



Energy Cooperation under the Aegis of the Weimar Triangle

*Springboard for a Common
European Energy Policy*

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The project *Weimar Triangle Network – Discussions of European Experts* was launched as a common initiative by the Genshagen Foundation, the Friedrich-Ebert-Foundation and the German-Polish magazine »Dialog« in the year 2008. At the annual conferences a pool of Polish, German and French young leaders with an European focus in the fields of administration, politics, economy and sciences discusses controversial questions regarding European politics. Germany, Poland and France alternate in hosting the conferences.

The *Weimar Triangle Network* follows three objectives: the promotion of the dialog between German, French and Polish young leaders about the main challenges of the European Union, the development of a mutual understanding of the national positions regarding European issues and the strengthening of the relations between the civil societies of the Weimar Triangle.

In 2008, the first conference covered issues of the European Neighbourhood Policy in the South and the East. Last year, the conference focussed on the European Energy and Climate Policy as both, an internal and external challenge. The discussions centred on the questions of the adequate energy mix in the European Union as well as of the security of energy supply.

This common publication from the Genshagen Foundation and the Friedrich-Ebert-Foundation is the first study based on the results of the Project *Weimar Triangle Network*. Based on the conference debates, the participant and energy expert, Sami Andoura has compared the energy policies in France, Germany and Poland and analysed in which fields a strengthened cooperation between the partners could represent an added value for the development of a common European Energy Policy.



Summary

In light of the renewed interest among the political leadership in the three countries, energy and sustainable development offer a highly visible and attractive opportunity to relaunch cooperation within the Weimar Triangle. The diversity of national strategies within the EU27 makes the emergence of a truly European common energy policy difficult. Issues in energy policy can, however, be fully addressed only if action is undertaken collectively.

Germany, France and Poland manifest huge differences in terms of energy choices, industrial landscape, technological structures, institutions, regulatory practice and, above all, energy mixes. A rapprochement between their respective national positions through the Weimar platform could pave the way for enhanced cooperation between EU countries in the field of energy, and should, above all, help to foster a common European energy policy. Furthermore the Weimar Triangle could serve as a mediation forum between the partners in order to preempt and settle differences before they turn into crises which affect the EU as a whole.

Through ad hoc projects, transnational, interregional and intergovernmental cooperation, collaboration between Germany, Poland and France should focus on three main issues, collective research, regional networks and a common approach to external energy supply. Given the wide range of instruments available to Germany, France and Poland, a pragmatic and results-oriented approach, focused on concrete projects would lead to decisive changes.



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► Introduction¹

After playing a major role in the preparation of the largest EU enlargement in the history of European construction, cooperation between Germany, France and Poland within the framework of the Weimar Triangle has been frozen for several years, putting its very viability into question. Despite strong support from decentralised authorities, civil society and academic circles in the three countries, the Weimar Triangle has gradually become merely a platform for discussion, due to bilateral political conflicts and the lack of concrete initiatives from political leaders.

However, there is renewed interest among the political leadership in the three countries. Heads of state and government, as well as the foreign ministers of each country have repeatedly demonstrated their political willingness to revive the forum and give new impetus to cooperation, although their numerous declarations and speeches have too infrequently been followed by concrete results.

This reaffirmed leadership should be given substance by means of new common projects to be carried out while respecting both differences and mutual interests. There is a need for strengthened cooperation oriented towards the future within the Weimar Triangle. If Germany, Poland and France want to develop the full potential of their cooperation and to identify the right issues, they must adopt a more pragmatic and results-oriented approach, focused on concrete projects.

Energy and sustainable development offer, in this respect, a highly visible and attractive opportunity to relaunch cooperation. The fast-changing international agenda in this field presents opportunities for rapidly realisable, concrete initiatives. Energy is a major geopolitical, economic, environmental and technological challenge for our societies. Urgent action is needed to address the challenges raised by the energy and climate change crises, and the necessary transition to a low-carbon economy – challenges faced by Poland, Germany and France, in common with all other European countries. EU countries must also guarantee the supply of energy to their citizens at low and stable prices, while simultaneously preserving and improving the competitiveness of their economies and industry and promoting sustainable development. These daunting constraints are, however, also opportunities that should be seized. Developing alternative, sustainable energy sources and new, green technologies is one path to a new industrial revolution, one which would help us to emerge from the economic crisis. However, despite a dramatic increase in regulatory activity designed to establish a Europe-wide energy market and combat climate change, the European Union is still struggling to develop a common energy policy.

Against this background, one major issue is whether existing structures at national level will be sufficient to meet these societal challenges and to take advantage of these opportunities, at least within a sufficiently short time span. One may doubt whether individual or national action alone will be adequate to bring about

technological change, even in the case of larger countries, such as Germany, France or Poland.

We shall argue that meeting both the short-term and the long-term energy, climate and technological challenges is hard to imagine without extensive cooperation between European member states, be it within the framework of a common European energy policy of 27 member states, or through other instruments of differentiated integration allowing a limited number of member states to develop enhanced cooperation on specific energy issues, via the creation of a European Energy Community. With regard to the specific cases of Germany, France and Poland, the huge divergences between their national energy sectors and policies are representative of the main lines of division within the EU as a whole on energy issues. Consequently, a rapprochement with regard to their respective positions through the Weimar platform might be beneficial for the establishment of an EU-wide energy policy and could form a favourable basis for agreement at EU level on critical and sensitive energy issues.

The aim of this policy paper is to look at the areas, in which greater cooperation on energy issues among the countries of the Weimar Triangle is desirable and possible, and to make recommendations on concrete projects.

► I. A Difficult European Context

Before broaching the subject of energy directly within the context of the Weimar Triangle itself, it is important to recall the European energy context of this trilateral relationship, as well as to consider the effects of the new institutional and legal developments brought about by the Lisbon Treaty in the field of energy and their potential effect on the development of an EU energy policy.

