GIVING SHAPE TO THE ENERGY UNION

Evolution, national expectations and implications for EU energy and climate governance

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Abstract: The “Energy Union” can be seen as the most significant policy idea that seeks to reform European energy governance, policy and regional cooperation. However, so far the concept is mostly an empty box in which every stakeholder tries to put whatever is on the top of their priority list. This paper tries to structure the discussion by first showing the roots and evolution of the “Energy Union” concept in the EU, focusing on proposals by D. Tusk, J-C. Juncker and the European Commission. It then provides a comparative analysis of four country cases representing different energy mixes and energy policy directions: Germany, France, Poland and Norway. Having analysed the different interests and standpoints we move on to exploring the possible scenarios for the future of EU energy policy, emphasizing the potential impact of “Energy Union’s” governance mechanism which can reach far beyond what is expected and provide welcome coherence in Europe’s energy and climate policy.

1. Introduction: a floating signifier?

The “Energy Union” can be seen as the most significant policy idea that seeks to reform European energy governance, policy and regional cooperation. It gives hope for solving the major paradox of EU energy policy – the inherent tension between national sovereignty over the energy sector and a community perspective based on solidarity, cooperation and scale. As such, it could help the EU energy policy overcome its ‘cardinal sins’ (Szulecki and Westphal 2014). However, so far it seems that the concept is mostly a floating signifier, or an empty box in which every stakeholder tries to put whatever is on the top of their priority list at the moment (Fischer and Geden 2015). The three objectives of EU climate and energy policy: security of supply, sustainability and competitiveness – remain unaltered, but the emphasis given to each of those goals is still open.

This paper looks at the evolution of the most recent incarnation of the “Energy Union” idea, tracing it back to the proposal put forth by the then Polish PM Donald Tusk in March 2014. We analyze the emphasis on different policy and governance instruments proposed by the European Commission (Commission) President Jean-Claude Juncker in the second half of 2014, and the official Commission project presented in February 2015, trying to position those proposals on the “energy policy triangle”, evaluating the explicit and implicit weight given to the goals energy security, sustainability and affordability.

We then present four case studies comparing the “Energy Union” visions of Germany, Poland, France and Norway. Each of these stands for a wider orientation in energy policy: on renewables' expansion, nuclear, coal and gas, with different degree of import (in)dependence and thus different energy and economic policy goals. For each of these countries we provide an overview of the energy system's structure, that determines its interests to a large extent. We then sketch how the "Energy Union" is depicted in national debates and what are the key justifications for this new idea. Based on the countries official proposals and statements we also try to position all four on the "energy policy triangle" and assess national priorities (i.e. specific policy instruments that the government argues for).

Finally, we analyse the influence of the different national standpoints and interests on the final proposal and the ongoing process of shaping the "Energy Union", and emphasize the possible role of "Energy Union's" governance mechanism. This is still a very general concept, but the direction it takes will determine the balance between national, coordinated and EU-driven energy policy as well as the coherence of energy and climate policy goals.
2. Energy Union - evolution of a policy idea

The notion of an "energy union" re-entered the debate in March 2014 as shorthand for a set of policy proposals put forth by the then Polish Prime Minister Donald Tusk. These reflected the central role of energy issues in the European project since its inception (Berglund 2009), and echoed earlier policy initiatives, most importantly the idea for a "European Energy Community" proposed by Jacques Delors in 2010, and the so called "Musketeer Pact", promoted by the Polish PM Kazimierz Marcinkiewicz in 2006.

Tusk presented the six pillars of his idea on March 29 2014, only a week after a European Council summit on the new 2030 Framework on Climate and Energy (2030 Framework). These were: i) EU member states' (MS) joint negotiations of energy (especially gas) supply contracts with external suppliers; ii) strengthening of solidarity mechanisms between MS in the case of a gas supply interruption; iii) expanding strategic and cross-border energy infrastructure, including pipelines, storage facilities and LNG terminals; iv) making full use of available indigenous European fossil fuels, like coal and shale gas, extracted in a sustainable way; v) diversifying oil and gas supplies through, e.g. shipping liquefied gas from the United States or Australia; vi) promoting the energy security of EU's neighbors by strengthening the energy community with Balkan states, Moldova and Ukraine.

In an op-ed for the *Financial Times*, proposing “an energy union”, Tusk emphasized that Europe should "confront Russia’s monopolistic position with a single European body charged with buying gas" in a wider effort of "breaking up the Russian gas monopoly and restoring free market competition" (our emphasis added) (Tusk 2014a). He pointed out that Europe is already applying such measures to the joint purchase of a different energy resource – uranium – through Euratom. Comparing this new “energy union” to the European Coal and Steel Community, which became the cornerstone for European integration, Tusk presented the six pillars with an even clearer emphasis on gas and referring to Russia as the major security concern.

Throughout April and May, Tusk promoted his idea of an "energy union", discussing with ten heads of state and prime ministers, the president of the European Council, the Energy Commissioner and the head of the Commission. In late May, Tusk recapitulated his main points in Brussels, accommodating some policy feedback. The visible shift was a stronger emphasis on the role of a “true, transparent and competitive” integrated European energy market, which "is yet to be built", and on the idea of openness and transparency in place of institutionalized joint energy purchasing (Tusk 2014b).

