



European Economic and Social Committee

TEN/588

Security of natural gas supply

OPINION

European Economic and Social Committee

**Proposal for a Regulation of the European Parliament and of the Council concerning measures
to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010**

[COM(2016) 52 final – 2016/0030 (COD)]

Rapporteur: **Graham Watson**

Consultation	European Commission, 16/09/2016 European Parliament, 07/03/2016 Council of the European Union, 09/03/2016
Legal basis	Article 194 of the Treaty on the Functioning of the European Union and Article 304 of the Treaty of the Functioning of the European Union (TFEU)
Section responsible	Transport, Energy, Infrastructure and Information Society
Adopted in section	07/09/2016
Adopted at plenary	22/09/2016
Plenary session No	519
Outcome of vote (for/against/abstentions)	133/4/9

1. Conclusion and Recommendations

- 1.1 EU security of gas supply policy has been partly successful in encouraging Member States to think in terms of solidarity and shared security. Nonetheless, most energy policy issues are still treated mainly as national interests. In order to deliver the security Europeans expect, energy supply has to be tackled in a more coherent way at EU level.
- 1.2 Such an EU-wide regulation needs to take account of the broader context of global climate change mitigation efforts with ambitious targets set out by the Paris Agreement, the EU's strategy for a resilient Energy Union with a forward-looking climate change policy, and various geopolitical tensions in Europe and globally, including the movement of refugees, crises at Europe's borders including the recent ones in Ukraine, Turkey, Libya and Georgia, as well as the rise in regionalism threatening EU integration.
- 1.3 Substantial investment is required to secure gas supplies in Europe. It is important that this is found primarily from private sources; profits in the oil and gas industry are such that public support should not be needed. A predictable and reliable political framework is necessary to ensure investor confidence and, in turn, a steady and reliable supply of gas.
- 1.4 The proposed Regulation is designed to avert gas supply crises like those in 2006 and 2009. Most of the demand for gas is for heating buildings. A widespread energy efficient building retrofitting programme as suggested in the Energy Performance of Buildings Directive (2010/31) and the Energy Efficiency Directive (2012/27), especially when targeted at gas-heated buildings, would lead to a significant drop in demand for gas, especially in the winter months in which the previous crises occurred.
- 1.5 Natural gas remains an important transitional source of energy and makes a significant contribution to reducing GHG emissions, chemical emissions, as well as emissions of dangerous toxic substances such as PM10 and PM2.5 particulates. With emission level indicators considerably lower than those for coal, a greater share of natural gas in Member States' energy mix is of particular importance for the improvement of air quality and, as a consequence, the health of the citizens of Member States and their neighbours. However, the transition to a low-carbon economy must be speeded up and gas procurement policy must take account of this.
- 1.6 Energy consumers can play an important part in developing and managing supply. Methods to activate consumers should be developed in cooperation with consumers themselves, including innovative use of ICT. Energy poverty should be addressed primarily by social policy measures. Such measures should include dedicated national plans to stimulate investments in building-renovation programmes, as stipulated in Article 4 of the Energy Efficiency Directive (2012/27), prioritising fuel-poor and vulnerable consumers and promoting collaboration between social partners.

- 1.7 The rolling-out of RES combined with accelerating electrification may well reduce EU gas consumption and therefore imports; the faster the RES adoption, the less relevant the EU's external policies on securing gas supplies will be. The Committee requests that the Commission provides an assessment of how accurate the coordination has been between EU gas consumption forecasts, EU security of gas supply, RES development and energy efficiency improvements across sectors.

2. **Introduction (Gist of the Commission proposal)**

- 2.1 In view of the economic disruption and individual suffering caused by interruption to gas supplies, the European Commission seeks to build on the EU's earlier work to ensure greater interconnection of gas delivery infrastructure and greater solidarity between Member States in their willingness to share the burden of interruptions.
- 2.2 The draft Regulation updates an important policy within the Union's drive to create a European Energy Union (COM(2015) 80 final). The Energy Union must fit within the context of the EU's commitments to act to halt - and, if possible, reverse – man-made climate change resulting from the burning of fossil fuels.
- 2.3 The purpose of the draft regulation is to ensure that all Member States put in place appropriate tools to prepare for and manage the effects of a gas shortage due to a disruption in supply or exceptionally high demand.
- 2.4 To meet this objective, the draft regulation proposes stronger regional coordination, with certain principles and standards being set at EU level. The approach proposed is that Member States should cooperate closely within their regions when conducting regional risk assessments. Risks identified through regional risk assessments will be addressed in regional preventive action plans and emergency plans, to be peer-reviewed and approved by the Commission.
- 2.5 To ensure that risk assessments and plans are comprehensive and consistent with one another, the Regulation sets out mandatory templates listing aspects that must be taken into account when conducting the risk assessment and drawing up the plans.
- 2.6 The Regulation also improves the application of the supply standard to protected customers (mainly households) and the infrastructure standard (the possibility of supplying gas even if the largest infrastructure is not available). It enables permanent bi-directional capacity. Finally, it proposes the introduction of additional transparency measures concerning gas supply contracts, as such contracts may affect security of supply in the EU.
- 2.7 The need for EU action is justified on the grounds that national approaches both result in sub-optimal measures and aggravate the impact of a crisis. A measure taken in one country can cause a shortage of gas in neighbouring countries.