A »Fragmented« European Energy Policy

It is undeniable that the Union possesses a relatively well-developed set of energy-related rules which are unique internationally. Moreover, the recent Strategic Energy Reviews² show that attempts are ongoing to improve the existing secondary legal framework. Nevertheless, despite a dramatic increase in regulatory activity designed to establish an internal European energy market and to address climate change, the European Union has struggled to develop a common energy policy. When considered together, the Community policy for achieving the three objectives remains both inconsistent in its aims and insufficient in its results.

The creation of an internal European energy policy has been pursued primarily through market liberalisation, which has been viewed almost as an end in itself. In addition, current

energy measures do not pursue sustainable development as an energy-specific issue, but rather as an environmental matter focused on coping with climate change. Finally, the security of supply objective has as yet barely been addressed at EU level. Measures remain limited to the coordination of stocks and the technical operation of grids. In addition to these conceptual shortcomings, Europe's current energy rules and policy suffer from structural deficiencies.

First, Europe's current energy policy lacks credibility and legitimacy. The decision-making process is complex and slow. Most policies require national implementation and member states either fail to take the necessary measures or do so in divergent ways. Compliance by member states and major players with internal market rules is an issue. Member states have obligations to implement the Third Energy Internal Market Package adopted in June 2009³, but most of them failed to correctly implement the previous package of 2003⁴. In addition, Europe's current policy is not built on a consensus among the major stakeholders. It has been imposed on the market players and they do not necessarily support it.

Second, the European Union does not have the policy tools that would allow it to pursue a common energy policy. It cannot take direct action itself. It does not have either the competence necessary to focus research and development and investments or the taxation

powers which would allow it to discourage certain activities and to finance more efficient and sustainable alternatives. Larger policy issues, such as the general direction of Europe's energy sector and security of supply, are also mainly addressed in declaratory or analytical policy statements, not within the framework of fixed rules.

Third, Europe's energy policy does not have an external dimension. The EU is absent from the international energy scene. It is minimally represented in international organisations, if at all. Nor does the European Union have any significant impact on strategic issues involving EU energy imports. Europe is an easy target for divide-and-rule policies pursued by third-party suppliers. Overall, Europe lacks international credibility in this area.

In conclusion, although much has been achieved in the past decade, this has come at the cost of fragmentation. The fact that this fragmentation has become institutionalised to such a surprising degree in the current process is a far more serious concern in terms of long-term prospects, and could well prove to be an obstacle to the creation and implementation of a robust policy capable of spearheading Europe's (and its neighbours') transition to a carbon-free or low-carbon economy by 2050.

The New Energy Policy under the Lisbon Treaty: No Prospect of Radical Change

Now that the Lisbon Treaty⁵ has entered into force, its potential to deliver an efficient energy policy must be considered. It contains several institutional improvements, such as new decision-making procedures, which could benefit EU energy policy. In addition, it explicitly acknowledges energy as a policy area for the first time since the ECSC (European Coal and Steel Community)⁶ and Euratom⁷ Treaties and provides for a new legal basis for EU action in this field. Directives and Regulations can henceforth be adopted on the basis of Article 194 TFEU (Treaty on the Functioning of the European Union) .

Article 194 TFEU sets out the four main aims of EU energy policy, which cover existing energy policy rather than proposing any real extension of powers: (i) to guarantee the functioning of the energy market, (ii) to ensure »security-of-supply« for the EU, (iii) to promote energy efficiency and the development of new and renewable forms of energy and finally (iv) to promote the interconnection of energy networks.

These aims are to be pursued in a spirit of solidarity among the member states. Without any definition of the principle of solidarity, or any guidance on how to apply it when developing a new energy policy, it remains unclear whether it will receive any application in practice, or whether

any concrete obligations will be derived from it for the EU and the member states. However, the final text of the Energy Title is the result of a carefully crafted compromise between national sovereignty over natural resources and energy taxation issues and shared EU competence over the rest. Article 194(2) TFEU reiterates that EU legislation shall not affect a member state's choice between different energy sources and the general structure of its supply. Equally, the unanimity rule continues to apply to measures which are »primarily of a fiscal nature« and/or those which »affect a member state's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply«.

Article 194 TFEU also subordinates energy policy to two other key EU policies: the achievement of the Internal Market and environmental policy. Article 194 TFEU allows only for an EU energy policy »in the context of the establishment and functioning of the internal market and with regard for the need to preserve and improve the environment«. This market-oriented and environmental perspective may restrict the scope of EU energy policy.

The extent to which the Lisbon Treaty will allow the Union to act more effectively on the international scene is another grey area. It is true that the Treaty establishes a High Representative for the Union in Foreign Affairs and Security Policy who is responsible for ensuring the consistency of

all external action. The High Representative is also to be supported by an External Action Service and will have a separate budget. However, the High Representative and the European External Action Service will not have competence over all EU policies with an external dimension, most notably environment and energy. Also, decision-making powers in the international domain will not change fundamentally. They continue to rely on intergovernmental cooperation.

It follows from this brief overview that the Lisbon Treaty does not offer the prospect of radical change from the present situation. The inclusion of a new energy Title in the Lisbon Treaty does not fundamentally change the existing division of competences between the Union and the member states on energy or climate change-related issues and can be seen as a mere codification of existing practice in that area. Essentially, the existing flaws and gaps remain.

II. The Difficult Reconciliation of Divergent National Energy Cultures

An important contributory factor with regard to the lack of an effective energy policy is the attitudes of the member states. EU member states have always asserted national sovereignty in shaping energy policy and have repeatedly responded to energy challenges and crises on their own terms. The member states tend to perceive

energy as a strategic issue and are intent on maintaining national control over energy resources and national preference as a matter of national policy. The cases of Germany, France and Poland are particularly representative of the difficulties inherent in energy cooperation. Their national energy sectors and policies reflect high levels of heterogeneity and asymmetry, with different energy cultures, structures and external policies, especially with regard to Russia. Concretely, the three countries manifest huge differences in terms of energy choices, industrial landscape, technological structures, institutions – »Bundesnetzagentur«, »Commission de Régulation de l'Énergie« and »Urząd Regulacji Energetyki« – regulatory practice and, above all, energy mixes.

