

Opinion of the European Economic and Social Committee on 'Involving civil society in the establishment of a future European Energy Community' (own-initiative opinion)

(2012/C 68/03)

Rapporteur: **Mr COULON**

On 14 June, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

Involving civil society in the establishment of a future European Energy Community.

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 20 December 2011.

At its 477th plenary session, held on 18 and 19 January 2012 (meeting of 18 January 2012), the European Economic and Social Committee adopted the following opinion by 183 votes to 2 with 8 abstentions.

1. Conclusions and recommendations

1.1 The Committee endorses the Commission's recent initiatives aimed at pressing ahead with interconnection and completing the internal market in energy. It also supports the efforts made – particularly by the Council – to bolster the position of the EU and its Member States on the international stage. The Committee particularly notes the Energy Roadmap 2050 which was published by the European Commission on 15 December 2011 with a view to achieving 'a European approach, where all Member States share common understanding (...)'.

1.2 The Committee supports the principle of creating a European Energy Community (EEC) and endorses the interim steps that this would entail, including regional European energy networks, a renewable energy development fund and a gas purchasing group.

1.3 The Committee recommends going further and integrating European markets in order to align and reduce energy prices. As regards the energy mix, it also recommends making the most consistent and efficient choices at EU level. Groups of States could formally enter into enhanced cooperation based on priority infrastructure projects, interconnection and complementarity in energy production and supply.

1.4 The Committee proposes concentrating investment, including at national level, on research in the field of low-carbon energy technologies. The emphasis should be placed on renewable energy and on major projects likely to contribute to the reindustrialisation of Europe and to job creation.

1.5 The Committee calls for universal access to energy to be included among the goals of the EU's common energy policy. It believes that end users should be systematically informed of

their rights by the relevant authorities or by energy distributors, and that, where necessary, consumer protection should be bolstered. The Committee calls for the problem of fuel poverty to be addressed forthwith by means of a 'European energy solidarity pact' for instance.

1.6 The Committee calls for the establishment of a joint body on fossil fuel supply. It also calls for the EU to be given greater powers as regards the negotiation and scrutiny of international energy supply agreements.

1.7 The Committee recommends stepping up cooperation on energy with developing countries and the EU's neighbouring countries in a spirit of development and partnership.

1.8 Given the high environmental stakes, the scale of investment required, the social repercussions of political decisions taken, their consequences on people's lifestyles, and the need for public support, it is crucial that the public be informed about and involved in the debate on energy issues. The Committee calls for the establishment of a European civil society forum tasked with monitoring energy issues which would enable member organisations to put forward their views to decision-makers.

1.9 The Committee must provide a forum for regular structured debates with European civil society on developments in the European Energy Community.

1.10 The Committee recommends taking stock of progress made by 2014 with the aid of Article 194 of the Treaty on the Functioning of the European Union (TFEU), and then considering whether changes are required, on the basis of the proposals set out in this opinion.

2. The EU's energy policy: challenges, progress and limitations

2.1 The EU's energy landscape is marked by a growing imbalance between domestic production and consumption, and a high and entrenched dependence on carbon-based energy sources. The EU thus faces three major challenges at the same time, which on the face of it are not easy to reconcile:

- combating climate change and making the transition to a low-carbon society;
- securing integration, an efficient internal energy market and affordable energy prices; and
- ensuring secure energy supplies.

2.2 The objective of creating an internal market for electricity and gas dates back to 1996 (first liberalisation package) but 15 years on, the internal energy market is still a distant dream: only 10 % of electricity transits between countries, consumers are still unable to choose a supplier established in another Member State, the development of renewable energy – intended to become the main source of electricity production – is still based on national support mechanisms, network planning is still largely a national competence (ACER being competent only for cross-border capacity, whereas a genuinely integrated market also requires joint action on national networks), and the EU still does not deal with supplying countries as a single bloc, etc. Key policies pertaining to the gas and electricity sectors are still chiefly decided at national level.

2.3 The scale of these issues and the high degree of political, economic and technical interdependence between the EU Member States mean that joint action is needed, giving priority to the EU's collective interest over what are seen to be national interests.

2.4 The aim now is to finalise the construction of the internal energy market in 2014. Establishing a European energy system is something that Europeans want. Recent European Parliament Eurobarometer surveys (Standard EB 74.3 on Energy of 31 January 2011 and Special EB 75.1 of 19 April 2011) show that (i) Europeans believe in European added value here and would prefer a Community approach; and that (ii) their concerns mirror the major challenges outlined above, in the following order: price stability, renewable energy and security of energy supply. As regards security of supply, 60 % of the Europeans surveyed felt that they would be better protected through measures coordinated with the other EU countries. Finally, some 78 % of Europeans endorsed the proposal for a European Energy Community.

