

EEP: HISTORICAL DEVELOPMENT AND LEVEL OF INTEGRATION

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Energy Policy of the EU

Periods of development

- 1) The end of the WWII – 70s: first EC/EU institutions
- 2) 70s – first half of 80s: external difficulties
- 3) 84 – 95: common market started
- 4) 1995 – ...: new areas of communitarization – external dimension and environmental issues. Completion of the (legaly based) EEP

Tento projekt je spolufinancován Evropským sociálním fondem a státním rozpočtem České republiky.



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Post-war period - ECSC

- 51, resp. 52. De jure common market with coal and steel.
- Coal represents approximately 80% of TPER in Europe.
- R. Schuman and J. Monnet
- High Authority, Common Assembly, Special Council of Ministers, Court of Justice, Consultative Committee.
- Since 1958, the share of coal is decreasing in favour of oil.

OECD – Europe: The overall energy consumption, in %

	1950	1955	1960	1965	1973
Solid fuels	83	75	61	45	23
Liquid fuel	14	21	30	59	55
Natural gas	Less than 1	Less than 1	2	3	10
Hydro electricity	2	3	3	3	6
Nuclear	0	0	Less than 1	Less than 1	1

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Post-war period - EURATOM

- 27. 10. 1957
- Weakened by the disputes between France on one side and Germany and Italy on the other
- Ended with a limited role of Euratom, aspiration to create the common market with nuclear materials died away.

"Our children will enjoy in their homes electrical energy too cheap to meter... It is not too much to expect that our children will know of great periodic regional famines in the world only as matters of history, will travel effortlessly over the seas and under them and through the air with a minimum of danger and at great speeds, and will experience a lifespan far longer than ours, as disease yields and man comes to understand what causes him to age.,,

L.L. Strauss - Chairman of the US Atomic Energy Commission

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European Economic Community

- *„...to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.*
- Articles 30 – 37 – removing of kvantitative restrictions on import and export, regulation of state monopolies.
- Articles 85-94 – regulates the relations between companies, state aid to business, limitation of monopoly behavior

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Legal arrangements

- First guidelines for a Community energy policy (1968)
 - Common (energy) market
 - Rules of competition, freedom of movement and establishment, taxation..
 - Security of supply
 - Financing of investments, production capacities, research, reserves, commercial policies

- Directive 68/414/EEC imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products

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Periods of development

The end of the WWII – 70s: first EC/EU institutions

= The development facilitated and controlled by governments, limited powers and autonomy of supranational bodies.

= no agreement on serious tools to build common energy policy just declarations

2) 70s – first half of 80s: external difficulties

3) 84 – 95: common market started

4) 1995 – ...: new areas of communitarization – external dimension and environmental issues. Completion of the (legally based) EEP

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70s and 80s– Eve of the oil crisis

The dramatic rise of the West dependency on imported oil since 1955

The „Old“ Seven Sisters	Anglo-Persian Oil Company (now BP)	Gulf Oil	Standard oil of California	Texaco	Royal Dutch Shell	Standard oil of New Jersey	Standard Oil Company of New York
The „New“ Seven Sisters	CHINOPEC	Gazprom	National Iranian Oil Company	Petrobras (Brazil)	PDVSA (Venezuela)	Petronas (Malaysia)	Saudi Aramco (Saudi Arabia)

- M. Gaddafi– he led other producers with an effort to limit the power of MNOCs.
 - Raising the prices in 70, 71 a 73.
 - Changing the existing system of setting the prices.
- Impact of OPEC - 70 Tripoli, 71 Teheran (40 cents).

Nationalization in period of 1970 - 1974

Saudi Arabia	0 % - 58,5 %
Kuwait	1,2 % - 55,1 %
Algeria	14,6 % - 76,9 %
Qatar	0 % - 60 %
UAE	0 % - 49,5 %

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70s and 80s– Eve of the oil crisis

- Collapse of the Bretton-Wood system, stagflation, decreasing competitiveness.
- In 1971, R. Nixon basically canceled the convertibility of gold for dollars, it led to the devaluation of currency and in 1973 the B-W system was terminated.

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70s and 80s - First oil crisis

- ❑ 23.8.73 A. Sadat + King Faisal considering the use of oil weapon
- ❑ 16.10. the producers raised the price of oil for 70%, then limiting the export
- ❑ Following Nixon's decision to support Israel, Libya and S.A. introduced total embargo on export
- ❑ 23.12.1973 the price rose again for 128%
- ❑ The promise of a negotiated settlement between Israel and Syria was sufficient to convince Arab oil producers to cancel the embargo in March 1974
- ❑ Results
 - ❑ Stagflation and damaged economies
 - ❑ Serious impact on the developing countries
 - ❑ Physical shortage of fuels
 - ❑ EC very limited role during the crisis



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Legal assesment

- 72/425 directive amending the Council Directive of 20 December 1968 imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products
- In 1975 attempt to restrict oil and gas use in power generation
- In 1986 attempt to place a ceiling on EC oil imports and on oil and gas use in power generation, and to promote energy conservation and indigenous coal.
- = not legally binding, no discernible effect on decision making.
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Periods of development

