

EU ENERGY POLICY DIARY 2014

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■ Winds of change

2014 was marked by the winds of change that blew through the corridors of power in Brussels. The election of a new Parliamentary Assembly in May was followed in the autumn by the nomination of a new European Commission President, **Jean-Claude Juncker**, and a new President of the European Council, **Donald Tusk**. The new President of the EC wasted no time in outlining the main priorities of his administration, which include an investment plan an EU Energy Union and the fight against climate change. **Maroš Šefčovič** was nominated the first ever Vice President for Energy Union, and **Miguel Arias Cañete** the first ever Commissioner for Energy and Climate Change. These innovations represented a significant change in leadership style and structure. By combining the two portfolios of energy and climate change under the responsibility of one Commissioner, President Juncker clearly showed the strategic direction of the new EC and gave fresh impetus and a renewed sense of purpose to the EU's institutions. Europe's political and institutional landscape was redrawn.

A prominent feature of the reconfigured European Parliament (EP) was the rise in support for parties on the outer fringes of the political spectrum. The election results revealed a notable increase in Members of Parliament (MEPs) elected on a Eurosceptic platform. In spite of these developments, the European Peoples' Party (EPP) and the Socialists and Democrats (S&D) maintained control of the political centre ground, with healthy majorities over the smaller groups. Most political commentators agreed that the two main groups would need to further compromise and cooperate closely in order to effectively meet the challenges posed by this increased representation of far-right and far-left policies.

From a nuclear industry perspective this new political configuration created a situation of flux and

uncertainty. What part would nuclear play in Europe's energy policy following this upheaval? What new blueprint for action would translate vision into reality? And how would it impact upon the nuclear industry?

From an energy strategy perspective 2014 saw work continue on the preparation of the *2030 Climate and Energy Framework*, the launching of a European Energy Security Strategy (EESS) – largely in response to the growing crisis in the Ukraine - the presentation of a €315 billion EC plan to stimulate investment in growth and innovation and the emergence of an embryonic European Energy Union project.

From a policy perspective the other major developments that shaped 2014 were: the Hinkley Point C (HPC) state aid ruling that gave fresh impetus to nuclear new build, the final adoption of the Nuclear Safety Directive, an EC report entitled [*Subsidies and Costs of EU Energy*](#), a major EC conference dedicated to the thorny subject of nuclear liability, an EC workshop dedicated to the subject of Member States' national waste management plans, and a number of research policy initiatives.

Against this backdrop of institutional change *EU Energy Policy Diary 2014* traces these - and other - political developments that characterised what was a momentous year for EU politics.

■ 2030 Climate and Energy Framework

In January, in response to a request from the European Council, the EC published a Communication entitled: *A 2030 Climate and Energy Policy Framework*, in which it promoted 'a competitive, secure and low-carbon EU economy.' The Communication outlined how this objective was to be achieved: by reducing greenhouse gas (GHG) emissions by 40% below the 1990 level, by bringing in an EU-wide binding target for renewables of 27% of the total energy mix (this is contrary to the previous policy of imposing a binding target on

individual Member States), by increasing the emphasis on energy efficiency without proposing a new target, and by establishing a new set of indicators to ensure a 'secure and competitive EU energy system.'

FORATOM welcomed the 40% reduction in GHG. However, in a Position Paper published in March in response to the Communication, FORATOM expressed the European nuclear industry's regret that the policy statement had failed to recognise the role that nuclear energy already plays - and will continue to play - in reducing GHG, or the fact that nuclear new build will help reduce levels still further. FORATOM's Position Paper also conveyed the industry's frustration at the EC's failure to support technology neutrality by not recognising the importance of nuclear energy's contribution to EU climate and energy policy.

The *2030 Climate and Energy Framework* was duly presented to the Council in October and the Conclusions of the Heads of State were given in its [October Council Conclusions](#). The Conclusions endorsed the three key targets to be achieved by the EU by 2030: a 40% reduction in domestic GHG emissions compared to 1990 levels, a share of 27% of the energy mix for renewables, and a non-binding improvement of 27% in the EU's energy efficiency.