2.5 The Committee thinks that by responding effectively to the public's major concerns, the EU would restore legitimacy to

its endeavours. Phasing in a European Energy Community is the best way to cushion the impact on Europeans of the economic and social consequences of energy challenges. The de facto energy dependency between Member States poses a major threat to EU cohesion if it is not accompanied by democratic governance arrangements enabling joint decisions to be taken for the common good.

3. Towards a European Energy Community (EEC)

3.1 Against this backdrop, Jacques Delors has put forward the idea of creating a 'European Energy Community' (EEC), a project backed by Jerzy Buzek. The Committee believes that this policy proposal, which was the subject of a detailed report drawn up by the think-tank *Notre Europe* (see: http://www.notre-europe.eu/uploads/tx_publication/Etud76-Energy-en.pdf), could provide an effective response to the energy challenges, while restoring legitimacy to and revitalising the European venture.

3.2 A number of options are proposed, from retaining the status quo (Article 194 TFEU) to concluding a new energy-specific treaty.

3.3 The following interim steps are also proposed:

- strengthened cooperation around European regional energy networks;
- a common energy fund for developing new technologies;
- the establishment of a European gas purchasing group.

3.4 The Committee, which has already adopted opinions putting forward the idea of a European energy SGI⁽¹⁾, feels that the EU should capitalise on the momentum created by the *Notre Europe* think tank's report and go further by involving civil society in the debate, as well as by implementing measures to achieve the goals of integration and cooperation.

4. The EU is moving towards a more integrated energy policy

4.1 The Committee welcomes the initiatives put forward by the European Commission in response to Europe's energy challenges, including its recent proposals on crisis prevention, networks and infrastructure, and security of supply in relation to third countries. These proposals pave the way to increased solidarity, cooperation and efficiency and converge towards a common vision.

⁽¹⁾ OJ C 175, 28.7.2009, pp. 43-49.
OJ C 306, 16.12.2009, pp. 51-55.

4.2 The Committee welcomes the recent proposal for a Regulation on guidelines for trans-European energy infrastructure (COM(2011) 658 final) which follows on from the blueprint for an integrated European energy network put forward in 2010 (COM(2010) 677 final). It will set out its views in a separate opinion (TEN/470 opinion).

4.3 The Committee supports the Commission's initiatives aimed at equipping EU energy policy with an integrated and coherent external dimension, to help secure energy supplies from third countries (COM(2011) 539 final). The Committee supports any strengthening of the EU's position regarding its external partners. It looks closely into this issue in its TEN/464 opinion.

4.4 The Committee endorses the information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy (COM(2011) 540 final). This Commission proposal is important in terms of asserting the primacy of the collective interest over national interests (TEN/464 opinion).

5. A more ambitious and participatory effort is needed to tackle the challenges ahead

5.1 Despite this significant progress, the Committee believes that we need to go further in terms of joint governance of energy issues, with particular regard to the 2050 low-carbon energy system objective.

Towards an integrated EU energy market

5.2 EU energy legislation should focus more on a joint approach to energy production. This is especially true of renewable energy, for which national objectives are set. The most cost-effective investments should be prioritised on the basis of the costs and benefits of production within the EU. Increased solidarity is also necessary during low production periods at EU level. This may require EU legislation to be adapted.

5.3 The Committee thus reiterates the importance of joint planning and interconnection of networks in order to smooth out congestion, particularly at borders. The Commission should play a driving role in this respect. Private operators must also be given a long-term view of return on investment. In this context, public-private partnerships could be envisaged.

5.4 Although choice of energy mix is a national competence, the Member States must act responsibly when taking decisions on energy production. Decisions taken unilaterally by certain Member States, such as those taken in the wake of the Fukushima accident making it harder to balance energy demand and production at regional level, must henceforth be taken by common accord at EU level, given the high degree of interdependence. In the long term, with the rise of renewable

energy it will be essential to act together to guarantee a sufficient energy production buffer to meet any shortfall in production from renewable sources.

5.5 For Member States, the absence of coordination undermines the reliability of their energy supply and nullifies efforts made in parallel to build up interconnections and solidarity in the EU. At the same time, abandoning nuclear energy (a low-carbon energy source) in the short term should not mean a major shift to the use of polluting energy sources, which would run counter to the EU's objective. This should be undertaken with the greatest transparency and in consultation with representatives of civil society organisations.

5.6 The Committee believes that given the energy dependency between the Member States, energy independence can only be achieved at EU level and not on a national basis.

5.7 The Committee suggests exploring the idea of establishing common approaches among subgroups of Member States or operators on the basis of their respective energy mixes and cross-border energy trade practices. This regional coordination would mean greater consistency in the energy choices of the Member States concerned and greater security of supply. These groups could also make the most of each other's energy resources in terms both of renewable energy and of electricity generation based on other energy sources.

