

REPORT ON THESEUS EUROPE@WORK 2015: EUROPEAN ENERGY AND CLIMATE POLICY

PARIS AND BRUSSELS, 8-12 JUNE 2015

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Political science and energy economics students from the University of Cologne, the Turkish-German University Istanbul and the Charles University Prague travelled to Paris and Brussels to discuss current challenges of European Energy and Climate Policy. They got the chance to listen to insightful presentations and to hold lively discussions with important actors of in sum 11 political institutions and organisations as well as companies, who are involved in both the domestic and European arena of policy-making.

During the first days in Paris the major focus was on the climate negotiations “COP 21” which will take place in Paris at the end of the year. The discussions touched upon the question on how the EU will make its voice heard during the negotiations and why the international process is such a difficult undertaking. Another focal point were the instruments of the European Union to tackle climate change, such as the European Trading System (ETS) and its reformation. The ETS was especially discussed at *Electricité de France* and *Institut français des relations internationales*, while at the *OECD* and *Sciences Po Paris* the major focus was on environmental taxes.

Another delicate subject was energy security and the Energy Union. While there is a general understanding of all actors that energy security is a European problem and should be also solved on the European level, the questions of how this should work and which tools should be implemented raise different opinions. Another point of discussion was, if the Energy Union will introduce major changes regarding European energy and climate policy or, if it is only idle words. *Eurelectric* pointed out that for a successful European energy policy the internal market is the main tool since only with the help of a fully integrated market Europeans can reach more bargaining power and decrease the electricity prices. The *European Commission* as well as the *Council* underlined that a major problem was the attitude of the Member States who do not trust each other sufficiently to carry on the internal market project.

PARIS

Sciences Po Paris

By Tereza Basarová

The opening session of the 2014 Europe@Work excursion was held at Sciences Po Paris. The group was given two brief lectures by Florence Faucher and Eleonora Russo.

Florence Faucher, a Sciences Po Professor focusing on environmental and European politics, gave a brief historical overview of the European environmental agenda and pointed out some special characteristics of the field. She mentioned the problem of applying only short-term policies to long-term issues and the fact that the EU is not able to figure out whether the environmental issues shall be dealt with on the national or the supranational level. The concluding part of the lecture was devoted to the public opinion in the EU. Mrs. Faucher claimed that the EU experienced a great push for individual responsibility and that now the citizens want the companies and governments to take action.

Eleonora Russo, an Academic Advisor of the Master of European Affairs at Sciences Po, spoke about climate change and the role of the EU. She talked about the transformation and the strengthening of the EU's competences in the field and also about the changing view on climate change. She pointed out that only since 2013 the EU has been taking into account adaptation to climate change and the reduction of its impacts, not only the attempts to prevent climate change.

Electricité de France

By Lena Beneke and Philp Bovenkerk

The session started with a brief summary and overview of the activities of Electricité de France (EDF), the European Union Emission Trading Scheme (EU ETS) and a status quo of the activities in the EU regarding emission reducing milestones. EDF pointed out, that 90% of emissions worldwide are not produced in Europe, that the 2020 milestones (regarding reduction emissions) will be very well achieved and that the wholesale market in Europe works very well.

The Q&A session after the initial overview tackled a wide array of different questions. The competition within the energy market is very important and the integration of the energy market into the wholesale market is an ongoing process. The EDF representative formulated that renewables will be a part of the energy mix of the future, but there will always be different energy mixes in different markets, as e.g. the EU and the USA differ a lot regarding their stances towards their respective energy mixes and renewables might be too expensive for most markets. Regarding energy diversification and the implied question of energy security, the representatives of EDF told the audience that France is not dependent on any supplies, whereas six or seven states in Eastern Europe are 100% dependent on energy supply from Russia. EDF is showing solidarity for these European partners. For future projects like gas pipelines, EDF is very well interested to finance parts of these projects, but always under favourable financial risk / rewards ratios.

