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THE FRUSTRATING FIVE IN THE EU CLEAN ENERGY PACKAGE

Five countries – Estonia, Germany, Italy, Spain and the UK – are hindering progress towards Europe's energy transformation.

The context

On December 18, energy ministers from the 28 Member States will meet to agree a common position on most of the "Clean Energy for All Europeans package", a once in a decade set of reforms that will underpin the transformation of the European energy system over the next 15-20 years.

Recent developments show that European governments are about to dilute proposals significantly. The draft texts ready for approval would allow the continued use of public money for fossil fuels, worsen investment conditions into energy efficiency and renewable energies, and stymie competition by weakening provisions to open markets to consumer participation, renewables, or new business entrants.

Whilst Poland is known as the EU's climate blocker and remains an extremely reluctant counterpart when it comes to agreeing new rules to accompany the European energy transition, this time around, a group of more unusual countries stand out as guilty of weakening the proposals.

Meet the "Frustrating Five"

Estonia – for leading member states towards new coal subsidies.

In July 2017, it became Estonia's turn to preside over the council of the EU, and thus to lead negotiations on the clean energy package among European governments. Estonia, known for being the world's most digitally advanced society, had pledged to make good progress on the package, and particularly on the elements driving the modernisation of Europe's electricity sector (electricity market design).

Instead, it has lead negotiations into defining rules allowing the use of public money for old coal plants to stay open longer, or even extend their lifetimes, and supporting the building of new plants before 2025. In spite of opposition by several member states notably including France, Germany, Portugal, Denmark and Sweden, the Estonian presidency proposed new text removing a proposed carbon intensity threshold limiting subsidies to coal plants, leaving the door open for billions in subsidies.

Germany – for hampering the democratisation of energy

Germany supports renewable energy, but not the kind all citizens can invest in. The German government seems to be trying to increase the market share of its incumbent utilities which, as of 2013, only owned 5% of the countries' renewables capacity by limiting the potential for citizens-owned energy. Their lobbying will not only suppress the potential for citizen-owned energy at home, but also derail pioneering projects in other member states.

Euractiv notably reports how Germany could stop Greece from developing a project which allows benefits generated by renewable electricity to be shared across buildings in the same municipality – even though they may be situated kilometres apart (this system is called "virtual net metering").

Italy – for avoiding a European approach to security of supply

In October, Italy joined the growing list of countries committed to phasing out coal. The new Italian energy strategy depicts a bright future where all coal plants will be shut down by 2025 and where renewables will take up a growing share of the energy mix. Even if good news for Italians and the climate, this strategy relies heavily on a continued, or even growing role for another fossil fuel, natural gas, which the government intends to support through its own national capacity market.

To protect its ability to subsidize existing and new gas plants unencumbered, Italy is actively lobbying[1] against provisions aimed at bringing quality and consistency amongst national approaches to security of supply. In order to avoid scrutiny on their own plans, Italy is opening the door to the worse practices by preventing the introduction of robust quality checks on national resource adequacy assessments (in the context of electricity market design).

Spain – for siding with coal rather than renewables.

In a surreal scenario worthy of Salvador Dalí, the Spanish government is currently blocking its utility Iberdrola from shutting down two coal-fired power plants, in delivery of the company's plan to become carbon neutral by 2050.

The country's input into the clean energy package negotiations has been of a similar vein: Spain has stood strongly in favour of coal subsidies, but against renewable energy. The country is notably hard at work to allow retroactive changes to renewable support schemes.

UK – for being ok with new coal subsidies while campaigning for coal phase out.

Despite its potential departure from the EU, the UK has been engaging in these negotiations as per usual by building coalitions and sending detailed comments on its priorities, for instance opposing binding energy efficiency targets**,** hampering citizens energy, or weakening European checks on its capacity mechanism[1].

The UK has not, however, provided any support to the idea of phasing out subsidies to coal power plants in the form of remuneration from capacity mechanisms, or reacted in any way when the Estonian presidency proposed to allow coal subsidies to go to existing coal plants – potentially financing their life extensions - and even allow subsidies to help towards the building of new coal plants before 2025. The UK's silence on this issue has been resounding in contrast to its leadership in getting 10 EU countries joining the Powering Past Coal Alliance to accelerate the global transition away from coal at the COP23 in Bonn.

What next?

European governments have just over a week to reverse this low ambition dynamic. Eyes are turning particularly towards the Green Growth Group of European countries which was instrumental in agreeing climate and energy objectives for 2030 in 2014, but seem absent in these negotiations. The European Parliament is emerging as a leader in promoting the transformation of Europe's energy sector. European governments must not become the laggards.

[1] The joint non-paper between UK, Italy, Ireland, France on this topic was published by Contexte in **this article**

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Background information

The clean energy package: the "Clean Energy for All Europeans", or clean energy package for short, is a set of legislative proposals issued in November 2016 by the European Commission, and subject of intense negotiations in the European Parliament and Council of Ministers ever since. The proposals aim at shaping the European energy sector through new objectives on renewables and energy efficiency, a framework to deliver on these effectively, and a set of rules to make electricity markets more open, competitive, and ready for ever increasing levels of renewables and consumer participation.

Agenda of the 18 December Energy Council: the 18 December Energy Council will aim to agree on a joint position on five texts:

- The Renewable Energy Directive, which contains a renewable energy target for 2030 as well as rules around community-owned renewables (current draft).
- The Governance Regulation, which outlines a regulatory framework for delivering on 2030 climate and energy objectives effectively (current draft).
- Three of the four electricity market design proposals which establish rules for the operation of electricity markets across Europe and will determine how affordable, inclusive, open to competition and sustainable the electricity sector will evolve to be (current draft on the electricity regulation, containing elements on capacity mechanisms and coal subsidies; current draft for the electricity directive, notably containing rules for competition and consumers; current draft for the risk preparedness regulation).

Next steps in the negotiations: as per the European ordinary legislative procedure, European Parliament – first in their expert committee, then for the whole plenary – and Council of the EU will need to adopt their position on each of the legislative proposals before entering "trilogues" negotiations. Each legislative file is currently as a slightly different stage.

	Energy Performance of Buildings	Energy Efficiency	Renewable Energy	Governance	Electricity Market Design
Parliament Committee(s) vote	✓	✓	✓	✓	Feb 2018
Parliament Plenary vote	✓	Likely Jan 2018	Likely Jan 2018	Likely Jan 2018	Possibly Mar/Apr 2018
Council of the EU (Energy ministers)	✓	✓	Likely 18 Dec 2017	Likely 18 Dec 2017	Likely 18 Dec 2017
Trilogues (Council-Parliament-Commission)	Ongoing	Likely Feb/Mar 2018	Likely Feb/Mar 2018	Likely Feb/Mar 2018	Apr 2018 at earliest

Additional information

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