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JOINT COMMITTEE MEETING

EUROPEAN PARLIAMENT – NATIONAL PARLIAMENTS

The EU Internal Energy Market for the 21st Century

PROCEEDINGS

17 December 2013

European Parliament, Brussels

Introductory remarks

In the framework of the parliamentary dimension of the Lithuanian Presidency of the Council of the European Union the Committee on Industry, Research and Energy (ITRE) of the European Parliament and the Committee on Economics of the Seimas of the Republic of Lithuania co-organised a Joint Committee Meeting (JCM) on *The EU Internal Energy Market for the 21st Century*. The JCM took place on 17 December 2013 in the European Parliament in Brussels and was attended by Members of national Parliaments and the European Parliament.

The JCM was opened by the Co-Chairs Ms Amalia SARTORI, Chair of the Committee on Industry, Research and Energy of the European Parliament, and Mr Remigijus ŽEMAITAITIS, Chair of the Committee on Economics of the Seimas of the Republic of Lithuania.

In session I, co-chaired by Ms Amalia SARTORI and Mr Remigijus ŽEMAITAITIS and entitled *European Energy Policy – Challenges, Achievements and Perspectives*, the following keynote speakers took the floor: Mr Jaroslav NEVEROVIČ, Minister of Energy of the Republic of Lithuania (presentation on *Integration of Europe's Energy Systems*), Mr Jerzy BUZEK MEP, former President of the European Parliament (presentation on *Making the Internal Energy Market Work*), and Mr Philip LOWE, Director General for Energy at the European Commission (presentation on *European Energy Policy - Main Goals for the Future*).

In session II, co-chaired by Mr Remigijus ŽEMAITAITIS and Ms Patrizia TOIA, Vice-Chair of the Committee on Industry, Research and Energy of the European Parliament, and entitled *A European Energy Policy for Sustainable Growth and Competitiveness*, the following keynote speakers took the floor: Mr Markus BEYRER, Director General of Business Europe (presentation on *European Business Views on the Future of EU Energy Policy*), Mr Kornelis



BLOK, Professor at the University of Utrecht (presentation on *Renewable Energy Sources and Sustainable Energy Balances*), Mr Antonio TAJANI, Vice-President of the European Commission in charge of Industry and Entrepreneurship (presentation on *Safe and Affordable Energy Resources for a Competitive Industry*), and Mr Randall BOWIE, Director of the European Council for an Energy Efficient Economy (presentation on *Energy Efficiency – the Shale Gas of Europe*).

The JCM ended with the concluding remarks by the Co-Chairs Mr Remigijus ŽEMAITAITIS and Ms Patrizia TOIA.

Overview of the presentations and debates

SESSION I. EUROPEAN ENERGY POLICY - CHALLENGES, ACHIEVEMENTS AND PERSPECTIVES

In his presentation Mr Jaroslav NEVEROVIČ, Minister of Energy of the Republic of Lithuania, reiterated the main goals of the EU energy policy: establishing a sustainable European energy system, enhancing competitiveness and improving security of supply. The Minister stressed that the key tool at the EU's disposal to achieve these goals was a competitive and well interconnected Internal Energy Market (IEM). He reminded of the commitment made by the European Council in February 2011 to complete the IEM by 2014 and to eliminate existing energy islands within the EU by 2015. He noted that there was considerable progress made towards these goals even though there was still work to be done to arrive at the final destination. Mr NEVEROVIČ underlined two key directions for the EU's energy policy: first, to further liberalise the energy market (such as through the full implementation of the Third Energy Package); and second, to invest in infrastructure in order to create the physical conditions for the IEM. The latter goal would be aided by the implementation of 248 Projects of Common Interest (PCIs), for which €5.85 billion had already been committed in the EU budget. In the opinion of the Minister, the EU already had a solid regulatory base and infrastructure but that the main focus should be on implementation of the existing projects and regulations.

