The role of energy markets integration in the EU external energy policy

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Advantages of market integration – MS perspective

Main political advantages for the Baltic Sea States
• Security of supply
• Stability of systems
• Diversification of routes and sources

Main social advantages for consumers
• A more competitive market
• Pressure on energy prices
• Optimisation of investment signals
Dimensions of market integration in the EU

Different countries with different policies differently perceive the market integration. One could divide this process into a number of dimensions such as:

- Political
- Infrastructural
- Promotion of acquis communautaire abroad
Market integration vs. politics

Thus, what the EU needs if it wishes to integrate with 3rd countries, is the comprehensive political approach towards this process, based on:

- Support for countries which lack capacities to integrate on their own.
- Common understanding, that the integration needs to be developed based on values already agreed within the EU.
- Reciprocity, where market integration needs to be a step by step approach due to fundamental differences in the vision of energy markets.
Market integration vs. politics

A desire to integrate a country’s energy market needs to be driven by its political attitude towards the entity which it wishes to integrate with.

• We can observe that within the EU there is no more opposition to full energy market integration.
• On the other hand, we see countries which do wish to integrate with the EU, but the political problems they face prevent them from effective actions in this field.
• There are also countries which perceive the integration only as a one-way process.
Advantages of market integration for the EU countries – a differentiated approach to infrastructure

Different MS in the EU have different perception of the role of the energy market integration

- Competitive vs. secure market (?)
- Some EU countries already have a diversified portfolio of supply and may now concentrate on increasing the competitiveness in their market.
- The others still perceive their markets as undiversified and would rather see the security of supply as the main driver of integration.
Advantages of market integration for the EU countries – a differentiated approach to infrastructure

As a result we have two different approaches also in the external dimension of the EU energy policy.

• The „Mediterranean” approach, where the EU aims at developing new connections with 3rd countries.

• The „Eastern” approach, where we’re trying to construct new connections within the EU to balance the existing interconnections with 3rd countries.
Advantages of market integration for the EU countries – a need for a common approach to the promotion of acquis communautaire

What is common between these two dimensions is the need to integrate these markets on solid legal background.

The EU values and solutions which shaped European energy market need to be the basis for 3rd countries integration with the EU.
Advantages of market integration for the EU countries — a need for a common approach to the promotion of acquis communautaire

Against this background there is a number of instruments that the EU may efficiently use.

- Energy Community Treaty
- Energy Charter treaty
- Bilateral EU – 3rd countries agreements like Post - PCA
Conclusions

• The EU is on the right track for closer market integration with its neighbourhood.
• This integration first of all needs to be based on EU values and EU acquis.
• Development of new energy infrastructure is the key element of market integration, however, a differentiated approach needs to be applied to different regions.
• A number of EU and non-EU instruments may be used to foster market integration.
Thank you for your attention