FACT SHEET

Committee on the Internal Market and Consumer Protection (IMCO)

The question of a more stable and independent energy market

Considering the recent volatility in the world energy market, it is clear that the EU needs to find a more independent way of satisfying the ever-growing energy needs of its citizens and industries. How can this be achieved while following the EU sustainability goals?

BRIEF DESCRIPTION OF THE ISSUE

The pandemic and the Russian invasion of Ukraine have affected many sectors in the world. The committee's issue tackles the energy market, which has been critically affected since the aforementioned events. How should the EU move forward in such a volatile and vulnerable situation while both growing as independent as possible in the energy market and achieving its sustainability goals? Is nuclear energy an option?

KEY TERMS

Energy Market: Energy markets are commodity markets that deal specifically with the trade and supply of energy. An energy market may refer to an electricity market but can also refer to other sources of energy like natural gas and oil.

There are **two types** of energy markets

1. **Regulated Energy Market:** A regulated electricity market contains utilities that own and operate all electricity.

2. **Deregulated Energy Market:** a deregulated electricity market allows for the entrance of competitors to buy and sell electricity by permitting market participants to invest in power plants and transmission lines.

The Global Energy Crisis: Energy markets began to tighten in 2021 because of a variety of factors, including the extraordinarily rapid economic rebound following the pandemic.

- The situation escalated dramatically into a full-blown global energy crisis following Russia's invasion of Ukraine in February 2022.

- The price of natural gas reached record highs, and as a result, so did electricity in some markets. Oil prices hit their highest level since 2008.

Energy Sources: Primary energy sources take many forms, including:

- Nuclear energy
- Fossil energy like oil, coal, and natural gas
- Renewable sources like wind, solar, geothermal, and hydropower.

These primary sources are converted to electricity, a secondary energy source, which flows through power lines and other transmission infrastructure to your home and business.

THE EU's SUSTAINABILITY GOALS

Due to the recent volatility in the world energy market the EU needs to find a way to power through this energy crisis while still maintaining its sustainability goals.

Definitions and objectives of the GEC Model 2022 scenarios

	Net Zero Emissions by 2050 Scenario	Announced Pledges Scenario	Stated Policies Scenario
Definitions	A scenario which sets out a pathway for the global energy sector to achieve net zero CO2 emissions by 2050. It doesn't rely on emissions reductions from outside the energy sector to achieve its goals. Universal access to electricity and clean cooking are achieved by 2030.	A scenario which assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term net zero targets, as well as targets for access to electricity and clean cooking, will be met in full and on time.	A scenario which reflects current policy settings based on a sector-by-sector and country by country assessment of the specific policies that are in place, as well as those that have been announced by governments around the world.
Objectives	To show what is needed across the main sectors by various actors, and by when, for the world to achieve net zero energy related and industrial process CO2 emissions by 2050 while meeting other energy-related sustainable development goals such as universal energy access.	To show how close do current pledges get the world towards the target of limiting global warming to 1.5 °C, it highlights the "ambition gap" that needs to be closed to achieve the goals agreed at Paris in 2015. It also shows the gap between current targets and achieving universal energy access.	To provide a benchmark to assess the potential achievements (and limitations) of recent developments in energy and climate policy.

