

# THE CONTRIBUTION OF ROMANIA TO THE PROJECT OF ENERGY UNION, THROUGH DEVELOPING REGIONAL ENERGY STRATEGIES AND POLICIES

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## **Abstract**

*Romania's integration to the European Union has targeted from the very beginning, a very important component of this process: the energy field. The moment of accession of Romania to the European Union, in 2007, coincided with the conclusion of the Lisbon Treaty through which has been granted a legal basis to the future Energy Union, while the European Union has received shared competences with the Member States in this area.*

*Europe is currently facing a growing demand for energy, with volatile prices, energy supply disruptions and it has to reduce the impact of greenhouse gas emissions on the climate.*

*The need to stimulate the economy of the European Union, to ensure the security of its Member States in terms of energy and at the same time, to reduce the negative consequences caused by climate change have prompted the European Union to call on the Member States to rethink their energy policies, to harmonize their provisions and alignment to the new context. Thus, it appeared the idea of establishing a fully functional Energy Union, in order to provide more opportunities for choice of sources and lower prices for all consumers in the European Union.*

*This article aims to address the measures proposed by the European Commission, the Member States, in the field of energy and the level of their assumption, with an energy security dimension, by developing energy policies in line with the requirements proposed by the European Union.*

**Keywords:** energy demand, greenhouse gas emissions, renewable energy, energy security

**JEL Classification:** P48, Q42, F68

## **1. Introduction: the dynamics of Romania's energy policy**

The development of Romania's energy policy has become one of the priorities of the Government, in order to meet the strategic interests and to fulfill, as Member State, the requirements of the European Union in the energy sector. Ensuring coherent and stable energy policies also requires a foundation for a national energy strategy, to face the challenges in the sector.

From a geostrategic point of view, Romania benefits from a privileged positioning and corroborated with the huge potential of the natural resources that our country has, this context represents a good premise for developing its energy sector. But that's not enough. Only through sustained efforts and by following its development plans and objectives assumed internationally, Romania may get to have a defining role in the region, in terms of energy, both by capitalizing on its own resources and by redistributing the energy resources transported from other areas on the European market.

Energy and climate change are, more than ever, in close contact. Concrete actions in the field of energy - especially in production and use of energy - are essential to be taken in order to combat the consequences of climate change. Energy and climate change are raising many issues that can best be addressed through a good interstate cooperation. These areas are therefore a priority on the European Union's agenda. When developing energy policies, it is essential to be taken into account this approach. As a complement, the development of new technologies represents another necessary commitment to undertake. Scientific research and innovation produce new technologies, based on renewable sources, which can record notable contributions in solving many of the energy sector's problems. For example, by generating energy based on domestic or agricultural waste (which is already commercially validated in our country) multiple solutions are being generated for energy, for the environment and also, for the modern living.

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As I mentioned before, the unprecedented international mobilization related to the implementation of policies, aiming to combat global warming is an important direction to be taken, and it requires coordinated measures, so that the environmental objectives proposed by the European Union can be achieved. Energy diplomacy is enhanced by this international mobilization, and the Paris Agreement, a global agreement on climate change, signed by end of 2015 represents an ambitious strong basis for future global action. Under the Paris Agreement, the signatory states have engaged to reduce their greenhouse gas emissions. In addition to the need for close cooperation between states, the global transition to the implementation of the provisions of the Paris Agreement requires very large investments. To reach the global warming limits of no more than 2 ° C over the pre-industrial period, considerable investments in "green energy" are needed in the coming years.

Concerning the Paris Agreement, Romania has advocated for all participating states to be able to contribute adequately to the collective effort to keep the global average temperature rise below 2 ° C over the pre-industrial period, in a way that will correctly reflect their responsibilities and their capabilities (including in terms of financial contributions), while creating opportunities for sustainable development for all involved. The formulation and concerted implementation of the strategies for sustainable development and climate change at national level, corresponds to Romania's commitment as an UN and EU Member State, while the country's active contribution to the implementation of the Mechanism of the Agreement, represents one of the objectives assumed by Romania.

