

ENERGY UNION – 1 YEAR ON

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This Tribune is based on the speech¹ by Vice-President of the European Commission for Energy Union Maroš Šefčovič on “Energy Union - 1 year on” at the conference organised by the Jacques Delors Institute in Brussels, on 25 February 2016.

President Buzek, dear friend,
Ladies and gentlemen,

It is a great pleasure to celebrate the first anniversary of the Energy Union here with the Jacques Delors Institute, of all institutions. Let me therefore start by thanking Notre Europe/ the Jacques Delors Institute for organising this event on this very special day. Indeed, exactly one year ago, the Commission presented the Energy Union Strategy, a project which I have the privilege of steering for the Commission.

Today is an opportunity to reflect back at what we have accomplished throughout the first year and to plan ahead on what we would like to achieve in the years and decades to come. I say ‘decades’ because we kicked off this process one year ago with a vision for a deep long-term transition. In that sense, the Energy Union is a transformation process, a major project which ambition has been compared to that of the Coal and Steel Community of the 1950s, or the Single Market in the 1980s - both shaped the European Union as we know it today.

In fact, I should thank the Jacques Delors Institute, not only for today but for your long-standing engagement in EU policies in general and the energy transition in particular, which include numerous publications. In particular, we very much appreciated the report you published last year, before the Strategy was revealed, titled: “From the European Energy Community to the Energy Union”², with Jean-Arnold Vinois and Sami Andoura as co-authors.

Other than the Jacques Delors Institute, I would also like to recognise the significant contribution of President Delors himself, together with President Buzek whose initiative in 2010 has shaped the form that the Energy Union is taking. I am very glad that President Juncker decided to put the Energy Union at the forefront of our political agenda.

So as you can see this project has a few founding fathers, it has many promoters and - more importantly - it has at least 500 million direct beneficiaries.

My job is to make sure all this energy, all these efforts, all these ideas are channelled in a coherent manner, in the same direction.

Ladies and gentlemen,

Looking back at the first year of the Energy Union, I can say it was a very challenging one, with great expectations but also a head start. And we had to function within a difficult context of geo-political turbulences.

But we managed to stay the course on the Energy Union. And this is what matters most.

Looking back at what we have done since we adopted the framework strategy, I would like to highlight four conclusions or take-aways, going beyond the mere adoption of the “summer” or “winter” packages.

First, we have managed to show sustained leadership as per the transition to low-carbon economy. The role of the EU in Paris was widely recognised. Under the leadership of our chief negotiator, Commissioner Arias Cañete, we worked well with the French Presidency and in developing the “high-ambition coalition”. As a result, we managed to reach unprecedented historic success - an ambitious legally binding and universal deal. This is only the start of a fascinating journey, and we will need to build upon this. But to all the Cassandra’s of this world, who had predicted the demise of this cumbersome multilateral process, we can now say that global governance does deliver, with the right incentives and political impetus.

A lot remains to be done. At EU level, we must work towards reinforcing our ETS system - hence our proposal which aims to have a carbon price that sends the right signal. And as I mentioned to the leaders in Paris, we must support other countries (e.g. China, South Korea) in building carbon markets, and work towards their linking-up at global level. We must create an enabling environment to invest in the most promising low carbon technologies and to this end we adopted a new SET (Strategic Energy Technology) Plan in September ...

Second, we aim to have a transition that is socially fair and consumer centred. In the summer last year we adopted the communication on the electricity market design and a “New Deal” for consumers. We must look at vulnerable consumers as a matter of priority, to make sure they are not left behind. Energy poverty is at roughly 10% in the EU – this needs to be addressed by the Member States and the EU with all the means at our disposal. In the same way we must ensure that this transition creates jobs and benefits the greatest number of people, not only those who can afford it.

Third, we have tried to be on top of the political challenges that we faced. With the recently adopted energy supply package we set out a wide range of measures to strengthen the EU’s resilience to gas supply disruptions and thus reduce our external vulnerability. We must operationalise the principle of solidarity enshrined in the Treaty. Neighbours should cooperate to make sure we break our dependence and increase competition. To this end, we have recently adopted proposals on IGA and an LNG strategy. And also a Heating and Cooling strategy which addresses what more we can do to consume less in this sector.

Finally, the marker in the political agenda of the EU. In November 2015, I presented the first annual State of the Energy Union. This is the first step of an Energy Union governance process which is anchored into legislation and make sure that Member States, through their Climate and Energy Plans, are also taking ownership.

Next steps

We still intend to deliver 90% of the Energy Union Strategy by the end of this year, making 2016 THE Year of Delivery.

But perhaps more important than the specific proposals and their technicalities is the main direction we are heading, the vision of the Energy Union, if you will.

