
**CEEP OPINION ON
"A FRAMEWORK STRATEGY FOR A RESILIENT ENERGY UNION WITH A
FORWARD-LOOKING CLIMATE CHANGE POLICY"**

Executive summary

- CEEP welcomes the Energy Union project as a solid basis for an ambitious and sustainable European energy and climate policy as well as for the achievement of the EU's overarching priorities for economic growth and job creation. CEEP particularly supports that the Energy Union is not presented as an isolated project, but that it is deeply intertwined with other major European strategies. The implementation of concrete measures will now prove the Energy Union's success.
- First of all, the Energy Union should focus on fully implementing existing legislation rather than pursuing new legislation. Particular attention should be given to the implementation of the Third Energy Package as well as to the revival of the Emission Trading Scheme (ETS) through the quick introduction of a market stability reserve.
- CEEP fully supports that an ambitious climate policy is seen as an integral part of the Energy Union. It can thus be considered a major contribution to the EU's leading role in the view of the international climate negotiations in Paris. In this context, it is now necessary to quickly implement the 2030 Climate and Energy Framework.
- CEEP shares the ambition to put citizens and customers at the heart of the ongoing transition of the European energy system as public acceptance is indispensable for the realization of highly needed infrastructure projects. In this context, a stronger focus on the local and regional dimension of the Energy Union is needed.
- CEEP highlights the contribution social partners can make to maximize the growth and job creation potential of the Energy Union in its governance and concrete implementation. It can represent a success factor in the transition to a more sustainable economy, in particular through reinforced training, up-skilling and re-skilling of workers as well as the improvement of the current European framework on recognition of competences.

Energy Union: Potential for new impetus for the European energy system

CEEP welcomes the Commission communication “A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy” as a solid basis for the EU’s objectives in the field of energy and climate policies as well as for its overarching priorities for economic growth and job creation. CEEP particularly supports that the Energy Union is not presented as an isolated project, but that it is deeply intertwined with other major European strategies, such as the European Semester and Climate action, and that it gives more attention to the interaction between key sectors such as energy, communications, housing, transport and waste management.

The implementation of concrete measures that are linked to the Energy Union framework will prove its success. In general, CEEP would like to underline that it is crucial that the Energy Union, first of all, focuses on fully implementing existing legislation, in particular the Third Energy Package as well as on the revival of the Emission Trading Scheme (ETS) through the quick introduction of a market stability reserve, rather than pursuing new legislation. Moreover, the European Union should focus on energy and climate policies that use market-based instruments as their main driving force. A better integrated internal energy market, with multiple energy sources available, will make the energy system more resilient and sustainable. Priority should also be given to the quick and reliable realization of the 2030 Policy Framework for Climate and Energy. Amongst others, this would be a crucial step towards increased investor confidence.

CEEP also shares the ambition to put citizens and customers at the heart of the ongoing transition of the European energy system. Public acceptance is indispensable for the realization of highly needed infrastructure projects as well as of the overall objective of a decarbonised economy and society. A stronger focus on the local and regional dimension of the Energy Union could help to underline the crucial role played by citizens and consumers. Without acceptance by the citizens, investments in infrastructure are difficult to justify. But it is exactly these investments that are needed for an actual shift to a renewable and low carbon economy and society.

The contribution of social partners to the Energy Union

As one of the European cross-sectoral social partners, CEEP would like to further underline the contribution social partners can make in order to help the Energy Union to become a reality. CEEP members are committed to supporting the success of the strategy by stepping up their efforts in creating green and high-quality jobs not only in the energy sector, but also in other sectors that play an important role in this context, such as communications, housing, transport, waste management and water.

The growth and job creation potential of the Energy Union can be maximised by involving social partners in its governance and concrete implementation. Our involvement, on a tripartite basis, can represent a success factor in the transition to a more sustainable economy through reinforced training, up-skilling and re-skilling of workers and through adaptation of our services’ delivery. At European level, social partners can make a concrete contribution to improving the current European framework on recognition of competences, hence favouring a better adaptability and permeability of skills for workers in the many sectors the Energy Union will have an impact on.

Energy security, solidarity and trust: Right signals to citizens and market participants

As regards the first dimension of the Energy Union “Energy security, solidarity and trust”, CEEP welcomes the increased attention given to the question of a secure energy supply in the European Union. Given the fundamental role of both electricity and gas for the European economy and society as a whole, ensuring security of supply is correctly identified as a key objective of the Energy Union. It thus sends the right signals to citizens and markets participants.

Security of supply is a particular concern for Europe, as it is not self-sufficient from an energy-source perspective. Recent geo-political events have brought the issue of security of energy supply even more into focus, which calls for a reduction of EU energy dependence and for measures to accelerate further diversification of its energy supply. In this context, CEEP underlines that Europe needs to focus both on realistic solutions for the short and mid-term as well as affordable and low-carbon solutions for the long term that are in line with its overall climate and energy objectives.

Furthermore, CEEP would like to highlight that measures, strengthening the energy security of the European Union as a whole, should be guided by market-oriented approaches. A clear separation between the roles and responsibilities of policy-making of authorities and decisions taken by enterprises should be guaranteed.

As regards the question of the necessary capacities for a secure supply of electricity, CEEP welcomes the pragmatic approach suggested by the European Commission in the context of the Energy Union communication. In order to ensure electricity supply during all hours of the year, a value must be attached to the contribution of firm capacity. Therefore, the European market design must be supplemented with an objective of security of supply. Moreover, there is a need for a common vision and governance of what is necessary to ensure security of supply at European or (at least) regional level.

