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The future(s) of EU energy policy? An academic snapshot...

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How do I see the future(s) of EU energy policy? Well well: some simplification needed...



How many assumptions from EU narrative Fall 2009 are not valid anymore?...

Each & all of these 5 assumptions are not “low key” and should have called for a reformulation of EU energy policy frame...

- 1 Scarce and pricey fossil fuel / gas & oil “new abundance”
- 2 Fossil fuel pricey but “EU suppliers secure enough” / Russia & M-E
- 3 Internal market needed to get power price convergence from CCGT competition /RES pushed by subsidies
- 4 Putting a price on carbon everywhere relevant for sustainability /?
- 5 Green revolution, green jobs, world green manufacturing leadership /??

Uncertainties are very high /Certainty is very little /Time for well-deserved EU break? Or EU new start? But a new one...

Selecting 5 tracks of EU energy policy reformulation... (5 being not 8: Grids, R&D, CO2 aren't detailed...)

- **1-** **The internal electricity market:** *currently in a European crisis... with any European remedy?*
- **2-** **The internal gas market:** *a last mile needed, or one thousand miles more?*
- **3-** **28 national ways from 20-20-20 to 2030:** *could it lead us (as EU) somewhere?*
- **4-** **The 2030-like energy policy governance:** *any appropriate framework for this new 2030-like EU energy policy?*
- **5-** **External energy (security and policy):** *at least some Energy Union... or only continuing the existing Energy disunion?*

+ key simplification... I only contrast a “mini” & a “maxi” option for each of these five key issues

1(1) The internal electricity market: *a European wholesale crisis with any European remedy?*

- Prices too low for generators... thermal & RES...> no entry @current price
And so what? Is this sustainable? No market-base entry?

- 1.1/1 EU Wholesale market “mini”:

Only a few fixes added to existing EU Power Target Model ...

*core of fixes: “really reflexive market for flexibility”

*AND core of remedy: end of life for redundant plants (CCGT euthanasia)

- 1.1/2 EU Wholesale market “maxi”:

New EU “Market Target Model” needed to reach sustainable “technology choice / investment decisions / operation of power system” ... “policy

pushed amount of RES” hurts market signals >>> at least 3 ways of change:

/ For entry in supply: *LT power price guarantee; **LT grid access guarantee

/ For system operation: ***ST flexibility & responsiveness

1 (2) The internal electricity market: a European “smart” retail boom coming?

- First: “populist retail explosion” (Bulgaria; Sp & Fr deficits; UK bill politics)? I do not know how EU might deal with populist explosion.

Will address only “smart retail explosion” ... (from DR to Google, Uber, etc)

- 1.2/1 EU Retail market “mini”:

Sufficient to get “No regret” EU platform ... as EU common standard of operation (def. new retail services / def. ITC protocol) & cyber security + mini unbundling distribution (only data? Some new services?)

- 1.2/2 EU Retail market “maxi”:

Really need full “smart retail EU 3d Package” as ... *EU retail market “Target Model”, **full distrib. grid unbundling, ***EU level grid codes and ITC codes, ** **EU level methodology for distribution grid planning and regulation, ** ***an ENDSO-E twinning & mirroring ENTSO-E

2 The internal gas market: *a last mile needed, or one thousand miles more?*

- Yes EU faces two types of shocks (US for price – Russia for volume)? And so what? Would we do anything to prepare or respond?

- 2.1 EU Gas wholesale “mini”:

To consolidate existing Target Model ... a* few connections West-East,
some capacity allocation & balancing regimes here, *market coupling there

- 2.2 EU Gas wholesale “maxi”:

No “purely” market base remedy to earthquake...hence public intervention as *checking National Security Plans consistency;

**linking National Plans & TYNDP

***creating EU stocks/ flows monitoring;

** **new investment vehicles for TSOs undertaking “non commercially viable” investments as LNG T. or External interco.

3 / 28 national “target sets” from 20-20-20 to 2030: *could it lead us (EU) somewhere?*

- End of Berlin-2007 demanding triple targets: Hence “deep renationalization” of 2030 EU energy targets? Frankly: why? Why not?

