



Directorate-General  
for Energy  
and Transport

# ● Energy Support and Security Mechanisms

## Eastern Partnership Energy Security Platform Meeting



EUROPEAN  
COMMISSION

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# ● Synopsis

- A common European energy policy for security of supply
- Security of supply and external energy relations
- The role of the market
- Infrastructure and diversification
- Emergency preparedness and response mechanisms
- Synergy with the Energy Community activities
- Oil stocks
- Possible activities of the Eastern Partnership Energy Security Platform

# ● Security of supply calls for a more robust external energy policy

- Neighbourhood & Enlargement policies:
  - » Eastern partnership
  - » Energy Community
- Dialogue with Producers:
  - » EU-Russia
  - » EU-OPEC
  - » EU-Norway
  - » EU-Africa
- Dialogue with Transit/Consuming countries
  - » Ukraine
  - » Turkey
- New partnerships:
  - » Azerbaijan, Kazakhstan, Turkmenistan, Africa, Iraq
- Legal frameworks for Supply Routes
  - » Nabucco IGA
  - » Corridor Agreements

# ● Gas crisis mechanisms

- **SER2** highlighted vulnerability of EU to possible gas supply disruption
  - » Revision of 2004 Gas Security Directive
  - » Lack of consistency in security of supply standards covering emergency situations
  - » Possibility of compulsory gas storage?
  - » Other options to deal with real or threatened crisis?

## ● **Lessons from January 2009 gas crisis: Positive aspects**

- Internal market helped alleviate supply disruptions (although not everywhere and not completely)
- EU security standards useful, but inadequate
- Gas Coordination Group played pivotal role as an instrument of coordination, information exchange and solidarity
- Gas industry very cooperative, but limitations (eg reverse flows, lacking networks)
- The monitoring mission made an important contribution to understanding and resolution of the conflict.

# ● Lessons from January 2009 gas crisis: “To do” list

- Lack of emergency preparedness
- Lack of transparency and access to market data (eg gas flows and deliveries)
- Lack of coherence in emergency mechanisms
- Gaps in infrastructure
- Limited solidarity among Member States
- Industry/Market cannot resolve such a disruption on its own; need for strong regulatory framework
- Energy demand management?

# ● Emergency preparedness by Member States: preventive action plans

- Harmonised **security of supply standards**
  - » “N-1” during 60 days
  - » Extremely hot or cold temperatures once every 20 years
- **Risk assessments** and development of **scenarios**
- **Preventive measures** and **emergency actions**
  - » Market-based (as far as possible)
  - » Non-market based: e.g. strategic storage, forced fuel switching, load-shedding
  - » Regional cooperation with other Member States
  - » Transparency: monitoring, reporting, information flow

# ● Security of gas supply requires a complex set of solutions

- An efficient diversification of energy sources, and energy efficiency (“**20-20-20**”)
- A functioning **internal energy market** allowing companies to respond promptly and effectively
- **Infrastructure** planning (ENTSO & ACER) and investments
- **Diversification** of gas supply countries and supply routes (including LNG)
- EU companies, governments, 3<sup>rd</sup> States and Commission need to **work together**, whether crisis or not





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# ● The New EU Directive on Emergency Oil Stocks

adopted by the Energy Council on 12 June 2009

## ● **Current (old) legislation**

- Origins dating back to 1968, no major change of substance since then
  - » amended in 1972 and 1998
  - » codified in 2006
- Circumstances changed over time
  - » internal market: completion, enlargements
  - » globalization of oil markets, role of financial markets
  - » IEA established in 1974
  - » decreasing indigenous production
  - » increasing risk of supply disruptions

## ● Change is needed

- Current system: no hard proof of failure but some concerns about e.g.:
  - » availability of some stocks in a major crisis
  - » use of “tickets”; use of stocks as assets; etc.
  - » efficient interaction with IEA system



- The March 2007 European Council called for the review of EU oil stocks mechanisms with emphasis on:
  - » availability of stocks in the event of a crisis
  - » complementarity with the IEA crisis mechanism

## ● Main elements of the new Directive (I)

- Adopting IEA methodology to maximum possible extent
  - » 90-day obligation based on net imports (not consumption)
  - » but retaining current consumption-based obligation for producing countries
- Showing preference for government/agency stocks
  - » though no obligation (Member States retain flexibility)
- Establishing a minimum presence of product stocks (~ 1/3 of stocks)

## ● Main elements of the new Directive (II)

- Clarification of the procedures for emergency situations
  - » enabling the whole EU to contribute better to an IEA action
- Reinforced verification
  - » possibility of audits, spot checks
- Provisions facilitating the reporting of commercial stocks
  - » weekly frequency possible in the future

## ● How this will impact security of oil supply ? (I)

### ● Improved assurance about the availability of stocks

- clarifying criteria of availability
  - no pledging
  - identification of stocks
  - restrictions on “tickets”
- indicated preference for partial government/agency stocks, held as products (“specific stocks”)
- audits/inspections

## ● How this will impact security of oil supply ? (II)

- Better crisis management, in conjunction with the IEA
  - » adapting IEA methodology helps to establish a common basis for evaluating the emergency preparedness of MS
  - » simplified/streamlined procedures for participation in IEA actions
  - » possibility to involve also non-IEA Member States

- The Energy Community Treaty as a component of the Eastern Partnership
  - Energy Community provides for a common binding framework based on EU legislation, also covers energy security
  - Security of supply statements
  - Security of Supply Coordination Group
  - Accession negotiations with Ukraine, Rep. Of Moldova and Turkey. Possible application of Georgia
  - Need to ensure consistency and synergy



- Possible activities of the Eastern Partnership Energy Security Platform (I)
  - Development of Early Warning Mechanisms for energy disruptions
  - Exchange of views on best practices for security of supply legislation, including transparency and solidarity mechanisms
  - Formal or informal involvement with the EU Gas Coordination Group and Oil Supply Group as well as the Energy Community Security of Supply Group

## ● Possible activities of the Eastern Partnership Energy Security Platform (II)

- Discussions on the possibility to agree on the sharing of voluntary non-confidential security of supply statements on a periodic basis, possibly including exchange of information on major energy investments (pipelines, UGS, power generation, exploration and production etc.)
- Development of modalities for monitoring of energy flows in times of emergencies
- Exchange of views on best practices concerning oil stocks



Thank you for your attention

