

Opinion of the European Economic and Social Committee on 'Energy supply: what kind of neighbourhood policy do we need to ensure security of supply for the EU?'

(exploratory opinion at the request of the Hungarian presidency)

(2011/C 132/04)

Rapporteur: **Mr IOZIA**

On 15 November 2010, the future Hungarian presidency of the European Union decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on

Energy supply: what kind of neighbourhood policy do we need to ensure security of supply for the EU?

(exploratory opinion).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 March 2011.

At its 470th plenary session, held on 15 and 16 March 2011 (meeting of 15 March), the European Economic and Social Committee adopted the following opinion by 86 votes to four with eight abstentions.

1. Conclusions

1.1 The European Economic and Social Committee calls for:

1.1.1 a common EU foreign policy on energy to be rapidly and progressively stepped up in respect of security of supply and cooperation with supplier, transit and consumer countries, in a spirit of solidarity among Member States, tied in and integrated with the EU's security and defence policy, and taking account of the strategic importance of our energy supply;

1.1.2 a high representative for energy policy to be appointed, alongside the high representative for foreign affairs and security policy, given that energy security comes within these policy areas. The energy commissioner could be formally assigned this role;

1.1.3 an integrated approach to be adopted between internal and external policies and related policies such as neighbourhood policy or those related to environmental protection;

1.1.4 an end to energy unilateralism, which undermines the principle of solidarity among Member States, exposing countries with lesser bargaining power to serious difficulties in securing their supply at fair and sustainable prices;

1.1.5 the development of the energy community, and the extension of this partnership model to the countries of the southern Mediterranean, specifically tasked with fostering

energy efficiency, renewable energies, and network interconnections and interoperability. An objective of this new energy community should be to promote a new energy charter and a new protocol on energy efficiency;

1.1.6 access to platform 3 on energy security of the Eastern Partnership (EaP) and the systematic inclusion, into this platform, of representatives of working group 3 on 'Environment, climate change and energy security' of the EaP Civil Society Forum, given the fact that the voice of civil society, including the social partners, is still too often marginalised or even impeded;

1.1.7 energy to be placed on a new institutional footing; the current treaties have undoubtedly strengthened the EU's competence in this area, while still keeping it complementary to policies at national level, where responsibility should remain for deciding a country's internal energy mix. To this end, the Committee asks the Commission to explore the feasibility of an EU energy treaty, modelled on the Euratom Treaty;

1.1.8 a comprehensive multilateral agreement to be sought with Russia, aimed at safeguarding the EU's general interests. This policy should also be applied to the countries of the Caucasus, which are set to take on increasing importance in the future in terms of Europe's energy supply;

1.1.9 the development of strategic partnerships on energy efficiency and security of energy supplies with the USA, Japan, Brazil, India and China, and with a view to reaching a post-Kyoto global agreement on tackling greenhouse gas emissions; the renewal of existing agreements with the emerging democracies of North Africa and the Middle East, taking account of their development needs;

1.1.10 consideration to be given to holding an international conference on the issue, aimed at framing an energy charter and a protocol on energy efficiency that would be more effective, participatory, widespread and tied in with the economic and political connotations which energy has acquired;

1.1.11 Europe's energy dependency to be gradually reduced, by means of more robust, binding policies on energy efficiency, and support for the development of alternative and sustainable low-carbon energy sources;

1.1.12 the prioritisation of all the energy diversification projects carried out within the neighbourhood, such as the Caspian Sea-Black Sea-EU energy corridor, and, in particular, the Nabucco pipeline, liquefied natural gas infrastructure (LNG), the interconnection of electricity grids and the completion of the Euro-Mediterranean electricity (Med-ring) and gas infrastructure rings as well as the new oil infrastructure projects of European interest such as the Odessa-Gdańsk and Constanța-Trieste projects as well as *Nord Stream*, which is of major importance to Finland, and for which interconnection possibilities with the Baltic countries and Poland should be renegotiated;

1.1.13 every effort to be made by the EU institutions to seriously tackle the energy supply issue, on the basis of solidarity. The Committee calls on the Council, the European Parliament and the Commission to take all possible measures to utilise energy diplomacy, as a tool to protect and safeguard workers, businesses and Europeans' quality of life.

