section by noting that the mandatory oil stocks requirement, in place since 1968, has been successful in response to short term disruptions. Part of its success has been the relatively loose implementation approach, leaving to each state the choice between *ad hoc*

government stocks, industry stocks or a combination of the two. Still, the Commission will propose new legislation to improve the system, making it more transparent and less permeable to speculation.

At present, the EU publishes data on the level of strategic oil stocks for each Member State. Unlike the US, it does not publish information on the level of additional commercial oil stocks held in the EU. In order to improve oil market transparency and limit the effects of uninformed speculation, the Commission proposes that the EU now takes the step of publishing, on an aggregated basis, the level of commercial oil stocks held by EU oil companies on a weekly basis.

The Commission held off from proposing mandatory strategic gas stocks, mainly because of its costs: five times those of oil stocks. Preference is given to harmonisation of security of supply standards and emergency measures, allowing for a better EU-wide coordination with respect to crisis response. Diversifying supplies, especially with the build up of LNG infrastructure, is also given as a better alternative to strategic storage.

It is quite possible that this view will be rendered to be outdated during the next months, given present stock levels in the UK.

A new impetus on energy efficiency

This section of the Action Plan sets forth a further package towards the goal of 20% improvement in energy efficiency, adding up to the legislation presently under discussion at Parliament. This new package breaks down the following way:

- **Energy Performance of Buildings Directive** - to be revised broadening its scope, simplifying its implementation and developing energy performance certificates for buildings.
- **Energy Labeling Directive** - also to be revised in order to broaden its scope, from solely home appliances today to a wider range of energy-using products; classifications for a series of products groups will be revised or introduced anew. A new energy label for car tyres will be introduced under a separate legal instrument.
- **Ecodesign Directive** - its implementation will be intensified, with minimum requirements to be adopted in coming months for: light bulbs, electrical equipment in standby and off-mode functions of devices, street and office lighting equipment, external power supplies and simple set-top boxes for televisions; shortly after will follow: washing machines, dishwashers and refrigerators, boilers and water heaters, motors, and televisions. This Directive together with the Labeling Directive should allow the EU to [save 96 Mtoe by 2020](#).
- **Cogeneration Directive** - still under study, with a Communication and technical details to its implementation to be published shortly.
- **Covenant of Mayors** - together with other financial and legal instruments will be used by

the Commission to disseminate best practices on energy use, leading to benchmarking and networking mechanisms.

- **Cohesion Policy Funds** - to be used promoting energy efficiency improvements in the industry, commerce, transport and public buildings, cogeneration and local energy production, innovation for sustainable energy, and training for monitoring and evaluation of energy performance. Funds from the Cohesion Policy will be used with the same intent.
- **Green Tax Package** - this will be presented to align the Energy Tax Directive with the energy and climate change package and propose the employment of VAT and other fiscal instruments in promoting energy efficiency.

Making better use of the EU's indigenous energy reserves

This section opens up with pretty straightforward numbers:

Energy produced within the EU represents 46% of the total consumed. Before the 20-20-20 initiative, this was set to fall to 36% by 2020. Implementation of the new Energy Policy would keep it at around 44% of EU consumption.

The following energy sources are discussed in the Communication:

- **Renewables** - this is one of the "twenties" already agreed upon: growing the renewable share of the market from 9% today to 20% by 2020. This target will be empowered by the Renewable Energy Directive, after which the Commission will focus on monitoring its application. In this line the Commission will produce a Communication entitled "Overcoming Barriers to Renewable Energy in the EU", that will identify difficulties in scaling up renewable energies (e.g. grid constraints) and propose measures to deal with them. In this chapter the Commission will work with the European Investment Bank and the European Bank for Reconstruction and Development to set up a proposed EU Sustainable Energy Financing Initiative, to facilitate obtaining funds needed for the proposed growth of these energies.
- **Oil and Gas** - for these traditional energies the Commission proposes to focus on developing the remainder of the conventional reserves and properly assess and produce unconventional reserves as shale and peat. The Commission will also work towards more transparency in the refining market and will try to ensure adequate diesel refining capacity in the future; a Communication on Refining Capacity and EU Oil Demand shall be presented in 2010.
- **Coal** - seen by the Commission as a virtually infinite energy source whose usage will grow around the world as inside the EU, among a healthy international market. Carbon Capture and Sequestration (CCS) will be introduced in 12 commercial scale demonstration plants by 2015. Only then will the Commission consider imposing mandatory CO₂ emissions