Other Council recommendations were made with regards to renewables, energy efficiency, a fully-functioning internal energy market, electricity connectivity among Member States of at least 10% by 2020, energy security, and governance. One of the most significant innovations put forward by the Council is a new governance structure based on national plans for competitive, secure and sustainable energy. The governance would apply to GHG reduction in the non-Emissions Trading System (see below) sectors, renewable energy and energy efficiency.

The Council recommended that the EC's *2030 Climate and Energy Policy Framework* serve as a

basis for the EU's negotiations during the UN's Climate Summit (COP 21) talks in Paris, in December 2015.

■ Emissions Trading System

The EU's Emissions Trading System (ETS), which aims to reduce GHG emissions cost-effectively through the trading of emissions allowances, was largely considered to be ineffective due, among other things, to the low carbon price. This low carbon price can be attributed to a surplus of emission allowances allocated to Member States. Consequently, on 22 January 2014, the EC adopted [a Proposal for a Decision concerning the establishment and operation of a market stability reserve \(MSR\) for the Union greenhouse gas emission trading scheme](#) amending the ETS Directive. The reserve would both address the surplus of emission allowances and improve the system's resilience to major demand shocks in the future. The Proposal was submitted to the Council and the EP. The MSR should be operational from 2021 at the latest.

■ European Energy Security Strategy

The crucial importance of energy security was further amplified in 2014 by the political crisis in Ukraine. The energy security implications of the ongoing conflict spotlighted the urgent need for the EU to take action to ensure its energy security. In May 2014, the EC published its [European Energy Security Strategy \(EESS\)](#), which was based on an in-depth study of Member States' energy dependence. The Energy Commissioner called for 'a European Energy Security Strategy based on the pooling of resources, the diversification of energy sources, interconnected networks and negotiation as one voice with third parties.' This major strategic initiative provided the nuclear industry with a platform for emphasising how nuclear energy can provide the secure, non-intermittent, competitive and low-carbon

supply of electricity that the EU's consumers so crave.

In June, FORATOM responded to the EC's Communication on EESS by publishing a Position Paper in which it expressed its support for the strategy, pledged its continued commitment to helping the EU achieve its goals and welcomed the EC's recognition that 'electricity produced from nuclear power plants constitutes a reliable base-load supply of emission-free electricity and plays an important role for energy security.'

In October, the Council Conclusions welcomed the EESS document and endorsed all further actions aimed at reducing the EU's energy dependence and increasing its energy security - especially with the threat of possible power shortages looming in the event of a severe winter. The Council also adopted a number of measures to strengthen Europe's security of energy supply in keeping with the EESS. These related primarily to gas and supply interconnections, and nothing specific to nuclear energy.

■ Investing in growth and innovation

President Juncker officially took office in November and wasted no time in presenting one of the core components of his new policy vision for the EU, namely the development of an EU Investment Plan to stimulate growth and innovation. The plan detailed how in the first three years of his mandate €315 billion would be set aside for EU priority investments. A provisional list of these priorities was published in the [Final Report of the EU Task Force on Investment](#). The Task Force consisted of Member States, the EC and the European Investment Bank (EIB). The Final Report was presented to EU Heads of State at the December Council. The Member States will ultimately have to decide how the plan will be applied in reality.

It is interesting to note that a number of nuclear-related projects featured on the list of priorities, including new build projects in the UK (Hinkley Point

C, Moorside and Wylfa) and Poland, and research programmes aimed at promoting the innovative technologies that will ensure a new generation of even safer and even more efficient and environmentally-sustainable reactors. These programmes include MYRRHA, the world's first prototype reactor driven by a particle accelerator (Belgium); the ALLEGRO gas-cooled fast breeder reactor (Central Europe) and the PALLAS high flux reactor (the Netherlands).

The investment priority status conferred on nuclear energy emphasised the recognised contribution that it makes to socio-economic growth, environmental sustainability, innovation and R&D in the EU.

