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Basic principles of establishing EU energy security at the break of the 21st century

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Аннотация

В статье описывается процесс формирования единого энергетического рынка ЕС и создания общей правовой базы для его функционирования. Помимо этого, затрагиваются причины и предпосылки реализации этих реформ, а также анализируется, насколько эффективно они были внедрены. В статье подчеркивается ключевая роль общего энергетического рынка в обеспечении энергетической безопасности ЕС.

Ключевые слова: энергетическая безопасность, общий рынок, Европа, Евросоюз, энергетика, газ, Третий энергопакет.

Abstract

The article describes the process of forming a single EU energy market and creating a common legal framework for it to work. It's also touches upon the reasons and prerequisites these reforms are being implemented, with the analysis of how effective such implementation was. The article underlines the key role of the common energy market in shaping the EU's energy security.

Keywords: Energy security, common market, Europe, EU, energy, gas, Third Energy Package.

The European Union's energy policy began taking form at the end of the 20th century with the liberalization of both gas and electricity markets. The very first concepts of upcoming reforms were proclaimed by the European Commission in 1988. Summary, published at the same year, proclaimed following statements: "The single market is a means of cementing the economic integration of the Community and, more prosaically and in the shorter term, a means of making it more competitive in a world which is increasingly open to demanding competition." The creation of a common competitive and free market of gas and electricity was supposed to align the prices on energy across the EU and lower them simultaneously.

The very first steps on this direction were made after almost ten years. The European Parliament directive of 19 December 1996 establishes a significant shift towards the creation of an internal electricity market. This directive stresses that having such market would greatly increase the effectiveness of EU's energy system. Moreover, it would also lower the overall prices on electricity and would improve the quality standards. It is also mentioned that one of the core aims of upcoming changes would be maintaining a healthy level of competition and avoiding monopolization of an entire sector. In upcoming two years first gas directive would appear, opening the same agenda window for gas trading. All of these documents were more of an experiment and were revised later on. Thus, in year 2003 the Second Energy Package was adopted, including directives on both electricity and gas. Both first and second gas directives were to enhance the contractual and legal framework of the EU's energy markets. The reforms brought by those packages opened a wide access to the energy transportation

system and stimulated development of distribution networks. Finally, general rules of transportation, containment and distribution of gas were formed.

The next key step in the EU energy market development was the Lisbon Treaty. Adopted in 2007, it put energy policy into the joint competence area of all member-states. Furthermore, it allows future development of the sector.

In September 2009, the Third Energy Package (TEP) of measures for energy market reform was adopted. Like the previous two, it establishes the general rules on which electricity and gas trade is carried out within the EU. It consists of a number of documents, including: the EU gas directive, the Regulation on access to gas networks, the EU electricity directive, the regulation on access to the electricity networks. Although these documents set specific goals and imply certain results, they open a wide variety of how they must be implemented. That way, it is not the Package itself that dictates the legal consequences for the entrepreneurs, but the domestic laws of each individual member-state. Besides that, Third Package legislatively limited the rights of foreign investors in the energy sector by implementing so-called the third country clause or the «Gazprom clause». It implies that EU transport networks should not be controlled by foreign companies if they do not comply with the established requirements for the separation of functions or if the implementation of such control would compromise EU energy security.

Information support together with leading technologies for the extraction, processing and storage of resources are one of the key components of energy security of all importing countries. The availability of complex and precise information about global economy trends and the politics of exporters allow to anticipate the main risks and act proactively. For example, the expensive extraction of gas fields may not pay off if the market price forecast was made without taking into account the latest information. Besides the advantages mentioned above, the energy efficiency of the economy as a whole deeply depends on the technological support. The European Union has been implementing a series of reforms throughout the 21st century to oppose the growth of dependence on energy imports.

National Regulatory Authorities exist to monitor the implementation of EU energy reforms on behalf of the executive branches of each individual country. They are functionally and legally independent from governments and businesses. Their main functions are as following:

1. Tariff adjustment.
2. Investment planning.
3. Settlement of conflicts.
4. Control and inspection.

Agency for the Cooperation of Energy Regulators (ACER) became the embodiment of the European-wide system of regulation. Founded in 2010, it became a platform to discuss and solve cases connected to the cross-border energy infrastructure. Although the Agency has a number of crucial advisory functions, its regulatory powers are limited. ACER evaluates EU-wide network codes and infrastructure development plans, oversees national regulators' compliance with their responsibilities and is responsible for maintaining a healthy level of competition in the energy market. Thus, the Agency has leverage over EU investment planning, controlling the pan-European infrastructure development project in the process.

A prerequisite for the formation of a single EU energy market is a healthy and harmonious regulatory environment that can provide all stakeholders with equal opportunities in energy trade. The previously mentioned Third Energy Package, with a deadline for implementation until 2016, establishes the following principles to make a competitive environment in the market:

1. Free choice of energy supplier. This implies the possibility of gradually granting consumers the right to use services from different suppliers, even from other EU countries. Freeing oneself from being tied to the grid companies that control the region is a

key to stimulate healthy competition. Commercial consumers have received this right since 2004, and in 2007 households got the same.

However, not everyone tends to use this opportunity. Thus, the UK is the leader in changing the energy supplier, where on average 18% of consumers use this right annually. For example, the UK is the leader in changing the energy supplier, with its average 18% of consumers use this right annually. relatively high rates are also found in Belgium (9%), Sweden (10%) and the Netherlands (9%). Eastern European countries have the lowest rates down to 0.1%. Administrative barriers and a low level of public awareness are the most significant reasons of this disparity.

2. Third party access to networks. This principle implies the obligation of the transport network operator to transport energy resources that do not belong to him, charging only a transportation fee. In the long term, this encourages the consumer to choose a supplier based solely on their own interests and being confident in the security of the transport network. Tariffs in this case are adjusted by national regulators. In theory, this should prevent network operators from obtaining monopoly rent.

In practice, however, this principle led only to a significant reduction in the share of transport costs in the UK and Ireland, while in most EU countries the share of transport network services in the cost of energy resources remains the same – about 50%.

In the early stages, EU member states experienced significant difficulties in implementing the decisions of the European Commission at the national level. Thus, in 2006, sixteen EU countries were recognized as having failed to fulfill the tasks set by the second gas and electricity directive in 2003. In 2010, 20 EU countries were notified by the European Commission about non-compliance with the regulation on cross-border electricity supplies. The practical application of the Third Energy Package caused even more difficulties. By 2011, none of the EU countries were able to complete the transformation. The European Commission opened 38 cases for 19 member states, after which the process of implementing the TEP significantly accelerated and by September 2014, 25 out of 27 countries had completed it, with the exceptions of Romania and Ireland.

That being said, as a result of the process of liberalization and integration of the energy market that began at the end of the 20th century, a stable system of market management was formed, including a multi-level cooperation of regulators, both national and European. The third energy package has built an extensive administrative network in a strict hierarchical structure: ASER - European transport networks - national regulators. However, the regulatory environment is not yet able to provide the high level of competition in the market, as originally intended. Most countries still maintain a high level of market monopoly. The only exceptions b Great Britain, the countries of Northern and partly Central Europe, which have successfully implemented the TEP principles. The infrastructure unity of the energy market, although rapidly developing, is still unable to ensure the creation of a single pan-European energy market.

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