



## The state of the Energy Union explained

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### **What does today's package include?**

Today, the Commission publishes the fourth State of the Energy Union report. The State of the Energy Union Report is an important tool to highlight and monitor the implementation of this key priority of the Juncker Commission. The report takes stock of the progress made towards building the Energy Union, and highlights the issues where further attention is needed. It brings together a series of Commission reports and initiatives related to the Energy Union in an integrated way. The state of the Energy Union report is accompanied by two annexes demonstrating the progress made in renewable energy and energy efficiency. In parallel, the Commission is today presenting two forward looking communications one on the strategic batteries plan for Europe and one on a new institutional framework for our energy and climate policy by 2025.

#### **1. The 4th State of the Energy Union Report: What is the Energy Union?**

When the Juncker Commission took office in 2014, a resilient energy union with a forward looking climate policy was identified as one of the ten priorities of the new Commission. On 25 February 2015, the Commission adopted "A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy", also known as the Energy Union Strategy. The publication of this strategy created a new momentum to bring about the transition to a low-carbon, secure and competitive economy.

The objective of the Energy Union is to provide all European Union (EU) consumers - households and businesses - with secure, sustainable, competitive and affordable energy. The Energy Union has five dimensions: (i) security of supply, solidarity and trust (ii) a fully integrated energy market (iii) energy efficiency (iv) decarbonisation of the economy and (v) research, innovation and competitiveness.

#### **2. What are the main achievements of the Energy Union?**

Europe's energy supply today is safer, more viable and more accessible to everyone than only a few years ago. The modernised energy system boosts the EU economy, attracts investments and creates local job opportunities.

The Energy Union has resulted in a comprehensive and legally binding framework for a socially fair energy transition ensuring the gradual decarbonisation of our economy in line with our international commitments under the Paris agreement while simultaneously helping to modernise the European economy so that no citizen or region will be left behind.

It has also enabled the EU to increase its level of ambition for 2030 in a number of energy related sectors, from increased targets for renewable energy and energy efficiency, to targets on emissions from cars, vans and lorries. It has also provided a solid basis for work towards a modern and prosperous climate-neutral economy by 2050.

The Energy Union today disposes of a fully up-to-date regulatory framework that provides the necessary certainty for high-quality, innovative investment to modernise our economy and to create local jobs. Through deepening the internal energy market, and by placing the consumer at the centre as an active participant within this market, the Energy Union provides all citizens with secure, sustainable, competitive and affordable energy supply.

In addition, the Juncker Commission has put in place an enabling framework of supporting measures to ensure a smooth transition for European industries and regions. A number of targeted initiatives have been created to guarantee all regions and citizens benefit from the energy transition.

On the international stage, the Energy Union has allowed the EU to speak with one strong voice, instrumental for the negotiation and the implementation of the Paris Agreement; and to continue to lead by example in global climate action through a competitive and socially-fair transition.

#### **3. What does the Energy Union mean for citizens?**

The Energy Union responds to one of EU citizens' key concerns. They massively call for action against climate change and for the energy transition. According to the last Eurobarometer survey on the

subject, 9 out of 10 Europeans consider climate change a serious problem and see it as the third biggest problem of our times after poverty and economy.

In parallel, the Energy Union creates jobs and growth. Today, there are more than 4 million green jobs in the European Union, and between 2000 and 2014, employment in the environmental sectors of the economy grew considerably faster (+49%) than employment in the economy as a whole (+6%). These figures will further increase, with investments in domestic renewable energy expected to replace imported fossil fuels and by harvesting Europe's early-mover advantage in many of the "green" industries.

The Energy Union also contributes to addressing energy poverty, which still affects almost 50 million people across all member states. Measures to this effect include, inter alia, promoting investments in energy efficiency. Energy efficiency measures also help to reduce energy bills. There is still a huge untapped potential in energy efficiency and member states will specifically tackle this issue in their National Energy and Climate Plans.