Tusk’s public statements made it clear that security of supply in the gas sector was the core of the proposed project, with affordability understood mostly in terms of bringing down the inflated contractual gas prices for some Central-Eastern European countries, including Poland. Environmental sustainability and climate change mitigation were visibly marginalized – present only in justifications of the rehabilitation of coal in the form of clean coal technologies. "Europe today begins to grasp that climate issues or environmental protection – also very important for us – cannot be ruining economic efficiency" – Tusk explained in May (2014b). It is not incidental that Tusk proposed this alternative framework for a common European energy policy in parallel to the ongoing negotiations over the 2030 Framework, while choosing very different accents.

The Ukraine crisis and fear of Russian retaliation for Europe’s economic sanctions through “the energy weapon” provided a window of opportunity in a debate which until early 2014 downplayed energy security concerns – ones that Tusk so strongly prioritized (Smith Stegen 2011; Szulecki and Westphal 2014). In March 2014, a European Council summit on energy security concluded that "efforts to reduce Europe’s high gas energy dependency rates should be intensified, especially for the most dependent Member States".
Simultaneously, the Polish government was promoting a non-paper on the issue, which contextualized the problem of gas and general import dependency in European terms, and strongly emphasized the role of the internal market. The non-paper elaborated on the six pillars (now differently ordered, with infrastructure on the lead) and providing statistical data, case examples and legal anchoring.

Tusk’s idea gained much media attention and political currency. On May 28 a Commission Communication displayed resonance with many of Tusk’s priorities, including stronger solidarity mechanisms, diversification and increasing internal production. The “Energy Union”, however, began to function mostly as a floating signifier and a popular buzzword. Several countries issued their own non-papers, each reflecting national priorities and (self)interest.

The “energy union” was soon taken over by other high-profile European policy-makers. The incoming Commission president Jean-Claude Juncker’s put “a new European Energy Union” on the top of his agenda. While departing from the same premises as Tusk’s policy project, emphasizing the need to pool resources, combine infrastructures, unite bargaining power, diversify energy sources and reduce energy dependency of several vulnerable states, it also added strengthening the share of renewable energy sources. This was framed not only in terms of climate policy, but also “an industrial policy imperative if we still want to have affordable energy at our disposal in the medium term. I therefore want Europe’s Energy Union to become the world number one in renewable energies” (Juncker 2014).

Those priorities translated into mission letters for the new Commission members – the vice-president of the Energy Union Maroš Šefčovič and the Commissioner for Energy and Climate Miguel Arias Cañete – who were charged with bringing about “a resilient Energy Union, with a forward looking climate change policy”. This included a 30% energy efficiency objective, thus visibly expanding the Energy Union idea from Tusk’s initial “gas union” and aligning it to the governance framework of the 2030 Framework. Šefčovič soon proposed his own five dimensions which were to frame the debate over the Energy Union: i) security, solidarity and trust; ii) the internal energy market; iii) modulation of demand; iv) decarbonization of the energy mix; v) research, development and innovation. His devotion to the initially core idea from Tusk’s proposal – a common gas purchasing platform – was meeting active resistance from sectorial organizations, and raised eyebrows from other Commission members, who suggested that this is a “non-issue” (Belin 2014). A focus on demand rather than supply was also taking the vague policy project into a new realm, possibly beyond the typical energy efficiency namedropping.

On 25 February 2015, the Commission presented its Energy Union Package, and a ‘Framework Strategy’. While the five points introduced earlier by Šefčovič remain almost unchanged, it is interesting to see new elements appear in the preamble, listing the justifications of an Energy Union. Moving far beyond Tusk’s insistence on economies of scale and joint bargaining position, the Commission envisages an Energy Union built on interdependence between the Member States. The ‘Framework Strategy’ also proposes the notion of a freedom of movement for energy. Energy would thereby add to the existing four freedoms of movement of goods, services, persons, and capital as a fifth freedom of movement. Last but not least, it suggests that there is need to “move away from an economy driven by fossil fuels … where energy is based on a centralized, supply side approach” (European Commission 2015a: 2) and to increase citizens’ participation in energy governance and ownership in energy transition (cf. Szulecki, Ancygier and Szwed 2015).

Three out of the initial ‘action points’ (the Commission lists fifteen altogether) resemble Tusk’s main ‘pillars’ – gas supply diversification, transparency of intergovernmental agreements and infrastructure expansion. However, in operationalizing these, the Commission displays very different priorities, since diversification of supply is to mean, firstly, looking for alternative energy sources, and only then alternative suppliers of supply routes. This is in line with...
insistence on the role of renewables both in the power and in the heating/cooling sector, where they are supposed to bring about increased independence from imports quickly and efficiently. As a result of this new conceptualization, the 2030 Framework is no longer a cul-de-sac, as in Tusk’s account, but an “integral part of the Energy Union” (European Commission 2015b: 4).

The Commission’s proposal was a push towards unifying European energy policy and overcoming its fragmentation (cf. Szulecki and Westphal 2014; Fischer and Geden 2015). The fifteen action points, coupled with a rough ‘roadmap’ (European Commission 2015c) are said to be initiating the process of Energy Union formation. While it is far more concrete than the initial vague ideas, the project is still open for debate until 2016. This became clearly visible on 19 March 2015, when the European Council met to discuss the Energy Union Package. A key figure in those negotiations was Tusk, this time in his capacity as the President of the European Council, and as commentators noted, appeared to have “reclaimed the Energy Union agenda” (Van Renssen 2015b).