2. Introduction

2.1 This request from the EU Council presidency to the EESC concerns one of the most sensitive and fundamental aspects of the EU-27's strategy on energy: securing supply by utilising one of the EU's cooperation instruments, neighbourhood policy.

2.2 Over the last few years, energy has become one of the crucial, priority issues in economic, social and environmental policy. Sustainable development both now and in the future depends on the availability of energy, its careful and enlightened use, and research on new energy sources, linked in with the aim of a low-emission society.

2.3 Legal framework

2.3.1 The Lisbon Treaty (on the functioning of the European Union) (TFEU), has introduced a new Article 194, which establishes the EU's competences in respect of energy policy, which 'shall aim, in a spirit of solidarity between Member States, to:

- ensure the functioning of the energy market,
- ensure security of energy supply in the Union,

— promote energy efficiency and energy saving and the development of new and renewable forms of energy, and

— promote the interconnection of energy networks'.

2.3.2 Article 4(2)(i) TFEU provides for the EU to share competence in the area of energy.

2.3.3 With regard to international agreements, Article 216 TFEU bestows the necessary powers on the EU to conclude agreements aimed at achieving the EU's objectives.

2.4 The EU's dependency on third-country suppliers

2.4.1 The EU depended heavily on third-country supplies over the period 1997-2007 (Eurostat, *Energy, transport and environment indicators*, 2009 edition). Despite a fall in energy intensity of 17 percentage points, dependency on external supplies rose from 45,0 % to 53,1 %. Only Denmark continues to be a net exporter of energy – 25,4 % of its needs. Poland has seen its dependency rise from 6,4 % in 1997 to 25,5 % in 2007.

2.4.2 Malta, Luxembourg, Cyprus, Ireland, Italy and Portugal have the highest dependency rates, ranging from 82 % to 100 %.

2.4.3 As regards energy sources, EU-27 dependency on oil imports rose from 75,8 % to 82,6 %. Denmark was the only country that saw a notable increase in its exports, all of the other countries being net importers.

2.4.4 As for natural gas, dependency increased by a considerable 33 %, rising from 45,2 % to 60,3 %. Denmark and the Netherlands were the only net exporters, while Ireland recorded the highest increase: from 31,2 % to 91,4 % between 1997 and 2007.

2.4.5 Primary energy production in Europe fell from 962 384 ktoe in 1997 to 849 592 ktoe in 2007. The breakdown by fuel was as follows: 10 % coal, 12 % lignite, 14 % oil, 20 % natural gas and 28 % nuclear. Renewables accounted for 16 %.

2.4.6 Gross inland consumption rose by 6 %, increasing from 1 704 473 ktoe to 1 806 378 ktoe, with coal accounting for 13 %, lignite 6 %, oil 36 %, natural gas 24 %, nuclear 13 % and renewables 8 %. While oil, nuclear and lignite consumption remained largely stable over this decade, and coal use fell by 7 %, natural gas saw a rise of 20 % and renewables increased by 50 %, while still accounting for a very small share – 8 % – of the total.

2.5 Imports by country of origin

2.5.1 The main suppliers of fuel for energy production are as follows (2007 figures):

Natural gas	Oil	Coal	Uranium (2009)
Russia 39 %	Russia 33 %	Russia 25 %	Australia 22 %
Norway 26 %	Norway 15 %	South Africa 21 %	Russia 21 %
Algeria 16 %	Libya 10 %	Australia 13 %	Canada 19 %
Libya 5 %	Saudi Arabia 7 %	Colombia 13 %	Niger 11 %
	Iran 6 %	USA 9 %	Kazakhstan 9 %
		Indonesia 8 %	South Africa- Namibia 5 %

2.5.2 The above table shows a particularly high concentration of imports in just a few countries. Some 86 % of natural gas comes from four countries, 71 % of oil from five countries, 89 % of coal from six countries, and 87 % of uranium also from six countries.

