



European Economic and Social Committee

TEN/695
State of the Energy Union 2018

OPINION

European Economic and Social Committee

**Report 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 –
Fourth report on the State of the Energy Union**
[COM(2019) 175 final]

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1. **Conclusions and recommendations**

- 1.1 The EESC takes note of the Fourth Report on the State of the Energy Union (SEU), supports the objectives of the Energy Union and welcomes the emphasis on the engagement and mobilisation of EU society to take full ownership of the Energy Union. It reiterates its proposals for an effective Energy Dialogue with organised civil society at EU, national, regional and local level. It also calls for the establishment of a closer link between future reports on the State of the Energy Union and the Long Term Strategy proposed for 2050.
- 1.2 The EESC is surprised by the European Commission's statement that "the Energy Union is a reality". The Energy Union may be a reality in terms of EU policy decisions, but it is not yet a reality in European citizens' daily life. The EESC thus calls on the European Commission to hold Member States accountable for the decisions they themselves adopted at EU level. It also calls for increased ambition for the energy transition and climate action.
- 1.3 The EESC indeed regrets the persistence of divergent views expressed by national governments, as well as the differences between what national governments vote for in Brussels and implement at home. The EESC calls on the European Commission to make further use of its powers, including legal powers, to ensure that EU energy law, including the 2020 energy and climate targets, are respected by Member States. The EESC calls on the European Commission to analyse the reasons for the divergent views expressed by national governments, as well as the reasons why some Member States will miss their energy and climate targets.
- 1.4 The EESC regrets that the European Commission did not make sufficient use of the Fourth State of the Energy Union report to highlight the lack of clear progress around four of its Energy Union priorities: putting the citizen at the centre, reducing energy imports, being number one in renewables, and creating clean energy jobs.
- 1.5 The EESC stresses once again that Europe needs a "Social Pact for a Citizen-driven Energy Transition", to be agreed by the EU, Member States, regions, cities, social partners and organised civil society, in order to ensure that the transition leaves no one behind. It should become the sixth dimension of the Energy Union and cover all social aspects, including quality job creation, vocational training, consumer education and training, social protection, specific plans for transition regions where jobs are lost, health and energy poverty. This initiative should be part of the European Pillar of Social Rights.
- 1.6 The EESC welcomes the launch of the Energy Poverty Observatory, which can only be a first step towards developing a European action plan aimed at eradicating energy poverty in Europe. In this regard, social tariffs or energy cheques can only constitute temporary relief and should be gradually replaced by public subsidies helping poor Europeans to adopt structural solutions, such as deep retrofits of buildings.
- 1.7 The EESC regrets that insufficient attention has been dedicated to the evaluation of the EU's energy dependence and its geopolitical implications. This should include monitoring the evolution of the EU's dependence vis-à-vis imported energy (e.g. oil, natural gas, coal and uranium), as well as imported energy transition goods (e.g. batteries, solar panels) and foreign

investment in EU strategic energy assets and companies (e.g. US companies buying key segments of the thermal power plants value chain, Chinese companies buying electricity grid companies, Russian investment in some countries' energy sector).

1.8 In the light of the importance of climate change as a key EU political topic, both in the perception of the citizens and in the programmes of political parties, the EESC calls on the next European Commission to make the fight against climate change a top priority for its 2019-2024 term. This priority should be reflected in the European Commission's organisation, with the creation of a position of European Commission First Vice-President responsible for Climate Action.

2. **Background and reflection on previous EESC recommendations**

2.1 There is strong and increasing support among the EU public for the Energy Union objectives and more ambitious climate and energy policies. Recent Eurobarometer surveys¹ outline that around 80% of EU citizens consider climate change to be a very serious problem, and that fighting climate change and using energy more efficiently can boost the EU economy and jobs. This support has become more visible with the youth movement #FridaysForFuture.

2.2 The EESC notes the increasing support for Energy Union objectives in the European business community, both outside and within the energy sector as shown for example, by Eurelectric and the B team.

2.3 There is a growing body of expert and scientific findings confirming that the EU economy can benefit from its transformation into a climate-neutral economy. Recent evidence was proposed by the European Commission and its November 2018 Long Term Strategy².

2.4 The EESC nevertheless regrets the persistence of divergent views expressed by national governments, as well as the differences between what national governments vote on in Brussels and implement at home. The EESC calls on the European Commission to make further use of its powers, including legal powers, to ensure that EU energy law, including the 2020 energy-climate targets, is respected by Member States. The EESC calls on the European Commission to analyse the reasons for the divergent views expressed by national governments, as well as the reasons why some Member States will miss their energy and climate targets.