The Council conclusions focused almost entirely on security of (gas, much less electricity) supply, and the option of “recourse to indigenous resources as well as sustainable low carbon technologies” (emphasis added). Energy efficiency did not appear in the conclusions at all, while MS sovereignty over energy policy was reaffirmed twice. Hence, the tension between a pan-European approach and national energy politics will remain, and in the end, while the Commission and the President of the Council can shape the agenda, it is for heads of governments and states to decide.

3. National Perspectives: comparison of relevant cases

To understand where the project is going and where the Energy Union might take us, it is thus crucial to look at the positions of some key players, both member states and important non-EU partners. Below we compare four country cases, selected to represent major dimensions and orientations in energy policy. Germany is arguably the most important player in European energy policy, but its interests and insistence on renewable energy expansion require regional coordination and delicate negotiations with neighbors. It is also depending on energy imports to a great extent. France is another major political actor, but its vision of energy and climate policy differs from that proposed by Berlin, mostly due to very large domestic nuclear capacity. Poland, often representing the wider group of Central-East European countries, struggling with their post-communist economic legacy and a coal-based power sector, is also voicing strongest concerns about import dependence in the gas sector and Russia’s influence on European energy policy – even though it has been and is relatively secure with its indigenous resource base. Norway, a non-member but a close partner of the EU and potentially a source of both gas, oil and flexible renewable energy, concerned with “security of demand”, and trying to influence the energy policy process before it is confronted with final outcomes that can go against its interests.

3.1 Germany: The silent Energiewende hegemon

No other EU member state is as influenced by its domestic transformation process as Germany with its Energiewende (energy transition). This specific energy strategy with a focus on nuclear exit, renewable energies and climate policy commitment, pre-structures the positions and policies which the government presents and advocates at EU level. Although Germany has not been an outspoken supporter of the energy union in the first place, officials generally take a rather positive stance on this policy process, focusing mainly on policies that support Germany’s domestic transformation.

Since the 2011 Fukushima nuclear accident, Germany conducts an energy transformation that is based on a broad societal consensus. Although energy mix and electricity production patterns had already changed in the years before, the political stability of the transformation process and
its framework has increased significantly since then. In the electricity sector, renewable energies have compensated for the loss of nuclear power plants that were turned off in the aftermath of Fukushima. Mainly due to market dynamics, natural gas has lost shares in the electricity mix as well. In the primary energy mix, mineral oil (35%), coal (hard coal and lignite together 25%) and natural gas (20%) are still dominant (AG Energiebilanzen 2015). The largest shares of oil and gas imports stem from Russia, with Norway and the Netherlands as further important suppliers. Due to its geographical location, Germany is integrated in the EU’s internal market for natural gas and electricity like no other EU member state. Although Germany remains the largest importer of oil and natural gas in the EU, it has become a net exporter of electricity during the last couple of years. This followed the massive increase of renewable energies within the time frame of just five years, from 16% in 2009 to 27% in 2014 (BDEW 2015).

The main challenges for and public debates in German energy policy at the moment seem to be threefold: First, the German government wants to achieve a 40% GHG mitigation target by 2020 compared to 1990. Since the country is not on track so far, either a strengthening of instruments at EU level needs to take place or national instruments will have to be introduced. Second, a debate about the introduction of capacity mechanisms was sparked in 2013. The government has so far resisted massive changes to the energy-only market. Third, the resistance against the introduction of capacity markets is based on the assumption of existing open European markets that could provide for some backup capacity and at the same time could be consumer of temporary German electricity exports as well.

German governments have not been outspoken advocates of new “energy community” or “energy union” proposals in the past. While the Lisbon treaty was seen as a necessary legal basis for further integration of energy markets and the inclusion of environmental concerns into energy policies, additional harmonization was not perceived to be necessary for the moment. In a long tradition of German energy policy, state intervention in energy markets in order to guarantee energy security is reduced to a minimum. The de-politicization and commercialization of energy relations was an important part of German energy policy especially vis-à-vis Russia for decades (Westphal and Fischer 2015).

When the energy union debate started to enter the sphere of EU energy and climate policy with the announcement of Commission President Juncker’s team and his mission statements, the German government was not openly supportive, but remained a rather silent observer of the process. From the beginning, it was clear that Germany was not going to join in on efforts towards joint gas purchases and the support of non-renewable domestic sources such as coal, unconventional gas drilling or even nuclear energy. From the government’s view, the energy union was rather supposed to translate the essentials of the Energiewende concept into EU politics or at least provide a framework that would not stand against the national transformation process (Fischer 2014).

The public debate and the media reports on the Commission’s energy union proposal have been limited in scope. Stakeholders published ‘wish lists’ for the future of the energy union according to their individual preferences. Actors with security policy backgrounds advocated a more nuanced policy towards Russia. In the energy policy community, however, the expectations towards the energy union have been generally low, since the domestic policy proposals for a reform of the German electricity market and new regulation on climate policy seemed to be more relevant. Even the proposal for a Market Stability Reserve in the EU Emissions Trading Scheme received slightly more attention among stakeholders.