**Organisation for Economic Co-operation and Development and
International Energy Agency
By Clara Kessler and Natallia Kulakova**

At the Organization for Economic Cooperation and Development (OECD) Headquarter in Paris, the group attended four discussion rounds on climate and environment, energy and economic growth. OECD works as a “Think and Do Tank”, promoting “policies that will improve the economic and social well-being of people around the world” (oecd.org, 2015). The International Energy Agency (IEA) is a ‘sister organization’ of the OECD and acts as a policy advisor with the objective of promoting reliable, affordable and clean energy.

The first presentation held by Ziga Zarnic gave us an overview of the main tasks of the OECD Environment Directorate. The group discussed questions about the ability of the OECD to support the overcoming of tensions between national interests and international climate goals. Further questions concerned Germany’s ‘Energiewende’ and its consequences for EU member states’ climate goals.

The second presentation focused on the economic effects of environmental policies. Dennis Dugloch from the Economic Department of the OECD presented an index to measure the stringency of environmental policy. The measurement results allow the department to estimate the implication of policy stringency on regulations and competition. To wrap up the presentation, Mr. Dugloch pointed out the effects of policy stringency on productivity growth.

Florens Flues from the Department of Tax Policy and Administration gave us an overview of the current environment related taxes. In order to measure effects of such policies several indicators are taken into account in the daily work of the department. One of the main goals is to estimate the effects on the economy and develop policy recommendations based upon these.

Dr. Johannes Trüby from the IEA presented the World Energy Outlook 2014, emphasizing key findings in the areas of energy demand, global oil, gas and coal supply and demand as well as de-carbonization. In the conclusion of his presentation, Dr. Trüby stated that current market events should not affect long term decisions of policy makers and that without concrete targets set in ‘COP 21’, further climate goals might be difficult to achieve.

**European Union Institute for Security Studies
By Julia McCray, Terezie Poláková and Rico Schnathorst**

The session began with a quick presentation of the institutional framework, working fields, and aims of the “European Union Institute for Security Studies” (EUISS) by the documentation and research officer Philip Worré. The institution, that has been established in 1989 and integrated into the European Union in 2001, currently employs 40 members of staff and 7 senior analysts. The main events include conferences, seminars and task forces.

After these opening remarks, Gerald Stang, associate analyst at the EUISS, gave a brief review on the climate and energy-security policy of the European Union, with a major focus on the Union “2020 strategy” and “2030 framework”. He especially focused on the outbreak of the Crimean Crisis in early 2014 that put energy security back on the European agenda, and raised political necessities for a common energy market. After this, he outlined the disadvantages of the Emission

Trading System (ETS) of the EU that leaves little incentives for its participants to change and reduce their carbon emissions. In the long-term, only a decrease in the consumer consumption will be the solution in terms of climate policy.

Afterwards he gave a review about recent developments on the energy markets, in particular about new important energy resources like shale gas in the U.S., and opportunities implied by these developments. Stang also emphasized the need to diversify and protect the European energy market, since there are no signs that European dependence on oil and gas supply will decrease. Therefore he stated that the Ukrainian Crisis is more a political problem which has to be solved than a matter of energy security supply problems. Stang also gave a few recommendations, contributing to an improved energy outlook of the EU that included a general reduction of energy consumption and responsible climate policies towards our global partner for economic development and an enhanced cooperation within the EU structures and among the members. The session ended with a short discussion on energy security matters between the speakers and the auditorium.

Institut Francais des Relations Internationales **By Sean McQuiggan**

Researcher Carole Mathieu was presenting on behalf of the French think tank. Mrs. Mathieu gave a comprehensive presentation on EU energy policy and politics. The discussion began with a comparison of the EU's energy policy to that of the rest of the world. The EU is viewed as a front-runner in the development of renewable energies but not yet a flagship for green growth. It is clear that the EU has been more ambitious in this field than the United States and certainly China. Furthermore, the EU is proving that environmental policy and economic growth do not contradict each other.

The discussion continued on to the subject of EU climate targets for 2030 which Mrs. Mathieu described as "not bold but still ambitious". In order to achieve the 40% reduction in greenhouse gas emissions, 27% increase in renewable energy, and 27% increase in energy efficiency target for 2030, the EU needs to make a few changes in policy. Most importantly, a change must be made to the Emissions Trading Scheme (ETS). Towards the end of the discussion, the focus shifted to the COP21 conference which will be held in Paris in December of 2014. The EU will be playing a leading role in the conference because of its ambitious intended nationally determined contribution proposal (INDC).