2.5 The EESC welcomes the initiatives launched in recent years and recalled in the SEU, including on EU islands, coal regions, Battery and Energy Poverty. All of these are key to pushing for an integrated industrial policy that can support a socially fair energy transition that creates quality jobs, and should be seen as industry's opportunity to showcase Europe's capacity to develop adequate solutions to current challenges.

¹ Special Eurobarometer 459 Report "Climate Change", March 2017.

² [COM\(2018\) 773 final](#).

- 2.6 The EESC has repeatedly stated that the Energy Union has to provide a stable and favourable environment for European enterprises, with a view to enabling and encouraging them to invest and employ, paying special attention to the potential of SMEs. The EESC thus welcomes the entry into force of the Energy Union Governance Regulation and calls on organised civil society to play a more active role to ensure the proper implementation of this regulation.
- 2.7 The EESC also welcomes the European Commission's "Energy prices and costs in Europe" report released in January 2019, as it provides transparent information on the recent rises in energy prices, largely linked to a rise in the price of fossil fuels, that led to an increase in the EU fossil fuel import bill of 26% between 2016 and 2017, to reach a total of EUR 266 bn. The EESC calls for more transparency on fossil fuel subsidies and divergence of energy prices across the European Union, including as a result of different national energy taxation choices.
- 2.8 The EESC has asked for the social dimension to be included among the evaluation criteria in the next State of the Energy Union (SEU) report. It thus strongly welcomes the social initiatives taken by the European Commission, such as those linked to carbon-intensive regions and energy poverty, as well as the existence of a specific SEU report sub-section dedicated to the social dimension of the Energy Union.
- 2.9 The EESC has always considered that the availability of and physical access to affordable energy are the key to avoiding energy poverty. It thus welcomes the launch of the Energy Poverty Observatory, which can only be a first step towards developing a European action plan aimed at eradicating energy poverty in Europe. It calls on the European Commission to expand the mandate and resources of the Observatory so it can continue to work on heating poverty and expand its work to cooling poverty and mobility poverty.
- 2.10 The EESC notes that undertaking the energy transition does not require significantly different amounts of investment compared to those needed to maintain the current energy system based on the inefficient use of imported fossil fuels. The key challenge is to re-allocate capital from high-carbon to zero-carbon assets and infrastructures.
- 2.11 To help private investors perform this re-allocation of capital, public authorities should ensure effective and predictable carbon prices for all economic activities and phase out all fossil fuel subsidies. Possible elements include a carbon price floor for the ETS, combined with the harmonisation of energy taxes. The EESC thus strongly supports the European Commission proposal to ensure that the EU harmonisation of energy taxation can be decided by qualified majority, rather than unanimity as this procedure can allow a single national government to block any European Union progress. The aviation sector could be the first sector where such harmonisation could occur.

3. Comments on the Fourth State of the Energy Union Report and follow-up steps

3.1 Create strong and democratic governance for Europe's energy transition

- 3.1.1 The EESC considers that the EU and its Member States need to further democratise energy policy-making. They can better use tools such as deliberative polling and European Citizen

Initiatives and ensure systemic engagement with organised civil society. A more decentralised energy system, with a greater role played by local energy communities, can constitute an important element in underpinning the democratisation and ownership of the European energy transition.

- 3.1.2 To provide a stable and favourable business environment for European companies, especially SMEs, the EU and all its Member States should develop long-term energy plans to achieve the carbon-neutrality objective they agreed to in the Paris Agreement. The EESC thus calls on the European Union to adopt the objective of making the EU a climate-neutral economy by 2050. Sector-related and regional decarbonisation strategies should later be devised to identify business and local opportunities and anticipate future job gains and losses in order to ensure a smooth transition.
- 3.1.3 The EESC criticises the vagueness of several political promises. For example, the EESC regrets that the European Commission has never clarified what was meant by its ambitions to make Europe "number one in renewables".
- 3.1.4 The EESC welcomes the initiatives aimed at helping carbon-intensive regions and islands in their energy transition. The EESC reiterates its call to the European Commission to engage all Member States and regions to jointly map the strengths and weaknesses of each European region vis-à-vis the energy transition. The mapping should feed into their industrial strategies and smart specialisation strategies, as well as help them to anticipate the likely outcome in terms of job creation, losses and redefinition due to the transition³.
- 3.1.5 The EESC acknowledges that strong and democratic Energy Union governance requires the creation of a "European Energy Information Service" within the European Environment Agency that would be able to ensure the quality of the data provided by Member States, develop one entry point for all the datasets needed to assess the progress of the Energy Union, develop with stakeholders the assumptions for different scenarios, provide open source models to allow for testing different assumptions and check consistency between different projections. Its work should be freely accessible to all decision-makers, businesses and the general public.