5.8 The Committee proposes that these groups should have responsibility for choosing their energy mix and their infrastructure network. Coherent and interconnected regional energy communities could in this way be developed. The advantage of these communities would be the establishment of similar market conditions (energy prices, renewable energy subsidies, customer relations, etc.) among the Member States involved.

5.9 One policy successfully harmonised in some European regions demonstrates that policy harmonisation has a clear impact on market integration: coupling markets for the allocation of transmission capacity. Through price coupling between countries it is possible to establish a single trade area (and as a result single price areas) when interconnection capacities do not curb cross-border trade. Price coupling contributes to the creation of a single European market for electricity. Nord Pool Spot introduced 'price splitting' in 1993, and in 2006 price coupling was applied for the first time in France, Belgium and the Netherlands. In time, these market conditions would be expected to offer consumers broad trans-European choice.

5.10 The Committee would highlight the economic opportunities that these macro-regional groups could present for the Member States, not least given the economies of scale involved and the industrial development linked to renewable energy sources.

5.11 The Committee maintains that it is in favour of a diversified and sustainable energy mix. National choices should be made in line with EU legislation and objectives. The Committee stresses that these choices must not have disproportionate adverse effects on the economy, environment and society. With this in mind, the EU should explore new energy sources such as shale gas, following broad and transparent consultations with representatives of civil society organisations, in order to avert the risk of a divergence in national approaches.

Fostering the EU's competitiveness: pooling and increasing financial resources

5.12 Joint research efforts between Member States and operators should be encouraged and appropriate research networks and communities put in place, particularly in the field of renewable energy and low emission technologies, for example through technological research platforms.

5.13 Given the considerable investment needed and current budgetary constraints, the resources available should be directed towards the major challenges. It is important to establish closer links between national and EU funding. This may entail Member States directing their national support for research towards projects tying in with the EU's objectives.

5.14 It is necessary to assess whether a consolidation of the funds available for infrastructure and research could increase the effectiveness of funding. This could mean allocating fixed amounts to energy projects under the various EU and national funding programmes.

5.15 If an assessment here were to prove positive, the use of bonds to finance projects could be an effective way to increase resources for the promotion of research and the deployment of renewable energy sources and infrastructure.

5.16 It is important to prioritise EIB loans more effectively with regard to the EU's key infrastructure projects. Investments by the macro-regional groups of Member States should be eligible for EIB loans.

5.17 A comprehensive and coordinated drive towards renewable energy could help the EU to emerge from the current economic crisis. The availability of affordable energy is vital to economic competitiveness. The benefits would be numerous: job creation, expertise, reindustrialisation of the EU, etc. Projects such as the supergrid or the development and deployment of smart grids could be conducive to industrial cooperation and enhanced innovation across the EU.

An energy policy for all

5.18 Universal access to energy should be included among the goals of the EU's common energy policy, beyond mere market integration.

5.19 Fair and transparent energy prices enable businesses to grow and invest. Attaining affordable energy is dependent on making effective choices, establishing an integrated and transparent internal energy market and expanding the oversight powers of national and EU regulators.

5.20 EU legislation grants consumers a series of rights, but many consumers are not fully au fait with these rights and fail to exercise them. The Committee urges the relevant authorities or energy distributors to systematically inform end users of their rights. It calls for regular reports on the enforcement of consumer rights to be published at national level. Where necessary, further measures could be taken to ensure the enforcement of consumer rights.

5.21 Over the winter of 2010-2011, between 50 and 125 million Europeans suffered from fuel poverty (depending on the definition used). Those affected by this insecurity are generally the most deprived and poorly-housed people, who often live in buildings with inadequate insulation and are not even able to pay the social tariffs introduced in some Member States. In tandem with the necessary drive at EU level towards energy efficiency and demand reduction, the Committee suggests launching a fresh debate on strengthening solidarity mechanisms across the EU-27 to combat fuel poverty, beginning with a common definition⁽²⁾.

5.22 A 'European energy solidarity pact' could thus enshrine the strategic and vital nature of energy (accessibility, affordability, regularity, reliability and provenance). Such a European social energy 'shield' would demonstrate the EU's responsiveness to public concerns. It would form an integral part of the drive for greater social harmonisation, something that is needed to strengthen and restore meaning to the European venture. It would need to be implemented by means of practical measures at the appropriate levels.

Strengthening the external dimension of the EU's energy policy

5.23 The Committee endorses the proposal from the *Notre Europe* think tank on creating a European gas purchasing group if participating States and companies can benefit from greater bargaining power, secure their supply and reduce price volatility, in compliance with competition rules. This could be taken a step further by establishing a common supply structure for gas, and possibly for other fossil fuels.

