



Two sides of the same coin? Securing European energy supplies with internal and external policies

By Christian Egenhofer and Arno Behrens

Centre for European Policy Studies (CEPS), Brussels

20 May 2008

This paper examines the possibility for a common external energy policy. After discussing the current state of the existing policy (section II), it presents the implications of the Lisbon Treaty (III) before examining possibilities to improve co-ordination with other external policies (IV). Section V and VI argue that a common external energy policy is inhibited by divisions of member states on the meaning of security of supply and the exact role of the internal market. Section VII deals with the specific Russia issues, before section XIII examines what 'speaking with one voice' could mean. Section IX sets out the preconditions of and options for enhancing the EU's role globally before the concluding section X lists ten questions to fuel debate.

Content

I.	Introduction	2
II.	EU external energy policy	2
III.	Does the Energy Chapter in the Lisbon Treaty make the difference?.....	3
IV.	Better coordination with other EU external policies	4
V.	What is security of supply and how can it be achieved?.....	5
VI.	What exact role for internal market for electricity and gas?.....	6
VII.	How to best address the Russia question?.....	7
VIII.	One Voice, one message or both?.....	9
IX.	Enhancing the EU role globally: preconditions and options.....	10
X.	Questions.....	11
	Annex: European Council Action Plan (2007) for international energy policy.....	13

I. Introduction

Until recently, the EU energy sector was by and large characterised by highly regulated national markets and policies dominated – often – by vertically integrated companies. While energy played an important role in European integration with the European Coal and Steel Community (ECSC) and the Euratom Treaty, there has been no or almost no EU authority (competencies in Eurospeak) in energy in the EC Treaty. All subsequent attempts to strengthen EU authority (competencies in Eurospeak) in energy failed on several occasions. This appears to be changing in light of pressing new challenges such as combating climate change, renewed concerns about security of supply (notably growing import dependence) and the pressures from globalisation, typically coined by the term of “competitiveness”. EU member states appear to realise the possible benefits or even the need for a more integrated EU energy policy. This includes increasingly the – largely undefined – external dimension of EU energy policy.

In this paper we examine the possibility for a common external energy policy, ask about preconditions, and discuss policy options before we raise a number of questions to stimulate debate.

II. EU external energy policy

The EU has moved in the last three years to deepen energy co-operation and put in place important new external energy partnerships. Energy security forms now part of foreign policy in a way that it did not a few years ago. However, this does not go beyond the familiar notion that the EU’s internal market constituting the basis and principles of Europe’s external projection and influence, e.g. foster markets outside the EU. While it is fair to say that this is not without substance, presenting a useful foundation from which a more effective energy security can be co-ordinated. The question on whether there is a need for a more government-led approach to energy security in the context of the external strategy remains unanswered.¹

While there is a link between progresses in the internal energy market, it can be asked whether a European (political) concept of energy policy cannot be developed independently. However in order to do this, one would need to reflect on the European added-value, reflecting the current state of economic and political integration. Most urgent appear a consensus of “European concept for security of supply’. This would however include sensitive issues such as strengthening the EU’s (meaning the European Commission’s) tools to ensure better coherence between EU and member states energy policies, for example by developing a number of energy policy indicators, foster network development, assess investment needs and deal

¹ Youngs identifies a ‘market-governance’ discourse that masks differences over the extent to which the internal market should be guided by member states and deployed in a politically conditioned fashion, see Youngs, R (2007), *Europe’s External Energy Policy: Between Geopolitics and the Market*. CEPS Working Document No. 278, November, available at www.ceps.eu

with political or other risks of possible supply disruptions (e.g. solidarity obligations)². It would undoubtedly bring member states resources under some sort of EU umbrella.

