



European Economic and Social Committee

TEN/580
State of the Energy
Union 2015

Brussels, 28 April 2016

OPINION

of the

European Economic and Social Committee

on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment

Bank – State of the Energy Union 2015

COM(2015) 572 final

Rapporteur: **Stéphane Buffetaut**

On 18 January 2016, the European Commission decided to consult the European Economic and Social Committee, under Article 194(2) of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – State of the Energy Union 2015
COM(2015) 572 final.

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 5 April 2016.

At its 516th plenary session, held on 27 and 28 April 2016 (meeting of 28 April), the European Economic and Social Committee adopted the following opinion by 137 votes to 1, with 3 abstentions.

*

* *

1. Conclusions and recommendations

- 1.1 The Framework Strategy for an Energy Union was initiated in February 2015; in 2016, it will thus begin to take shape. It has arisen out of discussions by various think tanks and key Europeans on the concept of a European energy community, a project spearheaded by the Jacques Delors Institute and Jerzy Buzek in particular. The European Economic and Social Committee had, from the outset, given this initiative its full support.
- 1.2 The original concept was greeted tepidly by many Member States as it would have entailed revising the Treaties, a highly risky process in a time of rampant euro-scepticism. Nonetheless, the idea of better coordination of energy policies, the need for effective energy diplomacy, the obligation to combat climate change, the EU's increasing energy dependency, the need to minimise external pressure on supply, the implementation of the energy transition and the provision of social assistance for the sectors affected by this transition all argued in favour of a European-level initiative. This led to the birth of the Energy Union, an institutionally simple structure which aims to achieve its objectives by securing convergence in specific areas and following up on commitments.
- 1.3 It should be pointed out that from an early stage, the EESC was in favour of a European energy union or at least of improved coordination of energy policies¹, diplomacy in the field of energy and the energy transition, while stressing the need for civil society to be fully involved. Civil society is directly concerned as both consumer and stakeholder in the energy

¹ [OJ C 82, 3.3.2016, p. 13](#) and [OJ C 82, 3.3.2016, p. 22](#).

transition, which will not succeed without its involvement or even active support. In the near future, it may be even more involved in generating decentralised energy than it is now.

- 1.4 The Commission communication seeks to take stock of nine months of Energy Union. Clearly, any such stock taking will be partial and devoid of any real meaning given the importance of the issues at stake and the scale of the changes to be made. The initial indications must therefore be viewed with caution, as the opening salvo of a policy which will need a determined and long-term approach supported by the Member States.
- 1.5 Nonetheless, the framework for this policy is known: the commitments made at COP21, marked geopolitical instability in the field of energy, European climate and energy targets, security of supply, energy efficiency, decarbonising the EU's economies, infrastructure development and the completion of the internal energy market. The political challenges are vast and it will take more than mere administrative and regulatory measures to meet them. We need a sound political will and a strong but realistic vision shared by the Member States which takes account of the economic situation and the technical opportunities available, as facts win out over political will.
- 1.6 The EESC welcomes the first report on the State of the Energy Union 2015 but would flag up a number of gaps in the analysis of the initiative's implementation. Plugging these gaps would reinforce both the Commission's approach and civil society's support for a project which entails an energy transition which could well be cause for concern.
- 1.7 The EESC considers that while the key points for analysis selected by the Commission are relevant, they need to be supplemented. As it stands, the text refers to:
 - decarbonisation of the economy;
 - energy efficiency as a contribution to the moderation of energy demand;
 - an internal energy market;
 - energy security, solidarity and trust;
 - research, innovation and competitiveness;
 - implementation of the Energy Union.

The EESC believes that the social dimension of the Energy Union is given insufficient attention and that this aspect should be among the criteria for evaluating the Energy Union. The Union should have a positive impact on job creation, competitiveness and innovation but could affect certain sectors, resulting in the need for social assistance and training. These measures must be preventative in order to make sure that the workers concerned do not lose their jobs and that the training measures set up anticipate future developments in the energy sector. The social dimension should therefore be included among the evaluation criteria in the next annual report. Similarly, it is vital to consider the economic repercussions of the choices involved in the energy transition, particularly because the social fallout is closely linked to those economic repercussions.