When it comes to the next steps in the energy union implementation process, the German government will mainly try to advocate for environmentally relevant parts of the energy union and put pressure on a balanced approach of the five dimensions of an energy union proposed by the Commission. The German government is likely to speak for a nuanced approach and to
become a rather silent counterpart to the energy security oriented member states. Specifically, Germany wants to achieve three aims:

(1) Create a functioning internal market for electricity and gas that creates the necessary investment incentives and works at the same time as a backup for and as a consumer of German electricity supply. A strong regional cooperation dimension would be in line with a process recently started by the German government to find common grounds with neighboring states on electricity market design. The internal market also serves as the key answer to most energy security concerns brought up in the debate.

(2) Make the 2030 governance framework the core of the energy union by putting special emphasis on climate protection, renewable energy support and energy efficiency measures. While the German government would have preferred a prolongation of binding national renewable energy targets and a binding overall EU target of more than 30%, Germany now tries to make the best out of the binding 27% target on EU level. In order to make it work, the Commission should develop a governance framework that forces Member States to act on renewable energy policies while at the same time leaving support mechanisms widely under national control.

(3) Prevent Commission action that supports nuclear or fossil activities or uses state aid rules to influence national decisions on the energy transformation. Although this turns out to be a defensive proposal, it safeguards Germany's Energiewende from EU intervention in the name of the energy union, which would create a massive problem for the German government in steering the domestic process further.

3.2 France: Still getting its house in order

France’s attitude to the concept of a European Energy Union is fundamentally determined by its domestic energy objectives, diplomatic and economic policy preoccupations. However, before exploring these objectives and their influence on France’s attitude to the Energy Union project, it is helpful to have some background about France’s energy and emissions profile.

France’s total final energy consumption is dominated by oil (45%), nuclear power (22%), and natural gas (20%), with renewable energy including hydro and waste representing 9%. Given its large share of nuclear power (75% of primary electricity), France’s emissions are dominated by motor transport and energy use in buildings, although industrial emissions are a close third. The vast majority of France’s oil and gas is imported at high cost.

Many French positions on European energy policy can be traced back to four core economic, diplomatic and energy policy priorities:

i) Paris will host the UNFCCC’s international climate negotiations in November 2015 – the self-imposed deadline for countries to finalise an agreement on the international post-2020 climate regime. The Elysée is keen to ensure that its own domestic house is in order.

ii) A longstanding, unresolved debate about the role of nuclear power and the role of state-owned and virtual monopoly generator, Electricité de France (EDF).

iii) A concern about its fiscal and the current account deficits, to which fossil fuel imports are a major contributing factor. In 2012, fossil fuel imports accounted for 68 billion euros or 86% of France’s total trade deficit.

iv) A strong desire to re-establish a robust industrial base to its economy;

These four key concerns can be seen playing out in France’s answer to the Energiewende, the draft legislation known as the “Draft Law for Energy Transition and Green Growth”.

1 “Projet de loi pour la transition énergétique et la croissance verte”
in 2013/2014 – partly in response to socialist party President, François Hollande’s, election promise to reduce the share of nuclear power substantially, and partly in response to the COP21 – the Bill has been debated in the French Parliament in 2015. It is relatively ambitious in its headline objectives:

- Reduce the share of nuclear power from 75% to 50% of the power mix by 2025
- Reduce emissions by 40% by 2030 and 75% by 2050 relative to 1990 levels;
- Increase the share of renewable energy to 23% of final energy consumption by 2020 and 32% by 2030.
- Reduce total final energy consumption by 20% below 2012 levels by 2030 and by 50% by 2050;
- Deploy 7 million electric vehicles charging stations by 2030

Policy insiders acknowledge that many of the short term goals are unlikely to be met in full. More work is needed to ensure effective implementation. Nevertheless, these goals reflect the priorities of French energy policy. For instance, over and above climate mitigation goals, the strong focus on energy efficiency and electric vehicles reflect a desire to reduce the hefty energy trade deficit, while also pursuing green industrial policy and generating additional demand for the state’s surplus production of nuclear power.

The contradictions and bottlenecks of French energy policy are also evident in the policy debate. For instance, the proposition for a reduction in the share of nuclear power has recently run into opposition in the French Senate. Many on the right see France’s nuclear fleet as key to maintaining low-cost and low-carbon power and thus as essential to rejuvenating its industrial competitiveness. Paradoxically, however, the part of the Law calling for a rise in the share of renewable power to 40% by 2030 was not challenged. This episode is emblematic of a broader challenge for French energy policy vis-à-vis Europe: the nuclear question is a paralyzing force for determining a coherent vision of domestic energy goals. This in turn limits France’s ability to assert strong positions in Europe.

It is in this context that one should interpret other French positions on the Energy Union. The Energy Transition Law promotes a strong role for renewables in France in principle, but France does not want binding targets at national level for 2030. Moreover, given the cross-border price impacts of renewables expansion in neighboring Germany and Spain, and their potential influence on the business model of EDF, many French energy stakeholders have tended to feel threatened by an Energy Union that amounts to Europeanisation of the German Energiewende. For similar reasons, the interconnectivity targets also raise concerns: at 2800 MW currently installed between France and the Iberian Peninsula, France is now on track to meet only a fifth of the Target Model’s 10% goal.