A fully-integrated internal energy market: The priority

A fully-integrated internal energy market should be at the heart of the Energy Union project. In this context, CEEP very much welcomes that important attention is given to the full implementation of the Third Energy Package. This should indeed be the first priority as existing legislation should be implemented before bringing new legislative proposals on the table. Currently, the degree of application of existing energy legislation still varies significantly between Member States.

The strengthening of the European Union’s energy infrastructure is another key component for the successful realisation of a true Energy Union. It has rightly been recognised that interconnectors play a crucial role for a truly united European energy system. Besides, other elements of a functioning and reliable energy infrastructure, such as transmission systems between regions at national level as well as distribution systems that need to be prepared for an increasing share of renewable energy, should also be further developed in the context of the Energy Union. Regional, national and European approaches to the energy grid need to be even more coherent than now.

CEEP also welcomes the European Commission's ambition to finalize the necessary network codes this year. Full market integration is highly needed in order to allow the Energy Union to become a reality.

CEEP is aware of the fact that the regulators ACER and CEER, in the context of their work on the future role of DSOs, are also focusing on the de minimis provision. CEEP welcomes that the Commission doesn't view such a revision as a sensible policy as the cost of introducing measures effecting smaller and medium sized DSOs would far exceed the perceived benefits.

The end user market must be open for competition, and the DSOs should be the main contact point for the customers on technical issues such as connection procedures. DSOs should be able to benefit from synergies within its company staff to ensure efficiency of its operation. This includes using staff for different purposes, such as grid operations, fibre, road lighting, water etc.

Moderation of energy demand: Consumer-oriented, market-based solutions first

CEEP welcomes the objective to increase the role of energy efficiency measures contributing to a moderation of energy demand. However, an increase in energy efficiency should not only be reached in the context of the energy demand, but also through the competitive development of the energy services sector. Cost-efficient solutions that are consumer-oriented and market-based should be given priority. CEEP particularly supports the Commission's approach to strengthen the role of consumers as active market participants.

In general, the assumption that the energy that is not used is deemed to be the less expensive has to be put into question. An increase in energy efficiency can help to achieve energy savings. The overall macroeconomic costs should be assessed for every measure.

CEEP acknowledges that the European Council has set an indicative target of 27% by 2030 when it comes to energy efficiency. The responsibility rests now with the governments as they have to set their own national energy efficiency goals. Amongst the most rewarding measures, applying energy efficient requirements to industry and products have proven to be important tools for the moderation of energy demand. However, it is necessary to ensure their public acceptance through real economic and technical advantages for consumers.

CEEP believes that a market- and consumer-based approach is key in order to sustainably unleash growth of a competitive market. Therefore, the policy framework, including the review of the Energy efficiency directive, should focus on addressing the barriers in each of the sectors that are preventing the realization of investments.

A decarbonised economy: Securing the EU's leading position

CEEP fully supports that an ambitious climate policy is seen as an integral part of the Energy Union. It can thus be considered a major contribution to the EU's leading role in the view of the international climate negotiations in Paris at the end of 2015. In this context, it is now necessary to quickly

implement the Climate and Energy Framework for 2030, decided by the European Council in October 2014.

CEEP welcomes the ambitious objective to make the EU a world-wide leader in renewable energy. In this context, the EU's strong commitment for climate action requires concrete steps towards the realisation of the objective to reach the 27% target for renewables set by the European Council. So far it is still unclear how the target is to be achieved as it is only binding at EU level.

Moreover, it is of major importance to quickly reform the Emission Trading Scheme (ETS) and to introduce a market stability reserve as early as possible. The ETS has to regain its original role as cost-efficient and effective instrument of European climate policies that drive investments into high-efficient and low-carbon plants and utilities.

The ETS is the EU's main policy instrument to stimulate reductions in GHG-emissions. In general, the ETS aims to provide long term signals in a stable framework. However, in its current state, it does not deliver an appropriate price signal and therefore fails to stimulate investment in de-carbonised generation. In this context, CEEP welcomes and supports the recent European initiatives aiming to fix the system such as the "backloading" and the creation of the Market Stability Reserve, which needs to enter into force rapidly, ideally by 2017, and, following the European Council conclusions of October 2014, recommends to start the needed structural reform as soon as possible in order to obtain a well-functioning allowances market in the long run.

As a consequence of the increasing share of renewable energy sources, their full market and system integration has to be ensured in order to allow them to contribute as well to the stability and functioning of energy supply. A new European energy market design should therefore include a new target model for the promotion of renewable energies, based on mandatory direct marketing and the urgent integration of renewables towards market structures.

CEEP also welcomes the recognition of the crucial role played by the transport sector and supports measures that help to decarbonize it. This includes strengthening policy measures to further support the role played by sustainable transport modes, in particular urban public transport or as well rail and sea transport. CEEP also supports policy measures to enhance electric mobility. In this respect, there are some challenges related to the impact that electric vehicles could have on local grid operation, and we therefore recommend that legislation concerning such vehicles considers the possible DSO role on the rollout of related infrastructure.

Research, innovation and competitiveness: Right incentives for new technologies

CEEP welcomes that the Energy Union endorses EU efforts to enhance research and investments into new energy and climate protection technologies. Measures to help immature technology to reach energy markets should be supported. However, such subsidies should be phased out as technologies mature. A key role should be given to measures incentivizing investors to favour the development of innovative technologies which are pivotal to the success of the Energy Union.