2.5.3 The main partner for almost all fuels is Russia, from which the EU imports around 30 % of its energy needs, with these imports steadily increasing. The other partners providing the lion's share of our energy supply are Norway, Algeria and Libya – for liquid hydrocarbons – and Australia, Canada, Colombia and Niger – for coal and uranium.

2.5.4 Electricity presents significant fluctuations. Over the ten years covered in Eurostat's 2009 report, three years saw net exports, there were three years where the market was more or less balanced between supply and demand and five years saw spikes in demand vis-à-vis third country suppliers. Italy was the biggest importer – 46 283 GWh – and France the biggest exporter – 56 813 GWh. In 2007, net electricity imports in the EU-27 amounted to 10,5 TWh.

3. EU policy

3.1 The year 2008 saw a continuous rise in the price of oil and related hydrocarbons: from USD 90 in February, a barrel of oil reached the record level of USD 147,27 on 11 July. Previously, the issue of energy and security of supply was placed firmly back on the political agenda with the gas crisis that culminated in January 2006 with Gazprom cutting off the supply of gas to its Ukrainian counterpart Naftogaz. The 2009 crisis was worse still for the countries of Eastern Europe. The EU Energy Commissioner, Andris Piebalgs, dealt with the crisis firmly and intelligently and managed to maintain a regular

supply, despite the flow to EU countries falling back by around 30 % at that time, with a reduction in pipeline pressure.

3.2 Energy was already to the fore at the time of the ECSC – European Coal and Steel Community – (1952) and Euratom (1957) Treaties, just as, during the discussions that preceded the Rome Treaty, there were those who felt that the issue of energy should come fully within the remit of the Common Market and be firmly anchored to an EU competence.

3.3 Only after a number of years, in the face of a very serious crisis, came the realisation that Europe's energy dependency was not only of huge economic significance, but above all, that the supply of energy could readily be used as a weapon for exerting political pressure.

3.4 It is clearly a matter of great concern that the EU is increasingly dependent for its energy supplies on undemocratic and unstable areas and countries, in which human and social rights are often not respected, and on Russian suppliers, especially for gas. In the long term, this could create many difficulties not only for individual Member States, but above all for the overall security of the EU.

3.5 The international scene has changed utterly. The economic and political role of China, India and Brazil, the long-term strategies of the USA to conserve their domestic reserves as long as possible, driving up their energy demand on international markets, the growing instability and radicalisation of conflicts in exporting regions, all create a vital need for a radical shift in EU policy. Energy security now goes hand in hand with national security and economic development.

4. New scenarios

4.1 Given the strategic importance of energy security, the new scenario must explore every possible alternative in the neighbouring countries to the east, south, around the Mediterranean and in the Middle East. More urgency is needed in terms of giving full effect to the EU-Africa energy partnership; preparations should get underway to hold a major international conference on access to energy and energy security, aimed at drafting a new set of common rules. Should a new global energy security pact be agreed, the specialist international agencies should be tasked with monitoring its implementation. Given the vital importance of this issue, the major international institutions should be key players in this.

4.2 The EU should consider the security of energy supplies as one of the priorities of its external and security policy, creating a new role of high representative for energy policy alongside the high representative for foreign affairs. While there has been some progress on a common policy, there is a continuing tendency for Member States to keep a firm grip on the controls through bilateral relations with producer countries.

4.3 Despite the treaty changes and the new Article 194 TFEU, it is not yet clear how the EU is to exercise its competences and, in particular, how 'the spirit of solidarity' is to play out on the ground. There have been some advances, for example on strategic gas reserves, where a commitment based on solidarity has emerged for the first time. The Commission is trying to establish a serious external policy. A communication will be published this year on international policy and energy security. In spite of this, some Member States are, however, developing an autonomous external policy on energy supplies, particularly vis-à-vis Russia and certain Mediterranean countries. This poses serious problems for other countries, weakening the EU's collective bargaining power.