The move to install a capacity market to sure-up the profitability of incumbent generators and thus support for EU acceptance of this approach under the Energy Union power market design review; the strong support for a reformed carbon market with a central role in power sector decarbonization; and calls for a more “measured pace” of renewables deployment at EU level are all different sides of the same phenomenon. However, it is interesting to consider what might happen to French policy positions on the 2030 Climate and Energy Package if the Law were to pass with the nuclear phase out provisions intact. Such a result currently seems unlikely, but not impossible.

France’s sensitivity to its relatively weak manufacturing competitiveness (outside of a few key national champions) also helps to explain its discomfort with the exemption of German industry from paying for the full cost of renewables. It means that France is likely to be favorable to further “harmonization” of state aid rules for renewables and energy efficiency. France would also be very eager to embrace any combination of climate or energy union goals that promote innovation and industrial innovation (such as CCS or “new nuclear”).
Finally, it is questionable to what extent France sees energy security and the conflict with Russia as a high domestic energy priority. Although France has long supported the notion of a common purchasing approach, in recent times it has benefitted from the increased natural gas liquidity in Western Europe (Sartor et al, 2014).

3.3 Poland: Between Russia and de-carbonization

Although presented as a “European” initiative, Tusk’s initial policy idea of an “Energy Union”, was designed in a way that addressed Poland’s energy policy concerns and interests. Gas supply has dominated the Polish energy security debates for years. This might be surprising, given that in 2009 gas accounted only for 13% of total primary energy supply – a third of which was extracted domestically. Over 80% of the imported gas was coming from Russia, which, as a consequence of current political and historic legacies, is perceived as the major threat to Polish energy security by many analysts and politicians.

Polish energy is dominated by coal, to a great extent – indigenous. In 2013 the share of coal was 54% in the energy sector and 88% in the power sector. To diversify the power mix in 2005 the government re-initiated the discussion about the construction of a nuclear power plant. At the same time, though, the largely state-owned energy companies embarked on massive investments in coal-fired power plants. Closures of unprofitable mines meet stark sectorial resistance, leading to hunger strikes and street riots – as the 2015 plan to close down four out of the largest state-owned coal mining companies fourteen mines showed.

But it is thanks to coal that Poland belongs to one of the least energy dependent EU member states. In 2013, it imported 25.8% of energy resources (EU average – 53%). Despite increasing coal imports from Russia, in 2013 coal exports to Germany allowed Poland to remain a net exporter. However, the health impacts, environmental regulation and high costs of coal extraction in the country combined with decreasing coal prices at the global markets could lead to change in the coming years.

Hopes were high that Poland could benefit from shale gas extraction. However, the mixed results of further drillings, high costs and complicated concession procedure led many foreign companies to withdraw from Poland by 2015. The renewable sector is lagging behind, and while in the power mix the share of energy from renewable sources increased from 2% in 2004 to 10.8% in 2013, this was mostly due to biomass co-firing in coal plants.

The Polish gas sector, due to its high import dependence is seen as highly insecure, and requiring support, while domestic coal (despite its growing price) is perceived as the key guarantee of energy independence (or autarchy), supported by the hypothetical shale gas reserve. Facing the possibility of growing import dependency in coal and gas, to secure alternative gas supply an LNG Terminal was proposed, and the site with a 5 bcm capacity is set to be operational in 2015, covering up to a third of Polish gas demand. “Clean coal technologies”, including CCS are a concession towards environmental sustainability and climate change mitigation, while renewables are perceived as a costly addition, by no means an envisaged foundation for future energy mixes. That is also the reason why the notion of “technology neutrality” (meaning an open window for coal, nuclear or shale gas) is consequently stressed by Polish negotiators.

In the national debate, the “energy union” was from the start presented as a “Polish idea”, for which mostly PM Tusk was credited. The crucial element of the union was joint purchasing of

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2 It was also noted that earlier, in 2009-2010, the idea of a “European energy community” was promoted by the then head of the European Parliament, Jerzy Buzek, together with Jacques Delors. Many commentators from the political right pointed out that some of the core ideas of Tusk’s project repeated an earlier policy initiative of the so
gas – in fact, the term “energy union” was sometimes used as if it were a synonym of that mechanism. Knowing that the prices of gas in long-term contracts with Russian “Gazprom” are influenced by political factors and that the CEE countries pay, on average, a higher price for the resource than their Western counterparts, the proposal made perfect sense from a Polish perspective. Many experts were quick to point out that it not only contradicts the common market logic, but will be impossible to push through with some Western partners with good relations with Russia (even despite the invasion of Ukraine), like Germany, Italy or the Netherlands.

Thinking in terms of an energy market is not dominant in Poland, where energy is seen as a domain of politics (and security) rather than policy (cf. Puka and Szulecki 2014: 131-2). The transparency of gas contracts as well as exploring the idea of joint purchase of strategic reserves of gas were presented as second-best options that the Ewa Kopacz government and president Tusk should promote. MEPs affiliated with the opposition were very quick to criticize the EC’s ‘Framework Strategy’ as ‘façade’, and a ‘disappointingly’ inadequate proposal to counter Europe’s energy security challenges. They also criticized Tusk for not pushing the issue of joint gas purchasing and the rehabilitation of coal strongly enough (PiS 2015).