2.8 While functioning markets are vitally important in securing gas supplies, well-coordinated measures taken by Member States, particularly in the event of an emergency, can significantly boost supply security. This concerns better coordination not only of national mitigation measures in the event of an emergency, but also of national preventive measures, such as proposals for better coordination of national storage or LNG policies (COM(2016) 49 final), which can be strategically important in certain regions.

2.9 A monitoring report by the Agency for the Cooperation of Energy Regulation in 2014 showed there are still serious reasons for concern as regards cooperation between Member States (the predominantly national measures they take are not well suited to tackling gas supply problems); moreover the stress test conducted in the summer of 2014 (COM(2014) 654 final) showed that a severe disruption of gas supplies from the east would still have a major impact throughout the EU.

3. **General comments**

3.1 The main difficulty with this proposal for a regulation is not its text but its context. While the Union's Framework Strategy for a resilient Energy Union with a forward-looking climate change policy (COM(2015) 80 final) speaks in almost messianic tones about the need to combat climate change, this draft regulation - while consistent with previous regulations on security of gas supply - is not entirely consistent with the framework strategy's goals.

3.2 Many climate scientists tell us that to stand a reasonable chance of limiting the planet's temperature rise to 2°C, we have to get greenhouse gas emissions close to zero by 2050. For 1.5°C, even sooner. To eliminate the roughly 4 611 million tonnes of CO₂ equivalents that we, for instance, poured into the atmosphere in 2013 we have to meet EU's primary energy demand (1 567 million tonnes of oil equivalent (Mtoe) in 2013) with clean power. More than two thirds of the emissions come from the fossil fuels that drive our industrial civilization, and those fossil fuels have to be replaced.

3.3 Natural gas remains an important transitional source of fuel and has helped the EU reduce GHG emissions from solid fuels, especially in countries where coal plays a dominant role. However, the transition to lower-carbon and finally carbon-free energy sources must be speeded up. This is a requirement for meeting the long-term goal of keeping the increase in global average temperature to 1.5°C, as stipulated in the Paris Agreement, of which gas supply policy must take account. This should be reflected in the risk assessments which Member States are asked to carry out. Better alignment between the EU's gas supply policy and the dimensions of the Energy Union, in particular a fully-integrated European energy market, energy efficiency improvements and decarbonisation, is needed to promote efficient investment and set the framework for a resilient energy system.

3.4 Five years after the adoption of Regulation 994/2010, the security of the gas supply remains a highly topical issue, especially given the tensions prevailing between Ukraine and Russia.

Efforts are being made at national and EU level to enhance the security of gas supplies for the winter of 2016/2017 and beyond. However, a serious drive to ensure better energy performance of buildings through insulation, prioritising gas-heated buildings, would have a substantial impact on the need for gas.

- 3.5 Natural gas has replaced solid fuels as the second most important fuel for the EU, delivering 23.8% of all primary energy consumed in 2013. This has helped the EU cut its GHG emissions. However, the rise in renewable energy is remarkable: in 2013, renewables provided 15% of gross final energy consumption in the EU, up from 8.3% in 2004, putting the EU on track to reach its 2020 target of a 20% share of renewables. Gross electricity generated from renewable sources more than doubled between 2000 and 2013 and provided more than a quarter of all electricity in 2013.
- 3.6 The rolling out of RES combined with accelerating electrification may well reduce EU gas consumption and therefore imports; the faster the RES adoption, the less relevant the EU's external policies on securing gas supplies will be. Improved coordination between EU gas consumption forecasts, EU security of gas supply, RES development and energy efficiency improvements across sectors is, therefore, essential.
- 3.7 Coordination between EU countries in transport and delivery of all kinds of fuels is essential to the building of an Energy Union, both on the level of policies and long-term strategies. The Commission's proposal seeks to divide the EU into seven "regions" within which policy should be coordinated. This is at best a halfway house, since EU-wide policy coordination will soon be necessary and this should ideally be extended further to include Energy Community Contracting Parties – the neighbouring countries with which the EU has agreements in the field of energy.
- 3.8 In view of increasing competition for energy supplies and the need to diversify sources of supply, energy must remain an important part of the EU's external policies; these should however increasingly be geared to securing supplies of energy from renewable sources, particularly from mature technologies such as solar and wind power generation, to complement supplies from domestic production from renewable energy sources.
- 3.9 A new energy policy governance must ensure coherence between different aspects of energy supply as well as fulfilment of EU-level targets. One important aspect for ensuring coherence is an early, systematic and structured engagement with civil society in order to ensure that awareness of energy security challenges is shared widely among civil society organisations and that – most importantly – policy-makers across Europe are aware of the concerns, interests, resources and solutions offered by civil society and social partners for addressing these challenges and achieving the objectives of EU energy policy. To this end, the EESC has been actively promoting the concept of a European Energy Dialogue and the Commission has strongly welcomed the EESC's initiative.