4.4 While the current wording of the Treaty is clearly a useful compromise, it is insufficient as regards tackling future challenges. Energy policy should be reconsidered in its entirety in a specific treaty modelled on Euratom, giving a prominent institutional profile to security policy, which includes energy security. Energy unilateralism must be ended through a robust common policy on energy solidarity, based on diversification, an energy mix adapted to the conditions and features of each individual Member State, and above all on environmental sustainability, given that the main sectors linked to energy needs, such as the production, transmission and distribution of electricity, transport and heating are by far the greatest greenhouse gas emitters.

4.5 Eastern dimension of the external EU policy

4.5.1 In the field of neighbourhood policy, for example vis-à-vis eastern countries such as Moldova, Ukraine and Belarus, despite recognised political difficulties, cooperation should be stepped up and those countries more closely involved in common policies, obviously in a context of respect for democratic rules and human rights, which have recently come under severe strain in Belarus with the violent repression of opponents. The experience of the Energy Community involving eastern and Balkan countries has been a positive one. Launched to pave the way for a possible integration of the countries of former Yugoslavia, the Community has gradually been enlarged and the recent accession of Ukraine will further embed this project in the neighbourhood and in Central Asian countries such as Uzbekistan and Kyrgyzstan.

4.5.2 In 2008, Poland and Sweden proposed setting up the Eastern Partnership as an EU initiative aimed at six neighbouring countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), with the aim of deepening political cooperation and economic integration and establishing multi-lateral cooperation structures in the region. The first official summit of Eastern Partnership countries which launched the partnership activities, took place in Prague on 7 May 2009.

4.5.3 The EESC has been involved in three of the four thematic platforms of the Eastern Partnership (EaP) and urgently claims access to platform 3 on energy security which deals with the strengthening of the Energy Community and the Energy Charter, improved energy efficiency and the role of renewable resources. Enhancing energy efficiency in the economies of the EU's eastern partners and promoting use of renewable energy resources in neighbourhood countries should be one of the key courses of action in the framework of the partnership. Further steps are also required to promote cooperation, modernise energy distribution infrastructure and foster other mutual ties between energy production and distribution networks.

4.5.4 These issues are of vital importance to civil society and should not be left to the exclusive consideration of public authorities and financial institutions. The EESC demands that EaP platform 3 include systematically, not only on an ad-hoc basis, representatives of working group 3 on 'Environment, climate change and energy security' of the EaP Civil Society Forum, given the fact that the voice of civil society, including the social partners, is still too often marginalised or even impeded. The initiative to create a business forum within the framework of the Eastern Partnership is an attempt to strengthen social dialogue on the economy and thus energy.

4.6 *Euromed dimension of the external EU policy*

4.6.1 The ongoing political changes in several southern Mediterranean countries make it imperative for policy-makers to consult and involve civil society on both shores of the Mediterranean in future common energy policies in order to ensure that such policies are not seen as having been imposed from the top or from the outside, and are instead genuinely supported by the broader public. The EESC is working to establish an Assembly of Economic and Social Councils from the Mediterranean region by autumn 2011. This Assembly could provide a vital forum for civil society exchanges on energy policy.

4.6.2 The EU should propose a specific energy community involving the countries of the southern Mediterranean. Completion of the Med-ring electricity grid, projects in the pipeline such as Desertec, the Mediterranean Solar Plan, and Mediterranean cooperation itself should lead us to step up cooperation, in the Maghreb for example, in the areas of energy efficiency, renewable sources, transmission, grid inter-connection, and the upgrading of generation and distribution systems.

4.6.3 The benefits for the EU are obvious. Bolstering our Mediterranean partners' infrastructure will help them pursue a range of common objectives: sustainable development, reducing overall energy demand, which will help stabilise energy security and commodity prices, and cutting emissions.

4.6.4 This support, partly financial – via the EIB in the case of the Mediterranean countries and the EBRD for some of the countries coming within its remit – could come under the heading of the economic aid that the EU should commit to providing for less-developed countries to enable them to pursue sustainable low-carbon development.