The discussion also included a conversation about the importance of COP21 for the French government. Mrs. Mathieu pointed out that the French president Francois Hollande, who is not typically known for his environmental policy, will be trying his best to make a deal at the conference. This is because COP21 is projected to have a strong influence on voters in the next French presidential election. Thus the presentation ended with a quote from Hollande stating that "the best possible agreement for Paris is the one that can be concluded before Paris".

Report on Notre Europe **By Anna-Sophia Fuß, Marieke Eckhardt and Bodil Skousen**

Notre Europe, an independent think tank based in Paris, was founded in 1996 by Jacques Delors. The founding idea of the think tank is based on a united Europe and it aims at contributing to the

general debate on EU affairs by also involving civil society. The group was welcomed by Britta Daum, a research associate of Notre Europe. She shortly introduced Notre Europe and its mission. This was subsequently followed by a lecture on the Energy Union. Firstly, she briefly pointed out the major changes of the energy market both on the supply and the demand side. The main points are summarised in the following table.

SUPPLY SIDE	DEMAND SIDE
<ul style="list-style-type: none"> - Depletion of conventional energy - Development of new energy sources - Change in geopolitics - Fall in oil prices 	<ul style="list-style-type: none"> - Rise in energy consumption - Growth of environmental awareness - Emergency of energy precariat - Rise in energy consumption (ECD countries)

In Europe today, energy consumption is not about to increase, however, we only have limited energy resources and a decreasing energy production, which makes the EU dependent on import from few energy suppliers. In this regard, she introduced us to the concept of the European Energy Union, which main goal is to provide European consumers with better and cheaper energy. The Energy Union comprises five dimensions: energy security, solidarity & trust, a fully integrated market, energy efficiency, decarbonisation and research & innovation. It became clear from the concluding discussion that climate goals are an integral part of energy security and that there should not be a trade-off between these two dimensions. At the end, Daum pointed out that climate goals will be achieved irrespectively of energy form and source.

BRUSSELS

European Climate Foundation, E3G, ECF Regulator Assistance Project and BASF

By Hanna Fuhrmann and Lukas Prinz

The European Climate Foundation (ECF) is a philanthropic entity with the mission to reduce CO2 emissions and to decarbonise Europe. Managing director Christoph Wolff presented the foundation and its work to the group.

Considering itself “not a classic NGO”, the ECF works primarily on technical expertise, for example through think-tank cooperations (E3G), national spin-offs (AGORA Energiewende in Germany) or projects (Regulator Assistance Project, aiming at enhanced energy market design).

The session began with an extensive review of the Energy Union priority introduced under the European Commission in 2015. Set in a rather EU hostile context with nationalist parties on the rise during 2014’s EP election, the Energy Union task was deemed a big leap forward for European Integration by Manon Dufour from E3G Brussels. Despite differing national views, the Energy Union project is considered to be a big opportunity to achieve the frequently mentioned decarbonisation of Europe, i.e. the transformation away from fossil fuels.

As energy is still a competence of Member States, the European Commission’s main tool to be active in this field is competition policy and the internal market. Here, Sarah Keay-Bright from the ECF Regulator Assistance Project pointed out the potential of cost-reductions achievable by establishing a working energy market through liberalisation, i.e. having variable demand by consumers. The short discussion revolved around the need for increased funding of better interconnection in energy / electricity nets throughout Europe. Public funds would be necessary to achieve private investments via exploitation of arbitrage.

The round of speakers ended with an extensive presentation by BASF representative Susanne Kuschel, who mainly referred to the need for free allowances under the EU ETS in order for the chemistry industry to stay competitive. Repeatedly mentioning the threat of carbon leakage, she voiced the energy-intensive industries' position for an incremental bottom-up climate policy. On the question of possible border tax adjustments she responded negatively, as this tool would hinder investment and overcomplicate administration.