- 3.10 Mutual reinforcement of the external and internal dimensions of energy policy, as set out in the Energy Diplomacy Action Plan (EDAP), should be another important feature of energy policy governance. The EESC has previously called for the design and implementation of the EU's external energy policy to enhance existing, and establish new, energy cooperation and dialogues with major producer states and regions, transit states and regions, neighbouring countries, as well as key global and regional strategic partners, in order to strengthen the diversification of EU energy sources, supplies and routes.
- 3.11 The external energy policy of the EU, including gas procurement policy, must take account of a broad geopolitical context. The EESC has previously stressed that commercial aspects of the project should not be the sole factor in the decision, especially considering the tendency of Russia to use energy as a tool for geopolitical aims. The political stability of countries along the pipeline route and their vulnerability to foreign political influence, the social and environmental record of project developers as well as the involvement of Russian companies in exploration and production are among factors which the EU's energy diplomacy must consider. The assessment of new projects needs, furthermore, to take into account their impacts on the energy security of neighbouring countries. With respect to Ukraine, for example, there is a risk that projects removing the transit of gas from its territory will affect its revenues, forestall investment in network upgrades and take away leverage with Moscow.

4. **Specific comments**

- 4.1 The EESC welcomes the Commission's proposal for a common definition of "protected customer".
- 4.2 The EESC welcomes the concepts of "shared responsibility" and a "three level approach" between natural gas undertakings, Member States and the EU for security of gas supply; and the proposal that the Commission should coordinate action where necessary, as called for in a past EESC report¹. This approach is particularly important in ensuring transparency of supply contracts.

Moreover, the Committee considers that the responsibilities and tasks of the public authorities set out in Article 3 must be distinguished from those of companies or private bodies, and therefore suggests a new wording making it clear that:

- security of gas supply is a task of the Member State Competent Authorities and the Commission, within their respective fields of responsibility;
- natural gas companies and industrial gas consumers must cooperate and implement the measures decided by the relevant authorities.

¹ See [OJ C 339, 14.12.2010, p. 49](#).

- 4.3 The EESC notes the criteria proposed for the composition of the seven "regions" within the EU. At the very least, a solution should be envisaged where one Member State could be simultaneously a member of more than one "region".
- 4.4 The EESC notes that the infrastructure standard proposed is largely unchanged from that in the 2010 Regulation. It welcomes the proposal for bi-directional ("reverse flow") capacity on interconnectors between Member States.
- 4.5 The EESC notes that the supply standard proposal is largely unchanged from that in the 2010 Regulation. It welcomes the requirement for an impact assessment before any new non-market measures.
- 4.6 The EESC notes the proposal that risk assessment now be carried out at regional level. It welcomes this as a step towards the day when risk assessment will be carried out at EU level. It welcomes the Commission's proposed template and sees the peer review process as important in this regard.
- 4.7 The EESC welcomes the proposals for emergency plans, crisis management procedures and emergency responses.
- 4.8 The EESC welcomes the proposals for transparency and solidarity between Member States, based on the stress tests of the summer of 2014, as an appropriate insurance mechanism. In particular, the Committee notes with appreciation the agreement of the High Level Group on Central and South-Eastern Europe Gas Connectivity on a list of priority projects, the implementation of which will enable the countries in the region to have access to at least three sources of gas, thereby ensuring diversification and security of supply.
- 4.9 The EESC welcomes the proposal for cooperation with third countries which are contractual partners within the Energy Community.
- 4.10 The EESC acknowledges the importance of the proposal for continuous monitoring of the security of gas supply measures and urges the Commission to include in this the need to phase out the use of natural gas in favour of renewable energy sources.
- 4.11 The EESC notes the proposed derogations for Malta and Cyprus and encourages both countries, in view of their favourable climates, to be among the leaders in the transition to meeting energy needs from renewable energy sources rather than fossil fuels.

Brussels, 22 September 2016

Georges Dassis

The President of the European Economic and Social Committee
