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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

On security of energy supply and international cooperation - "The EU Energy Policy: Engaging with Partners beyond Our Borders"

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INTRODUCTION

Secure, sustainable and competitive energy is of fundamental importance to the EU's economy, industry and citizens and a core goal of EU policy. To achieve this goal, the EU needs adequate instruments to act within the EU and to promote its interests in relation to third countries.

The EU external energy policy is crucial to complete the internal energy market. Past experience proved that bilateral energy relations between individual Member States and third supplier or transit countries can result in a fragmentation of the internal market rather than a strengthening of the EU's energy supply and competitivity. The regulatory framework which has been progressively put in place at the EU level entails important consequences towards partner countries such as in the field of network access, safety and competition provisions. With the 2014 deadline set by the European Council to complete the internal market for electricity and gas, it is urgent to fully unfold its external dimension.

Energy is a global business. The EU imports over 60% of its gas and over 80% of its oil. It faces growing competition for fossil fuel resources, including from emerging countries and energy producers themselves. Growing population and rising standards of living could push global energy demand up by 40% by 2030. Energy production and use threaten climate systems as well as the environment and human health. Rising energy demand is pushing up global prices, bringing energy poverty to many and playing havoc in countries where fossil fuel subsidies are prevalent.

In this complex reality, the EU needs to take a strong, effective and equitable position on the international stage to secure the energy it needs, while promoting free and transparent energy markets and contributing to greater security and sustainability in energy production and use. International solutions in the energy sector are also needed to achieve EU and global objectives for reducing global greenhouse gas emissions.

Since the last Communication from the Commission on external energy relations,[1] the political and legal frameworks for EU energy policy have been transformed. The Lisbon Treaty set out clear objectives for the EU energy policy, further developed in the Europe 2020 strategy.[2] It is evident that the EU cannot reach these objectives without adequately addressing the external dimension.

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1 COM (2006) 590 final.

2 COM(2010) 2020 final.

The EU, instead, must build on the strength of its market, expanding links between the European energy network and neighbouring countries[3] and creating a wider regulatory area, beneficial for all. This will require, first and foremost, a regular information exchange on intergovernmental agreements concluded and planned by Member States. Recent examples have demonstrated the merits of such European approach.

The Council has recognised the need for new initiatives to develop mutually beneficial energy partnerships with key players on all subjects of common interests, including energy security, investments in sustainability and environmental protection, low-carbon technologies, energy efficiency and nuclear safety. This Communication proposes concrete ways to extend energy cooperation beyond the mere physical security of imports. It is compatible with and builds upon the December 2003 European Security Strategy, as reviewed by the December 2008 European Council.[4]

Such partnerships and the EU engagement in global fora such as the G-20 must also promote more sustainable energy policies in third countries, while improving market transparency and easing international market volatility and working toward a global energy market less vulnerable to supply shocks and disruptions. In this way the policy should help strengthen the EU's resistance to external energy events.

In its relations with developing and least developed countries, the EU can provide a valuable contribution to economic development and poverty alleviation by making sustainable energy and access thereto a priority for its development policy. The EU is uniquely placed to promote reform measures, infrastructure development and sustainable energy policies while addressing this key development bottleneck.

Member States, the European Parliament and the EU citizens have repeatedly called for the EU to speak with a common voice when it comes to external energy relations. The EU has shown that when it comes together it can achieve results which no Member State alone could reach. These strengths must be further exploited and transformed into a systematic approach. Further steps to enhance the coherence of the EU and Member States' action are urgently needed, not in the least because of the importance of energy in the EU's overall political and economic relations with a number of third countries.

The Energy 2020 strategy[5] identified strengthening the external dimension of the EU energy policy as one of the key priorities in the coming years. This message was reemphasised by the European Council last February. The comprehensive approach set out in this document aims at meeting these expectations.

Accordingly, this Communication proposes to further develop an external energy policy with the following priorities:

– Building up the external dimension of our internal energy market;

– Strengthening partnerships for secure, safe, sustainable and competitive energy;

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[3] Candidate countries, potential candidates from the Western Balkans and the sixteen neighbouring countries under the European Neighbourhood Policy.

[4] http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf
and http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/reports/104630.pdf

[5] COM(2010) 639 final.

– Improving access to sustainable energy for developing countries; and

– Better promoting EU policies beyond its borders.

1. BUILDING UP THE EXTERNAL DIMENSION OF THE EU INTERNAL ENERGY MARKET

The EU energy market depends on high levels of imports to function, and therefore depends on free and transparent markets. In their absence, the EU is vulnerable to political and price volatility. Supply security in one part depends on security across the market as a whole. External energy policy needs to reflect the interconnectedness of the internal market and the interdependence of the EU Member States.

1.1. Coordination in the internal market: enhancing the influence of the EU and Member States

Bilateral agreements of Member States with third countries have a significant impact on the development of energy infrastructure and energy supply to the EU. They must be in full compliance with EU legislation.

