

[Back to previous page](#)



document 1 of 1



Oxford Analytica

Global Strategic Analysis

## EUROPEAN UNION: Turn to growth changes energy policy

OxResearch Daily Brief Service. (May 24, 2013).

Find a copy



[http://sfxhosted.exlibrisgroup.com/nps?url\\_ver=Z39.88-2004&rft\\_val\\_fmt=info:ofi/fmt:kev:mtx:journal&genre=unknown&sid=ProQ:ProQ%3Aoxresearch&atitle=EUROPEAN+UNION%3A+Turn+to+growth+changes+energy+policy&title=OxResearch+Daily+Brief+Service&issn=&date=2013-05-24&volume=&issue=&spage=1&au=&isbn=&jtitle=OxResearch+Daily+Brief+Service&btitle=&rft\\_id=info:eric/](http://sfxhosted.exlibrisgroup.com/nps?url_ver=Z39.88-2004&rft_val_fmt=info:ofi/fmt:kev:mtx:journal&genre=unknown&sid=ProQ:ProQ%3Aoxresearch&atitle=EUROPEAN+UNION%3A+Turn+to+growth+changes+energy+policy&title=OxResearch+Daily+Brief+Service&issn=&date=2013-05-24&volume=&issue=&spage=1&au=&isbn=&jtitle=OxResearch+Daily+Brief+Service&btitle=&rft_id=info:eric/)

### Abstract (summary)

Future energy policy following the May 22 European Council.

The May 22 European Council summit seems to confirm a shift in emphasis towards competitiveness and affordability. Renewed concern with short-term competitiveness and energy prices is hard to reconcile with the 2020 goals of reducing greenhouse-gas emissions, increasing the share of renewables in energy consumption and improving energy efficiency, let alone any post-2020 trajectory.

### Full Text

SUBJECT:Future energy policy following the May 22 European Council.

SIGNIFICANCE:The May 22 European Council summit seems to confirm a shift in emphasis towards competitiveness and affordability. Renewed concern with short-term competitiveness and energy prices is hard to reconcile with the 2020 goals of reducing greenhouse-gas emissions, increasing the share of renewables in energy consumption and improving energy efficiency, let alone any post-2020 trajectory.

ANALYSIS: Impacts.

EU energy prices will remain substantially above US prices, mainly owing to US development of shale gas and oil.

Economic conditions and policy uncertainty risk keeping energy investment well below the estimated 1.3 trillion dollars needed by 2020.

EU's 2020 targets for renewables and efficiency will be increasingly at risk.

It is becoming clear that the EU's energy and climate policy is one of the major casualties of the wider economic and political crises facing the Union (see EUROPE: Euro-area crisis may jinx 2020 energy goals - February 6,

2013). For much of the last decade, the EU has been committed to an energy policy that stressed tackling climate change. This, it was claimed, would also aid energy security and offer opportunities to develop competitive advantage in 'green' industrial ventures.

The policy seemed initially to survive the crisis -- indeed, energy was part of the 'green Keynesianism' that was to stimulate an economic recovery. However, as economic conditions have worsened and austerity has prevailed, the short-term costs of the policy have become more apparent, particularly as economic decline has left energy demand stagnant and carbon prices at record lows.

Anti-green backlash.

On the back of this, concerns about competitiveness and affordability have become much more salient in the debate, as the costs of pursuing low-carbon transition have mounted. In particular, there has been a backlash against key elements of the policy, although different protagonists emphasise different factors:

Business generally has called for a radical rethink of energy policy, with a greater emphasis on natural gas (encouraging the development of shale gas in particular), ending subsidies for renewables and shifting away from climate policies that impose tougher burdens on EU industry compared with those faced by competitors.

The European gas industry is broadly supportive of this agenda but is sceptical about how far shale gas will come to the rescue.

The bulk of the electricity industry still holds to the objective of a transition but argues that it can be driven by a carbon-reduction target alone without the other objectives relating to renewable sources and energy efficiency, enabling investors to make their own choices in meeting any reduction in emissions.

Increasingly embattled are the promoters of the energy transition -- non-governmental organisations (NGOs), the renewables industry and those utilities that have invested in green energy. They continue to defend the existing policy and call for it to be rolled out beyond 2020, but their influence appears to be waning.

Sceptical member states .

The changing balance of influence is reflected in member state positions:

The German government seems to be increasingly unenthusiastic about the 'Wende' ('Change'), which it launched as part of its decision to phase out nuclear power. Moreover, the junior liberal partner in the coalition appears to be increasingly sceptical and to oppose any moves to shore up the EU's carbon market.

While the UK government remains apparently committed to its low-carbon strategy, the Treasury (backed by increasingly hostile opinion within the Conservative party) appears to be prevailing in scaling back support for the strategy, while encouraging the development of shale gas as a cornerstone for energy policy.