- 1.8 As regards energy efficiency, the European Commission considers that this is an energy source in its own right. The EESC strongly discourages this wording which promotes confusion and is scientifically inaccurate: no primary energy source can ever be replaced by energy savings. This comment by no means undermines the fact that energy efficiency is extremely important for the future of the European energy system. Improving energy efficiency in all areas in which energy is used can prove to be a significant means of reducing costs for the European economy.
- 1.9 In addition to the social partners, the EESC would like to see civil society involved in the annual report process. This European process is profoundly relevant to consumer associations, representative family associations, business representatives, farmers, environmental associations, scientists and researchers – civil society in fact. This is why the EESC advocates setting up a European energy dialogue, which would enable civil society to be more closely involved in discussing and establishing the EU's energy policy. This dialogue could be structured around the preparation of the annual report on the state of the Energy Union and focus on key points selected for the purpose of assessing its implementation.
- 1.10 As regards the statistical data, the EESC would point out that some of them are fairly old or even non-existent. Efforts must therefore be made to obtain more up-to-date data from the Member States, as it will otherwise be difficult to monitor the effects of implementing the Energy Union.
- 1.11 Lastly, the EESC would emphasise that the Energy Union does not boil down to administrative follow-up and information procedures. Such procedures are a useful and necessary tool for a policy which must pursue objectives upheld by the Member States and supported by civil society.

2. Content of the document and the European Commission's methodology

- 2.1 The document is primarily a progress report intended to assess the progress made in implementing the Energy Union, not a policy paper. It examines the data collected from the Member States using the policy criteria selected by the Commission. The Commission's methodology is therefore based on analysing and monitoring the delivery of the Energy Union using key indicators. This follow-up is by definition sensitive, as energy policy decisions depend on market developments and geopolitical events to which the Member States must react swiftly. Long-term objectives can be hindered by short-term imperatives and follow-up will therefore need to avoid a rigid approach.

2.2 In any case, the Commission has identified six topics or strategic approaches which will be used to measure the delivery of the Member States' commitments in the implementation of the Energy Union:

- decarbonisation of the economy;
- energy efficiency as a contribution to the moderation of energy demand;
- a fully-integrated internal energy market;
- energy security, solidarity and trust;
- an energy union for research, innovation and competitiveness;
- implementation of the Energy Union.

2.3 The Commission therefore intends to use these topics to provide an initial measurement of the delivery of the Energy Union.

3. **General comments**

3.1 With regard to decarbonisation, the Commission considers that the EU economy is the most carbon-efficient major economy in the world based on the fact that between 1990 and 2014 the EU's overall GDP grew by 46% while total greenhouse gas emissions decreased by 23%. However, the effects of the crisis which has hit the entire world and Europe in particular, along with persistent economic sluggishness and the deindustrialisation of the EU still need to be factored into these figures which may be less flattering than they would appear!

3.2 The Commission also flags up the fact that the EU generates more than half of its electricity without producing greenhouse gases. It should be pointed out that this would not be possible without the contribution of energy sources which are sometimes contested or discarded in certain Member States (such as nuclear energy or hydroelectric energy generated by dams).

3.3 The stated objective is "to move further away from an economy driven by fossil fuels". In this regard, the current drop in and volatility of oil prices are unhelpful, even if the target of 20% renewable energy by 2020 would seem to be in reach. However, an energy policy cannot be based on a negative and restrictive approach. The EESC would therefore like the potential future role of resources such as wind energy, sea-based energy and hydrogen to be evaluated as far as possible, and for developments in these sectors to be supported by an ambitious R&D policy.

3.4 The Commission notes that the transition to low-carbon energy sources will require significant investments. In this respect, a lasting collapse in oil prices would make the comparative cost of these investments even greater. The delivery of the commitments made in Paris during the COP will therefore be scrutinised very carefully.

3.5 The EESC emphasises that the results of the COP 21 have yielded the first ever basis for globally-coordinated climate protection, and thus justify Europe's considerable efforts which

would have had limited effect on global climate change if the rest of the world had not followed suit. We can therefore follow the European roadmap in line with the Paris agreement and ensure that each Member State is able to contribute fully to climate protection as its own capacities permit.