While the energy mix⁸ remains dominated by nuclear power in France⁹ and coal in Poland¹⁰, it is fairly diversified in Germany¹¹. With regard to nuclear energy, Germany has opted to phase it out (although this has reemerged as a hotly debated issue), while Poland is considering building its first nuclear power plant. France continues to expand its nuclear technology both, at home and abroad. Germany (3.39) and Poland (2.61), mainly due to their reliance on coal, are above the EU average (2.50) with regard to carbon intensity (CO₂), while France (1.57) is one of the lesser carbon-intensive economies, because of its strong commitment to nuclear energy.

Concerning renewable energies, the situation of each country also varies considerably. As far as the national targets set by the Directive on renewable electricity (2001/77/EC)¹² for 2010 are concerned, only Germany has already reached its target (12.5 per cent), producing 12.59 per cent of electricity from renewable sources, while France (with 14.29 per cent in comparison to a target of 21 per cent) and Poland (with 3.05 per cent in comparison to a target of 7.5 per cent) are lagging behind. In this regard, Germany has increased its renewable energy sources by 141 per cent since 1990, becoming a leader in wind power (50 per cent of total installed capacity in the EU and the highest in the world), photovoltaic, solar thermal installations and biofuels. Renewable sources in France mainly involve hydropower. In Poland, the potential of hydropower, biomass and landfill gas, which has not been fully used to date, remains high. The targets set by the new Renewable Energy Directive (2009/28/EC)¹³ for 2020 are 18 per cent for Germany, 23 per cent for France and 15 per cent for Poland.

Last but not least, despite significant proportions of domestically produced energy, Germany (61.3 per cent) and France (51.2 per cent) depend strongly on energy imports, while Poland's energy imports (19.9 per cent) are among the lowest in the EU. Russia is a significant source of imported oil and gas for all three countries (100 per cent of oil and gas for Poland, 42 per cent of gas and 33 per cent of oil for Germany and 29 per cent of oil and 14.5 per cent of gas for France). In terms of energy trading among the three countries,

Poland exports a significant share of its coal production to Germany. France is the largest electricity exporting country in Europe due to its high production from nuclear energy. Germany exports essentially refined petroleum products to the rest of Europe, while hard coal exports have experienced a serious reduction over the past few years.

The differences and divergences on energy issues leave room for mutual misunderstanding, but also for political, economic and industrial rivalries, and sometimes conflicts. A direct consequence of these asymmetric energy structures is that, so far, there has been little cooperation between the three countries in the field of energy. Last but not least, the fact that the three countries have developed divergent energy policies reflects the wide diversity of national strategies within the EU27, which makes the emergence of a truly European common energy policy difficult.

► III. The Weimar Leadership Working for a Common European Approach on Energy

As already mentioned, the divergences between Germany, France and Poland are often representative of the main lines of division on energy issues within the European Union as a whole. Consequently, a rapprochement between their respective national positions through the Weimar

platform could pave the way for enhanced cooperation between EU countries in the field of energy, and should, above all, help to foster a common European energy policy. Such a rapprochement could represent a solid basis for negotiation on energy issues at EU level and lay the foundations of an acceptable settlement for all member states. But if these countries want to achieve a European energy policy, they need, on the one hand, to agree – at the very least – on what the core elements of such a policy should be, together with the details of their commitment, and, on the other, to pioneer concrete projects for energy cooperation.

Ultimately, if cooperation on concrete projects among some EU countries, initiated by Germany, France and Poland, could be further developed through a more supranational approach, rather than a purely intergovernmental one, the cooperation of such a vanguard of EU member states could lead to the creation of a truly European Energy Community of those pioneering countries (see Section V. 4 below).

Such an ideal master plan requires strong leadership from the three countries. Their leadership record in this area is mixed, however. On the one hand, all three have, in the past, demonstrated their capacity to exercise the required leadership at crucial times: for example, Germany, with the adoption of the Energy and Climate Package in 2007¹⁴; France, subsequently, with the adoption of the Third Energy Internal Market Package in 2009, both when

holding the EU presidency; and Poland at the intergovernmental conference (IGC) for the Lisbon Treaty where it negotiated the inclusion of a solidarity clause dealing with energy (Article 194 TFEU). On the other hand, there are concerns about the strength of the three countries' commitment to building a common energy policy and readiness to make the necessary collective effort. For instance, it is worth remembering the tough discussions in November 2009 on burden-sharing between EU countries in financing EU action on climate change, in which Poland insisted on a GDP-based distribution key, while both France and Germany supported GHG (greenhouse gas)-based burden sharing. Also relevant is the current debate in Germany on its commitments to climate change measures in development cooperation (EUR 70 million instead of the promised EUR 420 million) and the possible return of nuclear energy; or the fact that France is struggling with a number of failed initiatives, such as a carbon tax.

Poland, for which energy will be one of the top priorities of its Presidency in the second semester of 2011, could play a major role in the development of a common approach to energy issues, in concert with France and Germany, as well as advocating greater integration of energy policy at a European level.

► IV. The Need for Collective Action to Address Common Challenges

Above all, the fundamental answer to the question of why and how energy should be an area of cooperation for Germany, France and Poland is that the challenges posed by energy necessarily require a collective response. The urgent need to make the transition to a low carbon economy is perhaps the largest such collective challenge and one which all European countries face.

By working together, member states can transform their individual dependency on fossil fuels into European technological leadership in the energies of the future and thereby make Europe a strategic global actor. Collective action will confirm Europe's leading role in the international debate on climate change and sustainable development. It will boost employment and growth by means of productive investment and energy infrastructure, and it will build a coherent European »offer« in terms of alternative energies in order to make Europe a world leader in this market. Finally, common action will allow Europe to build industries that are competitive at the global level and, more generally, will contribute to the establishment of a framework within which a

Member states can transform their individual dependency on fossil fuels into European technological leadership in the energies of the future

long-term objective for the European project and its public face can operate.

