

A CATALYST ROLE FOR THE UNION

António Vitorino | *president of the Jacques Delors Institute*

0ur president, António Vitorino, takes a stand on the main issues of the European Council of 19-20 March 2015 in an interview on the following issues: the energy union, the situation in Ukraine, the Eastern Partnership and the first phase of the European semester for 2015.

1. This European Council is going to have to set guidelines for the establishment of an energy union. What are your chief recommendations in that connection?

Back in October 2014 the European Council called for an “energy union” whose content has yet to be defined. The promotion of this energy union, which is at the forefront of the Juncker Commission’s priorities and organisational agenda, points to a crucial advance which would be best implemented in concrete terms on the basis of three complementary guidelines. That is the whole point of our recent proposals, as formulated in the Report on the Energy Union that we have just published¹, with a foreword by Jacques Delors.

Putting energy back at the heart of the European construction process must allow us to break with the short-term, inward-looking approach that has gained a dangerous hold in Europe in this field. We need to assign to the EU the role that is owing to it on the international stage, and in particular in its own neighbourhood, in view of our economic interdependence. The energy union includes a European energy diplomacy that promotes the energy transition projects and defends Europe’s interests throughout the world, particularly in the context of Europe’s commercial policies.

The energy union, in its capacity as a long-term European energy transition project, must be based on decisive concrete actions, playing a catalyst role. It must be based on a new, sustainable economic development model. The European energy system’s centre of gravity must shift from the producer to the consumer and from a non-sustainable production model towards a model based on lower consumption, thus on lower demand. A new industrial strategy must emerge based on innovation and on the deployment of digital and information technology in the energy sector.

The energy union project is a project for everyone. It creates wealth and prosperity for all Europeans. It promotes solidarity, for instance by ensuring that everyone has access to an affordable source of energy supply. Educating and training the younger generations better to cope with the challenges and the opportunities offered by this new European energy transition model is a task that the EU is equipped to handle. European social dialogue in the energy sector is also necessary to accompany this major transition on the job scene. Precariousness in the energy sector is a growing reality which the EU needs to address in the context of a genuine social policy.

And lastly, the energy union is capable of benefiting the people of Africa and Asia, and many others besides, who have no access to energy at all. The energy union is the rediscovery of simplicity and it puts the Community method back at the heart of the European institutional game. Those really are the benefits of an energy union embracing all 28 member states.

2. Do you think that in order to create this energy union, the European Council should adopt the Commission’s recent proposals “as is” or should it complete them?

The Juncker Commission must fully play its traditional role as a proposer of ambitious actions, as a facilitator of dialogue and as the guardian of the treaties. Rather than being developed as a standalone measure, Europe’s energy policy must be made to dovetail with all of its other relevant policies. And that is just what the European Commission has done in the Energy Union Package that it will be proposing and submitting to the Council.

This initiative is a move in the right direction, even if the Commission’s proposal is still a little abstract in connection with certain issues, particularly

regarding the crucial role of consumers, which must be at the heart of the energy system. But primarily, this new package makes it possible to address all of the European energy policy's strategic aspects, and to allow them all to move forward on a Community scale towards a more advanced level of integration.

The European Council must take on the Commission's proposals, it must give them its support and it must give the Commission a clear mandate to adopt strong action in unifying the member states around issues of sustainable development, security and competitiveness, which all of the players, above and beyond the European Council, need to start debating, adopting and implementing.

The critical mass of the EU, with the strength of its internal market and its 500 million citizens-cum-consumers, is a formidable trump card whose benefits must be optimised. To do that, we need above all to use the integration of the internal market. But the internal energy market is not heading in that direction. Despite its numerous achievements and successes chalked up in recent years, European energy policy suffers from a construction defect and from structural shortcomings which need to be remedied.

In view of this, the priority for the EU in the very short term, and the essential precondition for this ambitious project to be successful, is an intelligent revision of Europe's current energy policy. We need to finalise the internal energy market as a tool for the optimisation of energy resources by all of the players, including the consumer. And finally, European governance must be strengthened and the regional dimension must be seen as a crucial intermediate step. It is high time we rediscovered enthusiasm for an idea which is still a utopia but which can be achieved. There is no more time to waste.

3. In your view, what are the main messages that the European Council should issue in connection with the situation in Ukraine?

The application of the Minsk agreement thrashed out on 12 February is taking too long to be fully implemented. The decision announced by the OSCE to boost its mission in Ukraine to almost 1,000 observers, a decision which could only be taken with Russia's

and Ukraine's agreement, is an encouraging signal for monitoring the heavy artillery's withdrawal. But it is going to take a long time yet to achieve compliance with a comprehensive cease-fire.

It is more crucial than ever for the Twenty-Eight to display unity, both over maintaining sanctions against Russia and over seeking a peaceful solution, now that the United States has begun to deploy the 3,000 troops and the heavy armaments that it has pledged to send to the Baltic countries.