- 3.1 - 2030 Target “mini”:

Exiting RES priority ... and scaling back to CO2 only target (GHG Cap) + some R&D and Green funding. See Stern& Calderon report for UN. NB: they call for *full fossil subsidy phasing out + progressive coal ban...**

- 3.2 - 2030 Target “maxi”:

Energy efficiency target for a “coalition of the willing”...

- 1- doesn't touch national energy mix (from RES to coal, nuclear & shale gas);
- 2- has “growth support” flavor : buildings (+ “circular” & “shared” economy)
- 3- time come to discuss National Action Plans (see Germany) + business models + market and regulation principles + organize financing & bankability

4 The energy policy governance: *any appropriate framework for any new EU policy?*

- 28 country ways to go to 2030: could Commission cope with it with existing <Internal Market + Competition> tool box? Why not? How?
- 4.1 - 2030 Governance “mini”: Do not worry...

Be EU market happy... EC has all needed weaponry in Internal Market & Competition Policy: no need to do more than *all RES in an open market; **all capacity mechanisms being DG Comp compliant; **all retail market and demand response rules being Internal Market & DG Comp compliant

- 4.2 - 2030 Governance “maxi”: Do not dream...

You cannot frame demanding non-market issue GHG sustainability only with market-related tools ... time to discuss new comprehensive governance with new ad-hoc powers: a “Energy Union”? (*market & grid regulatory powers; **carbon tax & fossil subsidies; ***plant & car emission caps; **neighboring NAP consistency approval; etc.). Whom? *Commission? **Euro-bodies AcerEntso? or ***Regional MS, NRAs, Mos&TSOs? BottomUp?

5 (1) External energy (security & policy): at least some Energy Union... or only Energy disunion?

- **5.1 External energy “mini”**: best friends? BAU!

Our best friends to get the max from external energy CONSTRAINTS are our twin internal markets / gas & power... .. the more flows will flow & arbitrage work: the best possible we will get... our markets pool all resources @EU level

- **5.2 External energy “mini+”**: (Oettinger + Tusk) Market? Yes BUT++

EU internal markets give to their best only IF all their external borders put INSIDE internal EU frame ...incl.

*interconnections planning & unbundling (ex. Morocco – Spa – Por- Fra);

**interconnections access & tariffs;

***energy supply bilateral “agreements” & “contracts” compliant with Trade, Internal Market & Competition EU policies; + Why not “Single Buyer”?

** ** “real” integration between EU Internal markets-grids and EFTA (SW – NRW) + Energy Community markets-grids (UKR or Serbia)

5 (2) External energy security & policy: *at least some Energy Union... or only Energy disunion?*

- 5.3 External energy “maxi”: (J. Delors; H. Kohl; etc.)

only an Energy Union with substantial powers could put EU on track for external energy security EU external energy security too close from “hard security affairs” being key MS sovereign powers (as: immigration, terrorism or cyber attacks).... Challenges faced today by EU for energy security as big as “European Defense Community “&“European Coal &Steel Community” in the 50’ + US not anymore our “World Cop” >> EU answers needed as big as in 50’

- **Content: ALL option “mini+”** [**interconnections planning&unbundling, **access&tariffs; ***supply bilateral agreements&contracts compliant with Trade, IntMark & Comp. Policies; +** ** integration between EU Internal markets-grids and neighboring markets-grids*]

+ any other “external energy policy matter” (from EFTA, Energy Community to Energy Charter & Neighboring Policy)

>> put in a new Treaty bidding EU MS with new rules & new laws...

>>or voluntary “Pro-Treaty”: a Schengen-like alliance of the willing MS...

To conclude:

1- A lot of further change & of work expected?

