

## Introduction

Many attempts were made in the past to create a formal European Energy Policy, but co-operation in this area remained for many years an intergovernmental process. However, the Lisbon Treaty (2007) laid out for the first time the EU's competencies in this area and the key objectives of energy policy, and declared it to be an area of 'shared competence', in which both the EU and the member state governments are able to legislate.

## History

It was not until the 1973 Oil Crisis that any sort of European Community strategy was created for energy policy. In 1974 the European Council prioritised getting energy from as many sources as possible, so that no one group could hold the world to ransom over oil. Later, in 1995 and again in 2001 and 2003, the European Commission attempted to define 'An Energy Policy for the EU'. Efforts focused on liberalising the energy market to promote competition, business **transparency**, and security of supply, but met with little success. France, in particular, consistently blocked moves to let foreign companies compete in internal markets.

The need to ensure **energy security** was highlighted when Russia stopped the flow of gas into the Ukraine in 2006 and into Belarus in 2007. Both countries act as **transit states** for many European countries, so these acts led to supply crises. The EU reacted with a new Energy Plan for Europe (EPE) in April 2007. However, the problem was not solved and Russia again stopped the flow of gas into the Ukraine in 2009 and into Belarus in 2010, significantly reducing the supply to 18 EU states. In 2009 an EU-US Energy Council was established to strengthen cooperation on energy security and supply, and in November 2010 the EU adopted the 'Energy 2020 initiative'.

## How does European Energy Policy work?

Priorities for the EPE were: a common energy foreign policy; creating an internal market for energy; securing supply; promoting the use of renewable energy; and promoting research into energy technology. In essence the EU hopes to negotiate energy more effectively as a united bloc, while diversifying supply and promoting competition to ensure security and sustainability of energy supplies. Negotiating along these lines proved difficult, as each country has different energy priorities and combination of energy sources.

Such difficulties are exemplified by disagreements on the construction of pipelines to supply gas to Europe. Some EU states (including Turkey, Bulgaria, Romania, Hungary and Austria) support the 'Nabucco' pipeline due to supply gas from Turkey to Austria from 2014 (the EU has negotiated a deal for the pipeline to carry natural gas from Turkmenistan, currently a major gas supplier to Russia). The pipeline is expected to cost €7.9bn, with the EU contributing up to €2bn. However, Germany, France and Italy have questioned whether the EU should pay for the pipeline, as two further projects are seen to rival it. First, a 'North European Gas' Pipeline, currently in construction, is backed by Germany but opposed by Poland and the Baltic States (it would bypass Eastern Europe). Second, a 'South Stream' pipeline from Turkey to Hungary is supported by France, Hungary, and other Eastern European countries (and Russia's largest energy firm, Gazprom). It is due to be completed in 2015.

The EU Commission's proposal to liberalise the energy sector have been frustrated by the more protectionist member states. A 2007 Commission report criticised France and Germany in particular for failing to separate ownership of energy production and distribution, thereby restricting competition. And in 2010, the EU Commission requested that 20 Member States work harder to implement rules creating a single market for gas and electricity.

Member States have also showed varying commitment to cleaner fuels and lower carbon emissions. At a summit in March 2007, the European Council agreed to a binding 20% target for the use of renewable energy by 2020. More specifically, the EU's target for biofuels to provide 10% of road fuel by 2020 was publicly criticised by the World Bank in July 2008; it said the target had caused a 75% increase in global food prices.

The Energy 2020 initiative defines the energy priorities for the next ten years, and sets the actions to be taken in order to tackle the challenges of saving energy, achieving a market with competitive prizes and secure supplies, boosting technological leadership, and effectively negotiating with other countries. Controversy ensued in 2011 when Germany announced the closure of its nuclear energy plants, resorting instead to less environmentally friendly fossil fuel energy and snubbing the possibility of pursuing more renewable energy resources due to implementation costs.

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## Facts and figures

- ❖ The EU imports 50% of its oil and gas. This will rise to 70% by 2030. Russia already provides Europe with 33% of its oil and 40% of its natural gas.
- ❖ The Commission estimated that achieving a 20% share for renewables will cost about €18bn per year, if oil costs \$48 a barrel in 2020.

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## Arguments

### For

- ❖ Declining reserves mean the EU member states must act together to effectively ensure continued supply.
- ❖ By working as a bloc, the EU can have a major impact on climate change and on available energy sources.

### Against

- ❖ Energy supply is critical to future national security and should remain under the control of nation states.
- ❖ European countries' situations are too different for a common policy to make sense.

*"Each country has the right to choose its energy mix."*

Wolfgang Schussel, Austrian Chancellor, 2006

*"[Energy and climate change] will open the door to a new dimension of European co-operation in the years to come."*

Angela Merkel, German Chancellor, March 2007

## Technical Terms

- ❖ **Transparency:** the openness of companies' business and accounting procedures.
- ❖ **Energy Security:** the protection of the production and delivery of energy.
- ❖ **Transit state:** a state through which fuel must travel to reach other nations.

## Links

- ❖ [http://ec.europa.eu/energy/index\\_en.html](http://ec.europa.eu/energy/index_en.html)
- ❖ [http://europa.eu/pol/ener/index\\_en.htm](http://europa.eu/pol/ener/index_en.htm)