



EUROPEAN COMMISSION

MEMO

New Energy Union Governance to deliver common goals

Short title: Regulation on the Governance of the Energy Union

Teaser: Ensuring policy coherence, investment certainty and improved coordination between Member States: the new Governance of the Energy Union will make Europe deliver on climate and energy objectives

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Body:

Why is a new Energy Union Governance needed?

The goal of the Energy Union with an ambitious climate policy at its core is to give EU consumers - households and businesses - secure, sustainable, competitive and affordable energy. This requires a fundamental transformation of Europe's energy system across five dimensions: energy security; the internal energy market; energy efficiency; decarbonisation; research, innovation and competitiveness. The four targets set for 2030 are included in the strategy: reducing greenhouse gas emissions by at least 40%, improving energy efficiency by at least 27% [The Commission proposes an upgrade to 30% as a part of the "Clean Energy For All Europeans package"], reaching at least 27% renewable energy in our final energy consumption and 15 % electricity interconnections.

These objectives can only be achieved through a set of coherent and coordinated actions – legislative and non-legislative – at EU and national level. Designing and managing such a broad set of diverse actions requires the Energy Union to establish robust Governance. It must ensure policies and measures at each level are efficient, coherent, complementary and sufficiently ambitious. In this way, efforts by the EU and its Member States will come together as a cohesive whole that is sufficient to meet common challenges.

In October 2014, the European Council agreed in the context of the 2030 Climate and Energy Policy Framework that a reliable and transparent Governance system without any unnecessary administrative burden will be developed covering all five dimensions of the Energy Union.

The proposed Regulation provides the legislative foundation for the new Governance of the Energy Union. It will be complemented by non-legislative initiatives, for example, to build where necessary sufficient administrative capacity within Member States and to engage with various stakeholders such as non-state actors, civil society and business.

How will the proposal contribute to the achievement of the objectives of the Energy Union?

The proposed Regulation sets out the requirements for integrated national energy and climate plans and a streamlined process to establish them. This will provide for early clarity that national efforts will be sufficiently ambitious and coherent to meet the objectives of the Energy Union. At the same time, Member States will have significant



flexibility to take account of national specificities and preferences. Stable National Energy and Climate Plans up to 2030 and beyond will also make a real difference for regulatory stability and investment certainty.

Draft national plans in 2018 will serve as the basis for the Commission's first assessment and recommendations to Member States (as appropriate) on the objectives, policies and measures at national level to meet common challenges or on issues with cross-border impacts. As of 2021, Member States' biennial integrated national energy and climate progress reports together with the Commission's assessment will monitor that national plans are properly implemented.

Systematic public consultations on national plans will ensure inclusiveness and participation of stakeholders, including citizens, business as well as regional and local authorities.

How does the Governance Regulation contribute to Better Regulation and reduced administrative burden?

In line with the Commission's dedication to Better Regulation, the proposal will significantly reduce the administrative burden for Member States, the Commission and other EU Institutions. Current planning and reporting requirements - both for the Commission and Member States- are dispersed across a wide range of separate pieces of legislation adopted at different points in time. This has sometimes led to redundancy, incoherence, overlaps and lack of integration between energy and climate areas. Moreover, some of the current requirements have been defined in view of the achievement of the 2020 targets for energy and climate. For that reason, they are neither suited to support the achievement of the EU's 2030 Framework for Climate and Energy, nor are they fully synchronised with the planning and reporting obligations under the Paris Agreement.

This proposal consolidates the existing patchwork of national planning and reporting obligations from the main pieces of EU legislation across energy, climate and other Energy Union related policy areas by replacing different existing sectorial plans and reports with one comprehensive integrated plan and report. It will thereby significantly simplify Member States' obligations. It will reduce, align and update such requirements, and remove existing duplications. In total, the proposal integrates, streamlines or repeals more than 50 existing individual planning, reporting and monitoring obligations of the energy and climate acquis by integrating 31 and deleting 23. Thereby, the Governance Regulation will allow for first the time ever to establish and track progress of comparable National Energy and Climate Plans between Member States with objectives that have been shaped through a more coordinated approach. In addition, the streamlined political Governance process between the Commission and Member States, with the close involvement of other EU Institutions, will align the frequency and timing of obligations, significantly enhance transparency, coherence, and cooperation and so bring profound benefits in terms of Better Regulation.