The Energy Union will help consumers save money and be actively involved in the energy system by providing them a role as a producer as well as consumer of electricity. The new legislation put in place with the "Clean Energy for All Europeans" package will also reduce direct costs for consumers by for example restricting switching fees that still represent a substantial part of energy bills. More generally, the Energy Union relies on the active participation of consumers, for instance to generate electricity for their own consumption, store it, share it, consume it or sell it back to the market.

#### **4. What does the Energy Union mean for cities and regions of Europe?**

70 % of Europeans live in cities, where the bulk of emission reductions will take place. The Energy Union places local communities, especially cities, municipalities and urban communities, at the heart of the transition. The Commission is helping them through initiatives such as the European Covenant of Mayors for Climate and Energy, which gathers more than 8,800 EU cities representing more than 230 million Europeans, committed to fight climate change. These cities, which represent nearly a third of the EU's 2020 commitment for emission reductions, have already cut their emissions by 23% from their baseline year inventory.

#### **5. How does the Energy Union ensure a fair and just energy transition for all?**

As part of an ambitious climate and energy policy, the Commission has also adopted a number of enabling measures that support the social fairness of the energy transition.

The coal and carbon-intensive regions in transition initiative, for example, supports Europe's coal regions, ensuring that these regions can modernise their economies in line with a transition towards a more sustainable economy while focusing on social fairness, job creation, new skills and financing for the real economy. Through regular meetings and a standing platform, national and local authorities, businesses and citizen groups can exchange best practices on how to valorise the opportunities created by the transition and ensure that no citizen or region is left behind. In addition, eighteen pilot regions of eight Member States benefit from a tailored support to identify concrete ways to start and lead the transition, accompanied by existing EU funds, financing tools and programmes.

The Commission also offers region-specific support for boosting innovation under the pilot action for regions in industrial transition. Until now, 12 test regions are working in partnership with Commission experts to boost their innovation capacity, remove investment barriers, equip workers with the right skills and prepare for industrial and societal change, on the basis of their smart specialisation strategies. The pilot seeks to find new ways to help these regions harness globalisation by decarbonisation, innovation, digitisation, and developing people's skills, in particular those regions which have experienced significant employment loss in coal, steel or other energy intensive industries.

Moreover, the Commission has kick-started the clean islands initiative "Clean Energy for All EU Islands" with the objective to accelerate the clean energy transition in Europe's over 1 000 inhabited islands. It aims to help these islands tap into locally available renewable energy sources, energy efficiency potential and innovative storage and transport technologies and become self-sufficient in energy, thus reducing costs, environmental pollution and reliance on heavy fuel oil to generate power, while creating growth and local jobs.

#### **6. What does the new governance system for the Energy Union consist of?**

The European Union has put in place a new governance framework to implement and further develop the Energy Union. This new regulation requests Member States to develop integrated National Energy and Climate Plans that will include their national contributions to the collective EU targets and the necessary policies and measures to achieve these contributions for ten-year periods. Through a continuous iterative dialogue with the Commission and between themselves, this will stimulate cooperation between Member States to achieve the objectives of the Energy Union, save administrative costs by streamlining most of the current energy and climate reporting requirements and provide

regulatory certainty for stakeholders and investors.

All Member States have now officially submitted a draft of their first National Energy and Climate Plans for the period 2021-2030. This major milestone, which required a significant collective effort, is built on an excellent spirit of cooperation over the past 3 years. The Commission is currently assessing these draft plans in close cooperation with member states with a view to issue potential recommendations by 30 June 2019, to support member states to improve the plans and to ensure that the EU can collectively deliver on its new 2030 targets. Member states are expected to submit their final plans by 31 December 2019.