The French government will make its own energy strategy clear in the coming weeks but it may be less climate-friendly than had been expected when consultations were launched last year.

Eastern and southern member states are more vocal in opposing measures which they see as adding to household bills and detracting from international competitiveness.

The beginnings of a shift away from the existing energy climate strategy were apparent in the Commission's green paper on future energy strategy, published in the spring (see EUROPEAN UNION: 2030 goals hinge on next two years - April 12, 2013). The Council meeting was a chance to gauge how far the EU's leaders would confirm the shift. Its conclusions will be followed up by the EU's energy ministers next month and will pave the way for European Commission proposals later in the year.

Council's conclusions.

At first glance, the Council did not appear to have changed very much. Its conclusions stress the importance of ensuring that the internal energy market is fully implemented by the beginning of next year. In particular, it wants to tackle the drivers of energy prices and their effects on affordability (for households and small and medium-sized enterprises) and competitiveness (for large energy-intensive industries). It supports the need for a post-2020 climate and energy policy framework and a well-functioning carbon market to provide the energy sector and others with the incentive to invest in low-carbon technologies, new infrastructure and energy efficiency. In legislative terms, it sets priorities for interconnection, revising the state aid rules and providing guidance on cost-effective support schemes for renewables.

However, in other respects the conclusions appear to indicate a significant shift. They pay relatively little attention to climate issues (and fail to mention the need to 'fix' the emissions trading scheme). Most significantly, perhaps, the conclusions back the development of indigenous energy resources -- widely interpreted as signalling support for the exploitation of shale gas. Taken with the statements of some commissioners and a number of member states, it now appears that any EU framework for unconventional gas will facilitate rather than obstruct its development.

Shale is over-played?.

Whether this apparent signal of support marks a concession to the advocates of shale gas or a more significant change in direction is left opaque. Indeed, it is hard to see how even a wholehearted embrace of shale gas -- overcoming the very significant levels of opposition in many member states -- can fill the gap that would be left by abandoning renewable targets. Most estimates of the EU's shale gas potential see it as at best offsetting the likely reduction in existing conventional gas production.

Hopes that shale gas imports will deliver significant reductions in energy prices are also open to question: while it seems that the United States will be able to export shale gas to the EU and other markets, suppliers will only do so if they are confident of securing higher prices than those available in the home market. Taking into account transport and other costs, shale gas imports for EU consumers may not be much cheaper than existing sources of supply.

**CONCLUSION:** While the summit retained current policy commitments to tackling climate change and engineering a low-carbon transition, it appears that the balance of EU energy policy is shifting. Yet abandoning existing policies will hardly guarantee lower prices and a more competitive industrial base. If, as seems likely, energy demand continues to increase in the emerging economies of Asia, Africa and South America, a shift in EU strategy (or even a failure to sustain the current strategy) which maintains the region's dependence on fossil fuels is unlikely to be a low-cost one and leaves the challenges of energy security and climate change unresolved.

Copyright Oxford Analytica Ltd. 2013. No publication or distribution is permitted without the express consent of Oxford Analytica.

---

## Indexing (details)

Subject	Economic conditions; International relations; Politics; Energy policy; Environment; Gas industry; Public policy; Corporate;
---------	--

Economic growth; Investment policy; Prices; Productivity; Summit conferences	
Location	Europe, France, Germany, United Kingdom, UK, United States, US
Company	European Union
Classification	9175: Western Europe 1520: Energy policy 1210: Politics & political behavior 1110: Economic conditions & forecasts
Identifier / keyword	Europe, France, Germany, United Kingdom, UK, United States, US, Economic conditions, Industry, International relations, Politics, Energy policy, Environment, Gas industry, Public policy, Corporate, Economic growth, Investment policy, Prices, Productivity, Summit conferences
Title	EUROPEAN UNION: Turn to growth changes energy policy
Publication title	OxResearch Daily Brief Service
Pages	n/a
Publication year	2013
Publication date	May 24, 2013
Year	2013
Publisher	Oxford Analytica Ltd
Place of publication	Oxford
Country of publication	United Kingdom
Publication subject	BUSINESS AND ECONOMICS
Source type	Reports
Language of publication	English
Document type	News
ProQuest document ID	1354968367
Document URL	<a href="http://libproxy.nps.edu/login?url=http://search.proquest.com/docview/1354968367?accountid=12702">http://libproxy.nps.edu/login?url=http://search.proquest.com/docview/1354968367?accountid=12702</a>
Copyright	Copyright Oxford Analytica Ltd. 2013. No publication or distribution is permitted without the express consent of Oxford Analytica.
Last updated	2013-06-25
Database	OxResearch