What should be included in the integrated national energy and climate plans?

The integrated national energy and climate plans will cover ten-year periods and take as their starting point the current energy system as well as the energy and climate policy situation to date. They will set out national objectives for each of the five key dimensions of the Energy Union and corresponding policies and measures to meet those objectives and will have an analytical basis. The national plans covering the first period from 2021 to 2030 will pay particular attention to ensuring that the Union's 2030 targets for



greenhouse gas emission reductions, renewable energy, energy efficiency and electricity interconnection are met.

How does regional cooperation and consultation fit into the planning process?

Regional cooperation between Member States will be instrumental to achieve the objectives of the Energy Union effectively. Member States will, for the first time, get the opportunity to comment on other Member States' plans before they are finalised. This will promote cross-border synergies and avoid inconsistencies and potential negative impacts on other Member States, while ensuring that common objectives can be met collectively and more efficiently than in the past. Regional cooperation in elaborating, finalising and subsequently implementing national plans will be essential to improve effectiveness and efficiency of measures and foster market integration and energy security.

How will the Commission ensure that aggregate national efforts are enough to meet the Union's 2030 targets for energy and climate?

The dialogue to be established between the Commission and the Member States, including recommendations to Member States, will help to ensure coherence between national and EU policies as well full alignment with the overall as objectives of the Energy Union. In case the ambition of integrated national energy and climate plans or their updates is insufficient for the collective achievement of the Union's 2030 targets and other Energy Union objectives or if progress made by the Union towards these targets is too slow, the Commission can take measures at Union level and issue recommendations to Member States to ensure that the targets will be met. This holds true in particular for the 2030 targets for renewable energy and energy efficiency that have been agreed at EU-level but are not translated into binding national targets (as is the case for greenhouse gas emissions reductions).

What EU measures will be taken if the national efforts are not enough to meet the objectives of the Energy Union?

In the area of renewable energy, such measures could include financial contributions by Member States to a financial instrument managed by the Commission, which would be used to support cost-effective renewable energy projects across the Union. Alternatives for Member States include measures to increase the share of renewable energy in the heating and cooling sector as well as in the transport sector. In this context, Member States' national renewable energy targets for 2020 serve as baseline shares of renewable energy from 2021 onwards. In the area of energy efficiency, additional measures would in particular aim at improving the energy efficiency of products, buildings and transport.

Why are national 2030 targets for renewables and energy efficiency not set in EU legislation?

Member States need flexibility to set objectives, targets, policies and measures that are tailored specifically to their national circumstances and preferences. However, at the end of the day all this must add up to meet the Union-level climate and energy objectives, furthering market integration and increasing competition.

The agreement not to set **national** 2030 targets for individual Member States on renewables or energy efficiency was reached in October 2014 by the European Council, based on a Commission proposal.

What is the role of the national progress reports and the Commission's monitoring?



As of 2021, the integrated national energy and climate progress reports and the Commission's integrated monitoring of progress made will improve transparency on implemented policies and progress towards objectives both at national and Union level. It could also serve as the basis for the additional policy action at EU level necessary to meet the objectives of the Energy Union.

Member States' progress reports will mirror the elements set out in the national plans. The reports will be comprehensive across the five dimensions of the Energy Union. For the period from 2021 to 2030, they will put emphasis on actions to accomplish the targets of the 2030 EU Climate and Energy Framework. Based on the national progress reports and other relevant information, the Commission will assess each Member State's and the Union's collective progress in view of the achievement of the objectives of the Energy Union Strategy. The Commission will undertake in-depth assessment every two years necessary, which will be made public in the Commission's State of the Energy Union reports.

How will Commission recommendations help to ensure that the objectives of the Energy Union are met?

The Commission may issue recommendations to Member States on the national plans as appropriate including on the level of ambition of objectives and targets and on the subsequent implementation of policies and measures of the national plans. The Commission may also issue recommendations as appropriate to Member States on other national policies and measures of relevance for the implementation of the Energy Union. Member States should take utmost account of such recommendations and are supposed to explain in their subsequent national progress reports how they have implemented them or provide an explanation if they have deviated from those recommendations.