■ European Energy Union

The concept of a European Energy Union first saw the light of day at the European Summit in 2009, when **Jerzy Buzek**, President of the EP, declared his support for a 'European Energy Community'. In September 2014, Donald Tusk, at that time Prime Minister of Poland (a country that had decided to go nuclear for the first time), urged EU leaders to create a 'European Energy Union' in order to reduce the EU's dependence upon Russian gas imports. President Juncker, who as mentioned above had decided to make Energy Union a key focus of his EC Presidency, presented the strategy's 5 pillars: energy security based on solidarity and trust, the internal energy market, moderation of demand, decarbonisation of the energy mix and research and innovation.

This strategic approach was further supported by the nomination of Maroš Šefčovič, whose brief is to promote the European Energy Union project, and to support and oversee the work of Miguel Arias Cañete.

■ European Nuclear Energy Forum

After the European Nuclear Forum's (ENEF) June 2014 Plenary Meeting in Bratislava, an ENEF

Steering Committee was set up to initiate a process of reflection as to the future structure and functioning of the Forum. Under the chairmanship of Massimo Garribba, Director of Nuclear Safety and Fuel Cycle, DG Energy, the Steering Committee (FORATOM was represented by Jean-Pol Poncelet) was convened on a number of occasions. A proposal on the future course and direction of ENEF is expected to be finalised in early 2015.

■ New build

Without doubt, 2014 was a watershed year for nuclear new build in Europe. The construction of new nuclear reactors continued in Finland, France and Slovakia. Poland also confirmed its intention to join the European nuclear family with 2 reactors operational by 2025. However, it was the proposed construction of new nuclear reactors at Hinkley Point - a much-publicised event that signalled the re-launch of the UK's dormant nuclear energy programme - that ensured that the issue of nuclear new build was to remain headline news throughout the year.

Back in December 2013, the EC wrote to the British government expressing its reservations about whether the 'contracts for difference' (CfD) principle underpinning the UK's proposed investment contract deal for Hinkley Point C (HPC) was conform to EU competition law. The EC launched a Public Consultation on the issue prior to making a final judgement on the legality of the HPC deal.

In April 2014, the European nuclear industry gave its response to the EC's Public Consultation. It supported the EC's thesis that inherent market failures make it extremely difficult to attract investment in major nuclear projects because of the high upfront capital costs they incur, but stressed that the UK's CfD investment model was an appropriate one in order to attract the investment that is crucial to building a nuclear reactor. It regretted, however, that the EC unfairly discredited

nuclear energy in its erroneous analysis of the HPC project.

In October, the [EC announced](#) that the innovative CfD investment contract model for HPC was compatible with EU competition law. This was a major boost not only for the UK government, but also for new build as a whole; a number of countries actively considering nuclear new build had awaited with vested interest the final ruling of the EC. For these countries the CfD formula suddenly became a valid option. In response to the ruling anti-nuclear Austria announced that it would take legal action in the European Court to attempt to see it reversed.

■ Nuclear safety

In July, the Council adopted the final version of the revised Nuclear Safety Directive. The new Directive reinforced the national legislative, regulatory and organisational framework for nuclear safety in Europe. Among its main provisions was the carrying out every six years of topic-specific peer reviews related to the safety of relevant nuclear installations. In addition, complementary peer reviews of national safety frameworks will be performed at least every ten years. These periodic reviews illustrate how the revised Nuclear Safety Directive spotlights the responsibility of operators and regulators to ensure the highest possible standards of safety at all nuclear facilities. This, for the first time, includes the peer reviewing of one Member State's safety regulations by one or more other Member States.

The nuclear industry welcomed the revised Directive, which in its view represented the successful culmination of eighteen months of consensus building between Member States' governments, their national regulatory authorities and the EC, and endorsed agreed safety objectives for nuclear power plants consistent with the recommendations of the Western European Nuclear Regulators' Association (WENRA).

■ Subsidies and costs of EU energy

In October, the EC published an Interim Report entitled *Subsidies and Costs of EU Energy*. The report, which was carried out on its behalf by the consultants Ecofys, was commissioned in order to quantify, based on 2012 data, the extent of government subsidies granted in energy markets in all 28 Member States, to illustrate the monetary value of the environmental impacts of energy use and to indicate the levelised energy costs (both capital and operating) that are useful for quantifying subsidies and external costs. All energy technologies were covered in the report, which revealed that in 2012 total subsidies to the value of €122 billion were granted in the EU.