If Germany, France and Poland want to address these major challenges, fragmented and isolated national strategies will be insufficient. Issues can be fully addressed only if action is undertaken collectively. For instance, the resources necessary to develop research programmes leading to new sources of energy are too large for Germany, France or Poland alone to mobilise – on the scale that the United States do, for example. The impact of isolated and fragmented national

research programmes is decidedly weak in relation to the scale of the challenge. Additionally, some projects, such as fundamental research

into nuclear fusion or the building of European or regional networks to transport energy, are simply inconceivable on a national scale, even for large countries such as Germany, France or Poland. For example, according to a recent European Commission Communication¹⁵, the European Union needs to collectively invest an extra 50 billion euros in low-carbon technologies over the next 10 years. This entails a tripling of annual investments (from EUR 3 to 8 billion).

With regard to the need for investment in energy transport networks and other infrastructure, no added value will be derived from competition between member

states. No single country has an interest in financing alone the interconnections or the supply networks which will serve several member states together. Rather, collective action is required to renew Europe's ageing infrastructure and to build new energy transport networks. According to the European Commission's Priority Interconnection Plan (2007)¹⁶, at least EUR 30 billion must be invested in Europe's energy networks before 2013, including EUR 6 billion for the transmission of electricity, EUR 19 billion in gas pipelines and EUR 5 billion in LNG storage facilities.

It follows from this overview that not only is there a practical need for action at the European level, but there are also compelling reasons why European countries should develop a common answer to common threats that are strongly relevant to their current state of integration, as well as to the future well-being of the global community. If member states are to maintain the current level of integration, they must develop a common policy compatible with internal market rules. Energy policy cannot be disconnected from Europe's internal market: diverging national regulations, national preferences with regard to certain resources and competing subsidy schemes all threaten the foundations of the internal market and hence the edifice on which European prosperity rests. It is in this spirit and along these lines that Germany, France and Poland should develop their cooperation on energy.

► V. A Wide Range of Instruments Available

European energy policy offers a fairly open and flexible framework in which some member states could develop collective action on energy issues. Germany, France and Poland have indeed a wide range of instruments and possibilities at their disposal when developing cooperation on energy issues, with various degrees of intensity, from specific ad hoc energy projects to the creation of a fully-fledged European energy community, through decentralised cooperation or other functional and pragmatic arrangements.

Functional and Pragmatic Cooperation on Ad Hoc Projects

The three countries could decide to cooperate in certain areas on a functional and pragmatic basis. This might involve the pooling of Research & Development funds and/or the coordination of investments, the adoption of common technical standards or the creation of a joint trading platform.

Cooperation could also take the form of administrative rapprochement through regular consultation and/or coordination of competent authorities, such as national regulators, transmission operators and so on. Such institutional cooperation could further extend to ministerial cooperation, through trilateral energy councils, or preliminary trilateral consultations on the issues debated

at EU level, or the exchange of secretaries of state between the respective governments. Some of those possibilities already exist within the framework of the Franco-German bilateral relationship. Cooperation on energy issues is taking place to a certain degree, or at least is desired and planned in some segments. In this regard, it is worth citing the bilateral Council on 10 February 2010 at which France and Germany agreed on several common objectives and concrete projects to be launched in the field of energy.

Another aspect fundamental to relations between the three countries – above all in the field of energy – is the involvement of stakeholders. Effective action implies acceptability, and an additional guarantee of such a commitment is involvement. The creation of an effective network of stakeholders between the three countries should be considered. This could be done by setting up a consultative committee to discuss and to prepare new initiatives and potential cooperation projects. The consultation process should focus, in particular, on stakeholders such as energy producers, grid operators, national regulators, distributors and importers – but also researchers, large energy users and consumer organisations. Such a consultation process would allow the establishment of a consensus among stakeholders so that they are ready to support objectives and projects launched by the three countries.

Cooperation at Regional Level: European Grouping for Territorial Cooperation (EGTC)

While it is likely that, in future, more sustainable forms of energy will be produced locally on a small scale, at the same time, back-up or supplementary supplies of conventional fuels from main grids are necessary. An important challenge for the production of energy is thus to find the right balance between local, regional, national and European levels of governance. Germany, France and Poland should work together to develop a coherent approach including effective mechanisms to promote local production and, where possible, access to storage.

If the production, transport and consumption of energy mainly from renewable sources are to be

possible, therefore, France, Germany and Poland must

The creation of an effective network of stakeholders between the three countries should be considered

develop consistent and credible approaches to enhance synergies among their various levels of governance and among the different energy sources. Coordinated action between the three countries and also their regional and local levels of governance could lead to significant results. Cooperation at decentralised levels could also further improve the ownership of the three countries' choices by socio-economic actors, including citizens. An innovative and useful instrument of cooperation between

the three countries and their decentralised levels of governance is the possibility under Regulation 1082/2006¹⁷ of creating European Groupings of Territorial Cooperation (EGTC) to facilitate and promote cross-border, transnational and interregional cooperation among its members. An EGTC would have legal personality and be made up of member states, regional authorities, local authorities and/or bodies governed by public law. An EGTC could be entrusted with implementing cross-border cooperation projects, with or without Community funding.

There are currently several ongoing projects involving »bilateral« EGTCs between Germany and France, such as the Eurodistrict Saar-Moselle and the EGTC INTERREG – Programme Grande Région. There are also several envisaged EGTCs between Germany and Poland, such as the Euroregion Neisse-Nisa and the Eurodistrict Oderland Nad Odrze. However, none of these EGTCs deal with energy.

Moreover, there is currently only one trilateral EGTC (the so-called »Regional Triangle of Weimar«)¹⁸ between the Nord Pas-de-Calais (France), North Rhine-Westphalia (Germany) and the region of Silesia (Poland), established in 2001. In order to help the industrial reconversion of the former mining regions of these three countries, a potentially beneficial project would be the creation of a joint energy platform responsible for supporting conversion to renewable energy sources. The tasks of the energy platform could include the preparation and

management of projects assisting conversion, together with all the necessary resources to educate the local population on the benefits of using renewable energy. Such a platform would have an independent legal personality with the EGTC as its owner. Another promising initiative is the decision taken by France and Germany at their bilateral council to implement an initial cross-border demonstration project involving electric vehicles in the region between Strasbourg and Stuttgart/Mannheim/Karlsruhe.