III. Does the Energy Chapter in the Lisbon Treaty make the difference?

In the past, successive attempts the European Commission and some member states to introduce an energy chapter into the EC Treaty has consistently failed due to member states' resistance to grant further energy competencies to the European Union. At most, the Maastricht Treaty (in 1992) introduced 'measures in the sphere of energy' to the list of 'activities of the community' in the Maastricht Treaty, while decisions remained subject to unanimity. More recently there has been a gradual shift of position mainly due to a changed global environment such as globalisation, market liberalisation, environmental and climate change pressures, technological challenges, and the growing import dependency on a small number of producer countries. One of the outcomes has been the addition of new energy chapter in the Lisbon Treaty, pending ratification. Energy policy would become a shared competence between the Union and its member states, subject to majority voting (Art. 2 C). A specific chapter devoted to energy (Title XX, Art. 176 A) highlights the importance of a functioning internal energy market in line with the need to preserve and improve the environment. Security of supply is the central focus, alongside the promotion of energy efficiency and energy saving and the development of new and renewable forms of energy. Quite predictably, decisions affecting the fuel mix will remain subject to unanimity.

It is interesting to note that in comparison to the previous proposal for a Draft Constitution, the Lisbon Treaty includes additional reference to new challenges, such as climate change and energy solidarity between the member states in case of difficulties in supply (Art. 100). The latter takes into account concerns by Poland and the Baltic states about high energy dependence on Russia and the effects of disruptions of supply as witnessed during disputes between Russia and its neighbours Ukraine and Belarus in 2006/2007. This solidarity clause provides for the Council to take appropriate action in case of serious supply disruptions. However, the Treaty does not go beyond this rather generic formulation, due to the resistance of some member states fearing wrong incentives for national energy policies, referred to as 'moral hazard': a member state partly insulated from supply risks by the solidarity clause may adopt a more risky energy policy, leaving other member states to bear some responsibility for the consequences of those actions. However, we should expect that the 'solidarity clause' will be taken up by the European Commission to develop a 'system of solidarity'. To avoid moral hazard,

² See also CEPS (2008), Report of a CEPS Task Force on *Energy Policy for Europe – Identifying the European Added-Value*, available at www.ceps.eu or Egenhofer, C 'Noch keine Europäische Energieaussenpolitik', forthcoming in: Braml J et al, *Weltverträgliche Energiesicherheitspolitik*. DGAP Jahrbuch 2008, Berlin: Deutsche Gesellschaft für Auswärtige Politik.

there would almost certainly have to be a European Commission review process of member states energy security of supply efforts, based possibly on indicators. In addition, the creation of an EU energy policy authority (competence) will strengthen the need for more effective coordination between internal and external aspects in all institutions but most notably within the Council Secretariat. Beyond, the contribution of the Lisbon Treaty to energy policy and foreign energy policy remains unclear.

IV. Better coordination with other EU external policies

In parallel to its efforts to introduce a chapter on energy, for considerable time, the European Commission has attempted to improve coordination between member states and even to introduce a coordination mechanism. As early as 1995, the Commission tabled a White Paper³ after extensive consultations with member states and European industry, which argues that European energy policy lacks coherence due to the fragmentation of its legal bases into different areas such as regulation, competition and environmental and foreign policy. One of the Commission's key concerns has been the absence of EU authority (competencies) to safeguard security of energy supplies. This approach was further developed in the Green Paper of 2000⁴, which has initiated a debate about reducing the risks associated with increasing European dependence on energy imports. In addition to the focus on coherence and better co-ordination, this debate has introduced the concept of security of supply as a *hedging strategy* to address risks from energy *use, production, transport and imports*⁵. There has been a growing realisation that energy security exhibits different risk including political, economic, environmental and technical ones. They all necessitate different responses. Ultimately, the 2000 Green Paper has implicitly been prescribing energy efficiency, technology and nuclear as a solution. The strong focus on nuclear has made discussions difficult in the EU, to say the least. Notable has been the absence of new initiatives on external policy. This has been rectified six years later in the 2006 Green Paper, which identified a "coherent external energy policy" as one of the six EU energy policy pillars.⁶ The 2006 Green Paper has taken a procedural approach and is putting its faith in the regular Strategic EU Energy Review to serve as the basis for establishing a common EU vision, which will gradually become a common external voice. It is interesting to note, however that the European Commission proposed to go beyond the existing