Mr Jerzy BUZEK MEP, former President of the European Parliament, congratulated the Lithuanian Presidency for the progress that had been achieved in the area of energy policy during the second half of 2013. He also praised the contribution of the European Commission in developing the IEM since 2009. Mr BUZEK stressed that energy, alongside reindustrialisation and innovation, was the priority area in order to fully recover from the economic crisis. In this regard efforts should be concentrated towards achieving affordable energy prices for the consumers, security of energy supply and environmental protection. In order to complete the IEM infrastructure interconnections were of key importance. On the other hand, regulating the price of energy in the IEM was not a healthy approach; instead, further liberalisation of the energy market had to be pursued. Externally the EU should strive for a stronger and more united negotiating position vis-à-vis outside suppliers. This could only be achieved if the energy relationship was based on strong and transparent rules.

Mr Philip LOWE, Director General for Energy at the European Commission, described the period of the five years since 2008 as a perfect storm, considering such factors as the economic and financial crisis, the shale gas revolution, the Fukushima disaster and the rapid growth of energy prices in Europe. In this regard completing the IEM was a 'no regrets' policy option. Mr LOWE spoke about the recently released Green Paper by the European Commission on *A 2030 Framework for Climate and Energy Policies*¹, which estimated that failure to complete the IEM would cost the EU €40-70 billion a year. He stressed that the market mechanism was the most optimal one to ensure efficiency of the energy sector. The market should also judge the right price of energy products. Therefore a fresh look was needed on practices of government intervention in the energy market. He noted that public subsidies were applied on a national basis, while they had serious cross-border effects. Mr LOWE also highlighted the importance of the Third Energy Package. Currently across the EU there were 12 cases of non-compliance with this legislation and it was therefore imperative that the Member States accelerate its implementation.

Debate

In the ensuing debate five MEPs and members from national Parliaments from Lithuania, Greece, Norway, the UK, Austria, Spain, Poland, Romania, Slovakia, Croatia, Italy, Finland, Kosovo and Turkey took the floor. Several members stressed the need to invest sufficiently in energy infrastructure and in innovative technologies. In particular, the interconnectivity of the grids was considered as crucial for the functioning of the internal energy market. In this regard, it was pointed out that the current level of funding for the PCIs was not sufficient and that as a result not all necessary infrastructure projects would be implemented. Another issue that resonated in the discussion was energy prices: on the one hand, they were unequal across Europe, which distorted competition between the Member States; on the other hand, the level of energy prices had been constantly increasing while incomes were not – this harmed both the consumers and businesses.

Some participants stressed that the use of indigenous energy sources, particularly shale gas, should be increased in order to ensure energy security and improve Europe's external competitiveness. Other participants, however, stressed that more investments were needed in green energy, which would significantly reduce Europe's dependence on third country suppliers. Several interventions highlighted the need for more harmonised support schemes in the field of renewable energy sources. It was also stressed that the Europe 2020 target for renewable energy was successfully met and that it should be expanded beyond 2020. Considerable attention in the discussion was also given to the liberalisation of the energy market. While some questioned the need to engage in further liberalisation, the general tendency was to emphasise the positive effects of liberalisation. Responding to the comments by the participants, Mr LOWE emphasised that in recent years electricity prices had increased only by half as much as those of production inputs.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52013DC0169:EN:NOT>

SESSION II. A EUROPEAN ENERGY POLICY FOR SUSTAINABLE GROWTH AND COMPETITIVENESS

In his presentation Mr Markus BEYRER, Director General of Business Europe, emphasised that the key factor for the competitiveness of Europe's industry was the price of energy. In the US, for example, both electricity and gas prices were significantly lower than in the EU. Alongside the lack of access to finance, high energy prices were among the principle reasons why companies were reluctant to invest in Europe. In his view, the debate in the EU focused too much on climate change exclusively. Instead, there should be a balance in focus between cost competitiveness, security of supply and climate change. He also expressed support for the EU's Emissions Trading System, yet stressed that other countries, especially the main polluters, should contribute their fair share in efforts to combat climate change. Otherwise, in the view of Mr BEYRER, the competitiveness of EU companies would suffer. That was why the business community strongly favoured a global agreement on climate change. Mr BEYRER also expressed support for the diversification of energy sources, especially for an increased production of shale gas in Europe.

