6. The EU: In the Midst of Crisis – Downgraded Sustainable Energy Ambitions

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The European Union (EU) is represented in the G20 by the Union as well as by the individual (EU-4) member states France, Germany, Italy and the United Kingdom. It could therefore play a role as an agenda-setter and multiplier in the G20 and beyond. However, internal consensus within the EU on the pace towards decarbonisation and an energy transition is eroding, and the EU is losing its frontrunner status and role as a 'best practice' reference for others. In particular, because of the multiple crises the EU faces, its ambitions in multilateral sustainable energy governance are stagnating.

The EU's integrated energy and climate policy: losing momentum?

The 2015 Paris Agreement was commonly ratified in the EU and provides the reference point for formulating EU energy policies and defining the transition path toward a more sustainable energy system. The EU member states have not (yet) achieved internal consensus on commitment to an ambitious decarbonisation path for their energy system(s) in line with the Paris Agreement, nor a compulsory mechanism on how to share collective responsibility for achieving this goal. Certainly, from an international perspective, the EU is not an exception but rather the rule when compared to other countries. If this continues, the EU is likely to lose its role as an international frontrunner and exemplar of best practice.

Back in 2007, the EU embarked on a common and integrated energy and climate policy. This marked the beginning of a new era in EU energy policy. Since then, the EU's energy policy has been based on the strategic triangle of sustainability, competitiveness and energy security. In 2007, under the German Presidency of the EU Council, the then EU-27 agreed on ambitious climate targets to reduce emissions by 20 percent by 2020. The European Commission submitted An Energy Policy for Europe, which was the most substantial action programme in energy policy to date. The package is a set of binding legislation to ensure the EU meets its climate and energy targets for the year 2020. Its targets include a 20 percent cut in greenhouse gas emissions from 1990 levels, 20 percent of energy to be produced from renewables and 20 percent improvement in energy efficiency compared to the projected use by 2020.

To achieve its climate goals, the EU emissions trading system (ETS) is the key tool for cutting greenhouse gas emissions. The ETS covers around 45 percent of the EU's greenhouse gas emissions from large-scale facilities in the energy, industrial and aviation sectors (COM, 2012). However, the price of certificates was previously too low to provide clear market signals, e.g., to shift away from coal; consequently, reform efforts are ongoing. For emissions not covered by the ETS, an Effort Sharing Decision of 2009 was translated into so-called annual emission allocations (in tonnes) that set binding national targets for emission reduction or limitation for 2020, expressed as per-

centage changes from 2005 levels for each member state by year, from 2013 to 2020. The EU-4, UK (-16%), Germany, France (both -14%) and Italy (-13%) are among those member states that have taken on reduction obligations. Most Central and Eastern European member states are permitted to maintain (or even slightly increase) their present emission levels, compensated by other member states under a burden-sharing mechanism.

Under the Renewable Energy Directive, EU member states have also adopted binding national targets for increasing the share of renewables in their final energy consumption by 2020 (COM, 2016a). The targets vary, reflecting countries' different starting positions for renewable production, their economic situations and ability to further increase capacity. Different cooperation mechanisms would allow the EU as a whole to achieve its 20 percent target (doubling the 2010 share of 9.8%), and a 10 percent share of renewables in the transport sector. The Progress Report of 2016 highlights deficits on the path toward producing more energy from renewables. The EU is especially lagging behind in meeting the target for renewable fuels (or electric mobility) in the transport sector, which has only achieved a share of around six percent of biofuels (COM, 2015a). Nevertheless, most member states – and most likely the EU as a whole – are on track to meet the 20 percent target (COM, 2015a).