It is worth highlighting that the sanctions in place against Russia since July 2014 are not the root cause of the Russian economic crisis, which was heralded by initial signs of flagging back in 2012 and which speeded up in the first half of 2014 with weak domestic consumption, plummeting direct foreign investments and a massive capital outflow, before the price of crude oil plunged in September 2014. There again, sanctions have only played a catalysing role. Yet the economic collapse is so bad that it is fuelling Vladimir Putin's rhetoric over the humiliation inflicted on Russia by the West and the temptation to adopt a bellicose reaction.

The pressure of sanctions was the result sought and it must be maintained in order to lead to the application of the Minsk accord. EU consistency is crucial on this point and the Twenty-Eight cannot afford to do without a consensus on this issue. But that unity must from here on be accompanied by a post-sanction strategy, which depends on an attitude adjustment on the part of Russia, without which we cannot envision possible cooperation between the EU and the Eurasian Economic Union launched by Russia, Belarus and Kazakhstan.

And finally, stronger financial support for Ukraine, which I called for in December of last year, became a reality when the European Commission earmarked 1.8 billion euro in late January and when the IMF recently earmarked 16.5 billion over four years. This aid has warded off the threat of default, but this momentary respite for Ukraine's economy, which has been in the grip of an almost unbroken recession for fully two years now, has to be accompanied by active support for reforms allowing the country to strengthen its institutions and to impart a fresh boost to its economy.

4. How can the European Council impart an additional thrust to the Eastern Partnership following the summit in Riga?

With regard to the conflict in Ukraine, preparations for the Eastern Partnership summit, which is due to be held in Riga on 21 and 22 May, are extremely sensitive because it is worth recalling that the initiative involves Ukraine, Moldova and Georgia which have signed association agreements with the EU, Belarus and Armenia which are members of the Eurasian customs union, and Azerbaijan.

If there is one crucial thing we should remember, it is that we must not repeat the mistakes that led to the Ukraine crisis, with a policy of rapprochement with the EU that was perceived as hostile by Russia and which triggered Moscow's exasperation. It is a matter of dispensing with the rationale of exclusive influence - be it Russian or European - and the rationale of a choice without alternatives that is being enforced on the country. Also, we must guard against maintaining any ambiguity over the prospect of NATO membership for Ukraine, which would nullify all attempts to engineer a rapprochement between the EU and Russia.

5. This European Council is going to conclude the first phase of the European semester for 2015. What economic, social or budgetary challenges should it highlight in particular, in your view?

Growth forecasts for the euro area over the next few years are weak. Given this economic context, it is going to be difficult to overcome the social difficulties afflicting the EU today, with unemployment topping the list. Thus strengthening growth prospects must be European action's primary goal.

In this light, we note that the analysis of what needs to be done is more or less the same throughout Europe today. It entails boosting investment, adopting the kind of structural reforms that will make it possible to modernise our economies, and curtailing or slashing public indebtedness. In fact, those are the three priorities outlined by the Commission in its annual growth survey for 2015. But while agreement on these goals is fairly universal today, what differs is the priority

afforded to each one. If every player in this debate continues to pick and choose whatever he likes best and to discard what suits him least, it is not going to be possible to achieve a comprehensive agreement.

What the EU needs today is a "New Deal" in which a balance is found between the different measures. But that agreement cannot rest on a distribution of tasks among the countries whereby some countries would invest more while others would adopt reforms. That is not the right approach. While priority over the past five years has been afforded to bringing down public debts and deficits, the Juncker Commission, which wishes to impart a fresh boost to Europe, has placed strengthening investment at the top of the European agenda by announcing an investment plan worth 315 billion euro. But while this "Juncker Plan" is of course very welcome, doubts still persist regarding the leverage effect expected of it, which seems too optimistic, and regarding the risk of the projects funded being insufficiently viable. Thus member states must agree to pump fresh money into the plan in order to attract private capital and to thus tackle the terrible dearth of investments from which Europe is suffering. For example, Germany, Spain, France and Italy have already announced that they will co-finance projects implemented within the framework of the Juncker Plan: I invite all EU member states to do the same.

But while investment must be a priority in the EU today, the EU must not neglect its chief lever for stimulating growth in Europe, namely a deepening of the single market. The EU must lift the regulatory and non-regulatory obstacles hampering such sectors as energy, telecommunications, transportation, the digital economy and the single market for services.

And lastly, while budgetary consolidation must be pursued, it cannot represent the beginning and the end of the European Union's efforts. Europe's leaders must therefore establish, as their common priority, a strengthening of fiscal justice by committing to the struggle against tax optimisation, tax fraud and tax evasion in Europe. They must also establish a credible strategy for reducing competitive imbalances between member states within the framework of improved economic policy coordination among euro area countries.

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