



# Conflicting energy policy priorities in EU energy governance

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## Abstract

In the last decade, energy policies across EU member states have shifted, with fears emerging over the feasibility of the decarbonisation targets set up at European level. In many cases, the changes have been triggered by weakened economic conditions linked to the last international economic crisis (2008), but in some others, they respond to national political preferences that have been given priority over long-term goals related to sustainability. The second half of 2016 was particularly full of events that on one hand, introduced uncertainty over markets, and on the other hand, may condition the progress (both weakening it and leaning it towards the wrong path) towards the Energy Union, the latest attempt to achieve energy market integration by the EU institutions. This paper will focus on three events to analyse their influence over EU's energy governance patterns: The first is the Brexit vote and the implications over budget availability for emissions reduction projects. The second is the election of Donald Trump as president of the USA, with his declared disbelief in climate change. Finally yet importantly is the latest decision by OPEC to cut production in order to increase oil prices. With the exception of Brexit, these events are external to the EU, but all of them will have an impact over EU energy policy decisions. Bearing in mind that goals set up for 2030 are already 'softer' than expected compared to the 2020 ones, the question is whether those events could push policymakers more towards European targets concerned with security of supply, conflicting with emissions reduction goals.

**Keywords** Energy governance · Energy policy · Energy Union · Integration · Sustainability

## Introduction

The European Union (EU) launched its Energy Union Package (European Commission [EC] 2015a) in 2015, a Framework Strategy 'with a forward-looking climate change policy'. The language suggests that priority has been given within energy policy to tackling climate change-related issues. The strategy is built around five priority areas (decarbonisation, energy efficiency, internal energy markets, energy security, and research, innovation, and competitiveness) which are supposed to be integrated (European Commission 2015a).

Governance of the Energy Union needs to be based on several elements: integrated national climate and energy plans, planning and reporting obligations of the member states, a transparent monitoring system, and regional cooperation (European Commission 2015b). Among other aims, governance should ensure that the EU-level targets for renewables

(binding, i.e. compulsory for member states) and energy efficiency (indicative, non-binding) are delivered. It should also be anchored in EU legislation, existing and new, which should involve full participation of the European Parliament (European Commission 2015b). The difficulties of achieving this desired governance framework are acknowledged by the proposal to regulate it ['certain redundancy, incoherence and overlaps and lacking integration between energy and climate areas'... 'not suited to support the achievement of the 2030 Framework for Energy and Climate, nor synchronised with the planning and reporting obligations under the Paris Agreement'] (European Commission 2016a). This proposal intends to promote better coordination between the EU and national actors as well as to reduce administrative burdens.

Within the Energy Union Framework Strategy, the element most closely related to climate change is the 'decarbonisation' priority. However, the primary means of meeting its objectives—reduction of emissions using the Emissions Trading Scheme (ETS), increased energy efficiency, be the number one in renewables—may be vulnerable to weaknesses in implementation strategy as well as to tensions with the goals of energy security articulated elsewhere in the same Framework Strategy. Specifically, energy efficiency is intended to be the foremost renewable energy transition strategy, but progress on

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implementation has been limited by the poor functioning of the marketplace supporting the ETS, due in part to the non-binding nature of its targets (Nichols 2014). Inability to meet energy efficiency goals thus hampers the ability of renewable targets to offset reliance on fossil fuels as a source of energy security, ensured by the Directive on minimum reserves of crude oil or petroleum products (Official Journal of the European Union [OJEU] 2009).