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- 2) 70s – first half of 80s: external difficulties
 - = failure of spill-over, no integration to the other energy sectors
 - = EC's effort thwarted by MS. Bilateral policy at the expense of common position.
- 3) 84 – 95: common market started
- 4) 1995 – ...: new areas of communitarization – external dimension and environmental issues. Completion of the (legally based) EEP

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Period between 1985-94

- New incentives for energy on the EC level
 - ▣ Weak competitiveness of European industry
 - ▣ Environmental concerns
 - ▣ Disintegration of Soviet block
- First proposals to create the **single energy market**
 - ▣ Not included in SEA 87, but some proposals introduced later (The Internal Energy Market (COM88))
 - ▣ Competition and transparency vs. national monopolies and closed markets.
- The appearance of **environmental concerns** (carbon tax)
- Long-term **supply security** – Gulf War, collapse of the Soviet Union (Energy Charter Treaty)

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90s: beginning of EEP

- Maastricht Treaty (The Treaty on the EU) – article 130s and 129.

- Article 130s
- By way of derogation from the decision-making procedure provided for in paragraph 1 and without prejudice to Article 100a, the Council, acting unanimously ... shall adopt:
 - - ...
 - - ...
 - - measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply.
- The Council may, under the conditions laid down in the preceding subparagraph, define those matters referred to in this paragraph on which decisions are to be taken by a qualified majority.

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90s: beginning of legally formalised EEP

- White Paper: An Energy Policy for the European Union, 1995
- „The Commission thus feels that it is essential for the effectiveness of the policies conducted at national level, that the responsibilities deriving from energy policy should form part of common aims that have been defined at Community level. The Commission is thus prepared to use all of the provisions of the Treaties to that end in order to establish...a framework for discussion of energy policy...”
- Green Paper - Towards a European strategy for the security of energy supply, 2000
- Treaty of Amsterdam (97), Nice (01) – no changes

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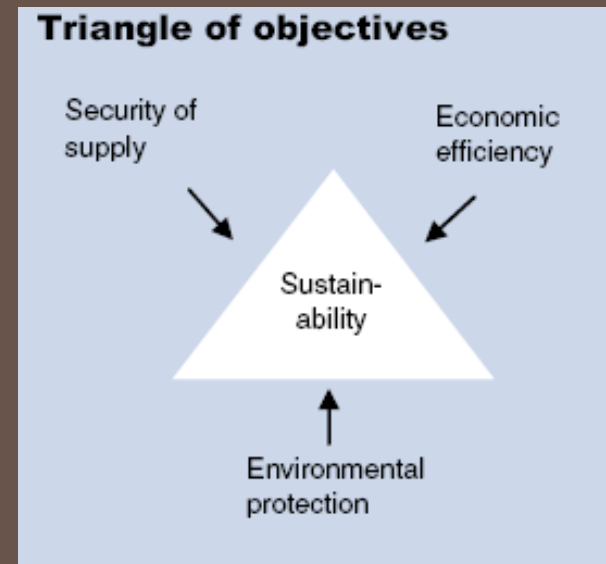


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Legaly formalised EEP

- Green Paper 2006 – A European Strategy for Sustainable, Competitive and Secure Energy.
 - Completing the internal European electricity and gas markets
 - An internal energy market that guarantees security of supply through solidarity between MS
 - Raising security and competitiveness of energy supply through more sustainable, efficient and diverse energy mix
 - An integrated approach to tackling climate change
 - Encouraging innovation
 - An external energy policy.

2007 An Energy Policy for Europe (Communication)



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Fourth period – a new millennium

- **An Energy for Europe: COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN COUNCIL:**
 - Energy and climate package
 - A 20% reduction in EU greenhouse gas emissions from 1990 levels;
 - Raising the share of EU energy consumption produced from renewable resources to 20%;
 - A 20% improvement in the EU's energy efficiency.
 - + EU ETS (2009/29/ES) + CCS (2009/31/ES)
 - Third liberalization package
 - Unbundling
 - Promotion of an internal energy market and the removal of restrictions to trade between MS
 - Agency for Cooperation of Energy Regulators (ACER) + European Networks for Transmission System Operators
 - The protection of the consumers have to be strenghtened

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Ongoing activities

- Treaty of Lisbon (2007)
- Head XXI: Energy:
 - (a) ensure the functioning of the energy market;
 - (b) ensure security of energy supply in the Union; and
 - (c) promote energy efficiency and energy saving and the development of new and renewable
 - forms of energy; and
 - (d) promote the interconnection of energy networks.
- article 122 (former 100) : *Without prejudice to any other procedures provided for in the Treaties, the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy.*

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Latest development

- Energy 2020 - A strategy for competitive, sustainable and secure energy
- The EU's Energy Roadmap 2050

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EC prevails over MS, esp. in the area of common energy market and later on in environmental issues. Strong autonomy regarding the legislative proposals.

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