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"Energy union helps stop erosion, but grand scheme will fail"

Interview with Severin Fischer, research associate, German Institute for International and Security Affairs

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Severin Fischer is a research associate at the German Institute for International and Security Affairs (SWP) in Berlin. He talked to Europolitics about the energy union, which he believes will fall short of its ambitions, but which nevertheless will prove to be useful. The SWP is the largest foreign policy think tank in Europe and is financed by Angela Merkel's Federal Chancellery.

In a recent paper you co-authored in German, you argue that the energy union will have little direct influence on the development of the EU's energy policy. Is the energy union merely a political project with no real impact?

That would be a bit of an exaggeration. After all, it is a political project developed by the Commission, accepted by the European Council and hence it certainly has political influence. Even a Vice-President of the Commission - Maros Sefcovic - is assigned to the project. But in my opinion, the direct impact of the energy union on the EU's energy policy is likely to be relatively limited. The project will fall short of its grand ambitions.

Why?

The political aim of creating "coherence" is unrealistic, because everyone understands the 'energy union' in a different way. In addition, the number of measurable targets is very limited. One example: initially, Poland's Prime Minister Donald Tusk promoted the joint purchasing of gas. Many free market proponents called this - justifiably - a new cartel that would contradict the EU's liberalised markets. When the new Commission took office, the talk was toned down, the purchasing cartel was only something that should be considered seriously. And now, it is just an "inquiry into options" that will most likely come to nothing. There is simply no majority for that idea among EU governments. That will be the fate of many proposals in the energy union.

But security of supply has certainly taken centre stage after the Ukraine crisis.

Of course, particularly in Eastern Europe. But there seems to be a massive misunderstanding about the right conclusions. The EU is much more resilient now than it was ten years ago.

The energy markets are better connected. Reverse flows in gas pipelines ensure that fewer regions are fully dependent on a single source, particularly Russian. Emergency plans for the markets ensure that in a crisis, there will at least be a measure of supranational coordination. But is this the result of old-fashioned security policies, like counterbalancing Gazprom's massive selling power with centralised purchasing power? No. It is the result of minor, incremental regulatory reforms that have deepened Europe's energy markets and enabled market forces to react to crises. This is what has worked, and this is what will work in the future.

Apart from security of supply, do you see other energy policy areas where a consensus is emerging?

Not really, quite the contrary. The climate policy goals for 2030 are, in many ways, falling behind the robustness of the 2020 target structure. The member states are as keen as ever to keep control over their national energy mix, even when it clearly hurts the common European interests. An example would be Hungary's willingness to strike a nuclear power deal with Russia for the supply of new reactors at Paks, which was recently questioned by the Commission because of the fuel supply deal. In that regard, the energy union is just a political catchphrase. It's not a magic formula that makes differences and discrepancies disappear.

So, is the energy union completely useless?

Not at all. It helps to stop erosion. It provides the necessary political support for the small, incremental steps that are so important. Cooperation and the integration of energy markets are more likely to proceed, while everyone keeps talking about the energy union. Not going backward but making small steps forward instead can be considered a success.

Could you give examples for where progress is possible?

Initiatives like the European Agency for the Cooperation of Energy Regulators, ACER, have helped to bring together the European energy markets, at least to a certain degree. Market coupling is well under way. European grids are extended and will be better connected in a few years under the ten-year development plan and financially supported by the Connecting Europe Facility. The EU's gas security regulation from 2010 has had a large effect in preparing the gas markets for times of crisis. In all these fields, further progress is likely. For example, I expect that the transparency of gas storages will be regulated, ensuring better control over emergency supplies in the EU. This will add to the resilience of the EU's energy markets. Also, the Commission will likely be moderately successful in curbing some nationalistic tendencies in the member states.

Can you be more specific?

For example, the German government was forced last year to change its support programme for renewable energy towards a more market based approach, based on the guidelines of

the Commission for renewable energy support. A similar approach by the Commission – setting guidelines to synchronise national regulation – can be expected, for example, when handling capacity mechanisms for national power markets. They pose a threat to further market synchronisation. Whilst France and the UK have introduced such support schemes for conventional power generation capacities, Germany is likely not to follow suit.

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