At the same time, in order to reduce greenhouse gas emissions, and to ensure the achievement of the objectives set under the Paris Agreement, the EU set some targets for mitigating climate change. These requires direct and quantified greenhouse gas emission reductions, an increased level of energy efficiency and renewable energy, as well. Thus, the framework proposed by the European Commission for EU Climate and Energy Policy 2020-2030 - The EU Climate and Energy Policy (2020-2030), provides a 40% reduction in greenhouse gas emissions by 2030, based on the progress registered towards achieving the 2020 targets.

It also includes a series of measures and objectives aimed at enhancing the competitiveness, security and sustainability of the EU economy and energy system. At the same time, the framework aims to encourage the investments in green technologies, which would help in creating new jobs and in strengthening Europe's competitiveness. The 2030 Energy and Climate Change Package launched by the European Commission in January 2014 is a follow-up to the Energy Climate Change 2020 package, and benefits from the experience gained at EU level in its implementation.

In other words, the safe development and in full compliance with the internationally agreed requirements and objectives of Romania's energy policy, can be successful only through a process of synchronization of the nationally measures with those of the other states, engaged in this process.

## **2. Romania's positioning in the context of defining the Energy Union**

The idea of Energy Union, intensely circulated and debated in recent months, is one of the best development channels and, at the same time, represents a way of ensuring the security of the Member States in the energy field. It was proposed by the European Union, and it is recommended to be given heightened attention.

The main objectives of the Energy Union package are to ensure affordable, safe and sustainable energy for both Europe and its citizens. Complying with the principles and targets proposed by the Paris Agreement and the 2030 Framework Package - two of the cornerstones

the future Energy Union will rely on - represent a test of maturity which will be faced by the Member States.

Because there are so many approaches on this subject, one more laborious as other, I will try to give a simple and comprehensible interpretation. Therefore, I propose an exercise of imagination: to regard the European Union as a team. The Member States represents the identity of this team. Lately, it has often existed a tendency of loss of identity for the European Union - either because of unrealized goals or because of the lack of consensus at Member States level. A question which I find very plausible is the frequent lack of real commitment of the Member States, in terms of engagement in competitions launched by the European Union, by assuming ambitious targets and actions. Since I have mentioned about competitions and returning to our exercise of imagination, I will reinforce the idea known by all of us which says that, the success of a team is validated by overcoming challenges, difficulties and ultimately by winning competitions.

If we refer to the European Union, in terms of two teams, we have, on the one hand, Member States that have taken concrete measures to fulfill their commitments and which comply religiously with all the EU recommendations and measures, and on the other hand, Member States which retract from involving in some joint projects, avoiding implementing rules or measures proposed by the EU, both of them having the same central coordination, with access to the same players, the same coaches and benefiting from the same logistics distributors. Also, we must not forget that each of the two teams above mentioned, has access to the same game strategy documentation and yet, at the end of the competition, we have a winning team and one that loses. So, where does this discrepancy come from? I am tempted to think that it intervenes as a consequence of the level of commitment that each Member State assumes through the measures it takes, but it can also be a cause of the low degree of cohesion and cooperation at EU level.

Going on with our exercise of imagination, it is important to be told that, the Energy Union represents the theme of the team which was proposed to the Member States, by the European Union. It represents an ambitious project which promises a rationalized planning and reporting framework for its own energy and climate policies, by introducing more efficient and coherent administrative procedures, both at national level and between Member State. Also, The Energy Union will allow a more efficient and effective implementation of the energy and climate policies.

The European Union team is designed to function as a system, being a winner only when all its members, who interact upon certain rules and assume certain functions, are constantly working to maintain a balance within. Unlike groups, the success of a team is undoubtedly assured by a sustained and immediate communication, that constantly treats both the performance and the difficulties encountered in achieving targets, as in a team, members assume both their merits and possible failures, and work to overcome them. All the same, going back to the Energy Union, most energy challenges encountered in the way of its establishment, may not be exceeded, except through a series of coordinated actions at national level. The same applies to climate change, which by its nature has a cross-border character and it cannot be addressed only through a local, national or even through EU-wide action. A general mobilization is needed. Currently, the biggest concerns in the energy sector are caused by the growing demand for energy, volatile prices, disruptions in energy supply and last but not least, by the environmental impact of the energy sector, as explained above.