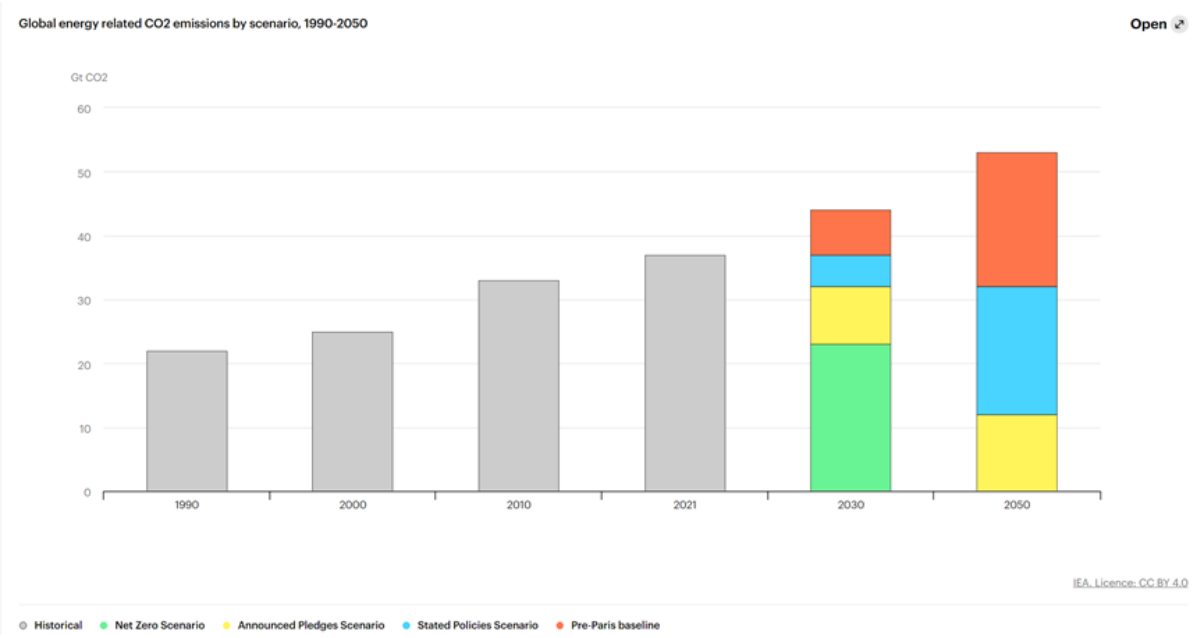
Global Energy and Climate Model (GEC Model)

The scenarios highlight the importance of government policies in determining the future of the global energy system: decisions made by governments are the main differentiating factor explaining the variations in outcomes across our scenarios.

People consider that the future Europe is a **decarbonized Europe**. These scenarios work in harmony with the EU's SDGs (Sustainable Development Goals).

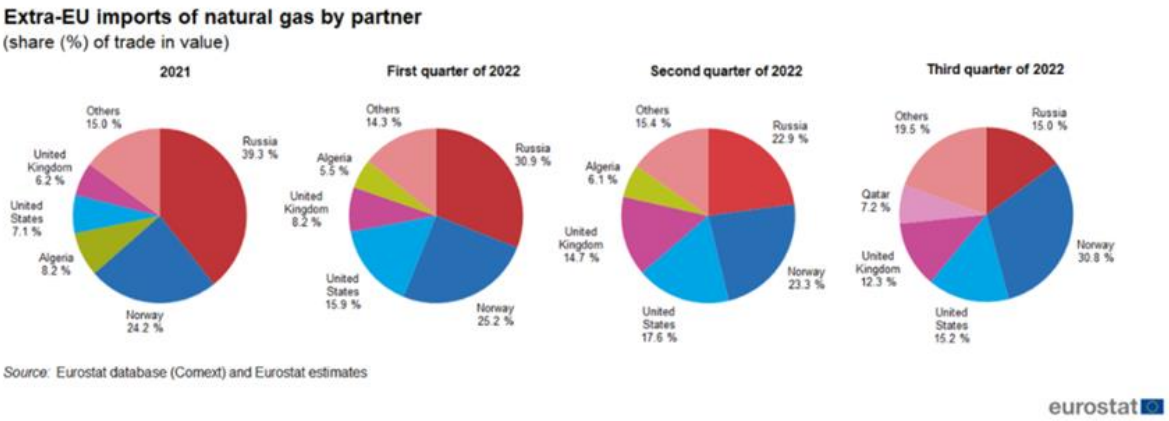
Today's growth rates for deployment of solar PV, wind, EVs and batteries, if maintained, would lead to a much faster transformation than projected in the STEPS (Stated Policies Scenario),

although this would **require supportive policies** not just in the leading markets for these technologies but across the world.