The entire process, even if not delivering any clear results at this point, was unanimously applauded for putting energy security at the top of the agenda. Affordability (economic security) concerns are also underlined, and provide an important justification for joint purchasing and diversification of gas sources, but economic analyses of the impact on the different sectors are not available. Clearly the role of sustainability is diminished, and even if the government’s rhetoric denies it, the Energy Union is often seen as alternative, not complementary to the EU’s climate and energy policies (Backman 2015).

In consequence, the EC’s major reshaping of the “energy union” agenda, which saw the replacement of “rehabilitating hydrocarbons” with emphasis on decarbonization, and joint gas purchases with demand side responses, including energy efficiency, was perceived as Poland’s diplomatic failure. “De-carbonization” and EU climate and energy policy in general is very often portrayed in Polish political debates as a policy problem – an issue that has to be addressed – on par with import dependence (cf. Ancygier and Szulecki 2014a). It has been noted that climate change, although growing in importance, is not a salient political issue in Poland, and the country’s political parties are almost unanimous in criticizing the EU’s ambitious climate policy (Marcinkiewicz and Tosun 2015). Renewable energy is viewed by the government and public administration with a high degree of skepticism (Ancygier 2013; Skjærseth 2014), contradicting local and popular interest in energy transformation (Ancygier and Szulecki 2014b), while the German Energiewende is presented as a massive policy failure in both economic and security terms, with negative side-effects for neighboring states (Ancygier and Szulecki 2014a).

This said, the Polish government (even in case of a major political shift in the October 2015 elections) is likely to continue pushing for security of supply as the driver of the Energy Union. If joint purchasing is off the table, transparency and inclusion of the EC in interstate as well as private business negotiations and the use of existing anti-monopoly legislation will be key instruments. Solidarity translated into concrete mechanisms for crisis management as well as diversification of supply will be another point. In this, assuring that European financing is available for gas infrastructure projects (interconnectors and terminals) can play a role. Poland is likely to oppose concrete de-carbonization measures and defend “clean coal technologies”, as called “Musketeer pact” (i.e. “one for all, all for one”) aka the “Energy NATO”, which was proposed by premier Kazimierz Marcinkiewicz in 2006, in the aftermath of the first Russia-Ukraine gas crisis (Marcinkiewicz 2006). That idea, emphasizing security through solidarity in gas, oil and power supply, supported by Poland and Spain, and aiming to include both EU and NATO members (like Norway and Turkey) was quickly countered by France and Russia (Pawlicki 2006; Kubiłk 2006), and ultimately failed mostly due to a visible lack of experience in and respect for the practices of EU policy making on the Polish side (Gawlikowska-Fyk et al. 2014).
well as “technological neutrality”, and national sovereignty which would allow the country to continue its nuclear and coal (lignite) programs.

3.4 Norway: Securing petroleum interests

EU energy policy is of great importance to Norway even though it is not a member of the EU. Many EU decisions, including the renewable energy and EU ETS directives, apply directly to Norway as a party to the European Economic Area agreement (Gullberg, 2015). Moreover, the EU is Norway’s largest export market. This relationship works both ways, as is clear from the Energy Union ‘Framework Strategy’ where the Commission explicitly states that: “The EU will further develop its partnership with Norway, the EU’s second largest supplier of crude oil and natural gas [and] continue to integrate Norway fully into its internal energy policies” (European Commission, 2015a:7.)

Norway is a major energy producer and exporter. The petroleum sector represents 26% of the Norwegian Gross Domestic Product (GDP) (Statistics Norway 2013). It is the fifth largest exporter of natural gas and seventh largest exporter of oil worldwide. UK and Germany are the most important export markets for Norwegian gas (NMPE 2011), which is to a very limited extent used domestically. Norway is also rich in renewable energy, and yearly produces 120–135TWh from hydropower. Almost 100% of the electricity is renewable (NOU 2012b). Electricity is used for heating and cooling as well. The hydropower sector represents only 1.8% of the GDP and 0.4% of the national export, but Norwegian energy-intensive industries rely on an abundance of affordable hydropower, and themselves represent 7% of the GDP (Statistics Norway 2013). The petroleum industries and energy-intensive industries together account for more than three fourths of Norwegian export, and one third of GDP.

In spite of the importance of the EU for the Norwegian economy, the “energy union” debate was anything but prominent in the Norwegian media. Media coverage was dominated by opposition towards a joint purchasing body and the increasing competence transferred to the European regulators forum, the Agency for the Cooperation of Energy Regulators (ACER). Some articles discuss to what extent ACER is a constitutional challenge, because Norway has to transfer competence to an international organization (the EU) in which Norway is not a member.