³ European Commission (1995), *An Energy Policy for the European Union*, COM(95) 682

⁴ European Commission (2000), *Towards a European Strategy for the Securing of Energy Supply*, COM(2000) 769

⁵ See also Stern, J (2002), 'Security of natural gas supplies', *Journal of Royal Institute of International Affairs*, London, July; Luciani, G (2004), *Security of Supply for Natural Gas: What is it and what is it not?* INDES Working Paper No. 2, CEPS, Brussels, March; Egenhofer, C et al (2004), 'Market-based options for security of energy supply', FEEM Working Paper 117.04, Fondazione Eni Enrico Mattei, Milan.

⁶ The other five pillars being a sustainable and diverse energy mix to address 'competitiveness', solidarity between member states, tackling climate change, encouraging innovation and the completion of the internal market.

policies and prescriptions – e.g. energy partnerships, producer-consumer dialogue, integrating energy into other external policies or support for energy markets – by calling ambitiously for a “clear policy on securing and diversifying energy supplies” and an effective crisis response mechanism as policy tools. The European Council of 7/8 March 2007 did not agree on the Commission developing this. Instead it tabled an action plan that essentially focuses on better coordination and coherence, i.e. following the traditional approach of improving coordination and coherence between different policies rather than being a template for a new foreign energy policy (see Annex 1). Effectively, the European Council stripped the European Commission of its more ambitious aspirations beyond better coordination.

A somewhat in-between solution has been found when the June 2006 European Council – i.e. already ahead of the crucial 2007 Spring European Council – adopted a legal framework for the external energy policy on the basis of the joint paper by the European Commission and the High Representative. Amongst others, it foresees the creation of a network of energy correspondents (consisting of representatives by member states and the General Secretariats of both the Commission and the Council) to set up an early-warning system and to improve the reaction in case of a crisis.

V. What is security of supply and how can it be achieved?

Energy market liberalisation and growing international economic interdependence have affected the ability of governments to react to security-of-supply challenges. Prior to energy market liberalisation, security-of-supply policy predominantly consisted of government-initiated diplomatic (and sometimes military) actions to ensure physical supply, with limited emphasis on costs. With market liberalisation, many of these measures no longer work the same way and policies and measures need to be built into the new logic of markets.⁷ This view sees security of supply as an externality. In liberalised markets, new competitors will be tempted to ‘free-ride’ on the security provided by the incumbent suppliers and competition may have a negative effect by downplaying security or prioritising cost-cutting.

Normally, security is viewed as a matter for governments to look after. This perception holds true for small commercial or household customers, who will not be in a position to judge their security requirements exactly and will need standard contract formulae that set the level of protection to be decided by the regulator. Not all customers need to be protected against supply disruptions. In liberal markets, customers have a choice of whether to assume responsibility for security of supply themselves or to allow the supply company to bear the responsibility and subsequently pay for it through higher energy prices.⁸

⁷ See, for example, Noel (2008), *Challenging the myths of energy security*, Financial Times, 10 January 2008

⁸ The former is typically done by large industrial users, for which (short-term) security might not be a problem if they can switch fuels. A large industrial user may choose to buy gas from a risky but

There has been a history of disagreement among member states, between the European Commission and industry, mainly from the oil sector or between the European Commission and the IEA on the proper role of markets. While industry or some member states argued that if markets are allowed to function properly, high prices may be considered an indispensable tool for energy to remain available in tight markets. Similarly, higher prices have been shown to accelerate decreases of energy intensity in industrial economies. Rising energy prices are thus not necessarily a threat to energy security, but may also be considered part of the solution⁹. Although the IEA recently argues, global oil markets do not necessarily follow text book economics. While to some extent this debate remains academic, it nevertheless reveals significant differences among member states and among the principal EU institutions about the proper role of markets.