Eurelectric

By Tobias Lengner-Ludwig and Marcel Ptak

Geal Glorieux, Principal Advisor Communication & Public Affairs, gave the audience a general introduction into the structure and main tasks of Eurelectric. Eurelectric functions as the sector association of the European electricity industry representing the common interests of its members which are the 28 national electricity industry associations. Within Eurelectric there are five units of representation each specialized on a certain branch of electricity and climate policy: Energy Policy & Generation, Environment and sustainable development, Markets, Distribution Network, Retail Customers. In order to find a common stance on the different topics, experts from the industry come together in Brussels and work out position papers. These provide the basis for Eurelectric's lobby work towards EU institutions, policy decision makers, regulators and NGOs.

Gunnar Lorenz, Head of Market Unit, elaborated on the general structure of the European energy market structure and EU regulation. He started out by briefly explaining the past regulation steps taken with the Energy packages 1, 2 and 3. He continued stating the repercussions of European regulation for customers before turning to a general characterization of the basic structure and processes on the electricity market. First, he explained how electricity nowadays is traded via Spot- and Day-Ahead-Markets. Then he technically elaborated on pricing concepts, i.e. Peak-Load-Pricing and the price formation via the Merit-Order-Curve. Consequently, the problems stemming from the extended supply of renewable energies on the Merit-Curve and the consequences for the overall power plant portfolio were reviewed. During the discussion with the audience he commented on the effects of the § 24 EEG which imposes a shut-down on wind turbines in case of negative spot market prices. Moreover, he emphasized the importance of flexibility and capacity markets for the future energy security.

Karl Vella, Environment and Sustainable Development Unit, gave the audience an insight into the past European approaches of carbon emission reduction and decarbonization in general. He touched upon the Kyoto-Protocol and showed that greenhouse gas reductions have not been at the expense of GDP growth. Then he turned to the EU-ETS and explained the current structure and problems of the system. From a technical point of view it is working well despite low carbon prices. Vella then elaborated on the EU 2030 framework of -40 per cent carbon emissions, 27 per cent renewable energy in the portfolio and 27 per cent increase of energy efficiency compared with 1990 figures. The EU strategy of back-loading allowances and of introducing a Market-Stability-Reserve was the right way to go. He concluded that the carbon leakage problem needed to be tackled with more force.

Council of the European Union

By Jana Babikova and Benedikt Peckruhn

The Council of the European Union is an essential part of the EU's bicameral legislature and represents the executive governments of the EU's member states. With regards to our visit at the Council the presentation by Gabriella Lodi, Political Administrator, mainly focused on two topics. The first part of the presentation was an introduction to the function and work of the Council whereas the second part picked up on the aspect of European energy policy.

With regards to the issue of energy it has been once again highlighted how much the EU depends on the imports of gas and oil and that especially the ongoing volatility of the oil market will keep the issue of energy-supply of high relevance for the EU. The EU faces currently major challenges including the wish to overcome on the one hand the high fragmentation of the European energy market with its short term and inconsistent market approach but also to prepare itself for a fundamental energy transition. Something that goes along with these issues is the EU's responsibility to create a stable and reliable investment framework.

The latest approach of the Commission to overcome these challenges is the European Energy Union. Building on the pillars of competition, security and sustainability the Energy Union has the vision: "to be a cost-efficient and market based long-term project, aimed at strengthening EU energy resilience and security in a transition towards a low carbon economy and preparing the energy system shift from the supply side to the demand side".

The discussion covered topics ranging from methods of reaching decisions in the Council to national energy mixes. Lodi claimed that even though the member states have the right to determine their own energy mixes, the EU's decisions and targets for the production of energy from renewable sources will continue to affect energy mixes of member states. Likewise, the German energy transition is seen very favourably in the EU and will have a strong influence on other member states as well.

When it comes to making a decision concerning energy, it was said that countries are likely to reach an agreement promptly. The reason for this is that some of the negotiations about energy are triggered by imminent crises and therefore compromises need to be found rather quickly. However, Lodi also mentioned that the best alternative for the Energy Union would be to reach an agreement rather sooner than later; an agreement that would not necessarily reflect the ideas of the EU, but one that could be imminently applied by all the member states. Yet, it seems that such an agreement would not be reached before all actors and decision makers know the final statement of COP 21.