4.7 In the near future, programmes aimed at significantly improving energy efficiency will form the strategic axis on which the Community will support the partner countries. This project ties in with environmental cooperation and the post-Kyoto goals.

4.8 The aims of the new 'energy diplomacy' to be engaged in with supplier, transit and consumer countries should be placed on a new EU institutional footing and incorporated in agreements and treaties modelled on the Energy Charter Treaty and Protocol on energy efficiency; these instruments for cooperation and international dispute resolution have been in existence for twenty years now, but have not proved particularly effective.

4.9 The EU should promote a new energy charter and protocol with the southern Mediterranean countries, and

revise and bolster the current charter, binding Member States to a policy of energy solidarity. Progress in the integration of Baltic States is particularly significant here.

4.10 The Arctic and the Barents Sea will become one of the most dynamic economic development areas of the EU, and an area of crucial importance to Norway, Russia, the United States and Canada. The interests of this region, both locally and globally, are a European issue that can only be dealt with as part of a strong and realistic policy on the part of the EU.

4.11 Unilateralism has drastically reduced the EU's bargaining power and has effectively enabled supplier countries, notably Russia, to have a decisive bearing on the democratic choices of some of its neighbours. The EU accounts for over 67 % of Russian energy exports and for obvious geographical and political reasons, markets as accessible as ours would be hard to come by.

4.12 Russia should be admitted to the WTO, on condition that it gives precise guarantees on the conduct of its energy monopolies, which are often guided and sustained by the political authorities, and, of course, that it resolves its conflict with Georgia by concluding a bilateral agreement.

5. **Strategic partnerships with the USA, Japan, Brazil, India and China**

5.1 It will be crucially important to forge strategic partnerships with the key players in the global energy market: the USA, Japan, Brazil, India and China. Cooperation and agreement here should specifically cover supply security and fair prices; giving priority to energy efficiency; and cutting greenhouse gas emissions.

5.2 The issue of energy-supply security, which has obvious repercussions for security in general, sustainable development and combating climate change, requires a broad multilateral consensus. Economic competition must not jeopardise peace and stability and we must ensure that existing international tensions, simmering in many supplier areas, are not further stoked.

5.3 Energy has long been on the agenda of the G20. These discussions, which often go no further than a list of good intentions, should culminate in agreements and strategic partnerships. Probably the most realistic approach is bilateral agreements. The EU often forgets that it is the world's largest

economic area and fails to impose its agenda on its partners, an agenda aimed at strengthening the main lines of EU foreign policy, which must continue to promote democratic principles, respect for human rights, the self-determination of peoples and the rejection of war as a means of resolving conflicts between them, the resolution of which requires stronger international institutions.

5.4 The new emerging economies are just as interested as the EU in an international situation whereby energy supplies are stable and guaranteed, at reasonable prices. The EU's action here should also focus on entering into strategic partnerships with these countries, favouring a set of rules, within a market economy, that strengthen cooperation and prevent an unnecessary and costly rush to hoard commodities.

Brussels, 15 March 2011.

The President
of the European Economic and Social Committee
Staffan NILSSON

APPENDIX

to the Opinion of the European Economic and Social Committee

The following amendment, which received at least a quarter of the votes cast, was rejected in the course of the debate:

Point 1.1.12

Delete end of sentence:

'the prioritisation of all the energy diversification projects carried out within the neighbourhood, such as the Caspian Sea-Black Sea-EU energy corridor, and, in particular, the Nabucco pipeline, liquefied natural gas infrastructure (LNG), the interconnection of electricity grids and the completion of the Euro-Mediterranean electricity (Med-ring) and gas infrastructure rings as well as the new oil infrastructure projects of European interest such as the Odessa-Gdańsk and Constanța-Trieste projects as well as Nord Stream, which is of major importance to Finland, and for which interconnection possibilities with the Baltic countries and Poland should be renegotiated'

Reason

Let national politicians and economists decide the importance of these projects for the abovementioned countries, especially as the route of Nord Stream is still the subject of dispute in connection with access to the port of Świnoujście.

Result of the vote

For:	33
Against:	46
Abstentions:	17
