

Directorate-Genera



**Eastern Partnership Energy Security Platform Meeting** 

Brussels 17 June 2009



## 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

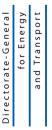






## Gas crisis mechanisms

- 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?





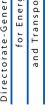
- Harmonised security of supply standards
  - "N-1" during 60 days
  - Extremely hot or cold temperatures once every 20 years
- Risk assessments and development of scenarios
- Preventive measures and emergency actions
  - » Market-based (as far as possible)
  - » Non-market based: e g strategic storage, 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





Directorate-General for Energy and Transport

# 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
  - y 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







- 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





- 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

for Energy and Transport