### **7. Why do we need a strategy for batteries in Europe?**

Driven by the ongoing clean energy and mobility transition, demand for batteries is expected to grow very rapidly in the coming years, making this market an increasingly strategic one at global level. According to some sources, the European market potential could be worth up to EUR 250 billion annually from 2025 onwards. This trend is further reinforced by the new and comprehensive legislative and governance framework for the Energy Union, successfully adopted under this Commission to accelerate the transition to a sustainable, secure and competitive EU economy.

However, today the European share of global cell manufacturing is just 3 per cent and is, without further supporting action, forecast to rise to between 7 and 25 per cent in 2028, while Asia has an 85 per cent share. If no action is taken to support the creation of a viable battery manufacturing sector, there is a risk that Europe falls irreversibly behind its competitors in the global batteries market, and becomes dependent on imports of battery cells and raw materials used in the supply chain.

Huge investments are needed to this end. It is estimated that 20-30 giga-factories for battery cells production alone will have to be built in Europe and their related ecosystem will need to be considerably strengthened.

Batteries have therefore been identified by the Commission as a strategic value chain, where the EU must step up investment and innovation in the context of a strengthened industrial policy strategy aimed at building a globally integrated, sustainable and competitive industrial base.

### **8. What is the Commission proposing on batteries?**

Following the adoption of the Strategic Action Plan on Batteries in May 2018, the Commission is working together with many Member States and key industry stakeholders to build a competitive, sustainable and innovative battery ecosystem in Europe, covering the entire value chain, embracing raw materials extraction, sourcing and processing, battery materials, cell production, battery systems, as well as re-use and recycling.

This is the main objective behind the European Battery Alliance (EBA), an industry-led initiative, which the Commission launched back in October 2017, to support the scaling up of innovative solutions and manufacturing capacity in Europe. The EBA is helping to foster cooperation between industries and across the value chain, with support at both the EU-level and from EU Member States.

Today's Report highlights the progress achieved over the past year on the implementation of the key actions set out in the Strategic Action Plan on Batteries. For example:

- the EU budget is providing important funding opportunities to support research and innovation in batteries. The EU's Framework Programme for Research and Innovation for 2014-2020, Horizon 2020, has granted EUR 1.34 billion to projects for energy storage on the grid and for low-carbon mobility. In 2019, Horizon 2020 added a call to fund, under the European Battery Alliance, battery projects worth EUR 114 million. This will be followed by a call in 2020 amounting to EUR 132 million, covering batteries for transport and energy. The European Regional Development Fund is also providing support for research and innovation to promote an energy-efficient and decarbonised transport sector.
- The EU's regions have shown an interest in establishing partnerships to take forward joint projects and further develop strong innovation ecosystems in the field of batteries. One such interregional partnership, focusing on advanced battery materials for electro-mobility and energy storage, was launched in October 2018 in the framework of the Smart Specialisation Platform on industrial modernisation. This partnership has already expanded to include 22 regions and several pilot areas have been established across the value chain to identify battery-related projects that could lead to successful commercial businesses.
- The European Battery Alliance is acting as a catalyst for creating a battery value chain in Europe. Around 260 industrial and innovation actors have joined this network. The EU Knowledge and Innovation Community (KIC) Innoenergy (European Institute of Innovation and Technology) has steered this network and already announced consolidated private investments of up to EUR 100 billion, covering the whole value chain. This includes announcements of production of primary and secondary raw materials in the EU, and planned battery manufacturing investments from several

European consortia.

- the European Battery Alliance is examining the potential for cross-border breakthrough innovation projects related to the battery strategic value chain with a view to accessing public funding that could be compatible with the EU's State Aid rules under the Important Projects of Common Interest (IPCEI) framework. Several EU Member States have already launched processes to identify potential consortia and are working together to design one or more IPCEI in this field. They aim to seek approval by the Commission in 2019.