In the area of energy efficiency, binding targets were only set in the 2012 Energy Efficiency Directive, which stipulates that member states should formulate their own indicative National Energy Efficiency Action Plans. However, the Progress Report of 2015 states that, despite significant progress, the EU-28 as a whole falls short of achieving the 20 percent target (COM, 2015b). In October 2014, the EU-28 agreed the outline of a common strategy for energy and climate policy to 2030. The strategy contains qualified targets for climate mitigation, renewables and energy efficiency, and builds upon the 2020 targets. While on paper this raises the ambition for the EU as a whole, there remains broad scope for intergovernmental bargaining and compensatory mechanisms (Fischer, 2014). The targets for 2030 comprise a 40 percent cut in greenhouse gas emissions compared to 1990 levels, at least a 27 percent share of renewable energy consumption and at least 27 percent energy savings compared with the business-as-usual scenario (COM, 2016b). The 2030 framework for energy and climate builds on formula compromises with high level of ambiguity, providing the opportunity to change the goals through consensual intergovernmental decisions and "extensive financial transfers and exemptions for the blocking states." (Fischer, 2014: 3).

Important to note in the G20 context, there is no official deadline or pathway for phasing out fossil fuel subsidies, despite a number of EU policy declarations committed to ending this support by 2020. Moreover, the important tax directive in place stems from 2003 – i.e., from a different era of energy policy.

Shared competence and diverging energy mixes determine formula compromises

Energy policy is a shared competence in the EU. As a consequence of Art. 194 of the Treaty on the Functioning of the European Union (Lisbon Treaty), energy, and in particular supply security, became a field of shared competences. Furthermore, climate policy is part of environmental policy and, as such, an area of EU competence since the Treaty of Amsterdam. Moreover, e.g., fiscal policies and subsidies as part of national policies are subject to a number of departments (Directorates General) that are in competition over mandates and competences.

While member states retain their sovereign rights to determine their energy mix, coordinated action is needed to finalise a functioning and integrated internal market, to implement infrastructure projects of common interest (to interconnect energy networks) and to face security of supply challenges at the same time. Whereas differences in the final energy consumption are minor, the electricity mix displays significant differences.

Since the onset of the global financial crisis and the subsequent Eurozone crises, the discord over energy and climate goals has increased, creating stronger impediments to common EU policies and their implementation. Even among advocates for climate mitigation, discussions regarding the appropriate pathway became evident: whereas the UK focuses on ambitious decarbonisation policies, Germany focuses explicitly on energy efficiency and promotes the

expansion of renewables. France has embarked on an energy transition that aims to reduce electricity generation from nuclear power plants while expanding renewables. Considering the EU-28 as a whole, it is all the more clear that the member states are starting from very diverse energy patterns and with diverging levels of ambition. Moreover, social issues and energy costs are a major impediment to radical reforms. A major caveat will be the future of nuclear energy in France and the UK, and how the issue relates to decarbonisation.

The creation of an Energy Union was one of the 10 priorities of the Juncker Commission in 2015. The Energy Union, as proposed by the Commission, has five dimensions: energy security, a fully integrated internal market, decarbonisation, energy efficiency, and research and innovation. Whether, how and to what extent the dimensions will be substantiated remains to be seen. The issue of fossil fuel subsidies is likely to become a test case of communal will.

While the EU has been at the forefront of emission reduction efforts, the shaky internal consensus and decision-making procedures are impeding the EU-28 from moving forward with the Energy Union and a sustainable energy transition. A common functioning and integrated energy market, directed to achieving a sustainable energy transition, has been identified and perceived at several instances as a driver for deepening EU integration and as a model for growth. However, while the necessity of integration for achieving this goal is understood, the momentum is lost. At present, deepening cleavages in the EU-28 and growing fragmentation between the member states and their commitments to a sustainable energy transition are slowing implementation.

Energy policy priorities have been subject to change: While climate goals were at the top of the agenda in 2007, the 2008 financial crisis and the shale revolution have contributed to a shift in the EU's strategic priorities. Indeed, economic competitiveness has since become an equivalent priority. The Treaty of Lisbon emphasised the need for growth stemming from a sustainable economy and energy policies focused on sustainability, whereas for the new member states of Eastern Europe, energy security and growing independence from Russia are major drivers of national energy policies. In the aftermath of the Russian–Ukrainian gas crises in 2006 and 2009, energy, and in particular gas supply security, has had an overwhelming influence on EU policies. Most recently, the desire to diversify away from Russia was a major motivation behind the proposal of the Energy Union by then-Polish President Donald Tusk, in 2014.