In February and March 2015, the Norwegian government organized a hearing process on the Energy Union, with 15 participants. Organisations representing the petroleum sector focused on the joint purchasing body, which they consider as inconsistent with the Internal Energy Market (IEM). They refer to the former Norwegian gas negotiating committee (GFU), which coordinated gas sales from the Norwegian continental shelf until this practice was investigated by the Commission. The coordination of gas sales was considered to explicitly contradict the fundamental rules of the Internal Market, and the GFU was abolished in 2001 (Claes 2002, p. 316). In consequence, a joint purchasing body is not well received by the Norwegian petroleum sector. As in the public debate, the other main topics were the implementation of the 3rd Energy Package, the importance of keeping national sovereignty over Norwegian energy resources, and the constitutional challenges of ACER.

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3 The hearing process ran from February 25th to March 27th 2015. The analysis also uses the government’s preliminary position (non-paper) from February 6th, and an official letter from the Norwegian government from March 11th.
The official Norwegian position, submitted as a letter to President Tusk by the Norwegian Prime Minister Erna Solberg, supports a fully integrated internal energy market aiming towards efficient price signals (Norwegian Prime Minister 2015). Secondly, it emphasizes Norway’s role as EU’s second largest natural gas supplier, stating that gas may contribute to large emission reductions in the short term and provide the balancing power needed as the share of intermittent renewable energy increases. The letter thus calls for clear signals about the future role of gas in the European energy system. Solberg states that Norway "remain[s] highly skeptical to the notion of a joint purchasing mechanism for gas, as it is likely to reduce competition and run contrary to the desired liberalization of the energy market”.

As a large petroleum exporter with the Europe’s highest share of renewables, energy security is a question of security of demand rather than security of supply. This is illustrated by Norway’s call for clear signals from the EU about the future role of gas in Europe. Affordability is not mentioned in the Norwegian position, but earlier research shows that this is a major issue for Norwegian energy-intensive industries (Gullberg 2013; Gullberg et al. 2014). Norway’s official position does not mention the widespread concern over ACER’s increased competences.

Sustainability is an important objective for Norway, but greenhouse gas emissions from the petroleum sector has almost doubled since 1990. Unlike the EU emissions, Norway’s has not reduced its emissions since 1990. Norwegian petroleum is promoted as the most environmentally friendly petroleum in the world, and gas as an environmentally friendly alternative to coal.

Moreover, Solberg stresses her government’s support to a level playing field and EU ETS as the main tool for reducing emissions, and emphasized that Norway already meets the 15% interconnectivity target – even before the completion of two new interconnectors to the UK and Germany, which will increase interconnection capacity by 50%. Solberg supports energy efficiency through a flexible approach to the choice of policy instruments, and calls for inclusion of carbon capture and storage in the Energy Union strategy. The Solberg government actively seeks to influence EU energy policies, but as a non-EU member, the number of formal channels is limited. Although the Energy Union communication was watering down the original proposal of a joint purchasing body, this is still at the top of Norway’s agenda in the ongoing negotiations.

4. Energy Union governance: between national interests, European solidarity and climate policy

The Energy Union debates have uncovered several policy cleavages. The major one is Europeanization vs. maintaining member state sovereignty in the energy sector. Another is pitching security and affordability against sustainability in the notion of "rehabilitating” fossil fuels vs. enhancing renewable deployment. The third is the difference between a more conservative mindset that sticks to current governance schemes and business models vs. a transformative outlook emphasizing systemic transformation and innovation. Finally, there is a difference in temporal horizons in policy planning – between longer term processes proposed by the Commission and many experts (2030, 2050), requiring a review of today's decisions in the light of their possible mid- and long-term impacts (or lock-ins), and a more here-and-now approach, motivated by current energy prices and politics.

The gap between the Commission’s February 2015 ‘Framework’ and the March 2015 European Council conclusions shows, firstly, how open the future shape and scope of the Energy Union are, and secondly, how attached the Member States are to their energy sovereignty. The four case studies make it clear that different European states have interests which are difficult to combine, and at times even outright contradictory.
Jean-Michel Glachant suggests three scenarios for the Energy Union’s development, dubbed symbolically: Eurelectric-Eurogas (focused on the internal market); Vinois-Delors (stressing innovation, consumers and sustainability) and Tusk-Oettinger (emphasizing security of supply) (Van Renssen 2015a). The first scenario seems familiar – to strengthen integration in further dimensions of the market. This would require more regional and European coordination at different levels and in more institutionalized form. One of the early steps would probably be the expansion of ACER from an agency (which has already evolved from a mere forum) into something closer to a pan-European regulator. This would not only mean enlarging ACER’s budget to finance more staff, but also moving powers from national regulators to EU level. A step that many Member States and their regulators are not willing to take. The question is whether further integration can be reached without additional infrastructure expansion as additional interconnectivity (though mentioned by Tusk and emphasized by the EC) is both controversial, costly, and difficult to achieve politically (Puka and Szulecki 2014).

The second scenario is the most ambitious and holistic one. It envisages an “Energy Union+”, including strengthened innovation and consumer involvement as well as a sustainability not merely as an appendix, but as a core component of EU energy strategy. This is an idea of a Europeanized energy transformation. This scenario is most in line with the Commission’s proposals, and one that strikes a balance between all three energy policy goals. It would require strengthening EU influence in all energy-related fields, and seems to rest on a departure from a state-centered energy policy model. As such, it seem to be most difficult to achieve.