The Commission therefore proposes, together with this Communication, a Decision setting up an information exchange mechanism on intergovernmental agreements between Member States and third countries in the field of energy. The proposed mechanism, which responds to the request of the European Council,[6] will extend and complement the notification procedure already applicable to gas agreements.[7] It will provide for a structured instrument to exchange information at EU level before and after the negotiations with third countries.

Furthermore, the Commission is ready to provide its legal support to Member States negotiating agreements that directly touch upon internal market legislation.[8] In specific cases, the Commission may give an ex-ante assessment of the conformity of a future intergovernmental agreement with the EU law before such agreement is signed.

The leverage of the EU internal energy market should be better used to facilitate large-scale infrastructure projects linking the EU network to third countries, particularly ones with political, commercial or legal uncertainties. An EU approach can help reduce these risks. Negotiating mandates for the EU may be necessary where agreements have a large bearing on the EU energy policy objectives and where there is a clear common EU added-value. The recent adoption by Council[9] of a mandate to authorise the Commission to negotiate an agreement for the legal framework with Azerbaijan and Turkmenistan for a Trans-Caspian gas pipeline system offers an immediate example of the benefits of EU-level action for energy security. In future, a similar approach could be considered to set up a framework providing an

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6 Conclusions of the European Council of 4 February 2010 (EUCO 2/11)

7 Regulation (EU) 994/2010. In addition, the Euratom Treaty provides for ex-ante notification and verification of the bilateral agreements concluded by Member States in this field. For the commercial contracts of supply of nuclear materials concluded by the EU utilities, Euratom Treaty requires Euratom Supply Agency to be a party to contracts and to play an active role in the security of supply of nuclear fuels.

8 As has been successfully done during the negotiations of the Nabucco Intergovernmental Agreement and the negotiations between Poland and Russia related to the Yamal pipeline

9 Pending final approval

appropriate legal and political basis for the import of renewable electricity from the Southern Mediterranean.[10]

Key follow-up actions:

– Establish a mechanism for increased transparency and information exchange on Member States' bilateral energy agreements with third countries

– Negotiate EU-level agreements with third countries where necessary to achieve the EU core objectives, for example to facilitate large-scale infrastructure projects

1.2. Network integration: diversification of supply sources and routes

The EU needs to expand and diversify links between the European network and neighbouring countries. In its Communication on 'Energy infrastructure priorities for 2020 and beyond',[11] the Commission has outlined a masterplan for an integrated energy network taking into account key interconnections with third countries.

Falling gas production in the EU and concerns over gas supply security call for new gas import pipelines and other infrastructures such as LNG terminals. A key infrastructure priority for the EU is to open the Southern Gas Corridor – a supply route for roughly 10-20% of EU estimated gas demand by 2020.

The EU must demonstrate that it is prepared to engage with the Caspian and the Middle East regions on a long term basis, both politically and economically. It must also assist main supplier countries like Azerbaijan, Turkmenistan, Iraq and others, notably in the Central Asian region, in developing their energy sectors in an efficient and sustainable way and related trade and investment patterns with the EU.

As part of the Southern Corridor, the proposed agreement on Trans-Caspian Gas Transmission and Infrastructure between the EU, Azerbaijan and Turkmenistan must pave a way for the construction of physical infrastructure for the supply of Turkmen natural gas across the Caspian Sea.

Approximately 20% of the EU's gas supply passes through Ukraine. The EU must support efforts to rehabilitate Ukraine's Gas Transmission System, while improving transparency and the legal framework. It should aim at faster integrating Ukraine into the Energy Community.

The EU must also work to establish a tri-partite cooperation at political and administrative level with Russia and Ukraine to ensure stable and uninterrupted gas supplies through the Eastern Corridor.

The importance of the Mediterranean region in EU energy supplies is growing, both for fossil fuels and potentially for electricity from renewable sources. The EU should therefore be more actively engaged in promoting the development of energy infrastructure in this region.

[10] See also section 1.3

[11] COM (2010)677 final

With respect to the oil sector, the implementation of the Euro-Asian Oil Transportation Corridor is of high priority and would offer a direct access to Caspian crude oil. The stability of crude oil supplies through the Druzhba pipeline should be addressed in the energy dialogue with Russia.

Key follow-up actions:

- Pursue the implementation of the key infrastructure projects defined in the Commission Communication on 'Energy infrastructure priorities for 2020 and beyond'
- Diversify gas and oil supply sources and routes including by opening the Southern Corridor as a matter of urgency
- Promote viability and continuous functioning of the existing oil and gas infrastructure in the East and support the rehabilitation of the Ukrainian gas transmission network by 2020
- Develop a tri-partite cooperation at political and administrative level with Russia and Ukraine to ensure stable and uninterrupted gas supplies through the Eastern Corridor
- Promote cooperation on renewable energy projects with the Southern Mediterranean countries, notably in the framework of the Mediterranean Solar Plan, with the launching of pilot solar plant projects in 2011-2012