All of this explains why, in 2016, there is growing fragmentation within the EU concerning the transformation toward a low-carbon energy system. The EU-4, as well as Sweden and Denmark, are moving forward with a transition, whereas the Central and Eastern European member states were substantially compensated and exempted from ambitious targets. The UK's 'Brexit' referendum of 2016, which signalled an intention to leave the EU, will most likely further slow the EU common approach toward an energy transition, as the UK has been an advocate for decarbonisation. The prospect of Brexit will fundamentally change the equation within the EU in this sensitive policy area that is characterised by deep-cutting cleavages healed by ambiguous formula compromises (Fischer & Geden, 2016).

The EU's presentation in international organisations is one of 'mixity' as a consequence of the legal provisions in the Lisbon Treaty. The "principle of conferral" is enshrined in Article 5(2) of the Lisbon Treaty and constitutes that the Union acts within "the limits of the competences conferred upon it by the Member States in the Treaties...". As a consequence, the EU's room of action is limited and constrained, as it lacks the explicit mandate. At the leaders' level, the EU is represented by both the President of the European Council and the President of the Commission, depending on the respective policy area, as well as by EU-4 representatives.

The EU's record on global sustainable energy governance

The EU has a patchy track record on energy and climate diplomacy. In recent years, the EU displayed an increasing preference for bilateral and regional energy governance structures focused on the European Neighbourhood Policy and Russia. A clear shift, away from multilaterally negotiated approaches such as the Energy Charter Treaty and toward regionally export-

ing EU rules, took place with the creation of the European Energy Community and its enlargement, as well as with the creation of the Union for the Mediterranean. The deterioration in the relationship with Russia following the annexation of Crimea and military destabilisation of Eastern Ukraine since 2014 is a major reason behind the shift of emphasis to the European Energy Community. The Energy Community builds upon exporting the energy *acquis communautaire* to the Western Balkans, Ukraine, Moldova and very soon Georgia as well. Such a strategy faces limitations, and the reform processes in Ukraine and Moldova are real test cases for this strategy. In summary, despite the fact that geopolitical crises and turmoil have moved closer to European borders, the internal crises concentrate and bind significant political and economic resources.

Rather than the EU as a whole, it has often been individual member states that have promoted decarbonisation and supported multilateral initiatives and architectures. With regard to global energy governance initiatives, the UK has been a promoter of consistent decarbonisation policies in many fora and arenas, also vis-à-vis developing countries. Germany has been the supporter for a renewable energy architecture with the creation of REN21 and IRENA. Germany also has a strong record within the G7 and G8, for promoting an integrated energy and climate agenda and for reaching out to the O5 emerging countries: China, India, South Africa, Brazil and Mexico.

In terms of climate diplomacy, the UNFCCC Summits in Copenhagen in 2009 and Paris in 2015 were major culmination points. When, in November 2009, the G20 agreed to phase out inefficient fossil fuel subsidies, this was also seen as a stepping stone to success of the climate summit in Copenhagen. However, the outcome of the 2009 Copenhagen summit disappointed the more ambitious EU member states. For the member states that blocked more ambitious targets, the lack of a clear international commitment served as an excuse not to move forward in the EU. For the COP21 in Paris in 2015, the EU submitted common intended (nationally) determined contributions. The EU-INDC was decided at the Council of the Environmental Ministers in autumn 2015. There was a strong desire by many member states and the French host to make the Paris Summit in 2015 a suc-

cess. The EU was part of the High-Ambition Coalition.

The submitted INDC is highly ambiguous, as internally it offers much room for manoeuvre. On the one hand the EU-28 committed to the 2030 target of 40 percent reduction, while on the other hand, internally, there is broad scope for bargaining over the real effort-sharing among the EU-28/27 under the 'EU bubble' as agreed in the 2030 targets.

