



EUROPEAN COMMISSION

FACT SHEET

State of the Energy Union

Brussels, 18 November 2015

General

Why a State of the Energy Union now?

On 25 February 2015, the Commission adopted "A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy". The publication of this strategy created a new momentum to bring about the transition to a low-carbon, secure and competitive economy and to deliver on one of the 10 priorities of the Juncker Commission.

The State of the Energy Union is a good opportunity to take stock each year of the progress already made towards building the Energy Union, and to highlight the issues where further attention is needed. It also brings together a series of Commission reports and initiatives in an integrated way.

What is the main outcome of the Energy Union Tour?

Following the adoption of the Energy Union Framework Strategy, Vice-President Maroš Šefčovič set out to visit all Member States to bring the ideas of the Energy Union closer to the Member States and to stakeholders. The Vice-President has already visited 22 Member States and he will visit the remaining ones over the coming weeks and months.

The Energy Union Tour allowed for discussions on the Energy Union with governments, national parliaments, energy and other industries, social partners, consumers, students, and citizens. On each visit, Vice-President Šefčovič discussed the benefits that the Energy Union could bring and listened attentively to the views expressed about the challenges facing each Member State. The key results and findings from those dialogues fed into the policy conclusions of the Energy Union and in the 28 country factsheets that are annexed to the State of the Energy Union.

What role do the country factsheets play?

The country factsheets give a snapshot of where each Member State stands today on many aspects of the five dimensions of the Energy Union.

The factsheets use comparable European data in order to ensure coherence and consistency across the 28 Member States. Draft factsheets were circulated to Member States in May and these were subsequently discussed with Member States bilaterally in technical meetings. Updated factsheets were sent to Member States in October. Each factsheet has been validated by the respective Member State concerned.

The contacts with Member States through the Energy Union Tour and the bilateral discussions have contributed to the Commission's identification of a number of policy conclusions across the five dimensions of the Energy Union.

Decarbonisation

What is the state of play of international climate negotiations in advance of the Paris climate conference (COP21)?

The EU remains determined to conclude a new global climate agreement applicable to all 196 Parties to the United Nations Framework Convention on Climate Change (UNFCCC). For the EU, the new agreement must send a clear signal of governments' resolve to reduce emissions sufficiently to keep global average temperature increase below the agreed 2°C limit by the end of the century. The EU agreed its objectives for the Paris agreement in the Environment Council conclusions¹ in September. Up to now, more than 160 countries, covering more than 90% of global emissions, have put forward their contributions. While the contributions on their own are insufficient to keep the world below 2°C warming, they represent a significant reduction of emissions around the globe, and are a clear sign of a change from action by few to action by all.

Will the EU meet its domestic emissions reduction target?

The EU is on track to meet its 2020 target for reducing greenhouse emissions by 20% below the 1990 level. According to the most recent estimates, in 2014 total EU greenhouse gas emissions covered by the 2020 Climate and Energy Package were 23% below the 1990 level. However, further measures are needed to meet the 2030 emissions reduction target of at least 40%. To address this, the Commission has proposed a revision of the EU Emissions Trading System (ETS). Next year, the Commission will also make a proposal on the implementation of the non-ETS target (Effort Sharing Decision). This will be accompanied by a legislative proposal on land use, land use change and forestry (LULUCF).

How will the emissions reduction targets help the EU's economic competitiveness?

The targets are delivering several economic benefits. They reduce Europe's external fuel bill. The targets also bring considerable opportunities for industry and business to develop and profit from new markets and technologies, support innovation and help to create new opportunities for growth and jobs. The proposal to implement the 2030 target in the EU Emissions Trading System also helps the low-carbon transition by providing more funds to address investment needs in lower-income Member States and provides financing opportunities for investments in innovation.

What is being done to put in place an EU framework conducive to attaining the binding EU-level target of at least 27% renewables by 2030?

The Commission is in the process of preparing the renewable energy package and bioenergy sustainability policy for the post 2020 period. These proposals will include EU measures and policies, which together with Member States efforts as laid out in their national plans, are needed to attain the at least 27% 2030 target for renewable energy and facilitate investments in renewable energy. This will be further supported by work on

¹ <http://www.consilium.europa.eu/en/press/press-releases/2015/09/18-conclusions-un-climate-change-conference-paris-2015/>

a new market design for electricity to make the best use of the internal energy market, as well as the Energy Union governance. The Commission is also launching today its public consultation on the future revision of the Renewable Energy Directive, which will run until 10 February.

Energy efficiency

What progress has the EU made towards its 2020 energy efficiency target?

Alongside the State of the Energy Union, the Commission comes forward with a report on the EU's progress towards its 20% energy efficiency target by 2020, on the progress made by Member States towards their national indicative energy efficiency targets for 2020 and on the implementation of the Energy Efficiency Directive. The report shows that Member States have made improved efforts to implement the EU energy efficiency legislation and have set more ambitious energy efficiency targets (now adding up to 17.6% primary energy saving in 2020, last year the targets added up to only 16.4%). On this basis, the Commission remains optimistic that the 20% target will be achieved, provided that existing EU legislation is fully implemented, efforts – in particular in the buildings, transport and generation sectors – are accelerated, their level of ambition is increased and the investment conditions for energy efficiency continue to improve across Europe.

