

Opportunities & challenges towards a Sustainable Energy Market in SE Europe

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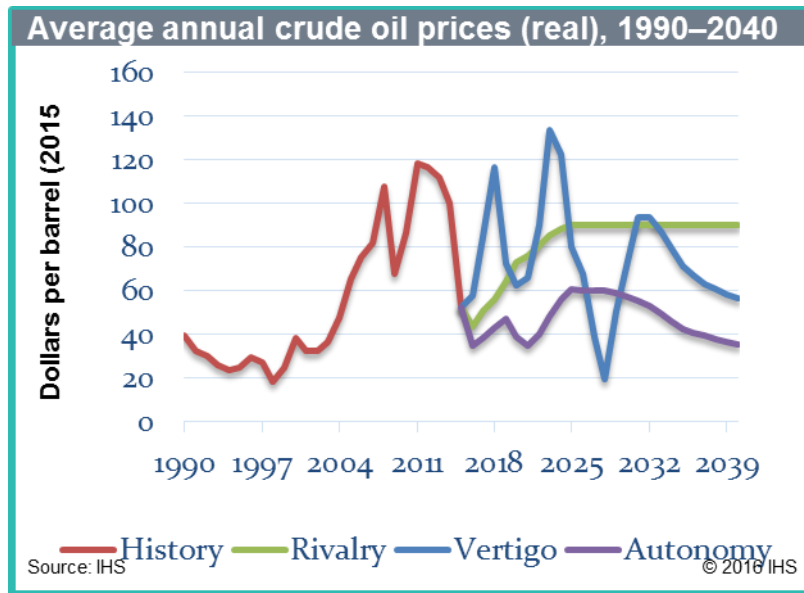
Brussels, Mar 9 2018

How will the EU energy markets evolve to 2040?

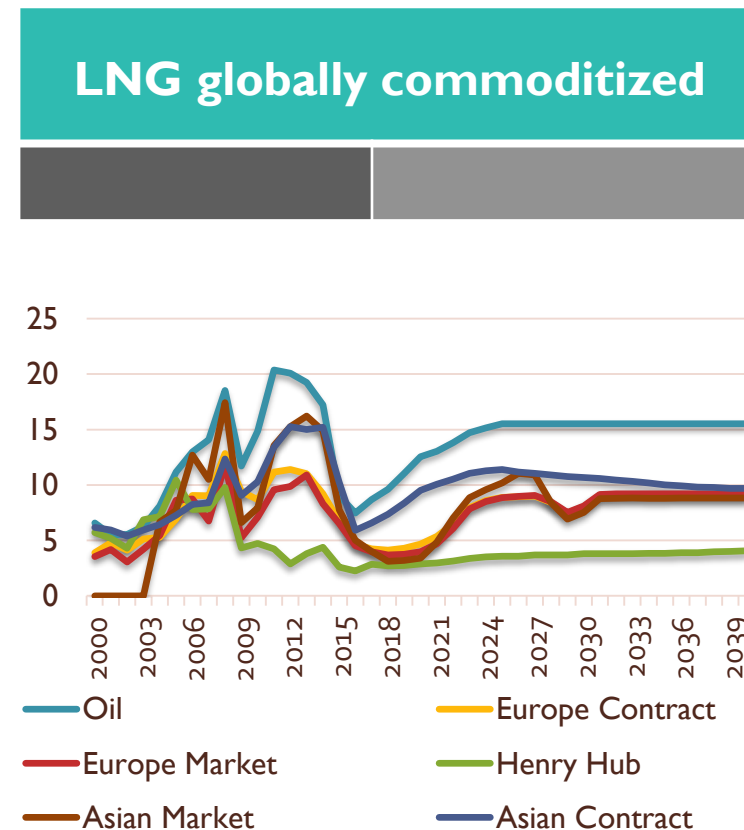
- **Fuels** remain the dominant energy sources
- **Oil & Gas:** Demand in the EU grows in absolute terms through 2040. Some 60% of natural gas is imported from third countries. Some 80% of oil is imported from third countries. Excessive need for energy consumption in the coming years
- **Nuclear power:** downward revision from previous projections
- **Renewables:** their share of electricity generation grows. However, the increase sometimes reflects subsidies and higher energy prices


How will EU energy markets evolve to 2040?

Rise of energy demand and increasing role of LNG:



Increased decoupling of oil and gas prices





The **EU** energy system is undergoing a far reaching transition in which three agendas collide:

- An **economic** agenda of supply and demand and of competitiveness
- A **security** agenda reflecting dependence on trade in oil & gas and need for diversification
- A **sustainability** agenda focused on the search for a low-carbon energy mix

4 Key objectives of EU energy policy

EU energy policy shall aim to (Article 194 TFEU):

1. ensure the functioning of the common energy market with competition
2. ensure security of energy supply in the EU
3. promote interconnection of energy networks
4. promote energy efficiency and energy saving and the development of new and renewable forms of energy

1. Ensure the functioning of the energy market

Interplay of energy policy with competition policy:

“... a system ensuring that competition in the internal market is not distorted”

- Prohibition of “all agreements, decisions and concerted practices which may affect trade and which have as their object the distortion of competition”.
- Prohibitions of “any abuse by one or more undertakings of a dominant position”.
- Strict control of mergers and acquisitions
- Prohibition of selective grants, subsidies or aids to particular industries or undertakings → are deemed to be incompatible with the common market except where certain conditions are satisfied.