- 3.6 The Commission has said that it has set up tools and instruments which see energy efficiency as a form of energy in its own right. The EESC strongly discourages the use of this wording which will promote confusion as well as being scientifically inaccurate: no primary energy source can be replaced by energy savings. Saving energy is certainly necessary but it is not a form of energy. Energy efficiency is nonetheless an important parameter in the future European energy system. Improving energy efficiency in all areas in which energy is used can prove to be a significant means of reducing additional costs for the European economy. Ideally, an increase in energy efficiency commensurate with the increase in the costs of a given energy source could stabilise prices at their current level.
- 3.7 However, a significant increase in energy efficiency inevitably requires heavy investment by consumers, industry and public organisations (buildings, infrastructure, cars, etc.). The overall curb on investment will determine the speed of improvement, and some sectors of European society will be able to bear substantial investment and reap the considerable savings, while others will not. This could bring about an economic gulf between parts of the EU. The EESC considers therefore that support must be provided to ensure that energy efficiency is beneficial to everyone.
- 3.8 The completion of the internal energy market will require new infrastructure for transporting energy, electric lines or gas pipes – heavy investments in fact. The Commission is rightly pleased with the progress achieved in this area and with the launch of the Copenhagen Forum, which is definitely useful for identifying problems but not however a solution in itself. A number of cooperation agreements between states have been implemented, such as those between Poland and Lithuania or Norway and Sweden. However, certain Member States may have disagreed on projects such as Nord Stream, which was criticised in Poland, the Baltic States and Sweden. Care must therefore be taken to ensure that certain investment decisions do not go against the spirit of the Energy Union. Moreover, certain policy decisions may have a significant impact on investments; decision makers must use caution and apply scientific and technical knowledge.
- 3.9 It should be pointed out that the Commission acknowledges that consumers – individuals, families and businesses – want more transparency regarding energy prices and costs which, moreover, must be evaluated in comparison with the situation of our main competitors. The EESC strongly supports and has often called for such a transparent, simple approach. Nonetheless, in a time of rising energy poverty, the need for a universal energy service and for specific indicators on the potential role of services of general economic interest in this respect must be reaffirmed. Our societies depend on energy, which influences our quality of life, mobility, communication and business activities. The EESC would like to see civil

society represented in forums where the operating conditions of universal services are shaped at European level. Consumers must be able to help shape this universal service and be in a position to follow up on it as it is rolled out.

- 3.10 The EESC is increasingly aware of the need to conduct a fresh debate, informed by this vision, about the liberalisation of the energy products markets that was introduced at the end of the 1990s. That liberalisation was accompanied by a creeping, albeit often well-justified, introduction of non-market-based instruments such as subsidies (for sustainable energy production) and restrictions (e.g. on CO₂ emissions). It is important for businesses and employees in the sector to have a predictable framework in which investment can take place, in view of the considerable sums involved, which take a long time to be recouped. Uncertainty resulting from constantly changing energy policy discourages risk-taking and so hampers the technological innovation of Europe's energy sector that promotes sustainability.
- 3.11 Europeans will gauge the success of the Energy Union using very practical criteria, particularly prices (primarily the product of energy taxes), network accessibility, security of supply (avoiding power cuts or blackouts) and consumer information about the equipment they use which needs to be simple and readily understandable (energy labels for electronic equipment or household appliances and fuel consumption figures for cars)².
- 3.12 It should also be pointed out that employees in businesses are strongly affected by energy policy choices. The energy transition will involve changes, technological and otherwise. New jobs are appearing while others may disappear as a result of closures or cutbacks in certain industries (coal mines or nuclear plants). Other jobs are evolving or changing: for instance, roofers who lay tiles or slates will have to learn how to place solar panels. When implementing the various chapters of the Energy Union, the training needed for employees and craftworkers in sectors affected either directly or indirectly must be taken into account. Care must also be taken to maintain advanced skills which are very valuable for economic competition (in the area of nuclear energy, for instance). However, provision must also be made for employees who may lose their jobs because of the changes brought about by the energy transition and who will have to be supported and provided with vocational retraining. Similarly, the economic consequences of the political choices that have been made will need to be assessed upstream to accurately determine their impact, particularly in an environment of extremely keen global competition.
- 3.13 With regard to the businesses themselves, the objectives of decarbonisation, energy efficiency and moderation of demand must take global competition fully into account, particularly in high-energy-intensity industries (such as iron and steel, aluminium, the tyre industry and chemicals). The transport sector is particularly problematic as regards CO₂ emission targets. All modes of transport shall contribute, according to the intensity of their fossil fuel consumption, to reduce the emissions. Current technologies provide viable clean solutions for