Intergovernmental Cooperation: A Schengen Agreement for Energy

If successful – and within a longer time-frame – the cooperation could also lead to the conclusion of an energy partnership or agreement among some EU countries, led by Germany, France and Poland, following for instance the Schengen experience. Such an »arrangement« could cover relevant topics of national energy policies and competences of the member states involved. They could, for example, envisage concluding a Network Treaty.

Obviously, the functional scope of this form of cooperation among the three countries would be possible only in areas in which the European Union is not exclusively competent and/or in areas not governed by EU law. Consequently, as soon as the cooperation affects exclusive EU powers or secondary legislation, the Union would in one way or another need to be involved in the project.

Pioneers of a European Energy Community

Finally, France, Poland and Germany could also decide to launch an enhanced cooperation project among a core group of EU member states which would decide to shift their intergovernmental cooperation in the field of energy towards a more supranational structure in the form of a European energy community.

As already argued, the challenges and opportunities which our societies face today require a common response to collective challenges. Such a response aimed at developing a stronger and more coherent European energy regulatory space should consist, at the very least, of the following measures:

1) A well-functioning European energy market supported by state-of-the-art integrated networks, corrected by price stabilisation measures and complemented by innovation policies that are sufficiently compulsory and funded so as to optimise the chances that Europe will be the cradle of a new technological and societal breakthrough allowing citizens to enjoy sustainable, secure and affordable access to energy resources.

2) A strong and financially independent Community or Union, speaking with one voice on the international scene in order to ensure that these objectives can be met and that, until this breakthrough occurs, its

member states can count on each other in times of shortage.

3) The coordination of research policies, the steering of investment decisions, the creation of solidarity mechanisms and the need to speak in unison on the international scene all imply a powerful and supranational approach.

Such an approach would inevitably call for enhanced integration and the transfer of sovereignty making it possible to intervene in these sensitive policy areas.

Europe has several options when it comes to meeting these crucial requirements. The most radical, but also the most promising, would be to create a European Energy Community with its own rules and methods specific to the energy field. However, not all member states may be willing at this stage to pool their energy policies under a single supranational structure. Nevertheless, the lack of ambition of some should not be a reason to prevent others from progressing. On the contrary, it should allow the ambitious member states to embrace the common energy policy, while leaving the door open for the more reticent states. A differentiated approach of this kind is not without precedent. It has been used, in the past, to make major strides in the European project, including the single currency. The example of Monetary Union indicates that the structure set up by the Treaties could be sufficiently flexible so as to allow a group of member states to conclude a »fully fledged

and opt-in« European Energy Community Treaty under the Union structure. This new, specialised Treaty would ideally be placed under the present Union structure and rely on the institutional framework of the Union, but would be compulsory only for those member states that decided to embrace the plan for a new Energy Community. Other member states could follow when they think the moment has come to increase their level of ambition.

Last but not least, the legal and political difficulties inevitably associated with the longer term nature of any project to create a new European Energy Community should not be a reason to delay interim processes of further integration at Union level designed to ensure affordable access to secure and sustainable energy sources. Without waiting, there are three main initiatives that could be developed by Germany, France and Poland, together with other committed member states, without waiting to get all 27 EU countries on board and jeopardising more ambitious plans for a future Energy Community. These are developed in the next section.

► VI. Energy Cooperation on Three Main Issues: Innovation, Networks and Solidarity

There are three main areas in which concrete initiatives and priority actions should be taken by France, Germany

and Poland, in some cases with other committed member states, in order to foster cooperation, with the aim of serving the wider policy objectives and ambitions of a European Energy Community. These include the establishment of ambitious economic instruments to finance common research and development projects on alternative energies; the deepening and structuring of cooperation in Europe-wide energy networks; and the development of the external dimension of energy policy through the principle of solidarity, thereby strengthening and focussing the EU's foreign policy in this field.

Although these steps may appear technical and limited in scope, they would lead to decisive changes, paving the way for greater cooperation and solidarity in the energy field. The sections below are devoted to these three areas, developing several recommendations for each of them and making use of the various policy instruments developed in the previous section.

The Case for a Green Revolution: Collective Research and Development Projects in Alternative Energy Sources and Clean Technologies

The development of sustainable and affordable alternative energy sources, as well as clean/low carbon energy technologies is a growing economic sector with huge potential for creating high quality jobs, enhancing

European competitiveness in the global economy and also reducing dependency on imports of natural resources from unstable or unreliable countries. In addition, if EU member states want to achieve their targets for renewable energy, they have no alternative but to diversify their energy mix by stimulating innovation in the development of these alternative energy sources and the technologies required for their production, dissemination and use.

If France, Germany and Poland are to achieve this common objective, they must pool their political, economic, technological and industrial strengths and work together to provide for a strong and coherent framework for cooperation. In this way they could create

An interesting initiative is the possibility of opening the newly created Franco-German office for renewable energy to Polish participation

a competitive »offer« with regard to these alternative energy sources and associated new technologies,

and also reduce cost duplications in respect of Research & Development programmes on equivalent projects.

France and Germany, at their bilateral Council meeting in February 2010, have already decided to discuss the possibility of launching ambitious common projects in the field of renewable energy, carbon capture and storage of gas (CCS) and technological plans improving energy efficiency, low carbon innovation and industrial initiatives in the context of the Strategic Energy Technology

Plan (SET-Plan). This decision is to be welcomed, but now concrete action is required. A few projects on which efforts could be concentrated need to be identified. Once this is done, France and Germany could decide to involve Poland in some of these projects and to develop them within the framework of the Weimar Triangle. Projects which could be developed in this format include research and development with regard to new technologies for CCS and smart grid technologies (electricity network of the future).