### **9. *What is the Commission proposing in its Communication towards a new legislative framework for our energy and climate policy by 2025***

While the enormous progress has been made in building the Energy Union during the last years, there are areas which have the potential of further improvement to achieve all the policy objectives. An important aspect of this forward-looking agenda on future energy policies involves examining how the Union takes decisions in this area. The Communication towards a new institutional framework for our energy and climate policy by 2025 sets out possibilities for moving to the ordinary legislative procedure in matters of environmental and energy taxation and fuller involvement of the European Parliament and of national Parliaments in policy-making under the Euratom Treaty. Moving to the ordinary legislative procedure in matters of environmental and energy taxation would facilitate the alignment of the tax regime to the EU's energy and climate policy objectives. Fuller involvement of the European Parliament and of national Parliaments in policy-making under the Euratom Treaty would enhance transparency and democratic legitimacy for decisions on nuclear energy.

As the Commission has recently stressed in its Communication "A Clean Planet for All", the energy transition requires a comprehensive economic and societal transformation, engaging all sectors of the economy and society to achieve the transition to climate neutrality by 2050. Achieving this objective requires decisive action across policy areas and it is essential that the EU should be equipped with the tools to take the necessary decisions in a manner that is both efficient and democratic.

#### **1. *Why does the decision making process for energy taxation need to be changed?***

The Commission in January 2019 already laid out its ideas towards a move to qualified majority voting decision-making in the area of taxation. A further Communication adopted today explores how such a move could pave the way for proposals in the field of energy taxation, and specifically for initiatives that support the broader EU energy and climate goals, since current EU decision-making procedures are not fit for purpose.

The EU institutional framework around these issues is not fit for purpose, as it requires unanimous agreement amongst 28 Member States before action can be taken. This unanimity often cannot be achieved or leads to sub-optimal policies. A case in point is the failure of Member States to agree on the 2011 Commission proposal to update the EU's Energy Taxation Directive. This proposal would have maximised the potential of energy taxation to deliver on climate change commitments and to support sustainable growth. It would also have reversed the paradoxical situation whereby the most polluting fuels are sometimes the least taxed in Europe.

Today's Communication suggests that proposals in the area of energy taxation could be put forward under the so-called 'passerelle clause' – Article 192(2) – which provides for QMV decision-making for energy taxation measures that are primarily of an environmental nature. This could be justified for environmental taxation measures aiming at reducing CO2 and other polluting emissions or improving energy efficiency, key priorities of the EU's Energy Union strategy and of the Paris Agreement. The Commission would encourage Member States to decide quickly to move forward, to unlock benefits for future generations. All Member States would need to agree for this to become a reality.

The Commission is currently re-evaluating the Energy Taxation Directive to decide if a potential update is necessary.

#### **1. *Why does the decision making process under the Euratom treaty need to be changed?***

While there is a clear understanding that the use of nuclear energy is a national choice to be made by each Member State, and this will continue to be the case, the Euratom Treaty provides the most advanced legal framework in the world in the areas of nuclear safety, waste management or radiation protection.

There is, however, a recognised concern that the Euratom Treaty needs to evolve in line with a more united, stronger and democratic EU. A central aspect is the democratic accountability of Euratom and in particular the involvement of the European Parliament and of the national Parliaments.

The Treaty of Lisbon extended the ordinary legislative procedure to nearly all policy areas where the European Parliament had previously only had a consultative role. While the ordinary legislative procedure also applies in general to the Euratom Treaty, the individual legal bases of the Treaty do not foresee it. It remains the case, therefore, that the European Parliament is merely consulted on

legislative proposals and international agreements falling under the competence of Euratom.

The Commission considers that more needs to be done to enhance the role of the European Parliament to improve the democratic legitimacy of decision-making under Euratom. In the short-term, the European Commission will establish in the months to come a High Level Group of Experts. Its task will be to assess and report to the European Commission on the state of play of the Euratom Treaty with a view to ensuring that, on the basis of the current Treaty, its democratic accountability is improved.

**Further Information:**

- [Press release](#)
- [Further documentation: Energy Union Priority page 4th State of the Energy Union report](#)
- [Energy Union and climate](#)

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