Can the national plans be updated?

National plans have to be stable ensuring transparency and predictability of national policies and measures, as well as certainty for investors. However, once during each ten-year period covered by the national plans, Member States will have the opportunity to adapt and update their national plans to significant changing circumstances. For the plans covering the period from 2021 to 2030, Member States will be able to finalise the update of their plans in 2024. The overall ambition of national targets and objectives can either be maintained or increased, in particular as regards the four 2030 targets for energy and climate.

What is the relationship between the Energy Union Governance and the European Semester?

The proposed Governance Regulation is complementary to and consistent with the European Semester. Recommendations to Member States under the European Semester focus on macro-economic and structural reform issues, whereas Commission recommendations under the new Governance Regulation will address energy and climate specific policy issues. Where energy and climate specific policy issues are relevant for macroeconomic or structural reforms, they could still be addressed by the Country-Specific Recommendations in the European Semester process. In order to ensure full consistency among the two processes, Member States should ensure that their integrated national energy and climate plans under the Governance Regulation take into consideration the latest Country-Specific Recommendations issued in the context of the European Semester.



What is the relationship between the Governance Regulation on the one hand and the Climate Monitoring Mechanism Regulation, the Effort Sharing Regulation, the Land Use, Land Use Change and Forestry Regulation and sectorial energy legislation on the other?

The Governance proposal includes the provisions needed for implementing the compliance cycle under the proposal on binding greenhouse gas emission reductions for Member States for 2021-2030 ('Effort Sharing Regulation') and for tracking progress with the proposal on how to include the land use sector in the 2030 climate and energy framework ('LULUCF Regulation').

Regarding the initiative on electricity market design, inter-linkages mainly concern the streamlining of reporting and monitoring obligations relating to the internal energy market. In particular, the Energy Union Governance aims at streamlining relevant reporting obligations related to the internal energy market by Member States and the Commission presently enshrined in the Third Energy Package, thereby contributing to ensure policy coherence and reduce administrative burden.

Concerning the initiatives on the revision of the Renewable Energy Directive and the Energy Efficiency Directive as well as the Energy Performance of Buildings Directive, the Governance Regulation aims at streamlining and integrating planning, reporting and monitoring obligations. Furthermore, the Governance Regulation includes the Commission's assessment of National Plans as well as of their implementation in view of the collective achievement of the renewable energy and energy efficiency targets for 2030. In case of insufficient collective action, the necessary response could include measures at EU-level or the request to Member States to take national measures ensuring that targets are achieved.

Could the new Governance risk weakening the existing monitoring, planning, and reporting system in the climate field?

The Governance proposal fully integrates the provisions of the existing Climate Monitoring Mechanism Regulation (MMR) while bringing them in line with the provisions of the Paris Climate Agreement.

In doing so, it also streamlines and integrates existing provisions, including as much as possible the energy *acquis*. It also continues the robust transparency framework for greenhouse gas emissions laid down in the Climate Monitoring Mechanism Regulation. It includes the elements necessary to track progress of the implementation of EU climate legislation, such as Effort Sharing Regulation and the LULUCF Regulation, as well as of the EU's international commitments under the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.

It will therefore continue the existing robust monitoring, reporting and verification system which will, however, be updated, further integrated and streamlined.

Will the propose Governance Regulation be sufficient to comply with the EU's obligations under the Paris Agreement?

Together with the July 2015 proposal for revising the EU Emissions Trading System (EU ETS) and the July 2016 proposals for the Effort Sharing Regulation and the LULUCF Regulation, the Governance proposal should ensure achieving the commitments of the European Union and its Member States under the Paris Agreement.

The new proposal defines the monitoring and reporting rules needed to track progress in the implementation of the commitments. The processes set out in the Governance



proposal, such as for the updating of the integrated national energy and climate plans, are closely aligned with the 5-year review cycle set out in the Paris Agreement. This will inform the EU and the Member States, when participating in the global dialogues foreseen under the Paris Agreement in 2018, 2023 and every five years thereafter.

The Governance proposal also lays down a transparent, accurate, comprehensive, complete and consistent monitoring mechanism for greenhouse gas emissions so that the EU will be able to comply with its reporting obligations under the UNFCCC and the Paris Agreement.