FORATOM responded to the Interim Report by sending a letter to the EC, in which it broadly welcomed the report's findings. However, it stressed that of the €122 billion that have been set aside, only €7 billion were granted to the nuclear sector. Of that total €3.3 billion was thought to come from EU funds granted for the decommissioning of Soviet-era reactors in Slovakia, Bulgaria and Lithuania, which were required to close when they joined the EU, and €2.8 billion from the budget of the UK's Nuclear Decommissioning Authority, much of which is dedicated to military facilities. The Ecofys report had unjustifiably apportioned all the funding to nuclear power production from other operating civil reactors. FORATOM also expressed its reservations about the validity of the report's conclusion that nuclear investments made up such a large proportion of the 'historic support' identified, and stated that the inclusion of a cost for uranium depletion was misleading and unjustified.

The Final Report was published in November without any changes, except for the inclusion of an additional annex, in which stakeholders comments on the Interim Report were summarised.

■ Nuclear liability

In January, the EC, the European Economic and Social Committee (EESC) and the Brussels Nuclear Law Association (BNLA) jointly organised a conference entitled Taking nuclear third party liability into the future: Fair compensation for citizens and a level playing field for operators. The conference sessions focused on key issues such as cross border claims management, insurance market capacity and financial coverage, and the International Conventions. Among the main protagonists were **Dominique Ristori**, Director General of DG Energy; **Massimo Garribba**, DG Energy; **Stephane Buffetaut** President of the TEN (Transport, Energy, Infrastructure and Information Society) Section of the EESC; **Marc Beyens**, President of BNLA and **Günther Oettinger**, the EC's Energy Commissioner (who delivered the concluding remarks). Also present were FORATOM, lawyers specialising in third party liability, experts from the insurance industry and a representative from Greenpeace.

The EC is planning to publish a Communication on the subject of nuclear liability sometime in 2015.

■ Radioactive waste management

The Council Directive 2011/70/EURATOM establishing a Community Framework for the Responsible and Safe Management of Spent Fuel and Radioactive Waste of July 2011 (commonly referred to as the Waste Directive) required of Member States that they draw up, by 25 August 2015, national programmes (NAPRO) for the disposal of nuclear waste. These programmes must include plans for the construction of nuclear waste disposal facilities.

In November, the EC organised a 2nd *Workshop on the National Programmes (NAPRO)*. Representatives from radioactive waste management organisations, as well as from different

ministries in the 28 EU Member States responsible for the establishment of the NAPROs took part, including ANDRA (France), ENRESA (Spain) and the Department for Energy and Climate Change (DECC) in the UK. Special emphasis was given during the workshop to countries with limited or no nuclear programmes. Among the issues discussed were NAPRO guidelines, funding and cost-related issues, transparency, disposal options for small countries, difficulties encountered by Member States in complying with the Directive, the Euratom *Horizon 2020* research and training programme, and IAEA waste management standards.

■ Dual Use Goods

In October, DG TRADE and the Council's Dual Use Working Group jointly organised an Industry Forum to discuss a proposed revision of the *EU Dual Use Goods Export Control Regulation*. The Industry Forum focused on four main issues: adjusting to the evolving security environment and enhancing the EU's contribution to international security, promoting export control convergence and a global level playing field, developing an effective and competitive EU export control regime and supporting effective and consistent export control implementation & enforcement.

The event attracted wide participation from the Member State export control agencies, academia and industry – and from the IT, pharmaceutical, chemical and nuclear sectors in particular. The EC took note of the views expressed and will carry out an impact assessment and publish a Proposal towards the end of 2015.

■ R&D initiatives

2014 saw progress made on a number of EU R&D policy areas. The EC's first Call for Proposals under the *Horizon 2020 Euratom Fission* initiative was launched in 2013 and opened in 2014. The Call for Proposals period lasted until September. During the

course of the year a total of 64 proposals for R&D funding were received, including projects relating to improved reactor design and operation, innovative reactor safety, regional capacity building and education and training. Another proposal was for support for the Sustainable Nuclear Energy Technology Platform (SNETP) under a project called 'SPRINT' (Strategic Programming for Research & Innovation in Nuclear fission Technology), in which FORATOM and ENS are participating organisations. The proposals selected as eligible for receiving funding will be announced on 17 February 2015.

