



Central Europe Energy Partners' (CEEP)
Position Paper on
the proposal for a Regulation on the Governance of the Energy Union
Brussels, June 21st, 2017

Central Europe Energy Partners (CEEP) believes that in order to achieve the Energy Union goals, an effective and coherent system of governance must be established. Therefore, we welcome the Proposal for a Regulation on the Governance of the Energy Union, which constitutes the backbone of the Clean Energy for All Europeans package. We would like to take an active role in the public debate accompanying the ongoing legislative process, in the hope that this will contribute to the adoption of a balanced and fit-for purpose regulation.

The properly designed governance of the Energy Union can support national policies in implementing the Energy Union goals and facilitating the attainment of climate and energy policy targets until 2030. Furthermore, streamlining of reporting obligations would reduce the administrative burden on Member States. In this regard, CEEP wishes to highlight a paradox of the system that has been designed: reporting obligations will be replaced by extensive consultation mechanisms both at horizontal (Member State – Member State) and vertical (European Commission – Member States) levels, which will ultimately pose a significant bureaucratic problem.

The governance of the Energy Union should provide a coherent and stable framework to boost investments in the energy sector. This aim can be achieved only through proper engagement of stakeholders at a national and Europe-wide level. The rapidity of the legislative timeline compromises a comprehensive consultation phase, contradicting one of the crucial objectives of the governance system: providing more certainty and predictability for investors. Furthermore, we want to emphasise the need for clarification of several elements of governance of the Energy Union, in particular the European Commission's vision of a financial platform which will act as an important instrument supporting development of renewable energy sources (RES).

We would like to express our concerns, which arise from certain provisions within the governance regulation, and appeal for improvement of the proposal.

The need for balance between the Energy Union dimensions

The Energy Union was primarily established to support member states' efforts to become more secure and reliable in terms of energy supplies, and minimise the EU's import dependency. The design of the internal energy market, as well as research and innovations development, constitute its immanent elements. The Governance of the Energy Union proposal foresees the adoption of several measures (enforcement of RES and energy efficiency targets, long-term low-emission strategies, yearly emissions monitoring system), predominantly supporting the achievement of the EU's 2030 climate targets and further transition towards a low-carbon economy. The Governance framework prioritises only two dimensions of the Energy Union: decarbonisation and energy efficiency.

We believe that security of supply should constitute the core element of the Energy Union concept. However, we have noted that this issue is not well-reflected in the Governance of the Energy Union proposal. We appeal for an increase in the importance of the security of supply dimension, via mechanisms which support MS in improving their security of supply objectives and reducing import dependency, e.g. by introduction of reporting obligations and indicative targets on the use of domestic resources (including RES).

Subsidiarity

Governance should remain a key element of the implementation of the EU energy and climate policies, providing a stable regulatory framework up to 2030 and beyond. However, this shall be introduced according to the subsidiarity principle, and stay in line with technology neutrality and cost-effectiveness. In this regard, we perceive national RES development trajectories as an indirect imposition of national RES targets.

Flexibility

A proper governance system should be based on the flexibility principle between EU-wide targets and national policies. Regulation should only set the framework or templates for member states, allowing them to freely choose the tools and instruments they want to use to achieve said targets. Instead of a target focused approach, we would like to see more of an 'improvement' focused approach, instead of this rigid following of numerical targets.

We recommend that in adopting a non-linear RES-development trajectory and further assessment of improvements, regional specificity should be taken into consideration. Building on experiences related to the already finalised RES-development process, we should acknowledge that RES generation and consumption has never increased in a linear way. The investments process has its own dynamics, which may cause an accumulation of RES investments in the certain years, and the lack of finished, new RES generation in the rest of the period. Thus, the linear RES development trajectory does

not reflect the investor's perspective and should not be the basis for the further enforcement actions.

Integrated National Energy and Climate Plans (INECPs)

CEEP supports the efforts to streamline the obligations on energy and climate policies. This should improve the predictability of long-term perspectives for the energy sector, in the EU as a whole as well as in specific Member States. However, further clarifications shall be introduced in order to avoid overlap with other reporting obligations, and the creation of an unnecessary administrative burden. This refers more specifically to extensive external consultation obligations. In this regard, we would like to highlight a potential paradox of this situation: extensive consultation entailing all interested MS may result in obtaining a wide array of opinions, which might be contradictory due to different national visions of an energy policy. The need to conduct broad consultation, analysis of responses, and potentially reconciling elicited opinions poses a considerable administrative burden which is contradictory to the intention of the legislator.