- **Nuclear** - the Commission notes that although Uranium supplies are well diversified and stable, and that Uranium prices do not have a major impact in the final price of electricity, the majority of Nuclear plants operating in the EU will reach the end of designed lifetime in the next 10 to 20 years. No policy tactic is defined in support of Nuclear, with the Commission leaving that decision to each state. Nonetheless, it pretends to guarantee a high standard of safety by developing common legislation for nuclear plant safety and waste management.

The Communication closes with a few guidelines "Towards a Vision for 2050". This is still a rather immature vision composed of an open list of issues to tackle. For the sake of brevity, these issues are simply listed without further discussion:

- Decarbonising the EU electricity supply by 2050.
- Ending oil dependence in transport.
- Low energy and positive power buildings.
- A smart interconnected electricity network.
- Promoting a high-efficiency, low-carbon energy system throughout the world.

Final comments

The sheer size of the infrastructure build up plans plainly shows that the Commission has gained the sense of urgency that the moment requires. Unfortunately, there is a clear over reliance on Natural Gas, especially in the ambitious plans for a Southern Corridor and the build up of LNG infrastructure. With respect to the former, if a single transition country can be the source of the trouble seen in recent weeks, a lot is left to be desired from such international project; with respect to the later, the Commission seems to be underestimating the competition for LNG contracts from other international importers.

The document makes no acknowledgement of Norway's and Russia's depletion, the former with respect to Oil and Gas the later at least with respect to Oil. The intent to liberalize Russia's internal energy market is maladjusted and could even be seen as offensive by this partner. There are no moral or economic grounds on which the EU can promote Thatcher Politics abroad.

The weekly publication of commercial stocks is quite welcome. Transparency driven initiatives like this not only benefit the market as can bring citizens closer to the Commission and promote a unified vision of the EU.

It is encouraging to see that the Commission is not actually blindly pushing CCS forward but instead putting it as a sort of last measure; even so, the 12 demonstration projects should be called into question. On the other hand, the Commission doesn't perform any visible assessment of future coal supplies from exporting countries, not even acknowledging recent constraints in the international coal market.

This carefulness with CCS might actually make room for Efficiency measures to have a real impact. The approach taken by the Commission based mainly on regulatory market legislation can have a swift and important effect on energy consumption. The labeling approaches also have an extra benefit in the present time of economic difficulties: it creates a product differentiation

mechanism from which EU companies can benefit, valuing goods fabricated internally, that although more expensive, are more energy efficient. The Commission can go as far as forbidding altogether low efficiency products from entering the EU's market.

The *laissez faire* position the Commission takes on Nuclear energy borders on irresponsibility. If this internal energy source is set to decline in coming decades, the EU either needs a strategy to reverse that trend or to fill the gap with other energy sources. On this point it is important to note that there's no renewable energy capable of performing the baseload role Nuclear has today. While hydroelectric and tidal power can effectively produce energy on a predictable basis, the continuous production of a Nuclear power plant isn't replicable. Even if the approaches to promote renewable energies laid down above come to fruition, a parallel programme is needed to develop/implement energy storage mechanisms.

The reflection on the Commission's energy budget is quite welcome. The Community should agree in due time how these projects are executed (in case they are approved) either by reinforcing the European budget, by state execution (in which case leaving the Commission solely on a coordinating role) or by a combination of the two. Ideally, a framework for the execution process of pan-European energy projects should be brought about.

Finally, how can any Energy Policy be successful, at this particular moment in time, without taking Transport as a central target of action is something only this Commission seems to know.

Previous entries in the series:

[SER-2 \[02\] Memo on the Security and Solidarity Action Plan](#)

[SER-2 \[01\] Introduction](#)



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