DG Energy and Climate of the European Commission

By Ruth Kuhlen, Roxana Baur, Johannes Grübel and Pascal Simon

Oliver Koch, deputy head of the unit "Wholesale Markets, Electricity and Gas" of the DG Energy of the European Commission, pointed out the most important aspects of the European Union's energy policy. He introduced his speech by highlighting that national approaches to energy policy are not reasonable anymore, particularly taking into account the synchronized European electricity grid. Notwithstanding that member states still have the right to choose their energy mixes; new solutions on the European level are urgently required. One big challenge for the Union is the crisis

in the Ukraine, which led to a severe gas supply problem. Facing the threat to their national energy supply, member states held on to their gas reserves and stopped transporting to their neighbouring countries. The Commission considers this a major political problem and wants to foster cooperation among member states to ensure a fair sharing of gas resources in times of crises. At the end of 2014, the Commission was able to moderate a gas deal between the European Union and Russia and therefore could secure a minimum gas supply until March 2015.

Another focus of work of the Commission is the revision of the third energy package with the aim of adapting its design to the new challenges posed by renewable energy sources, which exhibit huge variations in supply on short notice. Koch proposed regional cooperation of local systems as a possible solution to the problem. In line with a competitive internal electricity market, RES production should also become increasingly market-based in order to set the necessary incentives that capacity will be set up where it is really needed.

A major challenge for the Commission is the resistance of the member states when it comes to giving up sovereignty regarding energy policy on the one hand and strong lobbying by the big energy companies on the other hand. Therefore, against the backdrop that the Commission does not have any legal mandate to interfere in the energy decisions of the member states, it nevertheless very much endeavours to convince member states of the added value of voluntary cooperation.

Furthermore, Koch views the creation of a functioning internal energy market as one of the main objectives of the Commission since numerous market distortions still exist. According to him, the continental European electricity grid, which is already interconnected to some degree, is still not used efficiently. Most distortions can be traced back to security of supply considerations which tend to be used abusively. Illustrating his argument, he underlined that capacity mechanisms are usually supported due to security of supply considerations, but may actually turn out to be unnecessary.

International Organization for Migration

By Jana Falk

The International Organization for Migration (IOM) is the principal intergovernmental organization in the field of migration. IOM's aim is to ensure the orderly and human management of migration, to provide humanitarian aid in the case it is needed, to promote international cooperation and to give practical advices and policy guidance. The group visited the Regional Office for the European Economic Area where Jo de Backer gave a presentation on Migration and Climate Change.

De Backer started her talk by mentioning that "migration puts the human at the centre of the climate debate", which is in line with IOM's view that migration is a positive aspect and that one has to address the problem at an individual level. Migration, climate change and the environment are clearly interrelated. Just as environmental degradation and natural disasters can cause migration, movement of people can also entail effects on the given ecosystems.

IOM's definition of environmental migrants:

"Environmental migrants are persons or groups of persons who, for reasons of sudden or progressive changes in the environment that adversely affect their lives or living conditions, are obliged to have to leave their habitual homes, or choose to do so, either temporarily or permanently, and who move either within their territory or abroad."

Hence, environmental migration is a complex issue and needs to be seen as multi-causal and multi-dimensional, which was stressed multiple times by de Backer. With this complex interdependencies in mind, IOM's three main objectives in managing environmental migration are 1) to prevent forced migration resulting from environmental factors, 2) to provide assistance and protection to affected populations and 3) to facilitate migration as an adaption strategy to climate change.

To reach these objectives the IOM works closely together with governments, intergovernmental and non-governmental organizations. An example for such a cooperation is the Project "Migration, Environment and Climate Change: Evidence for Policy" (MECLEP), which is funded by the European Union. The projects provide evidence for the relationship between migration and environmental change and will aim to formulate policy options for the six project countries. Furthermore, a current project for IOM is to provide tools and data for the upcoming COP 21 in Paris, where they also want to introduce the topic of environmental migration to the negotiations.