All these challenges have generated at European Union level, the impulse to appeal to the Member States in respect of their resolution and in the same time, to think of a new clear European energy strategy, based on security of supply, competitiveness and sustainability.

Action is needed at EU level to further promote greater cooperation between Member States, for which their national plans need to reflect the outcome of regional consultations, in

areas that would benefit from enhanced cooperation with neighboring Member States. The objective of the energy policy package is to ensure affordable, safe and sustainable energy for EU citizens. For this reason, the future Energy Union is structured in five key areas, including energy security, energy efficiency and carbon reduction, all of which are the subject of specific measures. Romania is closely following the various legislative initiatives of the European Commission aimed at implementing the EU Energy Strategy and it is actively involved in the process of their negotiation, at European level. In this respect, Romania supports the need for this Energy Union concept to become a catalyst for the needed reforms in the energy sector, among the Energy Community Member States, and an expression of the solidarity requested to increase energy security. Although Romania has relatively important energy resources, it cannot satisfy its domestic and export needs under the conditions of globalization. Therefore, only the integration into the energy networks of the European Union offers a clear perspective to the energy industry in our country. On the other hand, in the context of alignment with the principles and norms of the future Energy Union, our country has firmly expressed its position on preserving the right of each Member State to decide on the national energy mix, with a focus on the use of national primary resources, complying with the environmental requirements and streamlining the technologies used to ensure increased energy security. Currently, the saving solution proposed by the European Union - the Energy Union – it is likely to become the answer to all these challenges, but the success of this project requires a reliable and transparent governance process, anchored in legislation and designed to ensure that energy actions from the European, regional, national and local levels, all contribute to the achievement of the objectives of the Energy Union. Starting from the solid tradition of our country in the energy sector, from a diversified natural resource base, from an advantageous geographic location, from a high human capital and from the opportunities offered by new technologies, Romania can develop a competitive energy system, with high-quality energy services accessible to citizens both physically and financially; a resilient energy system capable to face the external supply shocks, adapted to increasingly sophisticated consumer requirements; an energy system capable of generating growth, new jobs and economic activity on a horizontal basis; as a result, an energy-efficient low-greenhouse gas and other pollutant system, where GDP growth will be decoupled from rising energy demand.

Last, but not least, at national level, through measures taken in shaping its energy policies, Romania must assume that, the energy security of one's state is part of the energy security of other states.

### **3. CESEC - a good example of energy policy cooperation**

As I have recalled, regional cooperation represents a key element in enhancing energy security. One of the major concerns of the European Commission is about the access of all Member States to a wider energy mix and to a proper interconnection with the rest of Europe. In this context, in February 2015, Romania together with Austria, Bulgaria, Croatia, Greece, Italy, Slovakia, Slovenia and Hungary took part at the initiation of a working group, named CESEC (Central and South-Eastern Europe Gas Connectivity Group).

Six other partner countries, namely Albania, Bosnia-Herzegovina, Macedonia, Republic of Moldova, Serbia and Ukraine, joined the group, aiming to coordinate their efforts towards a quick completion of the priority interconnection projects developed at regional level, to identify the regulatory issues, authorization, coordination and implementation of related Action Plans.

This initiative of the European Commission for the Connection of Natural Gas Networks in Central and South-Eastern Europe, CESEC, was born as a result of the "stress tests" carried out in 2014 by a number of 38 states (both Member States and neighboring states), which were based on two scenarios of interruption of natural gas supply over the

winter in Europe. For the first time, the simulation results outlined the situation of the risks and facilitated the search for solutions in the event of a natural gas shutdown in Europe.

All fifteen countries gathered from the European Union and the Energy Community (Central and South Eastern European regions) involved in the CESEC Group have agreed to work closely together, to ensure the construction of missing links of gas infrastructure and to address the technical issues and regulation that still affects both the security of supply and the development of a fully integrated and competitive energy market in the region. As far as Romania is concerned, a list of projects of interest have been promoted, aiming to meet the best solutions for regional cooperation:

- Construction of BRUA gas pipeline (natural gas transport corridor on the Bulgaria-Romania-Hungary-Austria route);
- Interconnection of the national energy system with the ones of the neighboring states (here I can mention the strategic project which interconnects the Republic of Moldova with the EU energy system, through Romania);
- The AGRI Project (Azerbaijan-Georgia -Romania Interconnector).
- To develop and to establish new natural gas storage facilities.

