

SYNTHESIS NOTE BENELUX
Energy Security: challenges for EU policy

The Benelux countries share the opinion of the EU Presidency and the Commission: the 2009 winter gas crisis, the third disruption in the last few years, and the dramatic consequences hitting citizens and economy can simply not happen again.

Therefore, after the 2008 success stories of the gas and electricity internal market Directive (competitiveness pillar) and of the Energy-Climate package (sustainability pillar), the Benelux countries urge the EU to make security of supply, third pillar of the EU Energy Policy, the priority of the EU Energy policy in 2009 and 2010 in the context of the second revision of the Energy Strategy Policy that will be dealt with during the Spring European Council. Together, these measures constitute a major, and necessary, step towards a common European energy policy.

Fundamentally, EU climate and energy policies are two sides of the same coin: we will have to improve our energy efficiency and reduce our dependency on fossil fuels, making the transition to a low carbon economy. The EU climate and energy package, aimed at achieving in 2020 a 20% increase in energy efficiency and a share of 20% of renewable energy in our total energy consumption, is leading the way to this transition. But how does this low carbon future look like? And how can Europe take the lead in new technologies? What role should the EU play in developing technologies that are not only vital to climate and energy policies, but also for our economy? It is time to make up our mind.

Still, all scenarios predict that in the coming decades the EU will remain highly dependent on fossil fuels. During that transitional period, security of supply of these fuels will remain a first priority for both the EU and its member states.

Security of supply of fossil fuels must be built on four pillars: 1/ after concluding the legal framework for the internal energy market, concentrate on the completion of the physical internal market, 2/ since “zero-risk” does not exist: build up risk prevention mechanisms and solidarity, 3/ diversify energy sources and routes, 4/strengthen EU’s external energy policy with regards to supply countries.

The Benelux strongly supports the Commission’s proposals in its communication on the second Energy Review. The recent crisis demonstrated the vulnerability of the EU to external disruptions of gas supplies. Therefore Benelux countries think it is time to increase the level of ambition and call for an extensive and coherent Energy Security Action Plan based on aforementioned pillars. This Action Plan should convey the message to EU citizens how the EU will organize its energy security next winter, in the next 15 years and beyond.

Completing the internal market:

The Benelux countries have welcomed the work undertaken in 2008 to reach a Council common position on the legal framework for the internal market. The Benelux countries invite the EU to show similar ambition in putting into reality the required interconnectivity.

The gas crisis has shown that the lack of infrastructural interconnectivity hampers solidarity. The Benelux countries suggest to reinforce the North-South and West-East connections. They notably call to reinforce the gas distribution network from the North Sea that would allow a better supply to the EU.

Concerning electricity, Benelux countries call for a speedy revision of the RTE-E guidelines that should integrate renewable energy sources. We highlight the importance of the connection of offshore wind energy in the North Sea to the EU grid and the role the Pentalateral Forum can play in this respect.

Prevention and solidarity:

Since zero-risk does not exist, the EU must ensure that an effective coordinated response mechanisms for supply shocks are rapidly put in place for both the oil and gas market.. Therefore, the Benelux countries plead for a strengthening of the existing gas supply directive. They invite the Commission to speed up the revision of the security of gas supply directive (2004/67) by the end of 2009, notably with respect to the definition of the “major supply disruption” indicator and the related Community and national mitigating measures in crisis situations.

As an organization based on regional solidarity principles, the Benelux also believes in regional solidarity in energy matters. In this context, the Pentalateral Forum for Electricity and Gas, the regional forum created in 2006 together with France and Germany, could provide an example of successful regional cooperation.

The Benelux countries underline the need for the EU to play a key role in building an efficient an effective – and responsible - solidarity mechanism between Member States. They stress the importance of strengthening the role of the EU Energy Observatory with respect to early warning (including permanent cooperation with supply and transit countries) and supply market surveillance. The Lisbon Treaty will offer more tools to promote energy solidarity within the Union.

Diversification of sources and routes:

While stressing the importance of the agreement on the Directive on Renewable Energy reached under the French Presidency, the Benelux countries recall the equivalent importance of energy efficiency objective of 20 % reduction in 2020.

The Benelux countries urgently call for the diversification of supply routes and sources. This entails the diversification of pipeline connections with our present suppliers (e.g. Nord Stream, possibly with Norway), the planning of pipeline connections with new suppliers (e.g. the Southern Corridor) and a strategy for the reinforcement of LNG supply.

All these projects require intensive diplomatic and commercial efforts of the European private sector, member states and the EU. The challenge of the coming years will to coordinate these efforts on all three levels.

The Benelux governments, equipped with strong gas networks and developing a strong LNG infrastructure (Zeebrugge, Rotterdam), are fully aware of their responsibility in terms of EU security of supply. Securing gas contracts, however, in the Middle East or North Africa and the Caspian region, requires an integrated political and commercial strategy. Nowadays, gas can be shipped to any customer in the world. If the EU wishes to be successful in this highly competitive market, all our instruments of neighbourhood policy will have to be tuned to it.

This implies the need for a strong energy diplomacy to defend common interest with a solid mandate in Eastern Europe, the Caspian and Central Asia region, the Middle East and (North) Africa. There is no doubt that the Commission needs to reinforce its position as the EU's main external representative in energy issues. It means that member states and the EU have to work together closely in the field of energy infrastructure and energy sources development to diversify both supply and production, also in the field of import of LNG. This could be done through public-private partnerships.

External energy policy: speaking and acting with one voice

With respect to private law and internal market rules, the Benelux countries invite the EU to reflect on the whole internal energy supply chain relations. In this context, the concepts of an EU transit monitoring body and of a block purchasing mechanism for Caspian gas should wisely be explored and assessed by the Commission. Finalisation of the Energy Charter Transit Protocol is also in the interest of both producing, transit- and consuming countries.

By using its leverage as a major energy client, the EU can wield more influence with the supplier and transit countries. As the recent crisis has demonstrated, speaking and acting with one voice is a first condition

This also highlights the need for effective coordination of external policy among member states, the integration of the European dimension into the national energy policy of the member states and the integration of the EU energy policy in the EU external policy (incl. Trade, PESC and Development policies). The gas crisis of the past weeks has proved that it is essential for the EU to speak with one voice. We are all aware of the global tendency of mixing geopolitical interests with energy questions. The EU has no intention of following or accepting that tendency, but it should at the same time be at par with its

partners: it must be prepared and equipped to operate effectively in a world where energy is a prime geopolitical issue. It should strive for solving energy issues in a business-like way and stimulate its partners to do the same. The Benelux countries share the opinion that in this way Europe and its partners will be able to cooperate in a productive way and solve major issues in the area of energy and climate. Acting upon this notion is essential for our future external energy and foreign policy.

Finally, the development of strategic partnerships between producing, consuming and transit countries will help promote energy security. The EU should encourage producing countries to invest more extensively in energy production capacity and energy efficiency. By making available transparent and accurate data on its current and future energy supply and demand, the EU will prove that it remains an important and reliable energy client. The EU should expect the same commitment from transit and producing partners.