A first step in this direction would be to develop the compatibility of existing national structures (bottom-up) to allow for a progressive common approach and rapprochement among the national actors involved and to develop synergies through common »programming« of the main research institutes' budgets – such as the Commissariat à l'énergie atomique (France), the Helmholtz-Gemeinschaft (Germany) and the institutes of the Polish Academy of Sciences (Poland) – on specific projects. The decision taken recently by France and Germany to look at potential synergies between the German High-Tech Strategy and the French Grand Emprunt, with the aim of creating a dedicated framework for such common projects, is a welcome instance of such a method. This could further lead to the creation of a common consortium for concrete innovative projects of common interest in order to develop industrialisation and diffusion of new technologies. Other interesting initiatives are the possibility of

opening the newly created Franco-German office for renewable energy (formerly the office for wind energy) to Polish participation. The same applies to the decision taken to create parallel and complementary Franco-German institutes for sustainable development and climate change in Paris and Potsdam.

A much more ambitious project would be the creation of a common fund for certain pioneering countries which could develop a common position on and take action towards this issue in order to avoid the risk of underinvestment and to steer investment decisions on research on alternative energy sources. Germany, France and Poland could play a central role in such a fund, which should nevertheless be opened to other EU countries, potentially within the framework of a European Energy Community, as described above. Such an Energy Fund would play an important role in stimulating diversification and encouraging technological innovation by promoting collective investments in renewable energy production and related research and development, as well as the development of smart networks/grids. Concretely, such a newly created common Energy Fund would supplement a certain amount of existing national investments and coordinate other financial instruments (loans and subsidies), thus ensuring that they are properly targeted at non-discriminatory investments on specific projects which might benefit the participating countries together. Such an Energy Fund would also facilitate access to advantageous financial instruments

(such as long-term loans and credit facilities) for producers and network operators.

The Fund could be financed from various sources, in particular from the proceeds of an energy levy on polluting forms of energy production and perhaps also from income from congestion management on major grids. Finally, the Fund could be fed by levies and customs duties on goods produced by environmentally unfriendly production methods, in so far as this is allowed under World Trade Organisation (WTO) rules. Other contributions, such as parts of the licensing fees resulting from common technological project(s), could follow.

Regional Networks as Building Blocks for the Completion of a Europe-wide Energy Market

The development of modern and well-functioning grid/network infrastructures is essential to ensure that consumers can access all forms of energy wherever they are in Europe. Developing these smart grids is also essential to ensure reliable energy supplies, including the integration of new sustainable energy forms into energy markets. Well-functioning grids would also enable EU countries to assist each other by transporting supplies to regions in need. Well-functioning and interdependent grids are thus a precondition for ensuring mutual trust. Additionally, the grids are necessary to link national energy markets in order to enable consumers in one country to benefit from supplies generated in another.

However, the transport of energy raises complex allocation issues. Renewable sources impose their own constraints. Growth will also be affected by various factors, such as transport over grids and territorial limits. Hydro-power, solar power, wind power, wave power and saline power all face considerable geographical constraints. Their production should therefore take place in an optimal environment and, subsequently, the energy produced should be transported to the place of consumption via reliable grids. It follows that adequate and flexible networks are required for the transmission and distribution of sustainable energy. This approach also allows the combination of a centralised approach to cross-border interconnection issues and local initiatives on smart grids.

However, existing grids are mainly national and characterised by regulatory divergences and a national focus on investment decisions. The coordination of national grids currently remains essentially technical and operational in nature and does not provide for binding decisions on future investment decisions. Germany, France and Poland should therefore work together to further develop a common approach to energy networks at European level. Cooperation should be intensified in order to build the required »smart cross-border energy highways« and the regulatory framework needed to promote them.

Enhanced cooperation over networks could be structured around the following dimensions:

- improved interconnection and interoperability of energy networks;

- common investments in interconnections;
- consultation on administrative and environmental procedures and tariffs and terms of access, transit and transportation to and through those energy networks;
- further coordination of national regulators aimed at coordinating regulation of cross-border exchanges of electricity and gas, as well as coordinating the safety and security of energy networks through technical operation for crisis management and security-of-supply standardisation.

Furthermore, national competence and powers would not be undermined, given that ownership of networks would remain a national matter, for example, in the formulation of national and regional tariffs (albeit potentially within a harmonised framework). As regards the economic and financial dimension, this common network project could be coupled with the above mentioned proposal for a common energy fund. In this respect, the fund could promote investment in the relevant regional network and provide financial support (loans and subsidies), as well as coordination and supervision of various funds for common grid-related projects. In this case, the network fund could be financed by means of regional network levies.

Such functional and pragmatic collaboration could pave the way for more structured and comprehensive supranational cooperation

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with, for instance, the creation of an independent regional executive energy agency among the participating countries, which would eventually acquire exclusive competence for the matters mentioned above. This pragmatic and step-by-step approach could offer a successful and less politicised route in order to move from national markets to regional energy markets, thereby acting as a building block for the completion of a comprehensive single European energy market.

A Common Approach to External Energy Supply: How Can Solidarity Be Realised?

Until self-sufficient local energy production can be guaranteed, access to energy resources outside Europe will remain of strategic importance. Guaranteeing both short- and long-term security of supply is thus a central priority in current energy policies, whether of France, Germany, Poland or the European Union as a whole.

Against this background, the competition for increasingly rare fossil energy has a particular impact on relations between the three countries. Moreover, Germany, France and Poland continue to take a unilateral approach vis-à-vis Russia to secure their energy supply. Bilateral deals between these countries and Russia continue to prevail over an overall EU approach. Their increasing dependence¹⁹ fosters rivalries in their respective relations with Russia, and tough competition for

controversial projects for oil and gas pipelines, such as Nord Stream versus Poland and the Baltic States, Nabucco versus South Stream and so on.