The purpose of this paper is to analyse whether the EU's energy policy is consistent and forward-looking or if there are internal contradictions that could hinder the achievement of successful and coherent outcomes that are in line with the publicly expressed commitments towards the decarbonisation of the European economies. Examples of these public expressions are the 'Roadmap to a low carbon economy' approved in 2011 (EC 2011) or, more recently, the speech of Commissioner Arias Cañete at the Business Europe Power Market encounter in 2016 (EC 2016b). Recent events (2016) namely Brexit, the change on climate policy brought by the election of Donald Trump as president in the USA, and the agreement of the Organisation of Petroleum Exporter Countries (OPEC) to reduce production to keep oil prices high, may compound any internal stresses within the EU energy policy framework, potentially shaping its direction going forward. The research questions to be answered then become: Is the EU energy policy consistent and forward-looking? Can the Energy Union really fulfil its aims? What impact may 2016 events have on EU energy governance?

The framework overlooking the analysis builds around the concept of governance (see for instance Kolher-Koch and Rittberger 2006) and the different actors participating in EU energy policy governance. Discourse analysis has been used for the study, with sources including official documentation from the European institutions, reports from interest groups and energy experts, and the views publicly expressed by different actors, reflected mainly in interview transcripts appearing in press articles, press releases, and public speeches. Terms particularly looked at in line with the Energy Union stated aims include 'decarbonisation', 'low carbon', 'governance', and 'climate change'. The analysis shows that among the three events under scrutiny, Brexit is the one with the highest likely influence over EU energy policy governance; insofar, it will change the actors participating in the process and the composition of the institutions. The following section will summarise the current political environment in the EU and member states and its link with energy policy developments. It will be followed by three sections covering each of the three identified events, finishing with concluding remarks.

## Situation at EU level and in member states

Recent years have witnessed a convulsed environment across the EU for a variety of reasons. The recovery from the 2008

economic crisis has left countries rebelling against austerity measures that had disturbing social costs (Oxfam 2013; Caritas Europa 2014; ESAD 2015). The refugee crisis, caused by the war in Syria and other instability movements in the Middle East, revealed lack of solidarity in some countries (Chappel 2016; Sherer 2017). Indiscriminate jihadist terrorist attacks took place in cities across several member states (Hanrahan and Wang 2017). Worrying signals of undemocratic behaviour appeared in some member states [Hungary's new constitution in 2013 (Verseck 2013); attempts in Poland to undermine the constitutional court or to approve regressive anti-abortion laws (Bilefsky 2016; Lyman and Berendt 2016)]. Scepticism about the unity of the EU and the pursuit of further integration has existed in various degrees for some time, more visibly since the rejection of the EU Constitution in 2005 by France and the Netherlands (Lubbers and Scheepers 2010). However, aforementioned circumstances have heightened this Euroscepticism, resulting in unsettled political regimes (France, Netherlands, Austria) and particularly in the United Kingdom (UK) in the vote to leave the EU taken on June 2016. Issues cited above led to demonstrations pro and against migration and refugees, and anti-austerity in several cities across EU member states. Politicians needed to react to these citizenship voices, and the results of electoral processes taking place in 2017 may have been influenced by what appears to be a new focus on national issues, instead of wider transnational integration. This interaction or protest reaction can be seen as an increasing participation of civil society in EU governance (Finke 2007) with differentiated results across countries. In France, Macron, successful presidential candidate, advocated transition to renewable energy, defended the implementation of a carbon tax and positioned himself against the moves of Trump's administration, but in general, issues around climate change were not the main priority in electoral discourses (Timperley 2017a). In Germany, the tone of the discourses in the electoral process of 2017 turned clearly to national concerns, even when talking about climate-related topics. The Christian Democratic Union (CDU), Angela Merkel's party, did not mention the European ETS in its manifesto, whilst stating that climate protection 'must not lead to jobs moving to countries with lower standards' (Timperley 2017b), reflecting worries over the loss of jobs in coal-related industries and regions.

In the EU energy policy area, however, the current situation of a lack of integrated energy policy has its origins decades ago. Focusing on the aftermath of the economic crisis, what was observed across different member states, particularly those worse affected by it, is the reduction or elimination of any support schemes for renewables—in particular the Feed-In-Tariffs (FIT). Some countries, particularly Spain, are at risk of not reaching their targets for 2020 (European Renewable Energy Council 2013). Table 1 summarises the situation across EU member states.

