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WORKING FOR YOU - WHEREVER YOU NEED ENERGY.
22nd Round of Informal Russia-EU Consultations on EU Regulatory Topics

&

15th meeting of the EU-Russia gas Advisory Council’s Work Stream on Internal Market Issues

Walter Boltz

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Summary

- EU energy policy in a nutshell
- From current EU Energy Policy to the future Energy Union
- Energy Union and EU-Russia Gas Dialogue
  - Compliance with EU legislation
  - Reinforcing the SOS and reducing vulnerability
  - Strategic Partnerships
  - Emerging EU Energy diplomacy
  - Work in progress
- EU-Russia energy relations needs to get back on track!
Currently, the energy policy is half way between national policies mainly driven by national considerations and a common energy policy based on integrated energy markets.
“Resetting the EU’s Energy Policy in the right direction that of an Energy Union”… but no overhauling of the strategy!

Concrete objectives:

1) Away from an economy driven by fossil fuels  
   a. EU Emission Trading System  
   b. Renewable Energy Directive  
   c. Energy Efficiency Directive;
2) Development of energy infrastructure and supporting large-scale deployment of energy from renewable sources, but attracting investments;
3) Completion of a competitive and well functioning internal energy market;
4) Reinforcing Energy SOS; (Gas AND Electricity)
5) Maintaining technological advantage / staying on the cutting edge of technology.
Energy Union and EU-Russia Gas Dialogue
Compliance with EU legislation

Requisite:

1. **Enhanced transparency** in intergovernmental agreements (IGAs) and ensuring compliance with the EU internal energy market;

2. **Enforcement of EU legislation**, especially the Third Energy Package;
   1. Numerous infringement cases against MS ongoing

3. **Antitrust enforcement in case of**:
   - limitation of the freedom of movement of gas between EU member states;
   - prevention of diversification of gas supplies to EU countries;
   - imposing unfair prices on contractors.

**Major points of contention:**

- September 2012: European Commission has opened formal proceedings to investigate whether Gazprom might be hindering competition in Central and Eastern European gas markets, in breach of EU antitrust rules
- April 2015: EU Commission has sent a Statement of Objections to Gazprom.
Reinforcing SOS and reducing vulnerability

Requisite:
1. Completion of a competitive and well-functioning internal EU energy market;
2. Regional cooperation and progressive integration of networks (no energy island);
3. Strategy of diversification of routes and sources, e.g. opening of the Southern Gas Corridor;
4. Avoiding a nationalistic approach that aims to maintain costly and unrealistic energy dependence in an interdependent world

Challenges:
- Re-establishing a constructive dialogue between the EC and Russia
- Possible redirection of gas flows into the EU pipeline system
  - Role of the new project “Turkish Stream”?
  - Connection of the project “Turkish Stream” to the Greek pipeline system?
  - Transit role of Ukraine after 2019?
Strategic Partnerships

Requisite:
1. Reinforcement or establishment of strategic energy partnerships with increasingly important (new and additional) producing and transit countries (e.g. Azerbaijan and Turkmenistan, Turkey, etc.);
2. Mandates granted to the EC to negotiate in the name of the EU some agreements with suppliers;
3. Adoption of the *acquis communautaire* of the internal market and bringing good governance to the South Eastern European countries, Moldova and Ukraine.

Possible tensions:
- Possible conflict of interest in Central Asia; Gas supplies could go to Russia, China or Europe
- Implementation of the *acquis communautaire* in Ukraine;
Emerging EU Energy diplomacy

Requisite:
1. Stronger leadership and authority of the European Commission;
2. European energy diplomacy strives to share and defend European interests in European trade policies (diversification of supplies + access to energy resources located outside the borders of the EU);
3. Eastern and Southern corridors at the heart of the EU energy diplomacy.

Challenges:
- Large EU MS are used to bilateral energy partnerships and agreements;
- Establishing a sustainable EU-Ukraine-Russia energy dialogue.
Work in progress

- Establishment of strategic partnerships with important producing countries, e.g. Turkmenistan;
- Development of the Southern Gas Corridor;
- Strengthening of the Energy Community;
- Strategy for LNG and its storage, removing obstacles to LNG imports from the US and other LNG producers;
- Improvement of the EU Emissions Trading System.
EU-Russia energy relations needs to get back on track!

Relations have deteriorated rapidly since 2014, but energy remains a topic of common interest that could be the basis for the resumption of dialogue between the Russian Federation, Ukraine and the EU.

Facts

- North American LNG will not free Europe from the need for Russian gas;
- From the point of view of production costs, Russian gas could remain the most economically competitive source of gas into European market;
- Diversification is a goal shared by the EU and Russia, at least regarding diversification of routes

What should we do?

- Reducing vulnerability to short-term supply disruptions and ensure sustainable diversification for all member states rather than attempting to eliminate Russian gas imports all together.
- Allowing the development of fair and non-discriminatory (regional or European) competition in the wholesale markets.
For more information…

• On European Fund for Strategic Investments:

• On security of supply issues and common purchasing, see the position of CEER:

• On PCIs: Map of PCIs for gas
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