How will the Commission implement the "Energy Efficiency First" principle?

Last October the European Council agreed an indicative EU-level target of an at least 27% improvement in energy efficiency by 2030. This will be reviewed by 2020, having in mind an EU level of 30%. In this context, the Energy Union stressed the need to fundamentally rethink energy efficiency and treat it as an energy source in its own right, representing the value of energy saved.

As a first step, in July 2015, the Commission proposed a revision of the Energy Labelling Directive to make the rules more effective and to strengthen the enforcement. Later this year, the Commission intends to come forward with a new Ecodesign working plan supporting the circular economy.

In 2016, the Commission foresees legislative proposals to align the Energy Efficiency Directive to the 2030 indicative EU-level target. A particular focus will be on buildings. A thorough evaluation of the Energy Performance of Buildings Directive is being carried out in view of its revision. A strategy for heating and cooling is also planned for early 2016, aiming for a smart transformation of this sector through demand reduction and decarbonisation.

Finally, the Energy Union will continue to promote better access to financing instruments for energy efficiency, notably in the transport and buildings sector, and encourage Member States to give energy efficiency primary consideration in their own policies.

What are the new actions from the Commission to enhance the energy efficiency of the building sector?

Buildings represent 40% of EU final energy consumption and about a quarter of non-ETS direct greenhouse gas emissions. Buildings have a huge potential for energy efficiency gains: around 75% of the EU housing stock is energy-inefficient and more than 2/3 of the stock is expected to remain in use in 2050. Yet, only a small proportion of the stock undergoes major renovation each year.

The Commission is currently reviewing the Energy Performance of Buildings Directive with a view to making the legislation fit for a 2030 perspective. A smart financing for smart buildings initiative is also foreseen for 2016, with a view to improve access to funding and stimulate investment in the buildings sector.

Internal energy market

What progress has been made to interconnect EU's electricity markets and achieve the minimum electricity interconnection target of 10%?

Electricity lines and gas pipelines form the backbone of an integrated energy market. Since the presentation of the Energy Union Framework Strategy, a lot has happened, notably the doubling of interconnector capacity between France and Spain, integration of the Baltic States into the Nordic electricity market through the completion of interconnections to Sweden and Poland in December 2015, ending Malta's isolation with the connection to Italy.

With regard to the 10% electricity interconnection capacity target for 2020, 22 Member States are on track to reach or have already reached the target. But more interconnections are still needed in specific regions.

There are several actions at European level to address the infrastructure challenge. The second list of Projects of Common Interest (PCIs) [Ref to separate IP] sets out those projects that are urgently needed to achieve our energy policy targets. In exceptional cases, these projects can benefit from grants from the Connecting Europe Facility. Infrastructure investments will also begin to see benefits from the instruments developed under the European Fund for Strategic Investments in 2016.

Are we delivering a market to meet the needs of all consumers?

First and foremost, a fully-integrated internal energy market should bring tangible benefits to all consumers. The Commission Communication "*Delivering a New Deal for Consumers*" of July 2015² emphasises that consumers need to be put at the centre of a thriving and functioning energy system. The staff working document on energy consumer trends between 2010 and 2015, presented today, illustrates in detail the problems that consumers continue to face.

Legislative proposals to implement the new electricity market design will be presented in 2016. These will enable energy consumers, for example through demand response and self-generation, to fully participate in the market and increase efficiency and flexibility of markets. This will require better linking of wholesale and retail markets, ensuring that short-term and long-term markets send the right investment signals for modern technologies to both producers and consumers of electricity.

The Commission will also pay particular attention to fighting energy poverty and to the protection of vulnerable consumers, using the new market design proposal as well as the review of the Energy Efficiency Directive.

Energy security

² COM(2015)339.

What are the key messages of the Staff Working Document on the European Energy Security Strategy?

The European Energy Security Strategy (EESS) now forms part of the "Energy Union Framework Strategy", since energy security is one of the five mutually- dependent and interlinked dimensions of the Energy Union. The adopted Staff Working Document aims at presenting the implementation of the EESS, with a focus on the areas which are not treated by the other documents forming the "State of the Energy Union package".

In particular, the Staff Working Document describes the actions undertaken by the EU in order to safeguard EU security of energy supply in the short term, the ongoing review of the existing legislation to safeguard security of supply, and the progress related to the EU external energy policy under a security of supply perspective, including the efforts to diversify external sources of energy supply.

Progress in enhancing the Union's energy security has continued and accelerated since the adoption of the European Energy Security Strategy, but major challenges remain. Given the rapidly-changing landscape of the global energy sector, energy security is a continuous and dynamic endeavour that must be rigorously pursued in the overall context of implementing the Energy Union Strategy.

How will the new legislative proposals of the European Commission (the Security of Supply Package) contribute towards more security of gas supplies?