As outlined in the EU Climate Diplomacy Action Plan (2015) and in Climate Policy after COP21 (2016), the EU aims to push a global climate agenda by means of three strands. Strand one is to advocate climate change as a strategic priority in its external relations. Strand two supports the implementation of the Paris Agreement in the context of low emissions and climate resilient development. Strand three aims to increasingly address the nexus of climate, natural resources, prosperity, stability and migration. These strands should also be pursued in international fora such as the G20. Here, the challenge is that while the Commission indeed has strong competences in climate and environmental issues, the G20 does not offer a separate track on climate issues.

The conclusions of the Council of the EU on energy diplomacy, of 20 July 2015, emphasise the need to achieve common positions in multilateral institutions and frameworks in order to speak with one voice on major topics. The G7, G20, SE4ALL and IRENA are mentioned in that respect, yet the document is largely pragmatic and reflects low ambitions in the global arena.

The EU in the G20

The future of the EU-27 and UK will affect the sustainable energy transformation internally and externally in approaches to global governance. The EU is taking part in the G20 directly as a full member without having a fully-fledged mandate and the exclusive competence, and indirectly through the EU-4. The G20 Study group of Toronto gave the EU the lowest compliance rating in the energy field among all G20 members, whereas the EU-4 show the highest rate of implementing and meeting the commitments and wordings of the summits.[2] Here again, it is obvious that countries commit themselves to targets that match with national policies that are already underway.

Since the broadening of the scope of the G20 beyond financial issues in 2009, the only EU member state to preside the Group has been France in 2011. During the French Presidency, the major foci were the functioning and transparency of energy markets, improvement of the Joint Organisation Data Initiative, and price volatility. France also carried on the initiative to phase-out fossil fuels. This initiative is a case in point for the mixed performance of the EU in the G20. Germany is conducting a bilateral review in the G20 with Mexico. At present, the UK has even increased its fossil fuel subsidies. Most EU subsidies (60%) are directed to coal for social reasons. Moreover, the EU has or is in the process of approving funds for electricity and (liquefied) natural gas infrastructure. Yet, the IEA Investment Report of 2016 clearly shows that in 2015 the bulk of investment within the EU was for renewables.

For their part, the UK and France will be leading work-streams in key areas of the Energy Efficiency Leading Programme agreed at the G20 summit in China in 2016. Germany, which takes over the presidency after China, has a record of building new elements into the global renewable energy architecture. The least developed field in international energy governance is energy efficiency. What is at stake is to engage the G20 in committing itself to implementing action plans that are in line with the Paris Agreement.

Lessons from the EU

The EU is unique in the international system. Therefore, take-away lessons for either individual states or international organisations are limited. Internally, the EU example demonstrates that collective action toward a sustainable energy system is a challenging and complicated undertaking, due to different energy mixes and differing levels of economic prosperity. Yet, modernisation is at stake across the continent. It is easier to set long-term targets than to define concrete steps. As outlined above, there is growing political uncertainty about the pace towards decarbonisation and sustainability. The possibility of Brexit, weak economic performance in the southern EU, the migration crisis and the persistent reluctance among Eastern European member states to transform their energy systems all weaken the ambition to rapidly transform energy systems. The EU case illustrates that sustainability efforts need to be married with other national goals in order to become tangible priorities; and demonstrates the need for not just targets but tools of implementation and monitoring processes. Furthermore, the situation in the EU also underscores that cross-border energy cooperation will become increasingly crucial to the success of the global energy transition.

From an international perspective, of course, the EU took a leadership role with its ETS; even though the design was not always perfect, it continued debating and improving the regulatory regime and mechanisms. The encouragement and role of the EU in creating and supporting the High-Ambition Coalition also shows that EU climate diplomacy can go a long way in encouraging others, including members of the G20, to engage based on a common set of interests. The EU-4 and the EU are well positioned, as members of most of the other energy institutions, to carry on policy initiatives. Yet, the EU's impact on international sustainable energy governance will be limited. This imposes more responsibility on frontrunners among the EU member states.

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[2] The compliance scores are measured by the G20 research group.

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