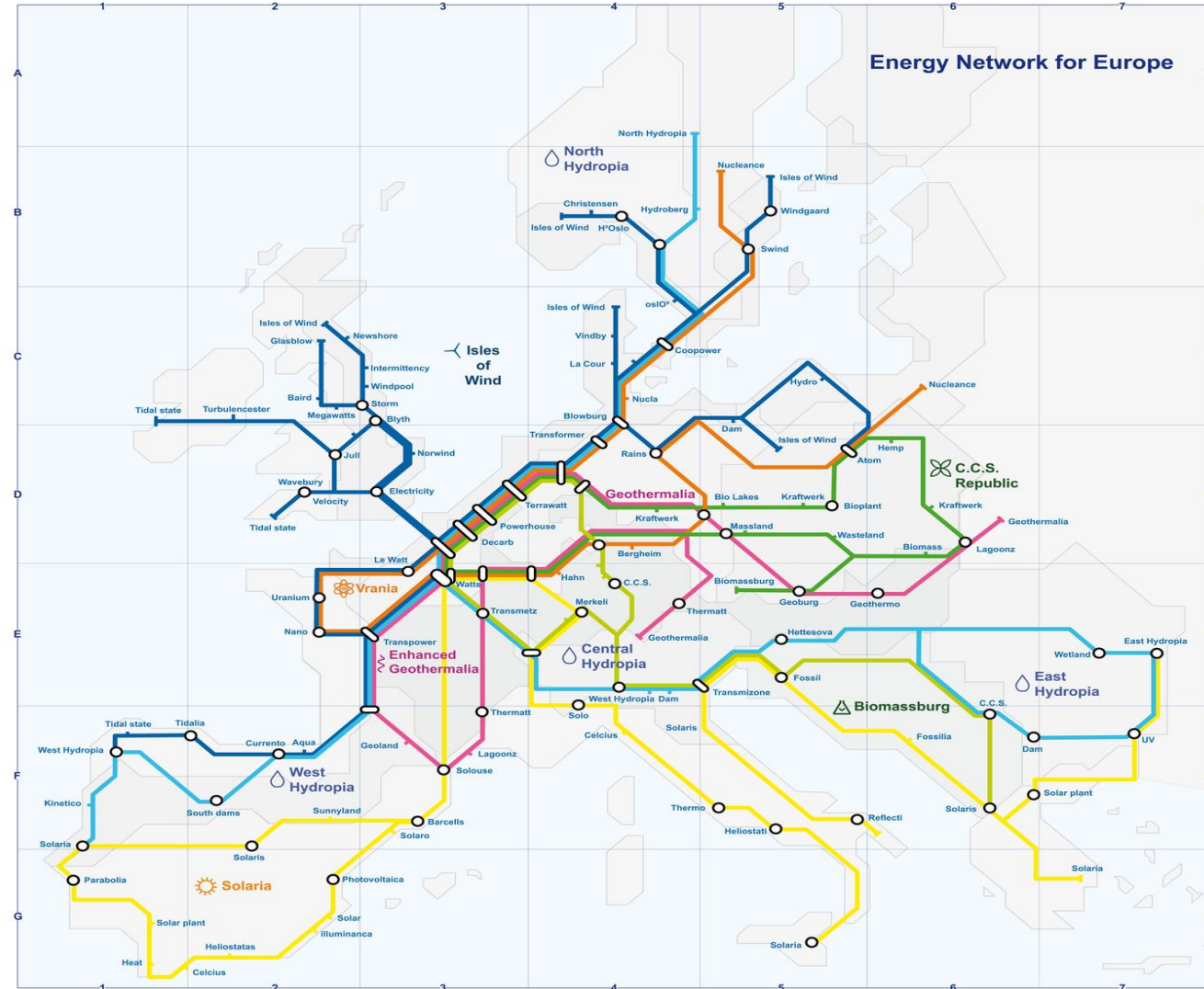
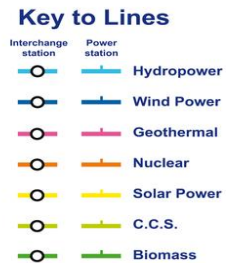
2. Security of Energy Supply

- **Diversification of energy sources**
Within the EU (conventional vs. renewables / oil vs. nuclear)
- **Diversification of energy sources**
From traditional suppliers (not only Russia & North Africa)
- **Diversification of energy routes**
Alternative routes
- **EU cooperation with neighboring non-EU countries (Energy Community Treaty)**
Contracting Parties to implement EU regulation on energy and competition
- **Bilateral cooperation**
Association Agreements with non-EU countries
- **Information exchange mechanism among EU Members States**
On all agreements between EU Member States and third countries in the field of energy

3. Interconnection of Energy networks

EU ENERGY NETWORK

DIAGRAMMATIC REPRESENTATION OF INTEGRATED EUROPEAN POWER GRID.



4. Energy efficiency and sustainability

- EU climate and energy package
- cutting greenhouse gas emissions by at least 20% by 2020
- increasing the contribution of renewable energy sources to 20% of total EU energy consumption by 2020
- reducing energy consumption by 20% compared to the projected 2020 consumption levels by improving energy efficiency
- achieving a 10% mandatory target as a minimum in new generation biofuels for transports

Watch out “regulatory capture”!

- Carpenter & Moss, *Preventing Regulatory Capture: Special interest influence and how to limit it*, New York, Cambridge University Press 2013, 550pp.
- When markets or regulations fall short of our expectations.
- Regulatory capture stunts competition and innovation, as firms able to capture their regulators effectively wield the regulatory power of the state.
- What we need is effective regulation. NOT overregulation