⁽²⁾ EESC opinion on *Energy poverty in the context of liberalisation and the economic crisis*, OJ C 44, 11.2.2011, pp. 53-56.

5.24 In cases affecting several Member States, the Council should confer a mandate on the Commission authorising it to negotiate energy supply deals with third countries on the EU's behalf. The Committee welcomes the Council's decision to empower the Commission to negotiate agreements with Azerbaijan and Turkmenistan on behalf of the Member States as regards supplying gas via the trans-Caspian pipeline. It calls on the Council and the Commission to make this standard practice under such circumstances.

5.25 The Committee recommends closer monitoring by the Commission of all national-level energy supply deals concluded with third countries. The Commission should be able to approve these agreements on the basis of their positive or negative repercussions on the EU as a whole (TEN/464 opinion).

5.26 The Committee recommends taking an approach based on development and partnership with the Euromed countries and the EU's eastern neighbours, which would enable the EU to diversify and secure its energy supplies (e.g. as regards renewable energy, by means of projects such as Desertec, the Mediterranean ring, the Mediterranean solar plan and Medgrid), and to help its partners to tap their potential. The EU could provide technical support and bring to bear its expertise and skills in training and project management (REX/329 opinion).

5.27 The Committee believes that the EEC and its various precursors should be equipped with a strong external dimension aimed at promoting developing countries' access to energy. These countries should be helped to produce the energy they need but they must also be able to export it to Europe so as to finance their investments.

5.28 The Committee takes note of the conclusions of the Transport, Telecommunications and Energy Council meeting of 24 November 2011 calling for a stronger external dimension for energy policy. It also notes the Council's priorities and reiterates its request for better integration of energy policies, entailing at least systematic consultation before decisions are taken. With regard to the method, it recommends a Community approach carried out in close collaboration with the Member States whenever this would provide added value.

Involvement of civil society

5.29 Given the high environmental stakes, the scale of investment required, the social repercussions of political decisions taken, their consequences on people's lifestyles, and the need for public support, it is crucial that the general public be involved in the debate on energy issues. Europeans have the right to clear and transparent information on the energy choices

made at European, national and regional level⁽³⁾. National ESCs have an important role to play in this respect. Information and consultation campaigns on the major energy issues facing Europe are required. Emphasis must also be placed on energy efficiency.

5.30 Europeans should also be enabled to express their views regularly on these major policy choices. Consultations could be organised at the appropriate level. The Committee has conducted such consultations for many years at EU level (on nuclear energy, CCS (carbon capture and storage), etc.). National, regional and local authorities are invited to organise a broad consultation of civil society.

5.31 The Committee proposes setting up a European civil society forum tasked with monitoring energy issues. This forum would work closely with EU institutions and would meet regularly to contribute to a multiannual energy market integration programme. It could bring together European and national organisations active in the field of energy. The forum could be consulted on the design of the EU's energy network, the transition to a low carbon energy system by 2050 and the resulting socio-economic issues. Its members should also be kept fully informed, and could pass this information on to similar organisations in the Member States.

5.32 Winning public acceptance of energy choices poses a further energy challenge (nuclear, CCS, wind farms, high voltage lines, etc.). Participation and responsibility go hand in hand. The Committee, which chairs the 'Transparency' working group within the European Nuclear Energy Forum (ENEF), could help provide clear information for citizens and engage with them via its website (disseminating best practice, monitoring initiatives, cooperation projects and developments in the industry, and gathering the views of civil society for discussions in the civil society energy forum and dissemination to policy makers). The Committee calls on the Commission and the Member States to provide relevant public information via neutral and objective channels. Civil society organisations and consultation forums have an essential role to play here.

Considering possible longer-term institutional developments

5.33 Establishing a European Energy Community remains the ultimate goal. However, given that it may be difficult for 27 Member States to move simultaneously in the same direction, closer cooperation between Member States, particularly at regional level, could enable faster progress to be made. However, these actions should not go against EU legislation or other initiatives, and this should be ensured by means of ongoing consultation and involvement of the EU institutions. If necessary, more formal mechanisms could be established.

⁽³⁾ For example, for nuclear energy in France, see: ANCLI, Association nationale des comités et des commissions locales d'information (National Association of Local Information Committees), set up by a Council of State decree.

5.34 The Committee recommends taking stock of progress made by 2014 with the aid of Article 194 TFEU and then considering whether changes are required, on the basis of the most ambitious proposals set out in this document. A new institutional framework could be envisaged along the lines of the ECSC Treaty. It should be possible to integrate any new institutional architecture and its acquis into the structure of the EU, should Member States so decide.

Brussels, 18 January 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON
