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## Letter to Editor

### EU Common Energy Policy and the Energy Security of Slovakia

The increases in oil and gas prices, dependence upon energy imports, supply outages caused by political or technological factors or global warming – those are the topics we are daily confronted with on local and European levels. Energy is and will be even more intensively the key factor of many conflicts unraveling in the political, economical, and unfortunately, even the military field. Only players of a global format can act efficiently on this global chessboard. The only way to ensure that the voice of Europe will be heard, and more importantly respected, is the establishment of a stable and operational *EU Energy policy*. According to the *Eurobarometer* survey it is supported by as many as 62% of Europeans and it seems that a consensus was also reached among the leaders of member states at the 2005 *Hampton Court Summit*. At this point I would like to emphasize one of the important aspects of the policy which we are talking about today. The majority of the instruments necessary to achieve its goals are not in the hands of the Energy Commissioner Piebalgs, but in the hands of his colleagues from the governments and parliaments of member states. Their responsible behavior and the ability to fulfill their commitments, even though it may not be pleasant to local interest groups for example, are therefore very important.

As mentioned before, the initiative of the Commission was given a green light after the EU Council summit in Hampton Court. A green book named the

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*European Strategy for Sustainable, Competitive and Secure Energy* was adopted in March 2006. The name itself defines the three fundamental pillars on which the *EU Energy Policy* stands: sustainability, security and competition.

The pillar of sustainability is primarily focused on the impact of energy production and consumption on the environment, so that future generations will not have to pay for our mistakes. This pillar represents the coordination or even blending with the European Environmental policy. Up to 80% of all greenhouse gases in the EU are linked to energy, and the situation is deteriorating. Therefore it is time to act. The EU is fully aware of this responsibility and that's why today it is the world leader in initiatives to lower greenhouse gas emissions and dampen global warming. The EU does not even hesitate to adopt unilateral commitments beyond the framework of international treaties. To be more precise I will quote the initiative *Energy for a Changing World*, in which the EU has committed to decrease greenhouse gas emissions by 20% and in the case that others will adopt similar measures, by 30% by the year 2020. By the year 2020 the use of renewable energy sources should constitute 20% of the energy mix and the use of biofuels by 10% of the total consumption of oil and petrol in transportation. These goals will require fundamental structural changes in energy production – the transition to 'low-carbon' technologies and of course increasing energy efficiency. I'm looking forward to the discussion on how Slovakia is planning to contribute to the successful fulfillment of these goals through its new energy strategy.

The security of supplies is the second pillar of the EU Energy Policy. It bears an internal and external dimension. More than half the energy consumed by the EU is imported mostly from regions that cannot be perceived as stable and predictable in the long-term horizon. The increases in oil and gas prices along with supply outages caused by political problems represent serious risk factors undermining the stable and predictable development of the European economy. If nothing changes, the EU will be forced to import as much as 84% of its consumption of gas and 93% of its consumption of oil in the year 2030. The key question is from where and how. The answer lies in decreasing the dependence on fossil fuels and in the diversification of sources. This issue is surely very topical to Slovakia with its current single-sided import.

The internal dimension of supply security consists of the insufficient capacity and quality of the infrastructure, which fails to meet the needs of the increasing demand. Europe is faced either with investments into energy networks, worth hundreds of billions, or with ever more frequent power shortages and a decline in the quality of offered services. The existence of government preferred monopolies and thus the lack of competitive pressure is one of the main reasons for the lagging of investments in this sector.

That is also why the third pillar of the *EU Energy Policy* is the support of real competition in a single market. Of course the status quo benefits the dominant companies under direct or indirect protection of the state. But, new service providers and customers are discriminated against in various forms. This is the light in which the EU regulations should also be viewed: not like free market restraining but as a free market creating measures in an environment which cannot be called competitive even by the greatest optimists.

The Commission is presenting a number of measures, of which I will only mention the newest one – the third reform package from September 2007. What are its main goals? First of all it's the ownership unbundling – that is the separation of production and distribution of energy and gas from their transmission. This measure will be in force for foreign companies investing in distribution in the EU as well. The objective of this measure is to prevent discrimination against distribution and production companies by the owner of the transmission networks. In the end this should bring the customer more options as well as better and cheaper energy. On the other hand it is of course a politically and economically very sensitive question which has encountered opposition mainly from Germany and France. Other alternatives to unbundling are currently in discussion, so that the actors in the market can choose from multiple options on how to harmonize their ownership structure with EU legislation. The strengthening and coordination of national regulation bodies, so that along with the forming European agency they are able to more adequately react to the problems bearing a cross-border element is also an important part of the third reform package.

The nascent holistic approach of the EU including the energy policy, the single market policy, the environmental policy and the foreign and security policy is a reaction to the present global political and economic challenges. One of the preconditions to its success is the support of member states.