Energy Union Update

Walter Boltz
Co-Chair WS2 GAC
Vienna, 22 July 2015
• EC published Energy Union Strategy in February 2015
• On 15 July 2015 publication of first Energy Union Package
  ➤ „Energy Union Summer Package“
• The package covers a first set of issues announced in the February Strategy
• The areas addressed mainly relate to electricity and climate policies
Ensuring security of supply for Europe

Deeper integration of EU national energy markets

Promoting research and development in energy

Reducing carbon emissions from the energy sector

Reducing EU energy demand

THE 5 KEY DIMENSIONS of the Energy Union Strategy

- Stronger emphasis on **security of supply** including by means of solidarity, trust and speaking with one voice;
- Completed energy market to connect the whole Europe;
- Moderation of demand for security and in line with principles of competitiveness;
- Decarbonising the energy mix and making Europe the global leader in renewables and other low carbon technologies;
- Leading efforts in research and innovation and green growth.
Energy Union Summer Package - Content

- Public Consultation on new EU Electricity Market Design
- A new Deal for Consumers
- ETS Reform
- New proposals for Energy Labelling
To become a “world leader in renewable energy” the EU would need a “fundamental transformation” of its electricity system, including a new power market design.

The wholesale and retail markets should provide the basis for investment decisions, and boost the development of new services by innovative companies. In a network industry like electricity, an effective market design needs effective regulatory oversight, in particular distribution and transmission system operators.

Improving the functioning of the internal electricity market in order to allow electricity to move freely to where and when it is most needed, reap maximum benefits for society from cross-border competition and provide the right signals and incentives to drive the right investments, while fully integrating increasing shares of renewable energies.

Europe’s electricity system finds itself in the middle of a period of profound change. The share of electricity produced by renewables will grow from 25% today to 50% in 2030.

As the share of electricity produced by renewables will grow, the grids need to have the capacity for cross-border cooperation to reflect this increasing variability of production.

New enabling technologies such as smart grids, smart metering, smart homes, self-generation and storage equipment are empowering citizens to take ownership of the energy transition, using these new technologies to reduce their bills and participate actively in the market.

How will this influence the use of gas in the electricity production?
A new Deal for Consumers

• Eliminating regulated prices on one side and inefficient support schemes on the other

• A fundamental change is necessary in the role consumers play in the market. We need to give consumers the opportunity to adapt their energy usage to take advantage of real-time changes in supply and demand.

• Consumers need to be able to act as buyers and sellers – with innovative companies offering them new services based on clearer and comparable billing and advertising rules that facilitate switching suppliers, but also through access to trustworthy and relevant price comparison tools and by leveraging their great bargaining power through collective schemes (e.g. collective switching, energy cooperatives). Consumers need to be free to generate and consume their own energy under fair conditions in order to save money, help the environment, and ensure security of supply.

• Consumers in situations of vulnerability or energy poverty and household less able to shift their demand or to become prosumers need to be effectively protected during this transition and offered targeted assistance to improve the energy efficiency of their houses.
Renewable Energy

• Ensuring that markets provide the right signals for investments in generation and the efficient use of available resources.
• Introducing a more coordinated approach to renewable energy support schemes across Member States. Investments should be driven by markets.
• Renewable energy producers need to be able to compete on an equal footing with conventional energy producers. Where public support is still required to ensure this, considerable efficiency gains could be made by converging renewables' support schemes across borders, particularly through enhanced regional cooperation.
• What role could gas play in the transition period?
The overall quantity of allowances will decline by 2.2% every year starting from 2021. The basic architecture will remain in place after 2020, while individual elements will be improved in line with the agreement reached by EU leaders in October 2014:

• **Benchmark values** will be updated to capture technological progress in the different sectors. Current values are based on data from 2007-2008 and would not reflect the state of technology after 2020.

• **Production data** – the system will be more flexible by better taking into account production increases or decreases and adjusting the amount of free allocation accordingly. A specific number of free allowances will be set aside for new and growing installations.

• **Carbon leakage** – as currently, beyond 2020 all major industrial sectors will be considered at risk of carbon leakage.

• **Indirect carbon costs** – Member States are encouraged to use auction revenue to provide compensation in line with state aid rules.

Will the relaunched ETS support gas usage in electricity production?
New proposals for Energy Labelling

• To provide consumers with a clearer indication of the energy efficiency of products, which are currently classified in different scales (from A to G, from A+++ to D, etc.), and to improve compliance for producers and retailers, the European Commission is proposing a revised energy labelling system consisting of:

  ► A single energy labelling scale from ‘A to G’: the Commission proposes a return to the well-known and effective 'A to G' label scale for energy efficient products, including a process for rescaling the existing labels.

  ► A digital database for new energy efficient products: the Commission proposes that all new products placed on the EU market are registered on an online database, allowing greater transparency and easier market surveillance by national authorities.

• This proposal is in line with the 'Energy Efficiency First' principle included in the Energy Union Strategy, which aims to make the EU energy system more sustainable via well-informed consumer choices.
Energy Union Questionnaire for WS2 from Gazprom

• Questionnaire by Gazprom on specific Energy Union aspects well received

• EU side conclusion:
  ► GP has a number of legitimate questions
  ► However, many of them cannot be answered at this stage as work is still very much in progress

• Proposal:
  ► EU side to deliver answers as they become available through stepwise integration of relevant topics in the regular WS2 agenda
Upcoming Energy Union Gas Initiatives 2015-2016

Revision of SoS Regulation
LNG and Storage Strategy
Various External Energy Policy Initiatives
Thank you