I will expand my approach on BRUA, the natural gas transit corridor on the Bulgaria-Romania-Hungary-Austria route, a project of great importance, based on a Memorandum agreed and signed by all four Member States involved, who assumed that there will be a reverse-flow interconnection, meaning in both directions, in all four states.

BRUA is being developed in the context of diversifying European sources of gas supply, increasing the security of Romania's natural gas supply through access to new sources, facilitating the access of Central and South-Eastern Europe market to the Caspian region's natural gas resources. For Romania, the implementation of the project is crucial, as it is expected that in 2020 the Black Sea gas extraction will begin. In Romania, this project involves the development of a natural gas transport capacity between the existing interconnection points with the natural gas transmission systems of Bulgaria (in Giurgiu) and Hungary (Csanádpalota).

High Representatives of the European Commission have repeatedly stressed the importance of finalizing the BRUA corridor, this project being of major importance to the European Commission. It was also announced that the European Executive will make every effort to continue (it is worth mentioning that, for the realization of the gas pipeline, the national natural gas transmission company, SNTGN Transgaz SA, received last year, from the European Commission, a grant of about 180 million euros).

Due to the progress registered by the states involved in the CESEC process and also, due to the maturity of this Group, the European Commission announced this year its intention to extend the CESEC's prerogatives, with a common approach to electricity markets, energy efficiency and development of renewable energy sources, in order to cover all the dimensions of the European project of solidarity - the Energy Union.

By extending CESEC's scope beyond the natural gas sector, effective access to alternative energy sources will be ensured, competitiveness will increase. Falling prices and as well the decarbonisation of economies in the region will be facilitated.

Thus, the ministers of CESEC Member States, have met in Bucharest in September 2017, and signed a Memorandum of Understanding (MoU), which complements the existing CESEC initiative. The Memorandum includes a list of priority projects in order to create an interconnected regional electricity market, and also provides specific measures to stimulate the renewable energy sources and energy efficiency investments, in a region with great potential for growth in these areas.

Romania welcomes and supports the extension of the initiative on Connectivity in Central and Southeastern Europe in the field of energy (CESEC), all the more than it represents an opportunity to reconfirm Romania's efforts in the energy sector, while contributing to the

fulfillment of the Energy Union's goals in ensuring security of energy supply in a competitive, transparent and non-discriminatory environment, by supporting with priority the development of transport routes that potentiate the diversification of energy sources.

#### 4. Conclusions

The challenges in the energy sector, which the European Union must overcome, urgently require and determine the acceleration of the process which ensure a secure, sustainable, convenient and competitive energy for all citizens. Most of the bottlenecks occurred in the energy sector at EU level, may be exceeded only through a series of coordinated actions at national level. The same applies to climate change, which by its nature has a cross-border character and it cannot be addressed only through a local, national or even EU-wide action.

In order to ensure a higher degree of cooperation between Member States, concrete actions at EU level are required. Europe will become a sustainable, green and low-carbon economy. It will be an example, in terms of production of renewable energy and fight against global warming, but this will be possible, as explained above, only through a common commitment assumed by the Member States.

Regarding Romania, our country holds energy resources relatively important, but it cannot meet the domestic and export needs under the conditions of globalization. Therefore, only the integration into the energy networks of the European Union offers a clear perspective to the energy industry in our country.

Beyond compliance with all agreed principles and directions set under the internationally established understandings and agreements, Romania must also assume that the energy security of one's state is part of the energy security of other states. In the field of energy security, with relevance for the foreign policy, Romania must actively participate in the achievement of some objectives and to seek to prioritize general objectives related firstly, to the capitalization of domestic production and then, to the diversification of sources and energy transport routes, in and through our country.

Worth the efforts, if we consider that the future Energy Union will contribute to stimulate economic growth in the EU, to improve Europe's energy security and to fight against climate change. In this way, Romania will have more chances to become an important interlocutor at the international negotiating table and in the same time, to become a teammate that will greatly contribute to the triumph of the team, the European Union, by working for the success of the future Energy Union, its theme.

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