**Table 1** Summary of supporting instruments for renewable energies in the EU

Country	FIT program	Government subsidies/support instruments	FIT start year
Austria	Yes	Subsidies; subsidy for heating	First: 2000; last: 2012
Belgium	No	Certificates; quota system; subsidies; loans and taxes depending on region	First: 1999; last: 2002
Bulgaria	Yes	Grant for heating (loan) and tax exemption	First: 2007; last: 2011
Croatia	Yes	Loans	2012
Cyprus	Yes*	Subsidy and net metering	First: 2017
Czech Republic	Suspended from 2014	Premium tariff (green bonus); subsidies	First: 2005; last: 2013
Denmark	No	Premium tariff; net metering; loan guarantees; subsidies and tax regulation	First: 1998; last: 2012
Estonia	No	Premium tariff; investment support; subsidies for heating	First: 2003; last: 2007
Finland	No	Premium tariff; subsidies; bonus and investment support for heat	2010
France	Yes	Premium tariff; tenders; tax benefits; loans and subsidies for heating	First: 1996; last: 2000
Germany	Yes	Loans; premium tariff; subsidies and loans for heating	First: 1991; last: 2017
Greece	Suspended 2015	Feed-in premiums; net metering; subsidies and tax exemptions; loans; subsidies and tax regulation for heating	First: 1994; last: 2015
Hungary	Yes	Premium tariff; net metering; subsidies	First: 2007; last: 2016
Ireland	Suspended end 2015	Tax relief scheme; subsidies and tax regulation mechanism for heating; new measures expected 2017	First: 2006; last: 2012
Italy	Yes	Premium tariffs; net metering; tax regulation mechanisms; tenders; price base mechanisms; loans	First: 2007; last: 2012
Latvia	Yes- but on hold	Net metering; tax reductions for heating	On hold till 2020 on suspicion of corruption
Lithuania	No	Feed-in premium; tenders; net-metering; tax relief	2012
Luxembourg	Yes	Subsidies; tax regulation mechanisms; Subsidies for heating	First: 1993; last: 2008
Malta	Yes	Investment grants; subsidies for heating	First: 2012; last: 2016
Netherlands	No	Premium tariff; loans; net metering; tax regulation mechanisms; same except net metering for heat	2009
Poland	Yes	Quota system; tenders; loans; subsidies and tax incentives; subsidies and loans for heat	2014—approved (first tender December 2016)
Portugal	Yes	Subsidies for heating cancelled	First: 2001; last: 2014
Romania	No	Quota system (green certificates); subsidies; subsidies for heating; financial support for new installations producing renewable electricity finished at the end of 2016	None
Slovakia	Yes	Subsidies; tax regulation mechanisms; subsidies for heating	First: 2001; last: 2012
Slovenia	No	Premium tariff; loans and subsidies; loans and subsidies for heating	2002
Spain	Suspended 2012	Premium tariff (suspended); price regulation system since 2015	1997
Sweden	No	Quota system; subsidies and tax regulation mechanisms; tax exemption for heating	None
United Kingdom	Yes	Loan; quota; tax regulation mechanisms; loans and price-based mechanisms for heating	First: 2009; last: 2012

Source: RES-Legal (<http://www.res-legal.eu/>), last extracted 27.11.2017

Unless otherwise stated, the instruments listed for each country are applicable to electricity

\*Transitional FIT system for 1 year, after which companies will pass to the normal market price

