

Europe needs a genuine energy union now

Charles
Michel

By launching a war on Ukraine, Vladimir Putin has also fired an “energy missile” at Europe. He wants to obliterate our economies, weaken our societies and destroy our morale. We must be clear-eyed in assessing the scale of the damage. This crisis vindicates our common growth strategy and makes it a matter of urgency to establish a genuine energy union. It will be an essential pillar of EU sovereignty.

Energy is like the blood running through the veins of our economies. But it is becoming clotted by Russia’s aggressive actions. Households and companies face exorbitant energy bills.

The EU’s energy imports in the first half of 2022 amounted to almost €380bn, which is close to what we usually pay for an entire year. Our energy trade deficit is likely to double in 2022,

reaching about 5 per cent of gross domestic product.

This situation forces us to reassess how we achieve our longer-term transition to climate neutrality, which is not only central to our environmental fight but key to our growth strategy. Our path to net zero was partly predicated on ample availability of affordable gas. This is now a thing of the past.

In Versailles, last March, EU leaders agreed to bolster European sovereignty in defence, the economy and energy. Today, we recognise the need for a new energy strategy in tackling this crisis and in laying the ground for a resilient economy. That is why I am calling for a genuine energy union. It will entail revisiting many of our longstanding beliefs and acting more collectively, as Europeans. The energy crisis has exposed the cracks in a union composed of 27 energy “private preserves”.

Just as we saw during Covid-19, no country alone can cope with a crisis of this magnitude. We must face the taboos surrounding national and EU competences. A resilient energy union will not magically appear from 27 national

energy mixes — we must make them compatible. This will require strong and sincere co-ordination between states. And we should create the necessary regulatory framework and market conditions that best serve the interests of our citizens and companies.

To reach a compromise, we must come back to the values and principles we all believe in. Solidarity, fairness and

*We must not repeat the
mistakes of the past by
becoming overdependent
on a single source*

transparency. These are the principles that will lead us to security of supply, a level playing field and affordable prices, and will restore market trust.

Our common energy strategy should have four goals. First, reducing our consumption. This will be important not only this winter, but permanently. We have already started on this path. It will require a great deal of innovation and

creativity. We must be honest about the challenges ahead.

Second, we need to ensure security of supply. We are diversifying away from Russian energy to more reliable providers. We must not repeat the mistakes of the past by becoming overdependent on a single source. We should also buy smarter. That means making better use of our collective buying power through the joint EU energy platform that we decided to set up in March, rather than competing and driving up prices.

A varied energy mix will reduce the risk of energy dependency. This includes renewables, such as solar, wind and geothermal energy, as well as hydrogen. We should not be complacent. We need to reflect on our competitiveness in light of measures taken by others, both in the field of green and non-green hydrogen. It also includes nuclear, an energy source that can help ensure a reliable and flexible electricity system, while supporting our net zero objective.

Third, we must get prices down. Our electricity market was conceived in another time for another time. If we want to reduce consumption, diversify

and achieve net zero, we need to invest more in research, innovation and technology. The best way to reduce prices is to take a more collective approach.

Our common energy strategy should reinforce the cohesion of our single market. As we saw at the start of the pandemic, the legitimate actions taken by governments to protect their households and businesses can cause imbalances. This creates an impression of unfairness. And it ultimately endangers the dynamism of the single market, one of our most precious assets.

The global financial crisis and sovereign debt crisis spurred the EU to create a banking union, to ensure the stability of the banking sector. The pandemic taught us to pool our resources in the health sector. This is how we developed and produced vaccines for all EU citizens, no matter where they lived.

We must do the same in the energy sector and set up this genuine energy union. Doing too little too late is not an option. It’s time to take a quantum leap.

The writer is president of the European Council