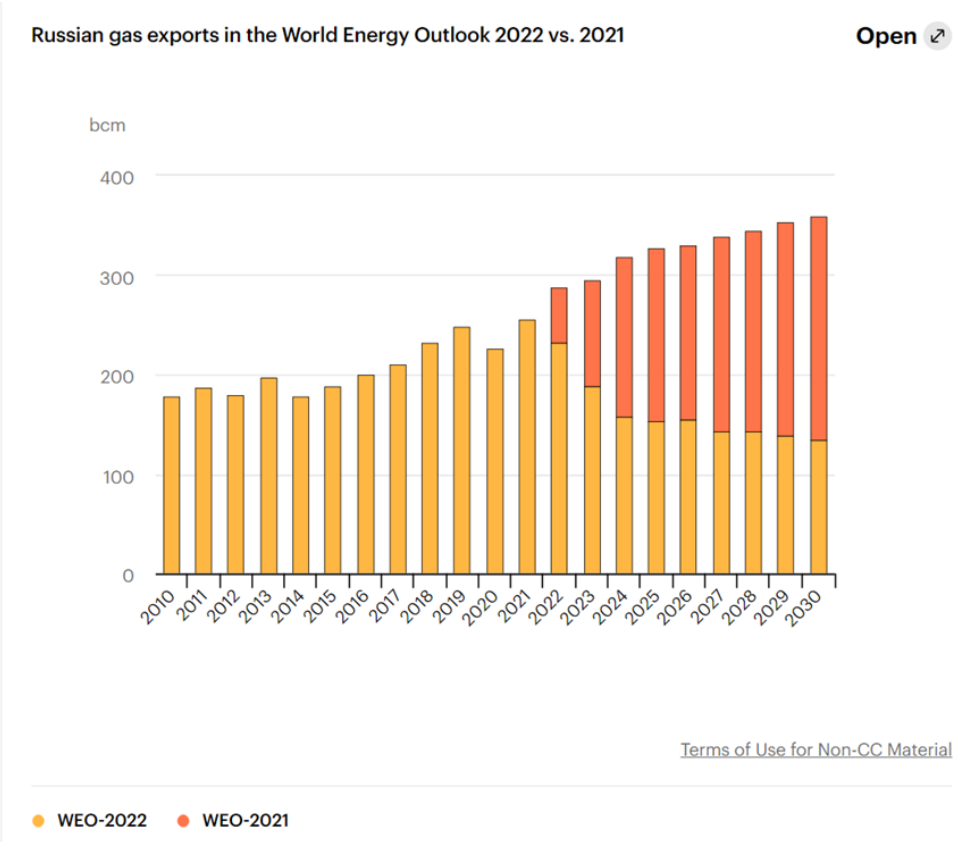


SIGNS OF THE EU's EFFORTS OF BECOMING INDEPENDENT

About 60% of the EU's energy needs are met through imports. The other 40% of Europe produces them domestically. By net mass, Russia was the main extra-EU supplier in 2021 (e.g. 25.8% petroleum oil, 43.9% gas), followed by Norway. However, the situation changed dramatically over the course of 2022 during the energy crisis:



The difference between the estimated energy exports **before** the invasion of Ukraine and **after** the invasion.



All Russia's trade ties with Europe based on fossil fuels had ultimately been undercut by Europe's net zero ambitions (The Net Zero Emissions Scenario).

MEASURES ALREADY TAKEN

***Risk preparedness*:** The Regulation on risk preparedness in the electricity sector (EU/2019/941) requires EU countries to prepare plans for how to deal with potential future electricity crises and put the appropriate tools in place to prevent, prepare for and manage these situations.

The Agency for the Cooperation of Energy Regulators (ACER): ACER's main role was originally confined to coordination, advising and monitoring. However, the Regulation (EU) 2019/942 established an EU Agency for the cooperation of energy regulators.

ACER has therefore been granted additional competences in those areas where fragmented national decisions of cross-border relevance are likely to lead to problems for the internal energy market.

REPowerEU plan: On 18 May 2022, the REPowerEU plan was published, presenting a comprehensive set of actions and resources to meet the goals outlined in the previous communication. It aims to

- saving energy
- producing clean energy
- diversifying our energy supplies

Market Correction Mechanism: On 22 November 2022, the Commission proposed a Market Correction Mechanism to protect EU businesses and households from episodes of excessively high gas prices in the EU. The proposed instrument contains safeguards to avoid disruption to the energy and financial markets.

There are many more measures and actions the EU has taken in the links provided in the preparation module