Mr Kornelis BLOK, Professor at the University of Utrecht, presented the results of his study on the prospects of the use of renewable energy in Europe. In his view, 40% of the EU's energy needs could be met by renewable energy by 2030 provided that annual investments in the range of 2 % of GDP were made until 2025. He also considered that by 2030 energy efficiency had the potential to increase substantially. Mr BLOK presented several policy proposals to increase the production and consumption of renewable energy. First, reliable and stable support systems should be provided. Second, investment risks should be taken into account (this should help in reducing production costs). Third, support should be adapted to the level of technology and market conditions. He warned of across-the-board harmonisation and underlined that tailor-made support systems for the respective renewable energy sources would be most cost-effective. Mr BLOK also noted that renewable energy had the potential to stimulate businesses, as was the case in Germany, where several hundred thousand people were employed in the renewable energy industry. The earlier countries started to participate actively in this market, the more they would benefit.

Mr Antonio TAJANI, Vice-President of the European Commission in charge of Industry and Entrepreneurship, reminded that the goal was to get 20% of the EU's GDP from manufacturing by 2020. He emphasised the need to increase support for the real economy, such as by investing more in training and education but also in further developing the energy sector. According to Mr TAJANI, industrial buyers pay twice as much for electricity in Europe as in the United States. A similar discrepancy existed in the gas sector as well. Such differences in energy prices meant decreasing competitiveness of the EU's economy. Over the past 10 years the EU lost around €350 billion of investments because of its decreasing competitiveness. To reverse this trend the EU should diversify its energy mix. One solution to be considered was to invest more in shale gas production. On the other hand, in the EU non-energy components of the final energy price, such as taxes, special levies or transmission costs, had been too high and were continuously increasing. Improving energy efficiency was another solution. Mr TAJANI also noted that the EU should invest more in research and development of renewable energy technologies.

Mr Randall BOWIE, Director of the European Council for an Energy Efficient Economy (ECEEE), pointed out that there was broad agreement among stakeholders in the EU on the existing problems, such as rising energy prices, declining competitiveness, climate change and unemployment. There was less agreement, however, on how to solve these problems. Moving forward with the IEM was one solution, developing renewable energy was another. However, the most cost-effective approach would be to reduce energy demand through savings before investing in increased energy supply. He also stressed that the price of energy was only one component of competitiveness and that other factors were just as important, such as the level of innovation and the quality of human resources. Instead of focussing solely on the price per kWh he suggested that the focus should be on reducing the *costs* of energy, including social and environmental costs. In his opinion, that was one reason why shale gas was not the solution, especially in Europe, which was densely populated and which would never allow the level of environmental depletion witnessed in the US. The ECEEE had estimated that more than 40% of energy could be saved in Europe by 2030. The primary sources of such savings would be buildings, which consumed around 40% of the total energy in the EU, followed by industry and transport.

Debate

Following the presentations 4 MEPs and members from national Parliaments from Kosovo, Poland, Greece, Lithuania, Romani and Italy took the floor. In this debate it was stressed that Europe's position as the frontrunner in the use of renewable energy had faltered in the recent years. The call for more energy efficiency was broadly backed as representing an untapped potential, especially in Eastern Europe, where huge energy savings could be made by renovating old buildings. Participants also emphasised the importance of increased support to research and innovation into renewable energy to reduce its production cost. On the other hand, there was considerable criticism of the continued use of nuclear energy and the proposals to accelerate the extraction of shale gas in Europe.