VI. What exact role for internal market for electricity and gas?

Indeed, the Commission has frequently argued that a unified EU gas market would be intrinsically more secure than the individual member countries' markets. The reasoning here appears to be based primarily on scale: a larger market, served by a wider and well-interconnected network that receives supplies from a larger number of exporters, may be expected to be more stable. This conjecture may well be the case; however, numerous conditions need to be fulfilled, notably that the market function, that the interconnections are established and more generally that the necessary regulatory or contractual arrangements are in place. There is still a lack of agreement among member states, however.¹⁰ 20 years after the concept of an internal energy market of electricity and gas including full unbundling has been first laid out in a Commission document, three liberalisation packages and endless paragraphs in numerous European Council Presidency Conclusions, the internal market is still not completed. The 'third liberalisation package'¹¹ by the Commission is currently pending and it might still take a while, possibly until after the European elections in June 2009 and the following formation of a new European Commission, although it seems likely that full ownership unbundling will eventually become

cheap source, accepting the risk of higher short-term prices from a spot market or mitigating the risk by installing a dual-firing capability or a back-up from another supplier.

⁹ Egenhofer (2006), *The price of energy security*. CEPS Commentary, 21 December. While price volatility can be seen as a proof that markets work, security of supply remains tied to "price". Energy must be available at some 'reasonable price – not at any price. By definition, if prices were allowed to increase without limit, there would always be a sufficiently high price at which demand would equate supply.

¹⁰ See also Youngs, R (2007), *Europe's External Energy Policy: Between Geopolitics and the Market*. CEPS Working Document No. 278, November, available at www.ceps.eu

¹¹ It aims at separation (unbundling) of production and supply from transmission networks (this would also apply to companies from third countries), the establishment of an agency for the cooperation of National Energy Regulators, improved market transparency and increased solidarity between member states.

reality¹².

This political focus on the unbundling issue has been criticised as diverting attention from other internal market issues, especially those that impact European energy supply security, e.g. the promotion of cross-border market integration¹³. It is argued that regional cooperation (and integration) as proposed in the 'third legislative package' represents a major step towards a new market design which is close to a solution of integrated spot markets. In order to realise its full potential, it has been suggested to coordinate all these activities to develop a coherent overall EU-wide *market design*, which would be supported by proper regulation and by guidelines for implementation, together with a concrete EU-wide procedure for fostering consistency of regional market developments¹⁴. Proponents of this approach thus favour 'more integration' with 'less structure' to structural options for ownership unbundling.

Proponents of market-based approaches also argue that the completion of the internal gas market – presents an answer to Europe's three main gas security challenges¹⁵, i.e.,

- gas supply diversity in eastern Europe,
- the ability of Europe as a whole to cope with supply disruptions, whatever their causes, and
- remove the debilitating effect of the EU-Russia gas relationship on EU foreign policy towards Russia.

First, gas supply diversity in Eastern Europe, where the rate of dependence on Russia is much higher than in Western Europe but gas markets are much smaller could be addressed by market integration. A single European gas market would create de facto solidarity between all consumers and the bilateral dependencies would become largely irrelevant. This would also do away with solidarity mechanisms. Second, a well-functioning market transforms any localised physical shortage into a universal price increase. Combined with additional measures such as interruptible contracts and emergency inventories would help reduce the economic impact of supply shocks and thereby making a market-based solution acceptable. The third challenge is dealt with in the next section.