2- Or less & less? Might EU come back to its energy non-policy era 1974-2004? Remember Loyola's SoS 2002-2003

3- Or a new 'minimalist era'? >> some years of 'EU bottom-up energy policy' with EC as 'EU IEA'...

+EU ETS & Paris 2015 + Infrastructure Package + IntMakt & CompetPol
+ Borders&Trade





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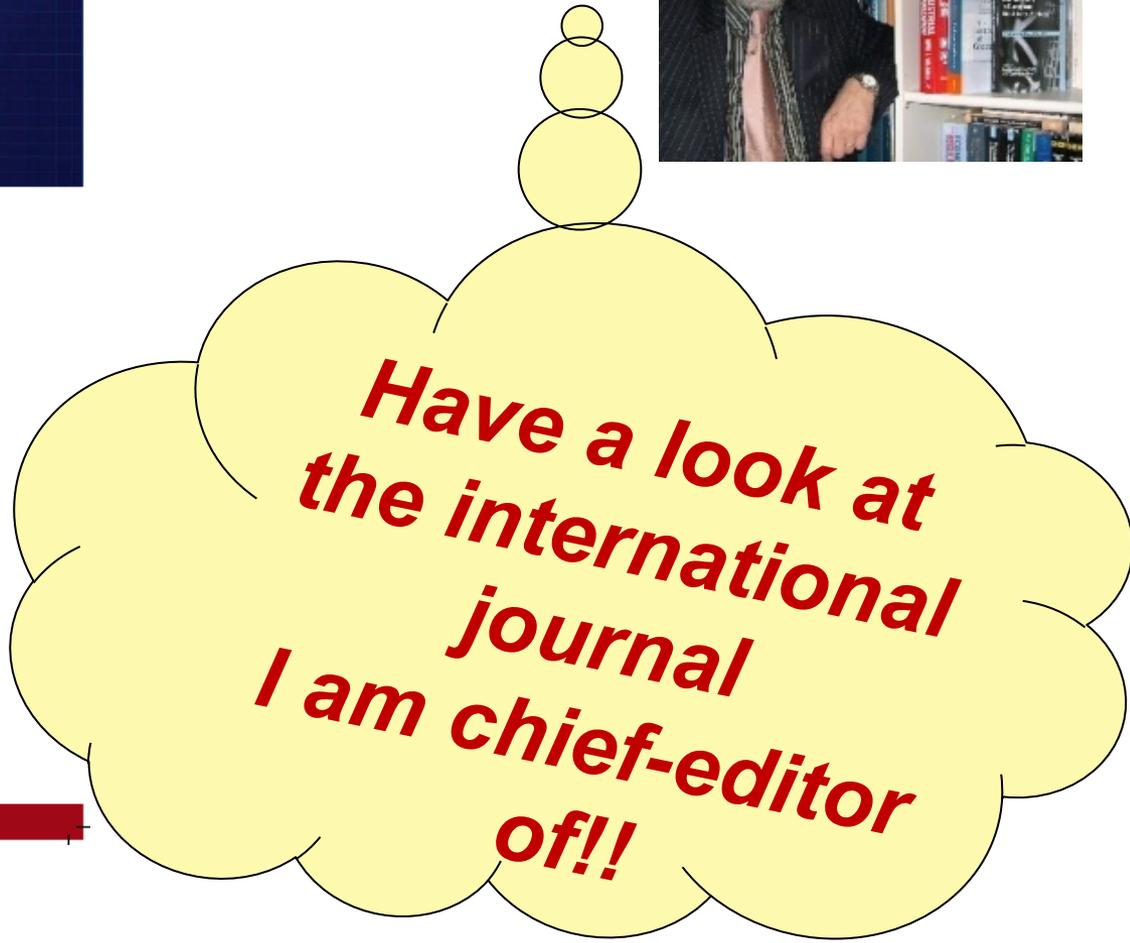
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