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The EU Energy Union as a means for promoting European integration

Position Paper by

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1. Introduction

On February in 2015 the European Commission published a policy document called The European Union (EU) Energy Package (European Commission A). The package consists of one roadmap with strategies and 15 action points on how to create an Energy Union and reaching climate targets regarding reduction of emissions, energy efficiency, energy supply and renewable energy sources. The components of this package are not new to the European Commission, but to make the member states follow the strategies and reach the goals has for a long time been a challenge. However, the Ukraine crisis and the impact from Russia in 2014 put a whole new light on this political discussion and contributed to the success of promoting an Energy Union. Suddenly the question of energy security and securing energy supplies was in the center of the European debate. It was the aspect of Russia's capability to cut off supplies for European countries depending on Russian gas that pushed the arguments in favor of creating an Energy Union. Securing energy supplies within Europe and interconnect across borders would mean that some European countries would no longer depend on only gas from Russia and become less vulnerable.

No matter the rhetorical reasons and political arguments for pushing the development of an EU Energy Union, the fact is that energy is now a new modern way for European countries and European citizens to integrate. It is no longer only the single market that matters, but the EU Energy Market where supply and demand, renewables and security are the new key words for creating European integration. The creation of a European Energy Union is however not so easy and there are several hindrances. For example, the factors mentioned such as energy supply and demand, renewables and security are not only pushing European integration forward but also making the hindrances. This position paper will argue why the EU Energy Union is important for European integration but also what hindrances there are and will suggest points for further discussion on how to solve these issues.

2. Benefits of an EU Energy Union

The EU Energy Union package presents goals, strategies, and action points to create interdependence between the member states of the European Union. The reason for arguing for interdependence is because more than 50% of EU's energy supply is imported. Furthermore, 44% of EU gas is imported from Russia¹. The EU energy union pushes for renewable energy sources, energy efficiency and cross border sharing, which would mean less imported supplies and less dependence of the import, which has substantial political consequences. The matter of supply and demand is now questions of importance on the European agenda and the Energy Union package encourages cooperation on these matters. It is the importance of securing supply within the energy union that is crucial to create interdependence, and there are several ways of achieving security of supply.

The main benefit of the energy union is the environmental aspects of using resources in the nature in a sustainable way and minimizing emissions to the air. The economic benefits have to do with the concept of Circular Economy, to think resource efficient in terms of profit and losses (European Commission B). The use of resources should be cost-efficient and there should be a circle where demand and supply meets. A common energy market would also mean that the European economy would get a boost from intra-union commerce. The political benefit is that cooperating on these matters and creating an energy union with a common energy market, means that European integration is pushed forward. It would also affect EU's foreign policy positively, since there will be a more gathered opinion on energy market trade outside EU and the EU's common voice would get stronger.

One way to secure supply is to use the resources already available efficiently. Saving energy is now regarded as an energy source in itself. This can for example be done by building energy efficient buildings that are well isolated and therefore can use the minimum heating. Or that heating and cooling of buildings in a city is collected from a district heating system, where water is heated when passing industries and using the heat from their machineries. The water is then passed around the city to the buildings, heating domestic water and the rooms. Another way is to storage energy in so called energy grids, to save the energy left over for later or to share the energy across borders. Another way to secure supplies in a sus-

¹ http://europa.eu/rapid/press-release_MEMO-16-308_en.htm (retrieved April 19, 2017).

tainable way is to increase the use of renewable resources. For example, buildings can mainly run on energy from solar panels on the roof and thereby produce its own energy. Or the usage of wind and water power to create sustainable electricity.

Securing energy supplies by building energy efficient buildings, district heating systems, good energy grids and energy systems based on renewable resources, all of them require development of technology and adaptation to this innovative technology. This is a matter of infrastructure and financial means to adapt. The conditions to adapt are very different for the member states in the European Union. The difference in technological progress, heating and cooling systems and financial means to adapt are big within the union. Therefore, some member states cannot adapt as fast as others and inequality and divergence will be the result. The environment, European economy and European integration will be suffering if we allow this to be the case. To avoid this scenario, it is of utmost importance that the member states cooperate and so encourage to European integration. Technology and innovation must be shared across borders, aid and funds must be offered to those member states that stand before the task of changing from gas to renewable energy systems and the politicians must come together to work towards achieving the goals and action points of the Energy Union Package. To achieve this, it requires coordination and monitoring on a supranational level by the European Commission, and that is why the EU Energy Union is pushing European integration forward.

To conclude, a successful and effective implementation of the energy union would boost the European energy market and thereby the European economy, give the EU more leeway in its foreign policy because of the reduced dependency of Russia and will likely encourage cooperation across borders in EU and boost the European identity amongst its citizens.

3. Energy Security

Generally, energy security is comprised of two distinct aspects. One is the continued guaranteeing of supply alongside the transformation of energy production to renewables sources of power. This refers to e.g. storage capabilities for energy from wind or solar plants, which have varying and less predictable levels of output depending on the weather than most con-

ventional power plants have. The other aspect of energy security is the safeguarding of supply of resources such as natural gas, crude oil or uranium from third countries. Whereas the previous chapter has already touched upon the former, the remainder of this paper focuses on the latter part as this is the one likely to be more difficult to achieve in the long run because of the increasing politicization of this issue and the changing political situation in many countries exporting to the EU. Particular attention will be paid to several obstacles to achieving the goal of energy security as stipulated in the Energy Union Package. These issues are to be solved in order to fully enjoy the benefits mentioned in the paragraphs above.

