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Commentary

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Europe's energy security – is the Energy Union the answer?

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The EU has seen a renewed interest in strengthening its common energy policy and promoting energy security. The greatest trigger has been Russia's unpredictable, aggressive behaviour in Ukraine in the past year. Lack of trust in a long-standing economic partner and concerns about relying on a trade partner that does not adhere to international norms have left their mark.

While the EU's energy policy has aimed to secure cheap and sustainable, reliable supplies of energy, its vulnerability is of its own making. The EU-28 import over 53% of their energy. Russia remains an important supplier of crude oil, natural gas and coal to the EU. Many member states have put all their eggs in one basket and rely on Russia for more than 75% of their gas and/or oil imports. The Baltic States also depend on Russia for operation and balancing their electricity network.

While the EU has a common energy policy on paper, its implementation has remained weak. European energy security has been undermined by an internal challenge: a patchwork of national mini-markets, and a lack of political cohesion and solidarity. A good example is the member states' bilateral energy deals with Russia, some favourable at first glance, others conspicuously less so - and which together allow a major supplier to play EU countries against each other. So, this winter again, member states have been paying the price of inaction with fears over gas disruptions.

But the momentum seems to be changing. Autumn 2014 saw swift efforts to break the dependency, well exemplified by Lithuania's gas deal with Norwegian Statoil and Estonia receiving its first gas delivery via regional cooperation. It is widely recognised that with determined action Russia's role in the EU fuel balances can be reduced to something more manageable. No wonder *Energy Union*, a concept first advocated by Poland's former Prime Minister Donald Tusk – now President of the European Council - quickly gained support, although its details remain to be specified. There are high expectations that the "general framework" on Energy Union, which the European Commission will adopt on 25 February, will create the needed basis for action.

Energy Union as a framework for action

The value of the 'Energy Union' would be in bringing together the different aspects of EU's energy policy under one umbrella. Indeed, the five dimensions of the Energy Union: 1) ensuring security of supply, 2) completing the internal energy market, 3) reducing European energy demand, 4) decarbonising the energy mix, and 5) promoting research and innovation seem to suggest that the framework will aim to tie these existing objectives together. Measures taken under the Energy Union should bring coherence to all EU policies that have implications for energy security, while contributing to creating more sustainable energy systems and economy. For example, when exploring alternative sources and building new infrastructure, these measures should align with the EU's climate and energy targets, including the objective to reduce EU's emissions by at least 80% by 2050.

Diversifying the EU's energy mix and reducing its dependence on Russian fuels will require using alternative sources of energy within the EU, old and new. While environmental and safety considerations must remain the highest priority, member states should continue to explore possibilities with nuclear power and the potential of unconventional gas. At the same time, producing heat or biogas from waste, combined heat and power systems, and heat-pumps are good examples of solutions that have a great potential for wider uptake across the EU.

If the EU were to become a leader in renewable energies, it needs to learn from past mistakes, such as those made in Germany under the *Energiewende*. The first priority is to create a better transmission grid for integrating existing and new renewables into the electricity network. This would provide an incentive for further investments, increase network security and reliability and enable consumers to better control their energy use. Secondly, member states should cooperate in seeking the best return on investment and stop expensive support schemes in sub-optimal places. More EU coordination is needed with subsidy schemes that have cross-border implications. Thirdly, investments into early-generation renewables should be coupled with supporting the development of innovative, higher performance and lower-cost solutions. With oil and gas prices decreasing, this would provide a perfect opportunity for member states to raise taxes on both, and use the extra revenue to support the transition into a greener, more self-sufficient energy system.

Europe needs alternative fuel suppliers from outside the EU. This includes increasing liquefied natural gas (LNG) imports from Algeria, Qatar or Nigeria, increasing gas imports from Norway and exploring the possibility to export shale gas from the US. There is a great potential with the Southern Gas Corridor. Oil and coal are readily available on global markets, and suppliers can be changed swiftly.

Europe needs truly integrated energy markets that will increase efficiency in the transmission, distribution and use of energy, thus improving security of supply. European consumers should be allowed to switch suppliers for gas and electricity, and save money. Further investments are needed in cross-border interconnectors for gas and electricity. Integrating alternative sources and increasing lines of supply would help to ensure that no EU country is left alone in case of disruption. While the EU can provide some financial support for infrastructure projects, including via President Juncker's investment plan, the key is that national administrations recognise the benefits of collaboration. The EU can no longer afford to have countries such as France oppose the building of interconnectors because neighbouring countries' renewable electricity would create competition for its domestic market players.

Increasing energy efficiency across the EU would not only help to decrease dependency on foreign energy imports, but would also reduce energy costs for consumers and bring down greenhouse gas emissions. The standards for buildings, consumer products and all road vehicles are important tools in promoting greater energy efficiency.

At the same time, reaching a global climate deal in Paris at the end of 2015 would further encourage the development of a sustainable European energy system and economy. It is important that Europe's diplomatic push this year will build on a narrative that shows the benefits of reducing global emissions, fighting climate change locally, securing energy supplies, promoting wider socio-economic interests and increasing competitiveness – all at the same time.

The EU needs a new strategy *vis-à-vis* Russia. When negotiating fuel deals with Russia, it is in the member states' interest to collaborate. Exploring a scheme for voluntary common purchasing of gas would be a welcome step in this direction. The EU should bring Russia's influence over its energy market under check. Russian investments in EU energy infrastructure and implications for security of supply should be analysed and discussed openly. It should not be forgotten that Russia needs the EU, and not only gas and oil revenues. With the decrease in gas and oil prices and the Russian economy in tatters, the need for European investments and knowledge to modernise its economy is greater than ever. While taking the steps to reduce EU's energy dependency, it can guide Russia to take the right path of action in carrying out needed reforms internally and stopping aggression outside its borders.

Energy security is built from within. It starts with having a common vision, objectives, and speaking with a united voice. Hopefully the EU member states have learned from past mistakes and Europe will see a lasting change that will divert all member states from a path of sleepwalking into repeated crises to collaborating on securing EU's energy supplies. The benefits for the countries themselves, businesses and citizens are up for the taking.

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