1.3. Market integration with neighbouring states: a comprehensive but differentiated approach

The Commission and the High Representative of the Union for Foreign Affairs and Security Policy are committed to stepping up energy cooperation[12] to improve market integration and energy security with European Neigbourhood Policy partners. The aim is to achieve an integrated energy market with all countries of its neighbourhood based on regulatory convergence. Existing EU instruments should be used to encourage equitable competitive conditions among suppliers inside and outside the EU. However, a differentiated approach will be needed to build balanced partnerships reflecting the willingness of the countries to approximate their regulatory framework to the EU and, where relevant, to implement carbon pricing as an element of a level playing field for power producers.[13]

Countries of the European Economic Area (EEA), including Norway are already part of the EU internal market. Cooperation with Switzerland should also be built up. Current negotiations of an agreement aimed at full integration of electricity markets should be given priority, and consideration should also be given to extending these negotiations to other areas, such as renewables and natural gas.

The Energy Community Treaty is the reference point for the majority of the EU's neighbours willing to be a part of the European energy system. With the recent accession of the Republic of Moldova and of Ukraine, the Energy Community has the potential to link the EU market

[12] Joint Communication on "A new response to a changing Neighbourhood" COM (2011)303

[13] The modalities of participation of third countries in the Agency for the Cooperation of Energy Regulators (ACER) and in European Networks for Transmission System Operators (ENTSOs) are linked with the application of the corresponding EU legislation.

with nine neighbouring countries. Its regulatory scope should be progressively extended and combined with more effective implementation and enforcement, as well as concrete assistance to reform these markets.[14] Widening the Energy Community could be considered for countries that have concluded or envisage to negotiate a Free Trade Agreement with the EU and demonstrate both willingness and ability to implement relevant EU legislation.

Turkey will be soon linked to the EU power grid and could become a major gas hub and gas transiting country for the EU. Progress in negotiations of Turkey's accession to the Energy Community Treaty and progress towards the opening of the energy chapter in the accession negotiations would help deepen cooperation and establish a solid framework for gas transport through Turkey.

In parallel, the Baku Initiative and the Eastern Partnership Energy Security Platform should remain key frameworks for regional energy dialogue between the EU and its neighbouring countries in the East, benefitting also from the support of the EU INOGATE programme.[15]

The energy situation in the Southern Mediterranean calls for special ambition. Energy demand in the region is expected to double from the current level by 2020. Urgent market reform is needed to stimulate investments in clean and efficient energy and low carbon energy technologies. As a first step, the EU is ready to work on developing a 'EU-Southern Mediterranean Energy Partnership,' focussed primarily on the development of renewable energy.[16] Promising exploratory talks with partners in the region such as Morocco or Algeria suggest that this initiative meets interest and deserves to be fully explored.

The Commission, together with Member States, should encourage joint industry-led projects with all its neighbouring countries, in key sectors of common interest: renewable electricity, energy efficiency and demand side management, with the emphasis on research and innovation, growth and jobs. To support this, the Commission may consider improving the conditions offered by the Renewables Directive[17] on joint projects with Energy Community member countries and other third countries if this can be done without undermining the additionality and the level of ambition of the targets for renewable energy development in the EU. The Commission will continue promoting participation of neighbouring countries in the EU initiatives such as Smart Cities and Communities and the Convenant of Mayors. The EU should also consider offering comprehensive bilateral partnerships to those countries interested to engage towards further integration.

Key follow-up actions:

- Conclude the negotiations with Switzerland in accordance with the adopted negotiating directives aimed at full integration of electricity markets

- Step up energy cooperation with the countries engaged in the EU accession process

[14] COM (2011) 105 final

[15] The INOGATE Programme supports energy policy cooperation between the EU and Eastern Europe, the Caucasus and Central Asia.

[16] As proposed in the joint Communication by the Commission and the High Representative "A Partnership for democracy and shared prosperity with the Southern Mediterranean," COM(2011) 200 final.

[17] Directive 2009/28/EC.

- Deepen and extend the validity of the Energy Community Treaty beyond 2016, and focus on effective implementation

- Propose to partners a regional EU-Southern Mediterranean Energy Partnership initially focused on electricity and renewable energy market development in these countries by 2020

- Encourage third countries to implement ambitious energy efficiency and renewable energy policies and carbon pricing, while ensuring a level playing field for the power sector

1.4. EU-Russia energy dialogue: from partnership to integration

Russia has a uniquely important role in Europe's energy market. Our common aim should be the increased convergence of the two energy markets, recognising that the Russian Federation can optimise socio-economic benefits from its energy exports, and the EU can enhance competitiveness in its energy market.

Our energy cooperation requires a new and strong legal base. Therefore, the negotiations on the New EU-Russia Agreement[18] need to address crucial topics like access to energy resources, networks and export markets, investment protection, reciprocity, crisis prevention and cooperation, level playing field, and pricing of energy resources. Legal certainty is also needed on nuclear issues, where the Euratom-Russia nuclear cooperation agreement is currently under preparation. In the Baltic region, where it is necessary to synchronise the Baltic States' networks with the power system of the Union, the EU should work towards the conclusion of a technical agreement between the EU, Russia and Belarus on the rules for the management of electricity networks in the region.

