



## Energy Union Governance: Transferring Competences to the European Union

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*The Energy Union, one of the priorities of the European Commission, requires a management system in the field of energy and climate, built from the European level. Such a system will come into effect soon. Not only will it strengthen the coordination of national energy policies, but also the supervision by the EU institutions. This will help the EU achieve its objectives, but at the expense of the Member States' latitude in policy-making.*

In 2014, when setting the directions of climate and energy policy until 2030, the European Council decided that the EU should reduce greenhouse gas emissions by at least 40% (compared to 1990), increase the share of renewable energy sources (RES) in the EU energy mix to at least 27%, and reduce energy consumption by at least 27%. In the case of RES, binding national targets will not be set in contrast to aims for 2020, so the adoption of a governance system was announced to ensure that the EU as a whole achieves these goals. Although the 2014 conclusions stated that the energy governance system should be flexible and respect for the rights of Member States to shape their national energy mix, it was clear that the governance system would require coordination with the European Commission, which would strengthen the supervision of the EU institution. The regulation establishing this system has already been agreed between the Council of the EU, the European Parliament and the European Commission. In the meantime, the goals have become more ambitious, with share of RES rising to 32% energy consumption being reduced to 32.5%, and a change in the greenhouse gas emission target likely (up to 45%)

**The Growing Role of the Commission.** The Regulation on Energy Union Governance was presented on 30 November 2016 as one of eight legislative proposals in the Clean Energy for All Europeans Package, which implements the idea of the Energy Union. It was the only part of the package to introduce completely new rules. The European Parliament will vote on the regulation, which will then formally be adopted by the Council and enter into force later this year. The enhanced governance system will consolidate, centralise and simplify planning and reporting obligations, and ensure the achievement of EU targets for 2030.

The regulation, directly applicable in all Member States, specifies a two-tier Energy Union governance system. First, it will consist of a mandatory presentation of 10-year integrated national energy and climate plans. All Member States are to establish, by the end of 2019 (but in draft this year), how they will achieve the EU policy goals for 2030. Second, the Commission will evaluate the plans and then check (based on biennial reports) whether they are implemented. Thus, the Commission gains tools to assess the ambitions and outcome of each Member State's climate and energy policy.

At the same time, the Commission wants to know Member States' plans for a 30-year low-carbon strategy, which they are required under the regulation to present by 1 January 2020. This will form the basis of the drive to decarbonise the economy by 2050, in line with the Paris Agreement. To this end, the regulation adds references to the long-term EU greenhouse gas reduction strategy, which is currently under consultation, and which is expected to be adopted by 1 April 2019. The governance system is therefore intended to go beyond

the EU's 2030 objectives, and reflects the Commission's aspiration to coordinate all issues related to EU energy and climate policy.

**The European Semester in Energy.** The proposal to coordinate Member States' energy policies prompted comparisons with the European Semester, the economic coordination system introduced in 2010. Like the European Semester, the Energy Union governance system will subject the implementation of national plans to the assessment of the Commission, which will be able to provide (non-binding) recommendations if it considers the actions of any Member State insufficient. The regulation confirms this directly, stating that recommendations, when they have a macroeconomic or structural effect, ought to be coherent and complementary to the European Semester. In this case, again as with the European Semester, the Commission gains the opportunity to take other measures (not specified in the regulation) addressed to all Member States if it considers that the joint effort is insufficient.

In fact, the European Semester already allows the assessment of economic policy, including the energy aspect, but in practice it focuses on fiscal policy. The new regulation, therefore, creates a system dedicated directly to energy and the climate issues, but allowing greater Commission intervention. In contrast to the European Semester, the Commission assessment of energy and climate plans does not foresee the role of the Council to include making recommendations for Member States, which strengthens the role of the Commission. Moreover, unlike in the Semester, the strength of the Commission arguments is enhanced by the already existing political consent on 2030 targets. This will limit the scope for negotiations between Member States and the Commission, which are the essence of economic coordination. If the EU targets are not met, especially regarding RES, the Commission will expect specific actions, such as changing national targets, implementing projects with other countries, or voluntary payment to the EU "RES financing mechanism", which is the nucleus of the new fund. Furthermore, the Energy Union Governance Regulation gives the Commission the right to issue delegated acts (including in the event of a change in the scope of reporting obligations), i.e. instruments beyond the control of the Member States and the European Parliament.

**Conclusions.** The Regulation on Energy Union governance is a fundamental and new element of the Energy Union. Its goal is to ensure that the Member States reach EU targets by 2030. However, the importance of the new governance system goes far beyond these goals.

First, the system, through the comprehensiveness of plans that relate to the structure of energy balances and measures in all sectors of the economy, creates (for the first time) a formal path for Commission involvement in activities previously reserved for the Member States.

Second, in conjunction with the EU's low-carbon strategy until 2050, the regulation will be a tool not only to increase the share of renewable energy and improve energy efficiency (until 2030), but also to implement long-term aims. The Commission is to submit the long-term strategy by the end of the first quarter of 2019 (although it is expected that it may be announced before COP24 in Katowice), while Member States will submit their national plans by the end of next year. They will therefore be evaluated through the prism of the EU strategy. It should be noted that the Commission has announced a scenario in which it would present a plan for zero net emissions by 2050, which would concern not only the energy sector, but the EU economy as a whole.

Third, the regulation shows the direction in which policies are developing in the EU, with climate protection gaining influence not only in energy policy but also in the economic sphere. The regulation includes declarations that pro-climate measures are to be a key factor in the growth of the EU economy and the economies of the Member States. Already, 25% of the EU budget for 2021 to 2027 has been earmarked for climate protection, and the inclusion of this priority is formulated in relation to trade (border adjustment tax from countries that do not fight emissions), macroeconomic (greening the European Semester) and even agricultural policies.

Member States, including Poland, will be under increasing pressure to adapt their national energy and climate policies to the EU one. With the entry into force of the requirements concerning national plans, the Commission will expect specific declarations from Poland regarding the promotion of renewable energy and energy efficiency by 2030, and the reduction of greenhouse gas emissions by 2050, and thus a de facto change in the energy mix. This should provide additional impetus to prepare, in line with national priorities, a long-term energy strategy, ahead of the Commission's actions.