The third scenario, with an increased interest in Europe’s security of supply, is an attempt to continue business as usual in terms of governance, but with a refocusing on external security (necessary), and less emphasis on sustainability (probable). While this path can seem most likely, it still faces many obstacles, as the case studies have shown. Energy security perceptions vary considerably between Member States, as do degrees of external dependence and willingness to expand policy and governance instruments aimed at EU’s near neighborhood – both friendly, like Norway, and growingly hostile, like Russia.

An instrument, which influences Europe’s energy policy at a different level and counters some of the sovereignty logic of the last scenario is the carbon market. An element of the existing European climate and energy policy which should not be overlooked even if it is not directly addressed by some communiques the carbon market is a key European “energy union” instrument. It has the potential to unite MS around a common desire for transition through a carbon price that they all face. This is being reformed more ambitiously than expected and political agreement in that area was reached between very different views.

More importantly still, what all three scenarios seem to miss is the centrality of the governance mechanism that can bring about a different mode of integration, which combines bottom-up impulses from member states, bilateral coordination and regional cooperation, with a pan-European frame increasingly molded by the Commission. The governance mechanism was a key element of the 2030 Framework. There the Commission was charged with developing a “reliable and transparent governance system without any unnecessary administrative burden”. The main tools that the Commission envisages for that and which is set to be part of the Energy Union process are national plans. What was at first glance supposed to be a substitute and excuse for the missing national renewable energy targets in the EU 2030 framework and might seem to be a mere bureaucratic and descriptive reporting device, can in fact turn into an important driver of bottom-up coordination and energy policy convergence, overseen by the Commission.

This approach, if successful, could to a large extent “square the circle” of European paradoxical and fragmented energy policy, as it at the same time allows for streamlining and coordination, while keeping MS sovereignty to define policies fitting national interests intact. The Commission exercises considerable agenda-setting power in shaping what the national plans and reporting
requirements should be. The plans certainly have to depart from national needs and conditions, but already in the definition of national goals and appropriate policies to address them, MS would have to take into account the jointly agreed goals on renewable energy deployment, increasing energy efficiency and interconnectivity. Bilateral and regional coordination can be assured through consultations supervised by the Commission. The idea of national plans increases transparency of MS medium and longer-term energy policy strategies and allows other MS to express their concerns regarding possible trans-national impacts of given policies, as well as looking for regional synergies – crucial for overcoming fragmentation and increasing welfare beyond individual national energy systems.

This approach can also help in mainstreaming climate policy as part of EU coordinated energy policy plans, but do it in a way which is less one-size-fits-all, rather more responsive to individual state constraints and preferences. Within the expanded governance framework of the Energy Union, Member States would have to bring all the previously scattered plans, goals and targets together in one document, allowing for assessment of inter-sectorial effects of different policies. Some parts of the plans would have to be adjusted to the existing 2020 targets, by providing national strategies for the post-2020 period, while other areas covered by the Energy Union’s five pillars will require immediate action plans.

The Commission will have quite a bit to say about the options available for specific national strategies, since these would be anchored in existing and emerging EU legislation and planning. The EU level processes and initiatives that will greatly influence national choices of policies and instruments include the Renewable Energy package, the ETS, the Energy Efficiency Directive, a revision of security of gas supply and of the 2005 directive on electricity supply, as well as the emerging proposals on energy market design.

While at the moment the Commission is trying to sketch out a proposal for the governance mechanism by discussing details first in the 28 capitals, the crucial design issues can be put in three categories:

1. The scope of the Commission’s oversight. Originally, the governance mechanism was meant to substitute national targets in the renewables directive, by today, the debate ranges from renewables over climate policy to security of supply themes.
2. The strength of the EU influence on national plans will be an essential debate in this context. Will Member States give the power of rejecting plans to the Commission or will it rather be an issue of transparency?
3. The question of priorities could be one of fierce debate among Member States while working on design questions of the new governance. As described in the case studies above, the different national priorities will be difficult to combine. While Poland expects a strong governance on security of gas supply, Germany wants a guarantee that all governments work together on achieving the EU renewables goal.

The design of the governance mechanism will become the litmus test on the future of the Energy Union. Only if Member States agree to give power of scrutiny to the Commission and if a limited number of indicators with clear priorities can be defined, a meaningful impact of the instrument can be expected.

6. Conclusions

For the Energy Union to succeed, there will need to be integrated planning of energy and climate objectives. The growing fragmentation and renationalization in EU energy and climate policy puts that into question – as the four case studies presented in this article attest. The different dimensions will need to be increasingly brought into coherence if the different challenges can be met. The role of “national plans” in the context of a EU energy and climate governance system is
a potentially valuable innovation in this regard. As it would in principle allow for a more coherent overview of how Member States intend to fit the different elements together into a coherent whole and reveal both opportunities for coordination and inconsistencies and bottlenecks (where there is a role for the EU).

The governance approach is often interpreted as weakness on the side of the Commission. This is certainly an oversimplification that does not grasp the nuanced way European governance (here directly opposed to the classic government) works. The approach is arguably a necessary condition for driving a more organic and politically sustainable approach to the low-carbon transformation, by getting Member States to develop concrete visions of what they intend to do and to take ownership. Once they do that they can be asked to face their own contradictions and this can then be a basis for driving cooperation forward.

7. References:


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