VII. How to best address the Russia question?

Russia plays the single biggest role in European energy imports. With the EU27

¹² See, for example, Behrens (2008), in *EU Lawmakers Back Plan to Carve up EU Energy Giants*, in Dow Jones News, 6 May 2008

¹³ See, for example, de Jong (2008), *The Third EU Energy Market Package: Are We Singing the Right Song?*, briefing papers, Clingendael international energy programme

¹⁴ *ibid.*

¹⁵ See, for example, Noel (2008), *Europe needs a single market for natural gas*, Financial Times, 14 May 2008

buying 45% gas imports, 30% of oil imports, and 21% of hard coal imports from Russia¹⁶, it is clear that relations with this country are vital for EU energy security. At the same time, energy exports are Russia's largest source of revenues. It is thus more realistic to talk about interdependence when referring to the EU-Russia energy ties. This points to interdependence rather than to EU dependence. But what does this mean?

So far, however, the EU did not succeed in integrating Russia into a strategic energy partnership. Despite an institutionalised energy dialogue (since 2000) and some recent foreign investments in the Russian energy sector, the strategy aimed at opening the Russian market to European and other western enterprises and thus to gain large scale access to Russian gas and oil reserves has largely failed and should be expected to continue to do so.

There is a sense of blaming Russia for EU "angst" over energy supplies, despite the Russian government claiming Russia being a reliable supplier, a claim that is supported by history with the Soviet Union having been a reliable supplier for European countries. The EU will also need to ask itself whether it has not increased unnecessarily Russian leverage. Who wants to blame Russia for playing EU member states against each other, if the latter allow? At stake are multi-billion Euro rents, not only in Russia and Central Asia but also within the EU. From a national security of supply perspective, bi-lateral deals on Russian gas supplies and equity investment make a lot sense, certainly until the EU agrees on a common approach that balances out interests of all member states.

The EU has been paying lip-service to the concept of interdependence but has failed to develop a credible concept of putting such a concept into operation. A few examples may suffice to illustrate this point. The ill-fated 2001 Prodi-Plan proposed a strategic energy partnership with Russia, acknowledging the interdependence not only in energy. Yet, it featured a paragraph whereby the EU wanted to keep Russian gas imports to no more than 30%. Similarly, while the EU stresses interdependence, it pursues its policies of securing non-Russian natural gas through Nabucco, which many claim is economically not viable. Former IEA Executive Director Claude Mandil in a report to the French Prime Minister in preparation for the French EU Presidency has suggested opening Nabucco to Russian participation¹⁷. This would give a signal that EU is serious about interdependence. But is the EU willing and able to consider this? Finally, the EU will need to understand short- and long-term impacts of (aggressive) EU and global climate change policy on Russia's energy sector and energy sector revenues. After all, with the introduction of the EU CO₂ Emissions Trading Scheme, the EU is effectively retaining some of the economic rents from producer countries, including Russia.

¹⁶ European Commission (2008), *EU energy and transport in figures, Statistical Pocketbook 2007/2008*. Data for 2005.

¹⁷ Mandil, C (2008), *Sécurité énergétique et Union Européenne, Propositions pour la présidence française*, Rapport au Premier Ministre, 21 April 2008

A European integrated and flexible gas market would make eastern Europe more secure, just as it would make the relationship between Gazprom and large utility importers in Germany, Italy or France less cosy. This is a better position from which to speak with one voice to Moscow. This would to some extent remove the debilitating effect of the EU-Russia gas relationship on EU foreign policy towards Russia.

The Mandil Report¹⁸ has identified several tracks of reflection, focussing on both internal and external aspects of energy security. Amongst the key EU internal responses, the report highlights the importance of considerable efforts in terms of energy efficiency and conservation, the setting up of a European emergency strategy in case of a supply crisis, a real coordination between network operators, and an investment policy for energy infrastructure aimed at reducing EU dependency on imported gas (e.g. electricity and gas interconnections, LNG terminals, capacity for renewable electricity production). Together with a focus on 'energy solidarity' between member states, the report concludes that these European internal responses will facilitate the organisation of the relations with main exporting countries, notably with Russia and the Caspian region.