Despite the expressed wish to promote renewables and the targets set for 2020 or the aim to become in general a low carbon economy by 2050, the European Commission seems

to have moved from the ‘sustainable, smart, and inclusive growth’ discourse to one of security of supply and market competition. The Commission set out the guidelines to move

from fixed tariff rates to feed-in premiums from 2016 onwards (European Commission 2013), considering wind and solar technologies mature enough to face market competition and existing subsidies as distortion of the internal market. This move has been criticised for being driven by the big energy companies and their lobbying groups (Nielsen 2014). In fact, latest reports highlight both historical and still existing government support of fossil fuels, particularly coal, in the member states (Ecofys 2014), even if said reports also mention the support given to renewables through different public policy interventions. Lobbying activities by energy companies are well known, and evidence seems to indicate that fossil fuel companies have been more successful in their contact with authorities and dedicate considerable amounts of money to ensure their voice is heard ahead of relevant decision-making processes. Examples can be found at country level, where for instance Shell had 112 meetings with ministers in the UK and BP had 79 meetings, between 2010 and 2014, totalling more than twice the meetings that Green groups (Greenpeace and Friends of the Earth) had with ministers during the same period (Evans et al. 2015). At EU level, a report (Corporate Europe Observatory 2017) indicates that gas companies have been meeting the commissioners in charge of climate and energy policy 460 times during the last two and a half years and have spent more than €100 million in lobbying activities to ensure that gas projects are approved (Chapman 2017). Public interest groups against the expansion of gas infrastructure spent barely 3% of that amount (Corporate Europe Observatory 2017). Most fossil fuel companies are multinationals: their activities go beyond the EU context and there is evidence of their influence in the USA. A representative group of fossil fuel companies is thought to spend \$115 million per year on obstructive climate policy lobbying: \$27 million by ExxonMobil, \$22 million by Shell, \$65 million by the American Petroleum Institute (Exxon and Shell contribute here too), and \$9 million by the Western States Petroleum Association and the Australian Petroleum Production & Exploration Association (InfluenceMap 2016).

Something similar seems to have happened with the energy efficiency (and renewables) targets for 2030. After multiple rounds of negotiations and conflicting positions, the potential gains that could come from the promotion of energy efficiency were outweighed by the fears of a negative impact on the European ETS. Increased energy efficiency would mean reduction of emissions, which would translate into lower needs to acquire emission permits, making their price go down and subsequently making the purpose of the market redundant. Even if some groups considered the initial call of the Commission for a 30% target insufficient, the Council opted by a smaller goal of 27%, to be reviewed in 2020 (European Commission 2015c). This is an indicative and not a binding target, which leaves member states without individual targets. It thus weakens the possible outcomes of any measure. Some

authors consider the election of binding or indicative targets irrelevant and depending on government priorities (cost-containment or effectiveness in deployment) (Mir-Artigues and Del Rio 2016). However, the indicative nature of the targets involves no sanctions if they are not reached, and enforcement options would be softer (Lafferty and Ruud 2008). On these grounds, the approach taken has been criticised openly by green industry and climate groups (Nichols 2014). The decision was made under the pressure of the increasing tensions between Russia and Ukraine, which is significant as there were fears of disruptions in energy supply, as it had previously happened. A united position was sought even if was not as ambitious as it would be desirable. There was a view of possible modifications occurring after the Paris Summit in 2015 (Jacobsen and Crisp 2014) in order to make the targets more ambitious, but in the aftermath of the Summit, no mention was made of such possibility.

Controversial discourse continues with what can be classified as an anti-environmental decision in 2016, when the Commission approved a continuation of coal subsidies for another 8 years. This was celebrated by the fossil fuel lobby and gives room for the UK to provide even higher subsidies to fossil fuel companies after Brexit (Hope 2016). But this is in line with the national concerns of other member states over the potential job losses in the coal sector, namely Germany and Poland.

If the concept of governance is understood as the interaction of public and private actors to engage in policy formulation (Heritier 2002), the examples abovementioned (with regard to lobbying) could be used to argue that, with regard to energy policy, fossil fuel companies may have had advantage to get their points of view upheld in front of the European institutions. This poses questions about the legitimacy of the governance framework, if the provision of information is asymmetrical and only elites have access to the institutions (Hauser 2011). It also indicates that national priorities are influencing the decision-making process at EU level.