On the one hand, there is the uncertainty inherent to any transition period accompanied by short-term economic cost-benefit considerations, which might make some political leaders refrain from striving for a true Energy Union and the long-term benefits stated in the previous paragraphs. On the other hand, there is the huge difficulty of reducing the dependence from Russian natural gas beyond mere symbolic gestures and measures, which only work for a comparably brief period of time.

The notion of uncertainty stems from two distinct, yet related, sources. Diversification of power supply including other sources of energy, such as for example renewables, is often rather expensive in the short run. Yet, it is mainly the poorer member states, which are highly dependent of natural gas for electricity and heating systems. Therefore, they might be unable to bear the short-term costs of a thorough transition to renewables or liquified natural gas (LNG). Furthermore, citizens tend to perceive transition periods as times of uncertainty. This is especially viable in the energy context because a steady supply of energy is crucial in many aspects of daily life and even slightly rising prices are quite unwelcome to many people. Consequently, political leaders might refrain from undertaking serious steps towards changing the course of energy supply fearing punishment by these citizens in the next elections, thereby discarding the long-term benefits of supply diversification because of short-term political considerations. Potential solutions to this issue can be found in a stronger focus of EU funds (e.g. cohesion funds) on building a sustainable energy infrastructure, such as subsidized solar panels, to reduce import dependencies. Additionally, the reverse-flow capabilities of the EU's pipeline infrastructure and the interconnectedness between member states need to be further strengthened as this should reduce the likelihood of supply short-

ages in times of crises until sufficient alternatives to gas can be employed in all member states.

Although many of the previously mentioned points will undoubtedly contribute to the reduction of the EU's energy dependence from Russia, they might well prove of symbolic nature or even entirely ineffective. There are three main reasons for this. First, there is the sheer amount of gas imports from this country only: About 40% of the total imports of natural gas to the EU originate in Russia and six member states rely entirely on Russian supplies. Securing suitable alternatives to this is a task that is until now far from completed. Second, setting up alternative infrastructure – be it gas pipelines or power plants employing renewable resources – is a very costly and time-consuming task. Projects like the Trans-Adriatic Pipeline or the recently proposed sub-marine one from Israel to Greece and Italy are long-term projects, which will take many years before completion. This is further exemplified by the failed South Stream project. Originally designed to circumvent potentially unstable transit countries like Belarus and the Ukraine and secure the transfer of Russian gas to the EU, construction of the pipeline was stopped after the significant deterioration of Europe's relations with Russia, while those with Ukraine are improving. Therefore, planned but inoperative pipelines can do little to prevent supply crises due to a shifting political situation. Third, Russian natural gas is among the most competitive ones on the international energy market due to its comparably low price. This makes it almost impossible to use market mechanisms for overcoming the dependency.

The combination of these issues may only be resolved if the EU puts considerations of energy security ever more to the center of its foreign and security policy. The high degree of politicization of energy security and the apparent divisions between distinct groups of member states how to secure lasting and affordable energy supply demand a more strategic and coherent approach by the institutions, which no longer treats energy policy as a “mere” economic issue. Without a comprehensive long-term strategy for reducing the EU's many resource dependencies require all actors involved to take energy security into account when making decisions in the area of foreign policy on the one hand and contributing to reducing overall energy consumption on the other hand. Here, it needs to be clear that this issue does not pertain to Russia only. It is only the one supplier with whom the reduction of dependence is most pressing one right now. Any country from which the EU imports a substantial

amount of vital resources may exploit this in times of deteriorating relations resulting in a significantly weakened bargaining position of the EU because of the leverage this gives to the other country(s).

4. Summary

Achieving a true Energy Union functioning similar to the Internal Market of the EU is not an end in itself. To the contrary, a successful and effective implementation of the Energy Union Package alongside overcoming (at least partly) the different preconditions in the member states and the large dependence on Russia when it comes to supplying natural gas will likely have three distinct, yet similarly desirable consequences for the EU and its citizens.

First, a transformation towards modernized means of energy production and a more efficient use of it will undoubtedly boost the struggling European economy and potentially create many jobs all over the continent. Second, the emergence of a self-confident and value-based foreign and security policy by the EU requires that the bloc has a considerable amount of leeway in its decision-making regarding economic considerations. As of now, reducing the dependence from Russia is crucial. Lastly, the EU's legitimacy amongst its citizens will benefit if the EU is able to guarantee both secure and affordable energy supply, while allowing for a modern and innovative economy. Additionally, cross-border exchange and interconnectedness between member states should enhance citizens' feeling of belonging together and therefore boost the evolution of a common European identity. Taken together, these factors should enable a meaningful relaunching of the stalemate European integration process. Moreover, a true energy union can be achieved step by step and is thus (potentially) less subject to institutional deadlock or overly conflicting interests between MS.

Sources

European Commission A, EU Energy Union Package, derived 2017-04-19 from <https://ec.europa.eu/energy/en/publications/energy-union-package>

European Commission B, Circular Economy, derived 2017-04-19 from http://ec.europa.eu/environment/circular-economy/index_en.htm