The EU-Russia Energy Dialogue calls for increased cooperation between Member States and the Commission. The EU-Russia Energy Dialogue has been strengthened recently through the signature of an enhanced Early Warning Mechanism to further improve coordination in case of supply or demand emergencies, the establishment of a EU-Russia Gas Advisory Council, and intensive discussions on future infrastructure developments, including the regulatory framework.

Building on these efforts, a joint EU-Russia Energy Roadmap will identify opportunities for long-term cooperation. These activities will support market reforms and help improve the investment climate for EU energy companies in the Russian Federation. They should enable better coordination in discussions on large infrastructure projects involving several EU Member States or third countries. Dialogue on nuclear safety should be intensified and, in line with the EU-Russia Partnership for Modernisation,[19] cooperation on research and innovation, energy efficiency and other sustainable energy technologies should be extended.

Key follow-up actions:

[18] The New EU-Russia Agreement will aim to set a comprehensive framework for cooperation and to replace the EU-Russia Partnership and Cooperation Agreement in force since 1997.

[19] Launched at EU-Russia Summit, 1 June 2010

- Intensify, as a matter of priority, negotiations on the energy aspects of the New Agreement
- Step up implementation of the EU-Russia Partnership for Modernisation with concrete joint projects on clean and efficient energy technologies, research and innovation
- Engage with Russia on the implementation of the EU 2050 Energy Roadmap
- Conclude a technical agreement between the EU, Russia and Belarus on the technical rules for the management of electricity networks in the Baltic region

2. STRENGTHENING PARTNERSHIPS FOR SECURE, SAFE, SUSTAINABLE AND COMPETITIVE ENERGY

As a major energy consumer, importer and technology provider, the EU has an interest in the energy policy developments of its partners across the globe. It is in the EU strategic interest to build stable and long-term partnerships with its key suppliers and new potential suppliers, as well as consumer countries, including emerging economies.

The EU has some of the world's highest standards of market transparency and regulation, as well as high standards of nuclear and oil and gas safety. Through international cooperation the EU can help other countries raise their standards.

2.1. Partnerships with energy suppliers

The EU's partnerships with its key energy suppliers should be mutually beneficial, reflecting interdependence. They should address a wide range of topics, such as regulatory cooperation, energy security and safety, research and innovation, energy efficiency, market access and investment protection, using appropriate cooperation instruments and agreements. Such partnerships should also extend to the efficient use of available resources, as well as joint assessment of long-term energy supply and demand perspectives.

Besides Russia, a comprehensive approach can be better reflected in existing cooperation with other main hydrocarbon suppliers:[20]

- The long-standing EU-Norway Energy Dialogue at Ministerial level already aims at the coordination of energy policies in a wide sense. Norway, which is linked to the EU through the European Economic Area, is an essential partner for the Union in a broad variety of areas pertaining to energy policy at large and security of supply. This partnership has a potential for being further enhancde and extended.
- Likewise, the Union has an interest in extending and lifting to a higher level its energy cooperation with Algeria. Both sides intend to finalise without delay their work on a Memorandum of Understanding on energy, which has the potential to boost bilateral

[20] Russia, Norway and Algeria account for 85% of the EU natural gas imports and almost 50% of the EU crude oil imports. OPEC countries account for approximately 36% of the EU crude oil imports.

energy cooperation beyond the traditional topics of trade in gas and oil and notably to target cooperation regarding the development and trade of renewable energy.

– The EU energy partnership with Saudi Arabia offers a similarly promising potential for broadening the scope of bilateral cooperation beyond the oil sector;

– Following the demise of the Gaddafi regime, the EU stands ready to extend its offer of building comprehensive energy partnerships with Northern African countries to Libya. Future EU-Libya energy cooperation could encompass a wide range of topics including also renewable energy, electricity and energy market management, and endeavour to facilitate Libya's full integration in regional and EU-Mediterranean energy cooperation structures. Furthermore, the EU will support European companies' efforts to help restore the country's potential for the export of oil and gas supplies.

The EU has also a well-established energy cooperation with OPEC and most of its members. Alongside these traditional suppliers, the Caspian, Central Asia and Gulf regions hold significant potential for the EU diversification policy, as does the Arctic region and countries like Iraq, Brazil, Venezuela, Canada and Nigeria as well as other African producers.

Good energy governance, including the principles of Extractive Industries Transparency Initiative,[21] and gradual phasing out of inefficient fossil fuel subsidies that encourage wasteful consumption should equally be at the core of these efforts, as well as sustainable production practices, such as reducing gas flaring.

The significant contribution of Liquefied Natural Gas (LNG) to EU energy supply and its fundamental impact on the global gas market requires cooperation with main suppliers such as Qatar, Australia, Trinidad and Tobago, as well as current and future main consumers like Japan, China and India to make the global market more transparent and flexible.