## Effects of Brexit

The main concern with regard to Brexit has to do with the resources available for sustainability projects, given that the UK has been providing a substantial amount of the EU budget, but also given that EU resources have funded many environmental projects in the UK (House of Commons 2017). In the energy area, investments on infrastructures could be compromised, and it remains to be seen how the interconnections between countries will progress in order to avoid energy ‘islands’.

The UK is a net contributor to the EU budget. Its contribution was 18,209.4 €million in 2015. This accounts for 15.4% of the total revenue, making the UK the third largest contributor after Germany and France (European Commission



2015d). As part of the Brexit negotiations, it is expected that the UK will pay some sort of divorce bill ‘to honour its share of the financing of all the obligations undertaken while it was a member of the Union’ (European Commission 2017a). However, it is clear that, for the next Multiannual Financial Framework, changes would need to be made, as otherwise there will be a gap in the finances. There are several options for these adjustments (Chomicz 2017): (1) Adjust the budget size counting on which programmes the UK may continue to be part of and paying to. (2) Maintain the payments to the budget of the remaining 27 member states that have been contributing to the UK rebate (payment that the UK was receiving back and will not continue). (3) Make budget cuts in all areas. (4) Decrease the funding for areas considered of lower priority.

There will need to be re-calculations to allocate the access to funding from the Cohesion Fund—aimed at member states whose Gross National Income (GNI) per capita is less than 90% the EU average, in order to reduce economic and social disparities and promote sustainable development (Official Journal of the European Union 2006) or the Structural Funds, for instance. This is because the UK is one of the members with highest GDP/GNI levels, so once the UK leaves, the EU average GDP will decrease, and consequently, the distance of the poorest countries with the new EU average will decrease too (they will be closer to the 90% threshold). This fact, added to the uncertainty of the negotiation results, makes the first option, adjusting the budget in line with the new pool of contributions, extremely complex, even though it would be more accurate and the size of the adjustment smaller. The second option is quite controversial, possibly facing resistance from those member states that currently contribute the most to the rebate (France, Spain, and Italy—EC 2015d). Making budget cuts in all areas in a proportional way may seem fair and relatively simple, but it bears the risk of leaving sensitive areas without enough funding. This takes us to the fourth option of assigning levels of priority to different policy areas and cutting the funding of those with the lowest priority. Again, though feasible, this too can be controversial: It poses questions about who is going to decide, and how the levels of priority will be defined. If environment and sustainability are negatively affected, which may be a possibility given the lowering of the profile that issues such as climate change are taking in the political arena (Simms 2017), this can impact the funding for energy projects that try to address climate change and sustainability-related problems. Europe could end up with a watered down Energy Union Strategy.

Brexit will reduce the number of EU Members of the European Parliament (MEPs) and will affect the distribution of votes. It will also affect the Commission composition, and there will be one fewer country making decisions. One party less in a negotiation theoretically should lead to decisions being made more quickly, but what if the parties left at the

discussion table have more polarised positions? The UK is considered a big country within the EU. Without the UK, a country like Poland could take a more prominent role, and Poland is not likely to champion ‘green’ issues in the way the UK has historically done (Martewicz 2017).

Some had already warned before the referendum (Rayner 2016) that Brexit could put the EU efforts to reduce carbon emissions at risk. After the referendum, this was given more detail, insofar as the European ETS funding would suffer without the UK. Reduced funding will compromise the money that Eastern European countries have been receiving from the ETS auction schemes to adapt their energy systems (Khan 2017), so their transformation to less polluting energy supplies could be at risk.