3.2 *Jointly drawing up a Social Pact for a Citizen-driven Energy Transition*

- 3.2.1 The EESC warmly welcomes the European Commission's statement that: "The social implications of these [energy transition] changes must be a part of the policy process from the outset, and not simply be an afterthought." The EESC calls on the European Commission to put this statement into practice and stands ready to provide its support and expertise.
- 3.2.2 The EESC reiterates that Europe needs a "Social Pact for a Citizen-driven Energy Transition", to be agreed by the EU, Member States, regions, cities, social partners and organised civil society, in order to ensure that the transition leaves no one behind. It should become the sixth dimension of the Energy Union and cover all social aspects, including quality job creation, vocational training, consumers' education and training, social protection, specific plans for

³ [OJ C 367, 10.10.2018, p. 1.](#)

transition regions where jobs are lost, health and energy poverty. This initiative should be part of the European Pillar of Social Rights. Such a Pact could build on national experiences, for example the French "Pacte pour le pouvoir de vivre" which gathers together 19 Trade Unions and NGOs.

3.2.2.1 The EESC believes that the European Union needs to provide proper funding to support workers at risk of losing their jobs as a result of the transition to a climate-neutral economy. For that purpose, building on the experience of the Coal Regions in Transition Platform, the EESC calls on the European Commission, European Parliament and the Council of the European Union to ensure that the European Social Fund, Regional Funds and the European Globalisation Fund are properly designed and funded to address the challenges of the transition to a climate-neutral economy. This would signal Europe's will to ensure that no-one is left behind.

3.2.3 The EESC would like to see the Energy Union be developed in such a way that it becomes an opportunity to eradicate energy poverty in Europe and improve quality of life, job creation and social inclusion. Building on the findings of the European Energy Poverty Observatory and on the newly developed "European Energy Poverty Index", a European action plan to eradicate energy poverty should be drawn up in cooperation with stakeholders, including consumers' organisations and anti-poverty NGOs such as the European Anti-Poverty Network, to ensure that public action increasingly targets the root causes of energy poverty. Noting that in its opinion on the Clean Energy For All Europeans package⁴ it found that energy poverty is about investment and that vulnerable households in particular face obstacles in accessing financing, the EESC stresses the need to move progressively from palliative measures to preventive measures, such as renovation to transform old buildings into net-zero energy buildings. In this regard, social tariffs or energy cheques can only constitute temporary relief which should be gradually replaced by public subsidies helping poor Europeans to adopt structural solutions, such as deep retrofits of buildings.

3.2.3.1 The EESC considers the transition to a climate neutral economy to be the opportunity to provide jobs to Europeans. The European Commission states that there are already four million Europeans working for the "green economy". Accelerating the energy transition will create more jobs, especially when the transition is performed through local energy communities. The EESC considers that greater effort should be invested in vocational training to attract young Europeans, including the young unemployed, into energy transition jobs. The EESC therefore asks the European Commission to develop the Erasmus Pro programme to attract more young people into the growing sectors of the climate-neutral economy (e.g. energy efficiency, renewable energy generation) by improving the image and working conditions of such jobs.

3.2.4 The EESC considers that the EU and all its Member States should make the fight against air pollution a high-level policy priority. Regulatory measures aiming at reducing air pollutants emitted by vehicles and power plants should be strengthened and measures put in place to eventually phase out the use of fossil fuels in transport and power generation. The EESC also requests that, in a forthcoming report, the European Commission provide a detailed analysis of the drivers for the creation of green jobs and the hurdles to be overcome.

⁴ [OJ C 246, 28.7.2017, p. 64.](#)

3.2.5 The EESC welcomes improvements in the Fourth SEU Report concerning information on the use of EU investment instruments, especially on the Connecting Europe Facility. It notes however the need to improve the means for start-ups, citizen, local energy communities and community-based projects to access these resources (e.g. support for financial platforms, especially in Member States lacking such entities). The EESC wishes to further investigate the social dimension of the energy transition, through a separate exploratory opinion or information report.

3.3 *Transport*

The EESC recalls that the transport sector accounts for a third of the EU energy consumption. While EU emissions have been declining, this is not the case for the transport sector. It continues furthermore to rely almost entirely (94%) on oil, most of which is imported.

3.3.1 The EESC welcomes the adoption of the Clean Mobility Package as a first step to ensuring a clean mobility transition. It welcomes the promotion of electrification but recalls that electrification will not suffice and that unprecedented efforts should be undertaken to increase energy efficiency and reduce the need for unnecessary mobility demand – e.g. long distances between home and workplace.

3.3.2 The EESC would have welcomed EU-wide action to avoid low-income owners being left behind with polluting vehicles that have increasingly restricted access to many urban areas. Possible actions could be done within the Urban Agenda, as well as promoting walking, biking, public transport, low-cost retrofits or conversions of drivetrains in existing vehicles from fossil fuels to zero-emissions technologies.