On 10 January 2014, the EC adopted a Proposal for a Council Regulation laying down maximum permitted levels of radioactive contamination in food and feed following a nuclear accident or any other case of radiological emergency. [A revised text](#) was agreed by the Council's Atomic Question Group (AQG) in November 2014. The EP and the EESC are expected to adopt their Opinion on it and the Regulation should be adopted by the Council in 2015.

In December, a Strategic Energy Technology Plan (SET Plan) conference took place in Rome, entitled: *Driving the energy transition together: Research & Innovation for the Energy Union*. The conference focused on the SET Plan's aims of increasing the EU's R&D efforts while enhancing the market uptake of new solutions, and of strengthening EU leadership in the development of low-carbon energy technologies. The event provided a unique forum for all stakeholders and representatives of national and EU institutions to discuss the development of the SET Plan in view of the Plan's forthcoming Integrated Roadmap.

■ Global perspective

In 2014, two respected international organisations with specialised knowledge in the field of energy in general - and nuclear energy in particular - published important studies and reports. These reports add statistical and analytical substance to the global nuclear debate. They are also a valued source of expert and impartial advice by which Europe's policy-makers set great store.

In July, the International Atomic Energy Agency (IAEA) published *The Nuclear Technology Review 2014*. The review gives an overview of the state of play with global nuclear power and covers a wide range of topics, including fusion, research reactor applications and GHG emission reduction. Significantly, it reiterated the conclusion reached at the *IAEA Ministerial Conference on Nuclear Power in the 21st Century*, which took place in June 2013, that 'nuclear power remains an important option for many countries to improve energy security, reduce the impact of volatile fossil fuel prices and mitigate the effects of climate change.'

In September, the IAEA and the OECD/NEA jointly published the report entitled *Uranium 2014: Resources, Production and Demand*, commonly known as the Red Book. The report shows that uranium supply, exploration and production increased by around 7% since 2012, when the previous Red Book was published. It also emphasises states that there are sufficient sources of uranium to support growth of nuclear power for over 120 years.

In November, the IAEA published a technical report entitled *Climate Change and Nuclear Power 2014*. In the report the Agency analyses the role of nuclear power in climate change mitigation, emphasising its low-carbon technology credentials and the contribution that it makes to GHG emissions reduction. It also highlighted the economics of nuclear power, including investment costs, uranium

supply availability and financing, as well as concerns related to waste management and radiation. It concludes with a forecast of the future prospects for nuclear energy.

In November, the International Energy Agency (IEA) presented its much-anticipated *2014 World Energy Outlook* (WEO) report. This year's publication, for the first time ever, included a section specifically on nuclear power. Among the main conclusions drawn in the report is the forecast that nuclear generation capacity is expected to rise globally by 60% by 2040, primarily led by China, India, Korea and Russia. According to the IEA, 'nuclear plants can contribute to the reliability of the power system where they increase the diversity of power generation technologies in the system.' Furthermore, the report states that 'nuclear energy is one of the few options available on large scale to reduce GHGs, having already avoided the release of around 56 billion tonnes of CO₂ since 1971.'

Soon after the *2014 WEO* was published, a second IEA report was produced entitled *Energy Policies of IEA Countries - The European Union*. The report gives a detailed appraisal of the EU's energy policy, with special reference to its ambitious 2030 climate and energy targets that the EU hopes will confirm its global leadership on climate change. The report also provides recommendations on how the targets can be reached in a cost effective and integrated way, while fostering the competitiveness and energy security of the EU. The recommendations in the report build on the lessons learned since the first in-depth review of EU energy policy that the IEA carried out in 2008.



European Atomic Forum
Avenue des Arts 56
1000 Brussels
Belgium
tel. +32 2 502 45 95
Fax + 32 2 502 39 02
foratom@foratom.org
www.foratom.org