The EU's low carbon objectives call for a new type of partnership where there is potential for renewable energy supplies. Partnerships with biofuels-producing and consuming countries, such as Brazil, the United States and other producers in Africa and Asia, should aim at promoting sustainability requirements for biofuels and bio-liquids Partnerships should support the implementation of energy efficiency measures.

Key follow-up actions:

– Deepen the existing dialogues with major energy suppliers and extend new dialogues with emerging energy producers to include for example renewable energy and LNG

– Increase focus in all dialogues on good energy governance and investment, sustainable energy and energy efficiency

2.2. Partnerships with industrialised and fast growing economies

The EU's dialogue with other large energy consumers, both industrialised countries and emerging economies, should focus on creating transparent and predictable global energy

[21] The EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

markets, promoting energy efficiency and low carbon energy, and advancing technology research and innovation efforts. International standards, labelling of products (e.g. the EU Energy Star initiative[22]) and certification are especially relevant topics for joint work, given their significance for stimulating marketing and market access, deployment and access to low carbon technologies. Constructive dialogues already in place with China, Russia and the US offer good examples of such cooperation with consumer countries.

Large scale international projects, such as ITER, are a means of achieving a high impact in technology cooperation. Given the scale and scope of the European Industrial Initiatives of the Strategic Energy Technology Plan,[23] opportunities for international cooperation are possible. EU activities, for example the European Carbon Capture and Storage Demonstration Project Network, should link with relevant global initiatives to exchange best practices and promote the deployment of these technologies. To maintain Europe's position in energy research and innovation, technology cooperation with our partners should be reciprocal notably in terms of access to research and development programmes, as well as equal treatment and protection of intellectual property rights.

Collaboration with consumer countries must also react to emerging challenges. For example, renewable energy and electricity storage and other advanced energy applications need a panoply of raw materials, including rare earth minerals whose supply is at present critical. In addition to ensuring availability and access to these materials, research is needed to develop substitutes for, or reduce, the use of raw materials which bring new uncertainties in terms of their supply security, toxicity or environmental burden. A coordinated action by the EU with other technology leaders, including the US and Japan, should advance these efforts.

Among industrialised countries, the EU-US dialogue, notably the EU-US Energy Council established in 2009, is significant for EU energy policy. Building on prior experience, it should focus ever more on promoting stable, reliable and transparent global energy markets, coordinating regulatory regimes and research programmes to speed the deployment of clean and efficient energy technologies, and on the development of common standards. To fully benefit from this cooperation, the two sides need to fully utilise and further intensify cooperation under the existing frameworks, such as the Transatlantic Economic Council's (TEC) work on advancing e-mobility, and the EU-US Energy Council's efforts towards promoting smart grids and energy storage, amongst other areas.

The significant role of countries in Asia, such as Japan, needs to be appropriately reflected in EU's external efforts. The EU and Japan should reinvigorate their joint activities to advance energy security, sustainability and safety objectives. Research and innovation on energy technologies, defining international standards, smart grids and nuclear safety should be at the heart of EU's efforts with Japan.

China is already the world's biggest energy consumer. With more than half of the growth in global energy demand in the next 25 years expected to come from China and India,[24] the balance in energy markets is changing fast. This calls for a strong response from the EU to tackle the challenges it creates.

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22 www.eu-energystar.org

23 COM (2007) 723.

24 International Energy Agency, World Energy Outlook 2010

An EU-China dialogue has been successfully built up in recent years. Both Europe and China have a strong interest in enhancing energy efficiency and sustainability in China and to ensure a level playing field for the EU companies. Subjects for future cooperation include energy efficiency, renewable energy, clean coal, carbon capture and storage, smart grids, fusion research and nuclear safety, taking account also of China's rapid urbanization.

Energy demand in emerging countries is growing at an unprecedented rate. With countries like India or Brazil, the EU should develop activities of common interest, such as on energy policy and regulatory matters, standards setting and technology research and innovation, including in the areas of renewable energy, sustainable biofuels, clean coal, energy efficiency, smart grids and fusion.

Key follow up actions:

- Invite the U.S., Japan and other industrialised partner countries to pool efforts with the EU to accelerate the development of ambitious policies on low carbon technologies and energy efficiency, including regulatory cooperation, joint R&D projects, researchers mobility, and joint work on better performing materials and standards for critical and emerging technologies, as already pursued with the US under the auspices of the EU-US Energy Council

- Elaborate long-term low carbon energy roadmaps with key partners such as the US and Japan to support technological, research and industrial cooperation

- Propose a trilateral initiative with Japan and the U.S. on research on critical materials for energy applications, particularly in areas of major technological challenge such as the substitution of rare earths

- Raise the reciprocity principle in the EU energy-related science and technology cooperation as envisaged under the Innovation Union;[25] enhance cooperation between U.S. national energy laboratories and laboratories in the EU, including the Commission's Joint Research Centre

- Prepare EU and Member States joint approaches towards China, India, Brazil, and South Africa, designed to promote policies and technologies in the areas of low carbon energy and demand management, and upgrade existing bilateral dialogues to encompass sustainable modernisation paths and energy security aspects

2.3. A stable and predictable framework for trade and investment

The EU should continue to include key principles for trade and investment such as non-discrimination and market access and make them enforceable through effective dispute settlement procedures both in bilateral agreements as well as in multilateral legal frameworks. These rules should be negotiated to suit the specific energy relations and interests of individual countries, or groups of countries.