VIII. One Voice, one message or both?

"Speaking with one voice" has been the mantra of the 2006 Green Paper. This expresses the potential added-value of the EU presenting a harmonised external position. It faces the dilemma that EU member states pursue different national policies and interests stemming from their heterogeneity and the different starting points discussed above, such as the degree of energy market liberalisation, differences in the energy mix or levels of diversification, geographical location or even differences in foreign policy objectives (read: relations to Russia). When taking this heterogeneity in consideration, this added-value for the EU external energy policy is far from being clear and awaits still a convincing definition based on economic and political realities.

The added-value of a High Official for Foreign Energy Policy ('Mr Energy'), as recently proposed by the European Parliament¹⁹ and some member states seems debatable. Where there is EU-agreement on direction, the EU has proven that it can act as the example of climate change shows. There seems to be a consensus on two broad areas: i) the widening of EU energy markets combined with the reinforcement of energy partnerships with a view to improving the functioning of world markets in energy, and ii) the diversification of energy supplies by source, geographical origin and transit route. The principal EU role therefore will be to improve the basic conditions under which companies and member state policies operate. The European Commission's announcement of its intention to include "major energy chapters in its relations with neighbouring countries" as well as to put energy issues

¹⁸ Ibid

¹⁹ European Parliament (2007), *Report on towards a common European foreign policy on energy*, Committee on Foreign Affairs, Brussels.

on the agenda of every summit with third countries is an important step towards an increasingly common external energy policy.²⁰

The creation of “Mr Energy” post risks duplicating existing structures and at worst paralysing on-going efforts. It seems that improved coordination can be achieved within the current institutional set-up, especially after the Lisbon Treaty is in place although what the Lisbon Treaty means in reality is still uncertain.²¹ There is no way of shortcutting the need to define common positions. “Mr Energy” would hardly be taken seriously by anybody as long as he or she was presiding over a divided EU. Mr. Solana can tell a few stories. There is no way around the fact that first, an EU-wide consensus will need to be found. The onus will be mainly on the European Commission to ensure coherence and continuity, although Council cooperation in coherence matters. This will however mean that only those issues on which a consensus exists will be brought to the agenda of summits with third countries. This will probably fall considerably short of assisting oil and gas companies operating in Europe to obtain access to reserves by lending diplomatic weight to EU investors. Such support is likely to be continued by member state governments to companies of national parentage in the absence of a truly integrated EU-wide internal market and a common foreign policy.

IX. Enhancing the EU role globally: preconditions and options

There has been institutional progress through the creation of the network of energy correspondents to strengthen the early-warning capacity and coordination to an extent. Such progress is welcome. Further impacts can be expected of the Lisbon Treaty through the new energy chapter, the institutional changes such as the Permanent Council President, the new “Foreign Minister or the External Action Service. Implementing the new provisions will take time and due to the ambiguity of many of the new provisions, the outcome is still unclear. Irrespectively, in order to move to a genuine “common external energy policy” the EU will need to meet a number of preconditions and make some tough choices.

1. The EU will need to move to a regulatory framework including market design that reflects far more security of supply considerations. Items are real coordination between network operators, an investment policy for energy infrastructure aimed at reducing EU dependency on imported gas (e.g. electricity and gas interconnections, LNG terminals, capacity for renewable electricity production) and a European emergency strategy in case of a supply crisis.

²⁰ From an EU perspective, key issues will be energy efficiency (as this reduces global demand and GHG emissions), investment in production and infrastructure (to increase competition and ensure adequate supply), market access (for European and international energy companies) and climate change policies (to reduce global greenhouse gas emissions) as well as other environmental and safety issues, especially in regard to nuclear energy.

