Ladies and gentlemen, it is a great pleasure for me to be here with you in Riga to discuss the Energy Union.

I will start by offering my congratulations to the Latvian EU Presidency for organising this high-level conference on the Energy Union. I would like to thank Minister for Economy Ms. Reizniece-Ozola and Commission Vice-President M. Šefčovič, as well as Commissioner for Climate Action and Energy M. Arias Cañete for inviting the IEA as a strategic partner.

Ladies and gentlemen, before we talk about today and what is to come, let us perhaps look back.

More than 60 years ago in Paris, the European Coal and Steel Community was formed. The ECSC was a landmark agreement, a historic example of regional energy co-operation, and ultimately a stepping-stone towards the European Union.

And today, that European Union of 28 member states looks to embark on another project of co-operation with the formation of an Energy Union. This is ambitious. If done right, such a Union could be enormously beneficial to the region in terms of boosting economic growth, promoting energy security, completing the internal market and encouraging investment.

However in terms of energy, it sometimes seems as if Europe is co-operating even less than ever. There is a need to diversify gas supply, yet LNG terminals sit idle in Spain as there is a lack of interconnections to take advantage of this capacity. There is a need for gas storage, something that Central Europe has invested in, yet a lack of cross-border market integration. And all across Europe, countries are installing renewable energy yet lack the ability to efficiently and effectively manage power flows with neighbouring countries.

These examples highlight what we are seeing too often with energy in Europe – local success, but systemic failures. For an Energy Union to be truly transformational, to live up to its ambitions, the EU energy system as a whole must be addressed.

And at its core, this means taking action on regional energy security.

Because change is on the horizon. In the coming decades the EU is expected to retire half of its electricity capacity. Nuclear plants are ageing, with half of the EU’s existing nuclear capacity to be retired by 2040. Environmental rules also require the phase-out of old coal-fired power plants.
Clearly the energy system is facing significant and rapid change. Market design and cross-border integration must evolve in response.

Liquefied natural gas is one promising tool for the diversification of Europe’s energy supplies. The opening of the new LNG terminal in Klaipeda last year, and the terminal in Poland this year, will increase security of supply of the countries and the region.

And recall that during the 2009 gas crisis, gas storage was the most significant security measure used in Central and Eastern Europe. As a matter of fact, Europe has ample gas storage and LNG capacity. But even between Western European gas markets, UK, Spain, Portugal and France, and the Central East, there is a lack of interconnection. In order to better utilise existing storage and LNG capacity, any limits to gas imports and exports within the EU need to be abolished and no exemptions given for reverse flows.

Governments may wish to co-operate on the use of excess LNG or gas storage capacity during an emergency, but clear and transparent rules will be needed for collective action.

**However, I will say this again, echoing what we have heard from the European Commission: an Energy Union should not represent a buyer’s cartel.**

Increasing EU bargaining power towards third-country suppliers, such as voluntary common purchasing of gas, must respect competition, the international market and WTO rules. On the other hand, to access new sources of pipeline gas, companies are sometimes not ready, or are not able, to assume the necessary risks.

In these cases, the EU should support private upstream and midstream investments outside of the EU, for instance by the EIB through risk guarantees and by a strong EU external trade and energy policy.

The EU should also support more flexible and transparent LNG markets, in Asia in particular, and enhance energy efficiency and low-carbon deployment in the domestic economies of LNG exporters. This can help to ensure LNG’s contribution to global gas supply security.

**But perhaps most importantly, renewables will make a strong contribution to ensuring energy security.**

Since 2005, the increase in electricity from wind, solar and biopower has more than compensated for the decrease of European gas production, and this will continue at least to 2020.

But Europe is losing its leadership in renewables to emerging economies, and achieving goals is by no means assured. For 2030, an EU-wide renewables target of at least 27% has been set, but no legal rules and no electricity market design are in place.

These rules are critical for boosting investment in all low-carbon technologies. I strongly welcome the review of the EIB funding in support of no-regret infrastructure for low-carbon energy technologies and the further increase in the EIB’s capital suggested by Jean-Claude Juncker.
Ladies and gentlemen, there is momentum today for co-ordination and co-operation in Europe on energy and climate change policies.

The Energy Union presents a tremendous opportunity. Policy makers should seize the chance to make meaningful changes to the way we produce, use and price energy. Vision, leadership and decisive action on the realities of the Energy Union is what is needed to take advantage of this opportunity.

Ambition is laudable, but action is what will make the difference.

I thank you for your attention.