The level of preparedness and resilience of the gas system has significantly improved since 2010, mostly due to the Gas Security of Supply Regulation. However, the experience with its implementation suggests a number of shortcomings and areas for improvement, in particular strengthening regional cooperation and more harmonisation (e.g. protected customers and supply standard). Therefore, the Commission will propose a revision of the Gas Security of Supply Regulation (994/2010) early next year.

To improve diversification, the Energy Union Strategy also announces the development of a comprehensive strategy on liquefied natural gas (LNG) and gas storage. The objective will be to identify whether EU action may be necessary over the medium to longer term to ensure that LNG and storage can play an important role in contributing to the security, affordability and sustainability of the EU energy system.

Another goal of the package is to improve even more the transparency on energy supply by enhancing information exchange mechanism with regard to intergovernmental agreements (IGAs) between Member States and third countries, which was established by the IGA Decision in 2012. A review of the Decision is therefore needed to reinforce the compatibility of such IGAs with the EU acquis.

What is the Commission's role in the gas talks with the Russian Federation and Ukraine and how will this contribute to energy security in Europe?

The European Commission acted as a fair broker of the trilateral deal. As regards financing, the Commission has been working very closely with the International Financial Institutions, in particular the European Investment Bank, the European Bank for Reconstruction and Development, as well as the World Bank and the IMF, to secure additional funding for Naftogaz. The Commission has also reached out to the G7 partners to seek their support for urgent bridge financing. It led to agreeing and initialling the new Binding Protocol on 25 September 2015.

The Commission reiterates that so far, Ukraine has proven to be a reliable gas transit country and it is in the interest of all parties for Ukraine to remain an important transit route to Europe also in the future.

Research, Innovation and Competitiveness

What will the integrated Energy Union strategy for research, innovation and competitiveness focus on and how can stakeholders provide input?

As announced in the Communication on the [Integrated Strategic Energy Technology Plan](#) in September, and in the Commission Work Programme 2016 adopted in October, there is a need for an integrated Energy Union Research, Innovation and Competitiveness strategy for energy and climate. This aims at tapping synergies of efforts across the various sectors, including low-carbon energy technologies, transport R&I and global competitiveness of the EU on energy and climate technologies and innovation. The main objective of this strategy is to accelerate the energy transformation in Europe and ensure that such a transformation is used for the EU industry to reach a leading position in low-carbon technologies, thereby fostering green growth and jobs. A public consultation will be issued soon. The final strategy will be adopted with the second State of the Energy Union in 2016.

Governance of the Energy Union / Governance

How will the Energy Union governance make sure that EU-level targets for renewables (binding at the EU level) and energy efficiency (indicative at the EU level) are delivered?

The governance of the Energy Union is based on following elements:

- Integrated national climate and energy plans: Such plans are necessary tools to have a more strategic planning across the whole Energy Union spectrum. They will – inter alia – define national contributions guided by the need to deliver collectively the EU-level 2030 targets for renewable energy and energy efficiency. In order to provide certainty and predictability to project developers and investors in a rapidly changing environment, preparatory work should start without delay, so that they are operational well before 2021. A guidance note is annexed to the State of the Energy Union.
- Looking into planning and reporting obligations: the EU acquis includes numerous obligations on Member States to provide information to the Commission, which reports to the other EU institutions. The Commission will carry out a Fitness Check of existing planning and reporting obligations in 2016, including on the inter-linkages with the climate obligations. This initiative will assess the extent to which the current obligations are coherent, effective, efficient, relevant and add EU value, as well as to ascertain whether there is potential for simplification and reduced administrative burden. This will feed into the preparations of a proposal for streamlining these obligations, foreseen for late 2016.
- Monitoring: A transparent monitoring system by the Commission based on progress reports by Member States on the implementation of national plans, as well as on key energy and climate indicators assessing progress at EU level.
- Regional cooperation: Regional cooperation is an important element in achieving the Energy Union and is already taking place across all dimensions of the Energy Union. However, further efforts are needed. In 2016, the Commission intends to come forward

with guidance on how to strengthen regional cooperation in the broader sense and how the Commission can facilitate regional approaches.

Will the Energy Union governance be anchored in EU legislation including involvement of the European Parliament?

Yes. The Commission will come forward in 2016 with proposal(s) in which the main elements of the governance of the Energy Union policies will be tackled. This is necessary in order to make sure that both planning and reporting reflects the integrated approach of the Energy Union and its five dimensions. It is also necessary in order to meet the targets of the 2030 Framework for energy and climate.

Based on the Fitness Check of the energy acquis and ongoing discussions with Member States, the European Parliament and stakeholders, the Commission intends to come forward in 2016 with a proposal on streamlining planning and reporting obligations related to energy and climate so as to align them with the Energy Union Framework Strategy.

Legislative proposals will go through the ordinary legislative procedure, in which the European Parliament is fully involved.

More information

For further information: **IP**

The State of the Energy Union Communication and 28 Member States factsheets can be found on the Commission's website: http://ec.europa.eu/priorities/energy-union/index_en.htm

One year on: Energy Union and Climate change

Policy: http://ec.europa.eu/priorities/energy-union/docs/energy-union-1-year_en.pdf