With regard to energy interconnections between member states, Brexit could have significant impacts. The remaining EU members will focus on building stronger interconnections between them, with doubts over political support from those remaining members to have greater interconnections with the UK. Since the UK depends on energy imports, it will be in its interest to take part on interconnection projects, but for the remaining members, their priority would be those countries that are still part of the EU. However, Ireland would be at the end of pipes that have to cross the UK. So there are questions about how Ireland can guarantee energy security of supply after Brexit, whilst depending on energy flowing through the UK market (Simon Virley, from KPMG in Crisp 2017). It is possible that energy interconnections between Ireland, the UK, and the rest of the EU will be part of the negotiations of the future relationship of the UK with the EU. Given the fact that the issue of the border with Northern Ireland is already proving controversial, there is uncertainty about what the future may bring for energy security of supply, particularly for Ireland.

On a positive note, there are also arguments saying that the EU will improve its renewable energy outlook without the UK, since the country is far behind its targets for 2020 whilst other member states are making significant progress (Lycetts 2017).

All in all, Brexit is causing uncertainty, so it is difficult to assess to which extent there will be a positive or negative impact from the energy governance perspective. However, given the slow progress observed on the Energy Union roadmap (EC 2017b), with status reports based on data mostly related to 2015 (EC 2017c), it seems that 2016 was almost a lost year with regard to the necessary steps to achieve the desired targets.

## The new approach of the US government

In a globalised world, what happens in one country can have impacts elsewhere. Given the traditional energy dependency of many Western countries, this is particularly true concerning issues related to climate change and energy.

Before the last US election (November 2016), some already warned of the possible consequences for climate and energy policies of a Trump win. The view was that his victory would lead to substantial changes/upending of climate change policies, as his position is radically opposed to the policies adopted by the Obama administration (Crisp 2016). It could soon be observed that the fears were not unfounded, when in March 2017, he took the first steps to dismantle Obama's Clean Power Plan, gaining criticism in and out of the USA, including from the EU institutions (Commissioner Arias Cañete) (Smith et al. 2017). A few months later, he decided to withdraw the USA from the Paris Agreement (Selin 2017) creating a generalised distrust in the USA with regard to multilateral cooperation.

The EU has been firm in its criticism of the new US position, but what can this actually mean in practical terms? There have been radical calls within Europe to isolate the USA and stop any re-initiation of transatlantic trade talks (Martin Schulz, candidate in the German elections), the rationale being that as the USA is not assuming the costs of fighting against climate change, it would create competitive distortion, so no additional market access should be granted (Livingston and Brattberg 2017). The chairman of ArcelorMittal (from India) called for Europe to establish a 'carbon border tax' (Livingston and Brattberg 2017), which would allow European companies to keep their competitiveness against third countries and maintain the innovations to continue reducing emissions.

It has become apparent that the USA is losing the leadership role in the fight against climate change that it had taken from Europe after the failure of Copenhagen in 2009. On one hand, it has made visible the commitment of both China and the EU to work together, and strengthen their relationship (Selin 2017). On the other hand, it seems that this time China is taking the leadership role, amid fears in American forums that the consequence of the exit from Paris will 'make China great again' (Carrington 2017).

Areas in which the USA and the EU can work together even in this environment have to do mainly with energy security, as it is in the US interest that Europe reduce its energy dependence from Russia. However, this is also problematic, as the USA has publicly opposed the Nord Stream 2 project (Livingston and Brattberg 2017). Regarding attempts for cleaner energy, there can be possibilities of cooperation on nuclear and, given the preference for coal of president Trump, on carbon capture and storage. The latter is less likely though, since the EU is still committed to getting away from coal, despite the maintenance of coal subsidies previously mentioned, and the investments in Carbon Capture and Storage (CCS) have not been completely successful (Livingston and Brattberg 2017).