3.3.3 The EESC welcomes the fact that the Fourth SEU Report recalls the importance of the European Battery Alliance. The EESC supports this initiative to ensure that the EU plays an ambitious role on this global market⁵.

3.4 *Infrastructure, investment and industrial development for the energy transition*

3.4.1 The energy transition has significant implications for all segments of the economy, especially utilities, energy-intensive industries and industries providing energy solutions. Their radical transformation requires hundreds of billions of euros of investment. They face risks, challenges and opportunities, and it is crucial for the EU to help industries, as well as energy cooperatives and citizens, grasp the opportunities, tackle the challenges and mitigate the risks.

3.4.2 The EESC regrets that insufficient attention has been dedicated to the evaluation of EU energy dependence and its geopolitical implications. This should include monitoring the evolution of EU dependence on imported energy (e.g. oil, natural gas, coal and uranium), as well as imported energy transition goods (e.g. batteries, solar panels) and foreign investment in EU strategic energy assets and companies (e.g. US companies buying key segments of the thermal power

⁵ [OJ C 367, 10.10.2018, p. 1.](https://eur-lex.europa.eu/eli/oj/2018/367/01/01/01)

plant value chain, Chinese companies buying electricity grid companies, Russian investment in some countries' energy sectors).

- 3.4.3 The EESC considers that the EU should step up its ambition in all clean energy areas to provide European businesses with a sound domestic market where innovation can be deployed, as well as an integrated industrial strategy aimed at exporting clean energy solutions to the rest of the world.
- 3.4.4 The EESC regrets that public investment (national and EU) in the Energy Union's research and innovation priorities has stagnated at the level of EUR 5 billion a year, while energy research and innovation should be a top priority to safeguard Europe's competitiveness and climate. The EESC calls on the European Commission's JRC to provide further data on that element, expressed both in absolute terms and in percentage of EU GDP.
- 3.4.5 The EESC warmly welcomes the creation of the European Innovation Council pilot and the proposal to create "Research and Innovations Missions" as a way to better steer research and innovation towards projects that effectively tackle societal challenges, including the transition to a climate-neutral economy. In that regard, the EESC asks the European Commission, the European Parliament and the Council of the European Union to propose establishing a specific mission to make 100 European cities climate neutral by 2030. This will provide EU researchers, innovators and businesses with massive opportunities to co-design and test innovations, learn from experience, and be better ready to make a swift energy transition in Europe and in the rest of the world.

4. Involvement of civil society and contribution of the EESC

- 4.1 The EESC is convinced that the Energy Union may be a reality in terms of policies, but it is not yet a reality in European citizens' daily life. The EESC welcomes the fact that EU policy makers have, between 2015 and 2019, laid the foundations of the Energy Union, but much more remains to be done in the forthcoming years and decades.
- 4.2 The transformation of Europe's energy system will indeed be swifter, cheaper and more democratic if it is powered by people who increasingly become active consumers, prosumers, workers, crowdsourcers and crowdfunders of the energy transition. The European Union should aim to move from a situation where energy policy, even at national level, has been driven by "decisions by a few" to one where it is effectively driven by "action by all". This has never been so achievable, given the rise in climate awareness among EU citizens, especially Europe's young people.
- 4.3 The EESC regrets the lack of real proposals to better engage civil society organisations and citizens. While the Energy Union Tour was a positive development, the EESC invites the European Commission to increasingly engage with decision-makers and stakeholders and specifically meet with national and regional economic and social councils and organised civil society to jointly deliver clean energy to all Europeans.

- 4.4 Recalling the tools available in the Regulation on Energy Governance, the EESC proposes that a permanent citizens' dialogue should be set up and that it should be a compulsory preparatory element of all major political decisions and all EU law-making pertinent to climate change. Transparency and accountability should be significant elements of such a dialogue, meaning that the input into dialogues should be publicly available and that clear information should be provided as to how concerns raised during the dialogue were taken into account. It is key to the success of such a dialogue that it is felt to be close to citizens. Therefore, while an internet dialogue may be useful, it is not sufficient but must be complemented by meetings and direct contact with the general public. It is therefore necessary that the dialogue is visible and that adequate financial and staff resources are available and that it is given a face in the form of a dedicated European Commission vice-president, a Commissioner or other high-level figure.
- 4.5 The EESC would like to actively contribute to the further development of synergy and cooperation among EU-level institutions, organised civil society, and local and regional authorities and their institutions, relevant to the Energy Union goals. Local and regional authorities, through their closeness to the level of the general public and their knowledge of each specific local context, hold the key to effectively adapting and implementing energy-related policies. They constitute a key decision-making level in sectors such as transportation, urban planning, buildings and welfare, which makes them extremely important for coordinated measures in favour of energy efficiency and renewable energy sources.

Brussels, 17 July 2019.

Luca Jahier

The president of the European Economic and Social Committee