²¹ See, CEPS, Egmont, EPC (2007), *The Treaty of Lisbon: Implementing the Institutional Innovations*. Joint study by the Centre for European Policy Studies, Egmont and the European Policy Centre, November

2. Especially the measures related to infrastructure will cost money with some being financed from the EU budget. This will either require additional financial resources or shifting existing expenditures.
3. There is a need for a common understanding of the meaning of security of supply. Some see the role of governments to ensure the security of supply at “affordable” prices with affordability being a political judgement while others would accept the market signal more readily. The latter see security of supply policy principally as a matter of addressing externalities including major risks.
4. For the transition period until a true internal market will be in place and market conditions and structure converge, there is likely a need for a stronger EU (i.e. Commission) role to ensure that national energy policy measures do not undermine EU security of supply objectives. Such a role is likely to involve an ex-ante mechanism to assess member states policies and will bring national resources (as well as imports) under some sort of EU umbrella.
5. If the EU is serious about “interdependence”, it will need to develop a workable concept that addresses both legitimate Russian interests in security in “demand” (e.g. predictability of demand-related EU policies) and the EU’s interest in security of supply.
6. The EU will need to understand short- and long-term impacts of EU and global climate change policy on Russia’s energy sector and energy sector revenues. Taxation or emissions trading schemes are retaining economic rents from producer countries.
7. In order to speak with one voice, the EU will first need to ensure to agree on a common position. Hence, the first step is to improve coordination internally rather than external communication.

X. Questions

Finally, we would like to pose ten questions to fuel debate.

1. What concept of security of supply is appropriate for the EU? Is the role of governments to ensure “affordability” or should it be entirely left to international (oil) markets to set prices? Could the EU influence global energy prices?
2. How could a European emergency strategy look like? Who would pay? How to avoid moral hazard?
3. What are regulatory conditions for an internal energy market that addresses security of supply in full?
4. Would member states accept a stronger Commission role on overseeing member

states energy initiates? Are member states prepared to accept an ex-ante assessment mechanism and that the EU brings national resources under an EU umbrella?

5. Can a workable concept of interdependence be defined? Should Nabucco be opened to Russia? If yes, under which conditions?
6. How can EU solidarity measures (e.g. LNG, interconnections, other infrastructure, capacity for renewable electricity, biofuels) be financed?
7. Does Europe need a European Grid Operator and a European Energy Regulator? If so, who would supervise it?
8. Can markets address the “Russia issue”, i.e. i) gas supply diversity in eastern Europe, ii) the ability of Europe as a whole to cope with supply disruptions, whatever their causes, and iii) remove the debilitating effect of the EU-Russia gas relationship on EU foreign policy towards Russia? What are the limits?
9. What would be the shape of an EU climate change policy that takes into account legitimate Russian interests?
10. Will the EU and member states live up to their climate ambitions (notably the renewables targets) as outlined in the EU’s climate and energy package in agreed in principle in the 2008 Spring European Council? Their achievement is key to long-term energy security policy.

Annex: European Council Action Plan (2007) for international energy policy

- i) negotiating and finalising a post-partnership and cooperation agreement with Russia in particular relating to energy issues;
- ii) intensifying the EU relationship with Central Asia, the Caspian and the Black Sea regions, with a view to further diversifying sources and routes;
- iii) strengthening partnership and cooperation, building on the bilateral energy dialogues with the US as well as with China, India, Brazil and other emerging economies, focusing on the reduction of GHG emissions, energy efficiency, renewables and low emissions energy technologies, notably carbon capture and storage (CCS);
- iv) ensuring the implementation of the Energy Community Treaty, with a view to its further development and possible extension to Norway, Turkey, Ukraine and Moldova;
- v) making full use of the instruments available under the European Neighbourhood Policy (ENP);
- vi) enhancing energy relationships with Algeria, Egypt and other producing countries in the Mashreq/Maghreb region;
- vii) building a special dialogue with African countries on energy and using Community instruments to enhance in particular decentralised renewable energies and generally energy accessibility and sustainability in this region, as well as energy infrastructure of common interest; and
- viii) promoting access to energy in the context of the UN Commission on Sustainable Development (UNCSD).