The main driver pro-renewable energies in the USA are state-led policies rather than federal ones, so in the short term, there should not be too many changes (Landis-Marinello 2017; Fitfield 2017). States have authority over the siting of energy projects, they have the ability to create renewable

portfolio standards and have been doing so, and there have been multistate efforts to promote renewable energy and address the impacts of climate change. It appears clear that the focus of a majority of states is on continuing with the benefits that the promotion of renewables has been providing, even if there is no support from the central administration. In the long term, however, the removal of the Clean Power Plan can make things change (Divva Reddy, from Eurasia Group in Crisp 2016) as it would take out of the picture a long-term vision for a low-carbon economy in the USA. This could be an opportunity for Europe to regain the leadership in renewables, which the Energy Union is calling for. The UK, however, will not be part of that leadership, unless it specifically agrees to support the EU's joint efforts as part of a Brexit deal. This could have been a possibility in the past, but it is doubtful in the current environment, given that the manifesto of the Conservatives in the last election (Conservatives 2017) did not mention renewables and specifically supported shale gas.

With regard to encouraging other countries to withdraw from Paris or not make the effort, Trump's decision may have an indirect impact, but so far, the support to move into a lower-carbon energy system is strong and expected to continue (Simon Virley, from KPMG in Crisp 2016).

Since European energy imports from the USA are limited, the behaviour of the USA may not have a big impact on the diversification of energy imports as part of the Energy Union plan. Therefore, even if Trump plans to stop shale gas exports in the future, the focus of the EU would still be to build bigger interconnection between member states. The UK can be affected more strongly (Simon Virley in Crisp 2016) since its fossil fuel reserves are in decline and are supportive of shale gas. So in theory, it could be interested in receiving imports. Thus, it could try to reach individually an agreement with the USA on this area, once Brexit becomes a reality.

The election of Trump may not have a big impact on EU's energy governance, at least directly, but it can have an influence on trade negotiations and energy security approaches, aside from the opportunity for the EU to take the leadership role on climate change matters. However, given the fact that in the future the action from the biggest emitters will be fundamental, it is more likely that the world will look at how China behaves. This can have ramifications in other diplomatic areas. There is a risk for EU's energy governance, if Eastern European countries such as Poland, heavily dependent on coal, cultivate ties with Trump's administration in order to break the path towards decarbonisation that the EU has set and which they consider as 'utopian' (Livingston and Brattberg 2017).

## The OPEC decisions

In November 2016, OPEC reached an agreement to cut oil production for the first time in 8 years, also including non-

OPEC countries in the deal (Razzouk et al. 2016). The decision was seen with scepticism given the traditional incentives that individual countries have had in the past to breach the agreements. At this time, things look a bit different and the agreement has been kept and in fact extended until 2018, after a decision from Saudi Arabia and Russia in May 2017 (Reed 2017). In a way, the two decisions had some impact, namely temporary increases in the price of oil to \$56.64 per barrel (Fletcher 2016). However, prices went down again to around \$53 per barrel (Reed 2017).

OPEC had recognised that part of its problems to keep prices up and thus stable profits was related to excess of supply (OPEC 2016), so the decision in November 2016 was trying to balance inventories (Razzouk et al. 2016). Low prices of oil had been acting as a disincentive for investments, so there were fears that, in the medium term, lack of investments would result in lack of supply and excessive prices as observed in previous oil crises (OPEC 2016). This may temporarily benefit oil producer countries, but the issues that would originate elsewhere would lead importer countries towards alternative sources of energy, which would ultimately go against the producers' long-term aims.

The problem now comes from the fact that prices are barely going over the threshold supposed to be enough to boost investments. This poses questions over OPEC's continued ability to be a game changer in the energy market. There are three main reasons for the current situation (Reed 2017): Firstly, predictions over oil reserves that push prices up are made assuming constant increases in demand, but currently demand is either not growing or not doing it as quickly as desirable (IEA 2018). Secondly, linked to the decrease in demand, is the surge of electric vehicles. Technologies are progressing quickly and countries clearly favour investment in related innovations, further decreasing demand for oil (Prince 2017). Thirdly, the role of shale gas, particularly in the US, needs to be mentioned. An increase in the price of oil makes shale extraction more profitable, which increases supply in that area. Shale extraction is more expensive than conventional techniques, but now, companies are finding the right financing instruments available so funding is not a problem (Reed 2017).