The 5 “D”s

I like to refer to this transition as the “5Ds model”. This means we must proceed with (1) Decarbonisation of our economies, bring even more (2) Democratisation into energy production and consumption, profit from its (3) Digitisation to optimise energy use and efficiency, improve the (4) Diversification of our energy supplies and help our innovators to deliver on new technologies to speed up the whole process by progressive (5) Disruption of traditional energy cycles.

The ‘fifth D’ is critical: disruptive technologies would speed up and ease up the transition. I don’t think that the change will be achieved through to one single revolutionary invention. Rather, I expect we will continue to

see technological breakthroughs – some of them clearly transformational – in the field of energy generation and storage, integration of renewables, home automation, fuel cells, clean engines and intelligent transport, energy efficiency in buildings and industry.

To a large extent, the 5D model owes its existence to a broader paradigm change we have been witnessing in the past years: the digital revolution. The term ‘Industrial Revolution’ is suddenly all around us, this time not describing the mass production of the 18th-19th centuries but this period of the 21st century where Big Data and Internet of Things Technologies have disrupted many existing business models.

This year’s World Economic Forum in Davos consecrated a great deal of the discussions on what they called ‘The Fourth Industrial Revolution’. Having attended the Forum I can testify that the discussions were fascinating and reaffirmed what we have been claiming in the Energy Union: that breakthrough technologies in energy, transport and communication are getting into proper constellation to create a smarter and more collaborative society. We can call it ‘Europe 4.0’, an integrated European market which embraces the technological progress and seizes its new opportunities. Take for example the digitisation of industrial production processes, smart infrastructures in energy or transport, home automation, driverless technologies, or the new generation of drones. Such technologies are about to allow fully-automated logistics which can save costs and cut down CO₂ emissions.

For the end of the year, we will prepare a comprehensive strategy for research, innovation and competitiveness for the Energy Union. In this area, international cooperation is key. At COP21 20 leading economies (some of them with the highest CO₂ emission) launched the Mission innovation to step up their clean energy research and innovation over the next five years. We should fully support this initiative.

Later today you are going to hear from Bertrand Piccard, a visionary I have had the pleasure of meeting with. I think Bertrand is one of the best examples of the energy transition in all its 5Ds. He has proven to us that with courage and vision, you can challenge conventional wisdom and disrupt the exiting business models. And trust me, flying around the globe in a solar plane, you definitely need both courage and vision...

A socially fair transition

But if we want this fundamental energy transition to be successful, it has to be socially fair and consumer-centred. This is personally important for me because I believe a society is not measured only by its greatest

achievers, by its most successful researchers and entrepreneurs. These are all very important. But a society is also measured by its ability to care for its weakest and most vulnerable. That is why all throughout our everlasting race to grow the economy, transform our technologies, and smarten our system - we must constantly stop, look back and see who is potentially or actually left behind.

In practical terms, there will be sectors or regions which will have difficulties and where jobs will be lost. And there will be others that will grow and benefit from the transition. We must deal with both aspects: we must make sure that the jobs of the future are created in Europe; that our clean technologies are exported around the world; that our education systems target the technologies and skills of the future. At the same time, however, we must make sure that our workers and employees get the skills which they need for the future; that we support the regions in their transition to a low-carbon economy. Decision-makers across Europe must make clear that this transition is a great opportunity that we will handle in a way which includes everyone, and not only a few.

I am therefore very glad that in marking the first year's anniversary of the Energy Union you chose to focus today's events on both innovation and the role of consumers. The two actually go hand in hand as innovative solutions will empower citizens, allow them to take greater ownership of this transition. Consumers should benefit from new technologies and from more competition and be more active in the market to get these benefits.

We are addressing the fact that household consumers have too little choice (of suppliers), too little control (on their consumption) and too high a constraint (on their bill). An unacceptably high percentage (10%) of European households cannot afford to pay their energy bills. In some countries, up to 5% of households are disconnected from electricity according to ACER. One of the solutions is a market structure which is more competitive and pays more attention to consumer empowerment and consumer protection.

Consumers are also the first to benefit from cross-border flow of energy as they gain access to more suppliers and can choose the best service and price. In order to get there, we will need to remove obstacles to cross-borders energy flow such as missing infrastructure, or regulation which is inconsistent or unstable.

But we are not stopping there. Citizens are no longer passive consumers; they are becoming 'prosumers' - consumers who can also produce energy and supply it into the energy grids. This will allow individuals to

generate revenues from their private energy production; but more importantly, to benefit from lower prices of energy produced by their neighbours. With smart grids in place, a sunny day in Madrid should lower energy prices in Lisbon; and a windy day in Warsaw should lower energy prices in Vilnius or even in Kiev! (The Energy Union does not stop at the EU borders).

In listing last year's proposals, I have mentioned the summer's consultation on the new electricity market design which will be followed by this year's legislation. This initiative goes along the same line of:

- better integrating renewables into the grid;
- ensuring national interventions do not distort the market;
- and increasing competitiveness with the aim of reducing prices.