These principles have to be complemented with rules concerning reciprocal and equivalent access to energy resources and networks in these countries, as well as investment protection,

[25] Flagship Initiative of the Europe 2020 Strategy

and regulatory convergence regarding pricing policies, sustainability criteria and crisis prevention mechanisms.

Significant efforts are being made to address energy specific concerns in EU trade and investment agreements, including the Energy Charter Treaty and within the WTO. Work urgently needs to be stepped up on a comprehensive and coherent legal environment for EU energy relations with key suppliers and transit countries. This is crucial for further regulatory convergence with EU neighbours.

Under the Energy Charter process, work needs to be refocused on the core areas of its mandate – trade, transit and investment protection. Moreover, to maintain its relevance, the Energy Charter Treaty should seek to extend membership towards North Africa and Far East. The EU considers it would be mutually beneficial if Russia plays a full role in this multilateral framework.

In parallel, the EU needs to promote a level playing field for investment in sustainable energy by addressing the increasing number of trade and investment barriers in this sector by using the tools of the Market Access Strategy.[26] Reduction and removal of such barriers are also important for developing countries, in order to increase the affordability of the technologies and to encourage long-term investment, with appropriate protection for investors and rewards for innovation, so as to render technology transfer and deployment a reality. The EU should also actively engage in setting global standards for sustainable trade and investment in green energy.

A better coherence is needed between EU energy policy and industrial policy regarding the competitiveness of EU industry. The Commission should strive to systematically promote and formalise EU industry's involvement in its energy dialogues with strategic partners.

Key follow up actions:

- Support the Energy Charter Conference in re-focusing the Energy Charter work on its core trade, transit and investment mandate, and in extending its geographical reach

- Call for a systematic industry participation in the EU energy dialogues with strategic partner countries, including through setting up of dedicated business fora

2.4. Promoting the highest safety, security and environmental standards globally

Rules stipulating high levels of nuclear security and safety in the EU should be reflected in external strategies, most urgently for nuclear power plants located, or planned, in the vicinity of the EU. Measures should also be considered to ensure that such nuclear power plants meet the highest level of nuclear safety, verifiable by joint initiatives on safety and risk assessments.

Bilateral Euratom agreements with most of the EU's main suppliers of nuclear materials enable the movement of materials and technology transfers under international safeguards. This work will be advanced further with the revision of the agreements with Canada and Australia, negotiations of the agreement with South Africa and the Russian Federation and the

[26] COM(2007) 183 final.

launching of negotiations with China. All new nuclear agreements should seek compliance with the highest international safety and security standards.

The EU should intensify its efforts in the multilateral frameworks, including within the International Atomic Energy Agency (IAEA), to ensure that the highest nuclear safety standards are made legally binding worldwide. The strengthening of the Nuclear Safety Convention is an essential element in that regard.

The EU expects third countries to comply with the highest international standards of nuclear safety and environmental protection as regards energy projects affecting the EU, in particular with consistent and transparent assessment of their transboundary environmental impacts on the EU.

The EU is likewise committed to make the EU the area of best practice in the safety of offshore oil and gas activities. The Commission is preparing concrete proposals to support this commitment both within the EU and internationally. The aim is to raise international safety standards, notably within the G-20, the International Maritime Organisation, OPEC and the International Regulators' Forum.

Key follow up actions:

- Extend nuclear safety assessments to the EU neighbours and strengthen cooperation on nuclear safety to promote convergence on regulatory framework and standards
- Review the use of Euratom agreements and extend their scope, as relevant, to issues of supply of nuclear fuel, nuclear waste, safety standards, nuclear research and financial assistance on technical cooperation
- Advocate for international legally binding nuclear safety standards in multilateral discussions, including under the IAEA
- Facilitate the creation of regional cooperation fora for offshore regulators, building on the experience of the North Sea Offshore Regulators Forum
- Create a forum with interested partners in the Mediterranean for actively promoting the highest offshore oil and gas safety standards in the region
- Address offshore safety with hydrocarbon producers in the OPEC context

3. IMPROVING ACCESS TO SUSTAINABLE ENERGY FOR DEVELOPING COUNTRIES

Rising populations and rising energy demand mostly in emerging countries are contributing to volatile energy prices, energy security concerns and rising greenhouse gas emissions. Sustainable energy policies, the greater use of low-carbon and energy efficient technologies and a more sustainable, transparent and non-discriminatory framework for investment, including for renewable energy, will all contribute to improving energy access, ensuring greater supply security and reducing tensions in world energy markets.