² [OJ C 82, 3.3.2016, p. 6.](#)

short trips – which in practice means travel within urban areas. With the exception of electric rail transport, long trips depend on fossil fuel. Modal shift can contribute to decarbonisation, but it is difficult in Europe. To this end investments must be better focused to integrate different modes favouring the less polluting. Energy is also a geopolitical weapon, and dependence in strategic fields is politically dangerous both for the countries concerned and for the people living in them, whether employees, consumers or company directors. It is important to avoid offshoring which results in the loss of economic power, valuable skills and independence.

- 3.14 Energy security, solidarity and trust between Member States are key to the success of the Energy Union in a world where the geopolitics of energy are highly unstable. It cannot be disputed that more energy efficiency, more renewable energy and more indigenous energy sources help reduce the EU's dependence and vulnerability: so much is obvious. Achieving it, on a sustainable economic basis, is another matter.
- 3.15 The EU needs to stabilise its diplomatic relations with its partners in the East, South, Middle East and West in order to develop and secure the independence of the Energy Union. The EESC considers that clear and united energy diplomacy as regards third countries, steered by the clearly understood interests of the EU, is imperative.
- 3.16 Quite rightly, the Commission stresses that research and innovation are paramount to accelerating the energy transition. The EESC has repeatedly drawn attention to the imperative need to coordinate Member States' efforts in this field and launch joint projects in order to reduce the costs and pool the results of research. Progress in R&D along with regulation will enable us to reach our energy objectives. In this regard, one of the objectives of the European Energy Union should be to direct efforts towards joint projects and avoid the fragmentation of resources, which is scientifically, technically and economically inefficient. Clearly, funds will need to be made available but the currently unsatisfactory emissions trading scheme is unlikely to sufficiently cover these funding needs. Our emissions trading system is struggling as a result of the oversupply of allowances and the consequently overly low carbon credit prices, which are preventing the intended effect of emissions reduction from being fully achieved, and the impact of subsidies for certain green energy sources.
- 3.17 The EESC endorses the Commission's approach as regards closer involvement of the social partners in the energy transition, which clearly will entail training and preparing people for new technologies and new jobs. The energy transition will not succeed unless social and economic players step up, although they still need to be given the resources to drive change rather than being resigned to being passively driven by it. Reskilling must also be made available to workers who lose their jobs in the energy sector.
- 3.18 Lastly, the Commission is developing its strategy for the implementation of the Energy Union. It calls for a reliable and transparent governance process. However, the Commission adds that this process must be anchored in legislation, but the EESC considers that a policy cannot be boiled down to legislative procedures or administrative planning. An energy policy

cannot be successful unless the governments concerned take political action, unless people commit to clear, understandable goals, unless economic factors are taken into account, unless innovation is developed, unless civil society supports it and unless the possibilities of the market economy are harnessed. While an annual follow-up report is necessary, it is not enough. A report is inevitably a formal document which runs the risk of becoming mired in technocratic abstraction. To avoid this danger, the EESC considers that we need to establish a real European dialogue on energy which involves Europeans, whether consumers, representatives of environmental organisations, employees, company directors, farmers, city or country dwellers or retired people, that is to say³ civil society which is directly and specifically affected by energy issues on a daily basis. We need to shape the future and not simply be shaped by it; and in that future, there will be energy prosumers, consumers, producers and savers. The Energy Union must go beyond bureaucracy and take resolute political action in order to succeed.

Brussels, 28 April 2016

The President
of the
European Economic and Social Committee

Georges Dassis

³ [OJ C 68, 6.3.2012, p. 15](#); [OJ C 161, 6.6.2013, p. 1](#); [OJ C 291, 4.9.2015, p. 8](#); [OJ C 383, 17.11.2015, p. 84](#).