In this context, it is worth mentioning the crisis that occurred in relations between Poland and Germany which led to Poland's refusal to agree to the initiation of negotiations on a new Partnership and Cooperation Agreement between the European Union and Russia. Germany had sparked anger in Poland when it preferred to negotiate directly and bilaterally with Russia the construction of the Nord Stream gas pipeline going through the Baltic Sea (thereby avoiding the Baltic states), without informing Poland of its plan. This is not an isolated incident. Conflicts and clashes on these issues are a regular occurrence. In general, these separate – sometimes even antagonistic – bilateral approaches directly undermine the development of a comprehensive energy policy at the European level, as well as a common European foreign policy. Furthermore, they also undermine solidarity and internal cohesion, which are at the heart of European integration.

In this connection, when negotiating the Lisbon Treaty in 2007, after the failure to ratify the Constitutional Treaty, Poland insisted on the inclusion of a solidarity clause in the new Treaty Article dealing with energy. Article 194 TFEU now states that European energy policy should be developed »in a spirit of solidarity«. Although the principle of solidarity in the field of energy is now mentioned in the general context of the Lisbon Treaty, the

Treaty is silent on the duties or obligations which derive from such a clause. As already mentioned, so far no common concepts or generally accepted working definitions of solidarity have been developed which might form a basis for action. Common action requires an understanding of the causes that justify such action. But here again, there is no common concept or definition of an energy crisis or emergency. Consequently, there is no legal obligation for the member states to provide mutual support to one another either in terms of short-term support in crisis measures or to cooperate on long-term investments in infrastructure.

In order to avoid conflicts at European level on relations with Russia and related pipeline projects in future, a major gesture of trust (and also political leadership) from Germany, Poland and France would be to articulate explicitly what is meant by the principle of European energy solidarity, and then to act accordingly, and to demonstrate how solidarity, instead of competing claims of national sovereignty, should be the guide in developing the external dimension of European energy policy. Such a common approach might consist of regular contacts and consultation between EU countries, as well as of ensuring that there are no fundamental contradictions in the external projection of their respective strategies and policies, thereby increasing the coherence, consistency and cohesion of their action. In this respect, each of the Weimar partners will have to find the right balance between the promotion and defence of its national commercial interests

vis-à-vis external energy suppliers, on the one hand, and ensuring that no third country can reduce supplies to any European member states in a targeted manner, on the other.

In addition, these three countries must try to agree on their future relations with Russia, an agreement which could then be expanded at the EU level. Repeated disputes over this question have too often obstructed progress on the energy dossier. The negotiations on a renewed strategic partnership and cooperation agreement between the EU and Russia, which finally began at the end of 2008, have not progressed at all in the field of energy, despite the fact that the outcome of these negotiations will have a particular bearing on the EU's ability to develop a coherent energy policy with a comprehensive external dimension in the future.

Nevertheless, if some EU countries want to wield real negotiating power vis-à-vis external suppliers, and particularly Russia, energy cooperation under the Weimar Triangle, with other interested EU countries, could also take the form of the creation of a European »Gas Purchasing Group«. This would permit interested importing companies from these countries to create purchasing group(s) for ad hoc projects by using common subsidiaries or Group(s) of Economic Interest. Such group(s) could work together on the following objectives:

- negotiating supply contracts with external suppliers;
- distribution of delivered gas between members;

- establishment of investment consortiums;
- exploitation of transport and stocking infrastructures inside and outside the EU.

The realisation of such a purchasing group could be based on existing EU legislation. A block exemption regulation adopted on the basis of Article 101(3) TFEU could offer the participating firms the necessary antitrust security and allow the Commission to impose the necessary conditions to ensure that upstream cooperation will not affect downstream competition.

The implementation of this functional and pragmatic cooperation between the major gas importing companies of some EU countries could be done gradually. The first step would be the establishment of ad hoc national strategic authorities to supervise cooperation between importing companies and to ensure that the functioning of the internal market is not hampered. These national authorities would meet regularly to form a multilateral supervisory body, to elaborate a common working method and to establish mutual confidence among industry actors and strategic authorities. By establishing a stable legal framework, the participating countries would be able to cooperate closely on their overall security of supply.

Such a proposal could lead to – or be coupled with – the necessary improvement of energy crisis management in order to avoid supply disruptions and to develop a common emergency mechanism. France, Poland and

Germany, together with all the other EU countries, need to develop efficient means of combating energy crises, including the ability to detect and act on the dangers that may put them at risk. A common early-warning mechanism should provide for effective exchange of information, thereby allowing the authorities and the states concerned to

Early-warning mechanisms will not be sufficient to deal with real crises address supply issues before they become problematic. Early-warning mechanisms will not, however, be

sufficient to deal with real crises. Increased collaboration should also involve a formal and targeted mechanism for rapid and coordinated management of energy crises, as well as strategic reserves and the capability of effectively dispatching those reserves among members.

The resolution adopted by the Franco-German Council in February 2010 to jointly ensure proper diversification of their energy mix, sources and transit routes in order to secure Europe's energy supply in the long term, is a positive step. The partners have agreed to continue to regularly update and develop their recently launched network of experts on security of supply for gas. They will also examine the possibility of creating a Franco-German »Centre for Compensation« for gas, aimed at including all stakeholders in the area. This centre would have to ensure, through cross-border mechanisms of cooperation, that in cases of gas-supply disruption, consumers from each side of the border can be supplied in the most efficient way. A strong political

gesture towards Poland would be to involve it in this new instrument. The first step in such an association could be to grant Poland observer status.

► VII. Political Preconditions for the Three Partners

Several conditions must be met if the three countries are to make the Weimar Triangle a genuinely effective platform for cooperation. First, the partnership must be refocused on concrete projects which are both realistic and well-defined. These are the kinds of projects – ad hoc, modest projects to start with – which, if they succeed, will deepen mutual trust and therefore create the conditions for wider cooperation. This pragmatic approach allows for concentration on action and easier identification of areas in which real added value may be found and where synergies make sense. It would also limit the »announcement effect«, which has often been a cause of frustration.

However, this does not mean that such projects should not be ambitious. On the contrary, there must be an effort to combat the commonly held idea that it is impossible to cooperate over energy, or that existing energy policies are immutable. Choices over the energy mix are not irreversible. This is shown by the examples of Great Britain, which moved from coal to gas in the 1990s; France, which moved to hydropower; and

Germany, which has increased its share of renewable energy to 10 per cent in the 2000s.

