

'Solidarity law' signals Energy Union breakthrough

Andreas Walstad / Brussels

The EU's solidarity principle, intended to provide mutual support in the event of a supply crisis, has received informal backing from key EU bodies.

THE EU'S VISION of an Energy Union has taken a step closer to reality after a proposed 'solidarity law' last week secured informal backing from the European Parliament and the Council of the EU.

The revised security of supply gas regulation 994/2010 is one of several law changes that Brussels is pressing through to strengthen the bloc's energy security in the wake of the 2006 and 2009 supply crises.

The solidarity principle means that, in the event of a supply crisis, sending gas to households and hospitals in neighbouring countries should take precedence over providing gas to industrial end-users in the supplying country.

According to the draft text – which still needs formal endorsement by the council and the parliament – the mechanism will be activated when a member state indicates that cross-border intervention is necessary to tackle a severe crisis.

"The solidarity principle is a major development in the context of the Energy Union. In the past there have been a lot of uncertainties [about] what solidarity actually means, but now this has become a lot more concrete. It is quite remarkable that all 28 member states have agreed to this," Arno Behrens, a senior research fellow at the Brussels-based Centre for European Policy Studies, told *Interfax Natural Gas Daily*.

However, there have been several changes to earlier drafts of the revised regulation.

A previous plan to divide member states into seven regional cooperation groups has been shelved after lobbying from national governments and replaced with 'risk groups' of countries instead. The groups serve as a basis for obligatory 'risk-associated cooperation', which includes joint risk assessment and joint establishment of preventative and emergency measures.

"Member states found the regions too rigid and this has now been replaced by emergency supply corridors. In total, there will be 13 groups. Some member states will be allowed to be members of more than one group if they are affected by risks



Jerzy Buzek, centre, is rapporteur of the proposed 'solidarity law'. (European Parliament)

from several directions," one EU source told *Interfax Natural Gas Daily*.

Better integrated gas markets may also have helped win support for the revised regulation.

"One of the main arguments against the 'solidarity principle' was freeriding – that member states would not invest in the necessary infrastructure if they knew they would be supplied in crisis situations anyway," Behrens said. "However, now that the gas markets are better developed this becomes less of an issue. The EU's Projects of Common Interest have contributed to that."

Resilient to disruption

The file's rapporteur, Jerzy Buzek (EPP, Poland), said the regulation would make Europe "more secure and resilient to external disruptions and to the abuse of energy supply as a political weapon".

"It gives EU member states the ability to help each other in times of an emergency but also, more importantly, enables them to act jointly to prevent any supply crises," he said in a statement.

"Through the solidarity mechanism, member states are obliged to help each other when there is a danger to the supply of gas to the most sensitive consumers – private households, hospitals, social services," he added.

However, questions remain as to how member states would compensate one another for emergency supply of gas and loss of revenue. A statement from the

parliament was short on detail in this regard, although more information is expected to emerge later in the week.

"Help from another member state can be activated only as last resort. The requesting member state would have to fairly compensate the country that provided supply," the statement said.

The revised regulation also includes a transparency clause obliging gas companies to notify long-term commercial gas contracts to the commission.

Under the draft law, gas companies will have to notify long-term contracts that constitute 28% of the annual gas consumption in the member state. The 28% threshold has been watered down from 40% in a previous draft. The transparency obligation will apply to both new and existing contracts, but details regarding prices will not have to be disclosed.

The revised regulation is expected to be adopted by summer and enter into force by autumn.

It complements a set of revised rules on transparency for intergovernmental agreements (IGAs) that were adopted earlier this year. The revised law will give the commission the right to review IGAs on oil and gas with third countries, such as Russia, before they are signed. Under the current regime, the commission has the power to review IGAs only after they have been signed. IGAs typically form the backbone of commercial energy contracts. ■

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