Smart Cities

Finally, let me say a few words about Smart Cities; a topic which is high on our agenda. As you know, cities are where the vast majority of Europeans live; they are responsible for most CO₂ emissions and are also the first to suffer from air pollution or congestion. Urban policy is therefore an area where we can make significant progress, serving both quality of living and our climate targets.

Most of the existing urban infrastructure systems were built independently of one another, whether water, electricity, gas, waste, transportation, heating, and etc. But to achieve real efficiency gains and make our cities more sustainable, we need to connect them so that they complement each other. Integrating and linking up energy, transport, water, waste, and ICT will create environmental and social impacts through resource efficiency, better air quality, better waste management, development of new skills in the population or local job creation.

In fact, it is the same reasoning that we must work across policy fields in order to be efficient which gave birth to both the Energy Union (which brings together 14 commissioners and services) and Smart Cities where at urban levels such synergies must be created.

We are therefore currently elaborating a new strategy to ensure that urban regions make smart use of the latest innovations to make our cities more resilient and sustainable. So we use the word 'smart' quite a lot these days; Smart houses, smart grids, smart cities, etc. But these are not empty buzzwords; they are the way to make smart use of our resources.

In this endeavour the Covenant of Mayors has proved indispensable. So much that during the COP21 Summit, we announced its expansion from a European

to a global scale, a global alliance of cities which are dedicated to the well-being of their citizens and see the direct link to climate-action.

Ladies and gentlemen,

As you can see our hands are full. This Commission has committed itself to be big on big things and I think we all agree the Energy Union is definitely one of them. If we are to ensure all Europeans have access to secure energy, which is environmentally-sustainable and at competitive prices – there is still much more that needs to be done.

This Commission has also committed itself to be open, engaging, and inclusive; to bring the discussion outside of Brussels to wherever our citizens live.

That is why, in the past 7 months I have been visiting the Member States on what I called the Energy Union Tour, voicing these messages, about the need for transition and listening to citizens' concerns. I have met governments at the highest level, parliaments, social partners, entrepreneurs, NGOs, researchers, students, and more generally citizens.

And I was very pleasantly surprised by the enthusiasm and the great engagement of many of the actors on the ground.

I could see for myself that the objectives of progressing towards a system which is more sustainable, more competitive, and more secure are widely shared.

The balance between these three objectives is naturally different in different regions of our continent. In some of the Nordic countries the emphasis is more on sustainability and innovation whereas in central and eastern countries there are legitimate concerns related to security of supply. Some of the remaining energy

islands are very keen to connect to the internal energy market, to increase competition. Europe is ready for change. The appetite is there, the political will is mounting, many vital forces want to contribute actively at their level...

Of course none of this will be easy – we never said it would. We will need to engage in a lot more explanations and buy-in at EU, national and regional level. But there is a huge window of opportunity. And as the Americans would say “it is not-to-be-missed”.

If we work together with all Commissioners on board, with the Member States, with the European Parliament, the national parliaments, the stakeholders, if we summon what is best in us to break our energy dependence, harvest the environmental and economic benefits for this project, I am convinced that this is within our reach.

Today's event feeds perfectly into this growing public debate, which we proactively encourage. And the fact that a prestigious think tank like the Jacques Delors Institute dedicated this event to the Energy Union's first year's anniversary, and the numbers of you sitting here, is for me a sign of broad ownership of the project, only 12 months after it was unveiled.

We are therefore marking the first anniversary of our common journey; a year since we Europeans have decided we can make things happen when acting together – together across and beyond the EU, together across policy fields, and together across governance levels.

I therefore thank you for your support so far and wish us all luck for the next steps of the Energy Union.

Thank you very much.

On the same themes...

1. Check against delivery.
2. Sami Andoura & Jean-Arnold Vinois, "From the European Energy Community to the Energy Union - A new Policy Proposal", *Studies & Reports No 107*, Jacques Delors Institute, January 2015.

GOVERNING THE DIFFERENCES IN THE EUROPEAN ENERGY UNION

Jacques de Jong, Thomas Pellerin-Carlin and Jean-Arnold Vinois, *Policy Paper No. 144*, Jacques Delors Institute, October 2015

FROM THE EUROPEAN ENERGY COMMUNITY TO THE ENERGY UNION. A POLICY PROPOSAL FOR THE SHORT TERM AND THE LONG TERM

Sami Andoura, Jean-Arnold Vinois, *Studies & Reports No. 107*, Jacques Delors Institute, January 2015

THE EUROPEAN ENERGY COMMUNITY IS NOW!

Sami Andoura, Jerzy Buzek, Jacques Delors, António Vitorino, *Tribune*, Jacques Delors Institute, May 2013

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