Today, 1.4 billion people around the world, most of them in Sub-Saharan Africa and South Asia, still lack access to electricity and 2.7 billion people still rely on traditional uses of biomass for cooking. The low rate of access to reliable electricity services represents a key

bottleneck for economic development, whereas the widespread use of wood fuel in traditional stoves and the unsustainbale use of charcoal cause severe health problems and deforestation.

Energy plays a vital role in achiving Millenium Development Goals and is a key driver for poverty eradication and inclusive growth. Yet access to modern energy services remains one of the main challenges for sustainable development and is therefore at the heart of the Commission's development policies.[27]

Low income and least developed countries only contribute with a small fraction to global greenhouse gas emissions. Africa, for instance, with 15% of the world' population, accounts for less than 4% of global CO_2 emissions. A wider use of renewable energy sources and beter energy efficiency in these countries will contribute to increased sustainability of their economies, without limiting the economic aspirations of the world's poorest citizens. Green energy revolution in Africa could provide local jobs and new income possibilities.

Oil price fluctuations have substantial impacts on developing economies. Renewable electricity, energy demand management, greater market transparency and energy efficiency can moderate the impact of future oil price shocks. By promoting regional integration and electricity trade as well as fair and efficient pricing, the EU can help improve the reliability and affordability of power supplies and contribute to inclusive, sustainable growth.

In Africa, EU efforts should be fully mobilised to achieving the Joint EU-Africa Energy Partnership targets on access to modern energy services, regional interconnections and renewable energy. The EU Energy Initiative[28] will be further expanded and adapted to take into account the global challenges such as climate change.

The Commission's Green Paper on the EU development policy[29] highlights how sustainable energy is a key driver of development. The EU is uniquely placed to provide assistance in the area of energy to developing countries, particularly to least developed countries. Further efforts must be taken to fully incorporate energy in development activities, while promoting comprehensive energy policies, reform measures, favourable investment conditions, infrastructure development and energy efficiency in the countries concerned.

Key follow up actions:

- Scale up efforts for achieving the EU-Africa 2020 energy targets of reliable and secure supply of energy and increased access to sustainable energy services, as agreed by the EU and African ministers in Vienna in September 2010

- Mobilise regional level action in developing countries, particularly in Africa, to reform legal and regulatory frameworks with a view to creating market based conditions that attract private sector investments and enhance regional power trade

- Mobilise more resources from EU development assistance to catalyse investment projects both at the small scale for increasing access to energy services in rural areas and at a

[27] SEC (2009) 534

[28] The EU Energy Initiative for Poverty Reduction and Sustainable Development, which is the overarching structure for energy development coordination among the EU Member States, was launched at the World Summit on Sustainable Development in Johannesburg in 2002.

[29] COM (2010) 629 final

larger scale for improving energy competitiveness and security through interconnections and major generation projects

– Mainstream energy in all EU development policy instruments, and tailor support schemes and financing instruments to the specific needs of the sector, by privileging capacity development and technology transfer, including through research and innovation, stimulating decentralised renewable power production, promoting private initiatives and maximising the local value added

– Facilitate access of least developed countries to climate financing, notably by contributing in the framework of UNFCCC negotiations to the definition of a new Clean Development Mechanism more adapted to energy access and sustainable development needs

4. BETTER PROMOTING EU POLICIES BEYOND ITS BORDERS

Implementing the strategies and priorities presented above calls for further steps to enhance the coherence of the EU action and to converge efforts, including financial, to pursue mutual EU and Member State interests and priorities. This calls for a new system of energy partnerships with key EU partners.

4.1. A strategic approach to energy partnerships

A comprehensive system of EU energy partnerships requires differentiation and flexibility in scope and instruments adjusted for each country or organisation.

The table below illustrates how the scope of our energy cooperation has to be adapted and differentiated according to the different types of relationships we have with our partners (market integration relationship, consumer/supplier relationship, consumer/consumer relationship) and which legal and political instruments should be utilised. It should also be borne in mind that several countries can fall in more than one category and that the nature of the relationship might evolve over time.

	With our neighbours / market integration partners	**With our key energy suppliers and transit countries**	**With key energy players worlwide**	**With developing countries**
Scope	All issues covered by the EU energy policy	Wide range of issues of common interest such as security of supply/demand, industrial cooperation, trade and investment issues…	Focus on priority issues like research and innovation, low carbon technologies, energy efficiency, standards…	Low emission development strategies, energy access, policy and regulatory frameworks, promotion of energy generation and transmission, renewable energy…

<table>
<tr><td rowspan="3">Instruments</td><td>Energy Community Treaty</td><td>Strategic energy dialogues</td><td>Ad hoc energy cooperation</td><td>Ad hoc energy cooperation</td></tr>
<tr><td colspan="2">Instruments under the European Neighbourhood Policy, crisis response instruments, and/or specific partnership and cooperation agreements, covering inter alia energy

Energy Charter Treaty</td><td>Other applicable instruments</td><td>Instruments under the EU development policy and, where relevant, crisis response instruments</td></tr>
<tr><td colspan="3">Trade Agreements</td></tr>
</table>

The EU will accordingly engage in a dialogue with each of our key partners to discuss mutual expectations and interests in energy partnerships.