Could this scenario prompt any reaction from EU energy policymakers? The likely answer is no. The EU and OPEC have been keeping regular meetings under the framework of the so called Energy Dialogue, the latest of which took place also in 2016 (OPEC 2016). Both parties share information about their current situation, common concerns, and forecast for the coming years, but the reality of activities is reduced to joint studies and completion of reports (OPEC 2016). A new meeting should have taken place on the first half of 2017 but has not yet happened at the time of writing. Governance of energy policy in the EU is unlikely to be affected by OPEC decisions, since EU policymakers already advocate for strategies that diversify energy sources and suppliers. Internal

problems of OPEC countries are not an EU priority, notwithstanding that lack of stability in those countries could trigger problems whose effects can expand worldwide.

Issues that oil producer countries are facing shaped the recent agreement reached at the OPEC meeting in Vienna (November 2017), to extend once more the cut on production until the end of 2018, and again including non-OPEC countries in the deal. The price of Brent (used as benchmark price mostly in Europe) went up to \$63.37 per barrel, but the West Texas Intermediate (used as benchmark price by the USA) went down to \$57 a barrel (Wearden and Fletcher 2017). This is a testament to the difficulties and volatility affecting oil prices and to the lower influence that these agreements have in attempts to keep oil prices high.

Even if this purpose (high prices) were fulfilled, since the EU is committed to decarbonisation, an increase in the price of oil could only prompt further commitment in that direction to reduce oil dependency. From the governance framework point of view, it could be expected that a big player in the energy market like the OPEC could have an influence on energy policymaking in the EU, but evidence seems to indicate that this is not the case and that other actors, as previously demonstrated, play a more relevant role.

## Concluding remarks

Of the three events analysed by this paper, it becomes apparent that Brexit is the one with the highest likelihood to affect energy policy governance in the European Union. Whilst the outcome for both UK and EU will depend on the result of the negotiations, it is foreseeable that the overall impact will be negative, understood as one that takes the EU away from its commitment towards a low-carbon economy. The two main reasons for such a negative outcome are, on one side, the decrease in the level of priority assigned to environmental and climate change concerns, as shown by the disappearance of the topic from political discourses. On the other side, we find the possible pre-eminence of countries less favourable towards greener energy policy in the governance framework once the UK leaves the EU.

Trump's approach to energy policy however could be positive; insofar, it could bring the EU back to a leadership role in the fight against climate change, if China does not take the lead first, as some are pointing. However, a joint leadership of EU and China could also prevail. Increases in the price of oil could only contribute positively to enhance the EU's commitment to decarbonisation, so in that regard, actions from OPEC would have little impact.

The reduced progress observed so far in the roadmap to the Energy Union can be attributed to the environment of uncertainty created by Brexit and other internal affairs, as well as the uncertainty over Trump's approach towards Europe. So it is still

early to answer the question about the possibility of the Energy Union to fulfil its aims. However, with regard to the question about EU's energy policy being consistent and forward-looking, it is difficult to give a positive answer. The issues highlighted by this paper, particularly the ones related to Brexit and to a lesser extent the possible influence of US energy policy under Trump, dividing member states' views on coal, pose doubts about the direction of EU energy policy in years to come.

It is not possible to measure if the negative aspects, coming from internal events such as Brexit, will be overcome by positive aspects coming from external events (Trump's policies and OPEC agreements), but it seems unlikely now. What appears clear is that the governance framework for energy policy in the EU is going to change, and its shape and direction will depend on which actors and from which remaining member states take the lead. Since the political arena is changing more than ever within and out of the EU, the overall picture is one of uncertainty.

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