As the plans concerned will touch upon various aspects of the energy and climate policy, they will in fact present a more comprehensive vision of our national economies, which depend significantly on developments within the energy sector, in particular energy prices as well as the energy demand and overall energy consumption. Therefore, the INECP should be cohesive with other national policies and in fact, may play a leading role in the comprehensive economy-related policies.

A ten year period of plans would seem to be an appropriate timescale. However, one should note that first draft plan: according to the proposal, Member States have until the end of 2017 to prepare this, although one cannot not know the final version of the legislative act and must therefore take into account various contradictory targets present in different amendments (e.g. the RES target is increased in the draft MEP C. Turmes report up to the 45% in 2030). This may cause problems for national administrations that have already begun the preparation process, hampering consultations and in consequence, impacting on the quality of these plans. Analytical assumptions, which are the basis for the preparation of the first INECP, cannot be freely adjusted to every possible regulatory scenario.

We call for a more consistent approach from the legislator in acknowledging synergies between different legislative proposals which are designed to constitute a holistic system. Furthermore, CEEP suggests changing the timing of the plan preparation process from the first period to after the adoption of the regulation.

Nature of the EC's recommendations

Further research and clarifications are needed in terms of the recommendations issued by the European Commission to the INECP. In CEEP's opinion, the EC's recommendations cannot be binding, and this must be implicitly stated in the regulation. Additionally, the obligation of Member States to present a timetable for the

recommendation's implementation contradicts the non-binding nature of said recommendations. Moreover, the EC's recommendations should be accompanied by the adjusted-to-national economies costs-benefit analysis.

Regional cooperation

CEEP supports regional consultations of the draft INECP. Consultation and cooperation at the regional level, prior to the adoption of INECPs, is necessary to ensure that national choices regarding energy policy do not affect the stability of neighbouring states's energy systems. Furthermore, it would ensure that MS avoid decisions which are contrary to the Energy Union objectives. Moreover, the character and scope of the consultation process, as well as the binding power of the comments received from other Member States, are not clear. We suggest that the consultation process shall be pursued only within specific regions/ neighbouring Member States, in order to capture the general timeline of the process.

Stakeholders' impact

CEEP wishes to underline that at the every stage of the preparation and revision of the INECPs, all stakeholders should be closely involved in the process. Industry input on such plans will improve their quality, ensuring they mirror reality and introduce realistic visions. There is a need to closely cooperate on the plans with business associations, as well as the specific companies responsible for the energy development of the country. Finally, stakeholders should be engaged at the European level also, providing their input for the INECPs design and choice of the indicators related to the progress.

RES development trajectory and financing platform

The proposal includes provisions granting the EC the right to establish a financial platform, financed by the contributions imposed on states which do not meet the RES target prescribed in their linear trajectory. We believe that such financial contributions, which are essentially equal to fines, are not the appropriate tool to stimulate underperforming member states to get back on track. We would like to point out the potential paradox of this situation. For countries lagging behind with their RES trajectories, instead of creating incentives to stimulate investment in their own domestic RES sources, they will be contributing to this financing platform. At the same time it has yet to be decided whether this financing platform will be addressed directly to the underperforming Member States. Further, the said financing platform is expected, instead of supporting investments in Member States with unsatisfactory levels of RES, to in practice address those projects which offer the best value for money, meaning that the RES-leaders will be in a more privileged position. Therefore, the compliance gap would not be met by the financing platform. We urge the EC to publish a version of the financial platform that covers the project selection procedure and decision making process.

Regarding national RES trajectories, we would like to point out another paradox. By launching the financing platform, Member States may be dis-incentivised to set an ambitious RES trajectory. We assume that in order to avoid the risk of being fined, Member States would adopt a more cautious approach to further RES development.

Long-term low emission strategies

Accomplishment of the Paris Agreement goals is an overriding priority for the European Union. We believe that this ambition should have even more emphasis today in order to demonstrate the EU's internal coherence and commitment in this regard. Therefore, we welcome the introduction of low-emission strategies as a tool of the long-term pattern of development toward a low-emission economy. However, the long-term perspective should be defined as both a reasonable and predictable perspective. We contend that the 50-year perspective is too far reaching and should be adjusted to the currently available projections focussing 2050 at the latest. Energy Sector transformation must be implemented, taking into account local circumstances.

State of Energy Union report

CEEP supports the idea of annually presenting the overall assessment of the Energy Union implementation. In order to capture a broad and comprehensive picture, the report should also include the following elements: import dependency on solid fuels and energy, electricity and gas prices, security of supply issues, energy poverty. Thus, it can provide the industry, policy makers and citizens with a clear vision of what has been achieved and what needs to be done in future. We believe also that besides a review and summing up of achievements, the EC should present a clear legislative timetable of initiatives which it plans to undertake in the mid-term perspective.