4.2. Improving coordination among Member States

A more coherent approach by the EU and Member States is already bringing benefits in multilateral energy organisations. However, this could be reinforced by improved coordination between external strategies of Member States. For this purpose, the Commission will establish a Strategic Group for International Energy Cooperation, composed of representatives of Member States and relevant EU services, supported by regular joint reviews of EU cooperation with third countries on a country, or region, basis.

Within key international fora, the EU and its Member States must as a rule speak with one voice. In such cases, the principle of sincere cooperation, including the duty to ensure unity in the external representation of the Union shall fully apply. This is relevant notably in the context of the International Energy Agency (IEA), as well as the International Energy Forum (IEF), the International Partnership for Energy Efficiency Cooperation (IPEEC) and the International Renewable Energy Agency (IRENA).

As the G-8 and the G-20 become more explicit in setting energy policy priorities, it is important for the EU to make its voice heard on strategic subjects such as offshore drilling safety, nuclear safety, oil price volatility, market governance and fossil fuel subsidies.

Key follow up actions:

- Set up a Strategic Group for International Energy Cooperation
- Promote concrete action on offshore drilling safety, nuclear safety and low emission development strategies in the G-8/G-20 energy agenda and cooperate with third countries to address the volatility of energy prices
- Exploit further synergies with the International Energy Agency's work on energy forecasts, market analysis and technology collaboration
- Ensure an active EU participation and leading role in the global energy governance debate, through its regular presence in relevant international energy initiatives and

frameworks

4.3. Optimising the EU's external assistance in the energy sector

Energy is a key component of EU external assistance programmes. The discussions on the post-2013 EU Multiannual Financial Framework, provide an opportunity to ensure that energy related actions feature in all EU external relations instruments, both thematic and geographical, in line with the priorities set out in this Communication.

To avoid duplication of effort, the EU should coordinate further its support with those of the Member States and the international financial institutions like the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), other European development banks, and the World Bank. The EU will strive to maximise the the synergies between different European contributions, as happened in the case of funding of the Chernobyl shelter. Where appropriate, the Commission will work together with the European development banks to ensure that their financial instruments are more consistent with the needs and objectives of EU energy policy in third countries.

The Commission will accordingly consider creating a database of energy projects in partner countries funded by the EU, EU Member States, EIB, EBRD and others.

Key follow up actions:

- Mainstream "energy security, access and sustainability" in the post-2013 EU external financial frameworks
- Promote the alignment of European financial institutions' instruments with EU external energy policy priorities in order to improve visibility and impact of EU intervention in third countries
- Create an information-sharing tool designed to gather and display relevant data on EU and Member States energy programmes and projects in third countries

5. CONCLUSION

EU energy policy is based on the threefold objectives of security of supply, competitiveness and sustainability, and external dimension plays a crucial role for all of them. A consistent and well coordinated external energy policy is also vital to the completion of the internal market and the delivery of key policy targets, including in international cooperation. A coherent, dynamic and pro-active exernal energy policy is vital to enable the EU and its Member States to establish a lead position in energy geopolitics, to effectively promote both EU and national energy interests beyond EU's borders, and to contribute to the competitiveness of the European industry.

The EU internal energy market, a solid legal framework for energy trade, investment and safety, the EU carbon market with its international links, and EU funding for infrastructure, technology, research and development give the EU many strengths and create the potential for partnerships benefitting the EU, Member States and the EU's partners.

To maximise this potential and to assert EU and Member State interests more effectively in changing world energy markets, this Communication proposes a number of strategic actions and objectives, in line with European Union interests. These must be fully coordinated with all Member States, and also be consistent and wherever possible mutually reinforcing with other EU policies such as external relations, trade, development, enlargement, competition, research, innovation, environment and climate action. Energy partnerships should seek complementarity and linkages that are mutually beneficial for energy policy and the broader relationship between the Union and relevant partner countries. Such comprehensive approach would ensure that efforts to improve security and sustainability of the EU energy supply are consistent with the development of political and economic cooperation that is based on, and wherever possible enhances, democratic values and respect of human rights. These priorities should likewise be reflected in the work of the High Representative and the EEAS, giving EU Delegations in strategic partner countries an active role in their implementation.

Implementing these proposals will not only help to achieve EU energy policy objectives. It can also contribute to achieving greater security, stability and prosperity across the globe.

The Commission invites the European Parliament and the Council to endorse the proposed approach. It also looks forward to continuing the dialogue with all stakeholders to make the ambition of an EU external energy policy a reality.