



Energy – Adjusting to a New Global Order

Maria da Graça Carvalho

Member, European Parliament;
Fellow, World Academy of Art & Science

Abstract

Globalization was challenged by the context of the COVID-19 pandemic, which forced the European Union to acknowledge its limitations on many fronts, from access to raw materials to manufacturing, and from control of data to innovation in general. The ongoing geopolitical situation, which promises to be a game-changer for years to come, only reinforced the consciousness that we might be heading towards a new (old) reality of different blocks with little to no interaction between them. In the EU, the matter of strategic sovereignty has never been so urgent. Especially in regards to energy. The question, now, is how can the EU quickly release itself from the present excessive dependence on a single foreign supplier, while at the same time remain aligned with its green transition goals. Diversification of energy sources, with an emphasis on research and innovation; suppliers and supply chains, with a focus on interconnections; strategic reserves and energy efficiency; joint public procurement and the development of a true European Single Market for Energy. In this paper, I reflect on these and other possible solutions for the present energy crisis.

1. The Problem of Energy Dependence

Energy is the single most important asset in the modern world. Even the perspective of inadequate or unaffordable access to energy has severe consequences, due to the immediate reaction it instils in the markets. The population is affected, all industrial sectors are affected, especially energy-intensive industries, the economy suffers and all our societal goals, including the fight on climate change, are put in check. When a bloc, such as the European Union, allows itself to be placed in a position of considerable dependency on a single external provider of such an important commodity, the risks are considerable. It is time to change the *status quo* and this is precisely what the European Union is doing.

The measures currently being adopted targeting energy imports from Russia serve a political purpose but they are also an important part of a fundamental policy change aimed at reclaiming our energy independence. Over the years, the main guiding lines in European energy policies have been, first, affordability, and more recently sustainability. Now, security must also be a part of the equation. The EU will likely restore its economic relations with Russia to some degree, after the current conflict ends, but it will never again allow itself to be placed in such a fragile position.

This is not to say that nothing was done in the recent past to address energy dependence. Over the last decade, several Member States managed to significantly reduce their imports,

which was achieved mostly by investing in renewables, while others worked on diversifying their suppliers. In 2011, the EU spent €148 billion on energy imports from its main supplier. Ten years later, in 2021, according to the European Commission, it was spending €99 billion.

“These are demanding times for the EU, which has been forced by the circumstances to balance long-term goals with measures aimed at addressing its immediate needs. However, the present predicaments are also a rare opportunity to correct our mistakes, rethink our strategies and set the path to a much better future in terms of energy security and sustainability.”

Still, rather than representing a conscious movement or an anticipation of the problems we are now experiencing, this effort was driven essentially by economic rationality, and from the perspective of each individual Member State. Moreover, this was an uneven process within the European Union, with some countries actually maintaining or even increasing their dependency. Germany obviously comes to mind in this last category, which poses an additional problem, because what happens in Germany reflects in the entire EU. We need to step up our efforts.

In 2021, 40% of the gas consumed in the European Union, 46% of coal imports and 20% of oil imports still came from Russia. Central and Eastern European countries are the most reliant on Moscow’s energy, while Southern and Northern Member-States have a more diversified energy mix, in terms of both energy sources and providers. These discrepancies pose additional challenges to the EU, given the different interests at stake. However, they also provide us with an opportunity to find the solutions within our borders, taking advantage of the untapped potential of several Member States to serve as alternative energy suppliers or intermediaries. Natural gas, as it will be explained ahead, is a critical element in this equation.

2. A Route for Sustainable and Affordable Energy

In the present legislature, the first milestone, in terms of a new common European policy towards Energy was the European Green Deal, presented by the European Commission in 2019, where the transition towards sustainable and affordable energy sources plays a decisive role. These intentions started to gain form with the Climate Law and were followed by the very comprehensive Fit-for-55 package, divided in seventeen different files that cover every dimension of the society and the economy. More recently, the RePowerEU package was presented, as a specific response to the supply problems caused by the situation in Ukraine.

It is this author’s opinion that, although comprehensive in their analysis and clear in their intentions, all these legislative proposals lack specific measures and investments aimed at helping European industries and the European societies in general to adjust.

A strategy aimed at ensuring the sustainable and affordable energy supply of the EU must rely on three major pillars: research and innovation, infrastructure and a strong single market.

Research and Innovation, driven especially by the Horizon Europe framework programme and its initiatives, and also by the National Recovery and Resilience Programmes and other lines of funding, will be essential for Europe to develop and scale-up clean and affordable energy sources, while also critically improving energy-efficiency. A strong and constant investment in research and innovation will be decisive. This is what will allow us to maximize the potential of established renewables, bring other technologies from the development to the implementation stage and continue to make important discoveries and breakthroughs on this front.

According to the European Commission's proposal, still subject to negotiations between the European Parliament and the Council, the Renewable Energy Directive (RED III) establishes an increased target for renewables in EU energy mix from 32% to 40% by 2030, which implies more than doubling the 19.7% they represented in 2019. The Energy Efficiency Directive replaces non-binding 32.5% target for energy efficiency savings in primary and final energy consumption by 2030 (in comparison with 2007), with binding targets of 36% and 39% savings in final and primary energy consumption. None of these goals is achievable without the full transformational power of R&I.

At the same time, however, non-renewables will still have an important part to play as transition energies. This is where the infrastructure becomes important. The EU needs to prepare itself for new energy sources and vehicles, such as hydrogen. At the same time, it must not neglect its present needs, which include finding alternative suppliers and supply chains for gas.

As part of the RePowerEU initiative, the Commission is currently mapping the most urgent needs in terms of storage capabilities and gas and electricity interconnectors. However, it is assumedly favouring electricity projects. Gas interconnections, which were until recently a part of the EU list of Projects of Common Interest, are being kept on hold. First, because the European Commission does not believe they could have an impact in terms of the most urgent actions, aimed at preparing for the Winter of 2022 and, secondly, because it is still sensible to the claims made by some sectors that investing in gas contradicts the Green Deal objectives.

This is, however, a fallacious justification. Natural gas will remain a necessity for years to come, as transition energy. Not acknowledging that fact does nothing to advance our climate goals and it creates a real risk for the energy security of Europe. Projects such as the Mid-cat interconnector, crossing the Pyrenees, would allow the EU to benefit from the existing LNG terminals in Portugal and Spain, creating an alternative route to the Centre of Europe. Naturally, all these projects must be designed and implemented bearing in mind their compatibility with other low-carbon energy sources and vehicles, notably hydrogen.

Consolidating the single market for energy will be equally essential. The surge in energy prices that started in 2021 has shown us that we need a much more coordinated approach,

especially on gas. Member States need to share clear information on storage, monitoring of availability, expected deliveries and levels of reserves. Rules and regulations must be tested and, if proven necessary, revised in order to reduce bureaucracy and other artificial market burdens. Joint procurement and, eventually, the establishment of temporary price-caps are also open options to reduce the inflationary pressure.

These are demanding times for the EU, which has been forced by the circumstances to balance long-term goals with measures aimed at addressing its immediate needs. However, the present predicaments are also a rare opportunity to correct our mistakes, rethink our strategies and set the path to a much better future in terms of energy security and sustainability.

Author Contact Information

Email: maria.carvalho@europarl.europa.eu