Next, the three actors must start to act as a »triangle« and no longer merely as bilateral partners. It will be necessary to go beyond the strictly bilateral framework, without, however, breaking it. Each actor must be considered an equal partner. However, this new arrangement should not prevent the Weimar Triangle from being used as a springboard for certain bilateral projects. Moreover, there is no reason why particular initiatives and methods developed by the Franco-German duo should not be extended to either Poland or the EU as a whole, as has been mentioned several times in this paper.

Finally, the three partners must be allowed the possibility of disagreeing on certain aspects of their respective energy policies without it becoming an existential crisis which threatens their very relationship – as was the case recently between Germany and Poland over Russia. In this respect, the Weimar Triangle must serve as a mediation forum between the partners in order to preempt and settle differences before they turn into crises which affect the EU as a whole.

► Conclusion

Energy lies somewhere between the state and the market. While choices of industrial investment and research programmes are made by businesses, in

contact with competitive markets, and by scientists, who advance knowledge, it falls to political leaders to define shared needs and responsibilities, to design effective organising structures, to build alliances of competition which mobilise all actors, to assemble the infrastructure, to allocate public funds and to look beyond market imperatives in search of effective projects – making use of synergies, emulation and collective action.

This must be the goal of Germany, France and Poland in terms of the various ideas and cooperative projects proposed in this article. In addition, such a cooperative project would bring a welcome breath of fresh air into the Franco-German relationship. In a sense, it would be an act of modernisation. As for Germany and Poland, they would have a chance to put aside the quarrels which have strained their relationship in recent years. Finally, Poland in particular would be better able to assert itself as a strategic actor within the EU.

Ultimately, the particular sensitivities and issues of Germany, France and Poland in the field of energy correspond in many ways to those that characterise Europe as a whole. In this sense, the Weimar Triangle represents a potential laboratory for the entire EU which could directly illustrate the benefits of coherent, collaborative action on energy. If the three countries are able to agree on the growing number of shared energy problems, the Weimar Triangle could also work in favour of EU initiatives. One does not need to be an unconditional optimist with

regard to the Weimar Triangle's potential as a motor of sectoral integration to see that European energy policy has much to gain from a rapprochement among these three major actors.

Thus, by solving concrete issues with collective solutions that advance both regional as well as European interests, the Weimar Triangle could take on a welcome pioneering role in the larger European energy context. This type of differentiated cooperation among states appears inevitable and, if successful, it should inspire others to take the same route. In this respect, these three countries could lead cooperation among the numerous regional and sub-regional groups they belong to, and also serve as a bridge between these different groups. In the long term, this might convince a sufficient number of states to cooperate more in the field, and to integrate elements of their national energy policies into a veritable European Energy Community.

After the recent stalling of the progress of European integration, there is an opportunity for these three countries to become the vanguard in a field decisive for Europe's future. Such a move also offers these countries a ready response to the concerns of their citizens, who are demanding action on energy and sustainable development. Action is what is needed: declarations and rhetoric will not suffice.

Endnotes

(1) The author is grateful to Csilla Végh and Robert Cençon of *Notre Europe* for their contributions to this article.

(2) *An Energy Policy for Europe*, Communication from the Commission to the European Council and the European Parliament of 10 January 2007, COM/2007/1, and Second Strategic Energy Review – An EU Energy Security and Solidarity Action Plan, COM/2008/0781.

(3) Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC. Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

(4) Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, L 176, 15.7.2003, pp. 57–78; Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity, L 176, 15.7.2003, pp. 37–56.

(5) Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, OJ C 83, 30/3/2010.

(6) ECSC Treaty – Treaty establishing the European Coal and Steel Community, Paris, 18 April 1951.

(7) Euratom Treaty – Treaty establishing the European Atomic Energy Community, Rome, 25 March 1957.

(8) All relevant data are from: *EU Energy and Transport in Figures*, Statistical Pocketbook, European Commission, 2009.

(9) France is the largest producer of nuclear energy in the EU. It accounts for over 40 per cent of France's primary energy supply and 85 per cent of its domestic energy production. Nuclear energy accounts for 78 per cent of electricity generation in France, while renewables, mainly hydro, account for 10 per cent and coal and gas for 12 per cent.

(10) Poland is the largest coal producer in the EU. It accounts for over 58 per cent of Poland's primary energy supply and 88 per cent of its domestic production of energy.

Poland's electricity generation comes almost entirely from coal (91 per cent), followed by natural gas (3 per cent) and renewables (3 per cent).

(11) Germany demonstrates a reasonable degree of fuel diversity, with oil dominating its primary energy supply (36 per cent) and coal in domestic production (43 per cent), but remains the second largest EU producer of nuclear energy. Electricity generation in Germany is primarily derived from coal (41 per cent) and nuclear (26 per cent), with a growing share of natural gas (12 per cent) and renewable sources (12 per cent).

(12) Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market.

(13) Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources.

(14) European Council 8/9 March 2007, Presidency Conclusions No. 7224/07 (CONCL 1), Brussels, 9 March 2007.

(15) Press release IP/09/1431, 07/10/2009.

(16) *Priority Interconnection Plan*, Communication from the Commission to the Council and the European Parliament — COM (2006) 846 final, Brussels, 10.1.2007.

(17) Regulation (EC) No. 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European Grouping of Territorial Cooperation.

(18) Since 2003 it has been financed through the EU's INTERREG III C programme. The realisation of the main priorities commands a budget of EUR 2.1 million, essentially financed from the Structural Funds. The cooperation consists of the following projects: the organisation of an annual Youth Summit in one of the three regions; the financing of 15 sub-projects to achieve the 3 main priorities of industrial conversion and urban renewal, social insertion and the modernisation of the administration.

(19) Russia is indeed a significant source for oil and gas imported by the three countries: Russia provides 100 per cent of Poland's oil and gas, while for Germany the figures are 42 per cent for gas and 33 per cent for oil, and for France, 29 per cent for oil and 14.5 per cent for gas.



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