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**Evaluation of the creation of the EU internal gas market
and the integration of Visegrad region**

Diploma thesis project

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Study Program: Security Studies

Academic Year: 2019/2020

Key words: *energy union, internal energy market, internal gas market,
European*

Commission, energy commissioner

Introduction

European union is one of a kind institution in the current politics. While there are few areas where European Commission has sole power over, such as monetary policies, competition policies or international trade policies, there are policies where Commission has to cooperate with member states, for example transportation, agriculture, environment and also energy.

Energy policy of European union is incredibly dynamic aspect to study. Continual integration of European markets resulted in need to establish common energy market. This spill over effect emerged in the end of 1990s during Prodi's Commission when for the first-time politicians started to discuss possible integration of national energy markets. Back then, the person responsible for energy portfolio was vice-president Loyola de Palacio who presented her outlook on energy policy and upcoming liberalization of energy markets. Loyola with her colleague, a commissioner of internal market and services Bolkestein, conducted the first steps towards the integration.

Restructuralisation of the national energy markets with the view of creating a single EU energy market was conducted by four Energy packages, starting in 1996 and the process has not finished yet. The intention was to integrate not only electricity markets but also open oil and gas markets aiming to support and strengthen a competition between suppliers, ensure market-based prices and transparency, develop instruments to protect energy poor and vulnerable areas, monitor the sector, etc. The electricity market is, in a way, the most developed one as we can talk about several regional markets within the EU already and the level of integration is the most advanced one.

The process of integration was conducted during Barroso's two commissions and proceeded by Junkers commission, which delivered the integration to the very end despite the fact, that some of the regions are not fully integrated as well as other are lacking competition. It was one of the goals of both commissions to finish building the EU internal gas market. Such integration was supported by member states as well as the support was enhanced by the external accidents, such as Annexation of Crimea.

Key representative for implementation of integration policies was an energy commissioner, namely Andris Piebalgs, Gunther Oettinger and Maroš Šefčovič who created instruments, started new policies as well as evaluated outgoing implementation of strategies.

Research target, research question

The main purpose of this research paper is to analyse energy integration policies as well as the success in the implementation of selected European Commissions. Evaluating the work of each commissioner responsible for energy matters, this work aspires to identify key factors that had major impact on integration. Such factors are divided in three levels: national, multinational and external. Furthermore, explaining all the above-mentioned factors hand in hand with their evaluation and impact, this work intends to recognize possible problems that current energy commissioner Kadri Simons might face and to draw a possible trajectory forward for the EU internal gas market. Last, but not least, results of the analysis of EU energy integration policies will be verified via a brief survey sent to V4 stakeholders on different perspective on the internal EU gas market.

RQ1: Where were the energy commissioners successful in implementing their integration policies towards internal gas market? Where they failed?

RQ2: What were the factors fuelling the integration process of internal gas market? What caused the slowdown in the integration process?

RQ3: What problems might Kadri Simons face in her office?

RQ4: Where lies the core of the problem in integrating V4 countries to the internal gas market? Are integration problems of V4 countries similar to union problems indicated in RQ2?

H1: Even though the internal gas market is not finished yet, European Commission has done its utmost to facilitate integration of its member states to internal gas market.

H2: European Commission failed to achieve common internal market because of lack of interest and apathy from member states.

H3: Unpredictable external affairs are believed to be the engine for completing the integration of the internal energy market

H4: Geography is predicted to be the main factor complicating the finishing the process of the integration of the internal gas market.

H5: The problem in integration of V4 countries to internal energy market lies in their underdeveloped infrastructure and unwillingness to lose control over the stakeholders.

Literature review

Regarding the topic, there have not been anyone who would evaluate last three European Commission and their work on internal energy market. The idea of internal energy market sparked up early in 1988. Eikeland (2011) analysed “common carrier” system for gas and electricity which concerns agents who should operate supply gas and electricity infrastructure independently from producers and suppliers. On the other hand, Haase (2008) examined developments of regulatory regimes in European gas market in EU15 between 2000 and 2005. Stem & Rogers (2014) described aspects of market transition towards liberalization which can be viewed as challenges, opportunities and threats. They elaborated the roles of key players in the liberalised gas market and what risks those key players face in liberalization the market. Furthermore, Eberlein (2008) was focused on efficacy of sectoral governance mechanisms is obliged by conflicts between sectoral interests and national authorities where European Commission “a double shadow of hierarchy over sectoral governance agents.” Ispolinov & Dvenadtsatova (2013) explored changes in EU energy structure and legislation and stages in creation of internal energy market. The notion Maltby (2012) brought enriched academia with the agenda-setting of European Commission concerning the problem that newly EU accessed states with gas supplies. Karan & Kazdagli (2011) aimed to shed a light on evolution of EU energy market vis-à-vis regional ones “in accordance to the market efficiency criteria and financial aspects of energy.” In his book, Jones (2017) focused on energy union as a whole and specifically the role of secure gas supplies as an engine for integration. Last, but not least, Baltensperger, Fuchslin, Krutli & Lygeros (2017) analysed development of European gas market and its impact on social welfare and security of gas supplies.

Conceptual and theoretical frameworks

The main concept this research paper works with is the “*internal energy market*” itself, in this case narrowed down to the sector of natural gas. The objective of internal energy market is harmonization and liberalization of national markets on the union level thanks to certain measures. Such measures aim to “build a more competitive, customer-centred, flexible and non-discriminatory EU ... market with market-based supply prices” (Ciucci, 2020). In electricity and gas, the liberalization was conducted by Four Energy Packages which handed over the competences from nation states to the EU (Ciucci, 2020). Internal energy market is a result of further integration process aiming not only free flow of goods, services and people, but also energy, such as gas or electricity. Internal energy market creates common rules applied for all member states aiming opening their national markets (Vasconcelos, 2005). Internal

market requires cooperation among member states assuring security of energy supplies thanks to reliable infrastructure. Additionally, “the Member States will ensure market-based price competition between suppliers; protection of energy poor and vulnerable household customers; entitlement for final customers to electricity provided by a supplier, subject to the supplier’s agreement, regardless of the Member State in which the EU-compliant supplier is registered” (Ciucci, 2020).

Methodology

For the purpose of this research thesis, content analysis is the main method of examination. Content analysis strikes a position as a qualitative method of analysis. It examines texts such as documents, agreements, and other official papers into depth (Hsieh & Shannon, 2005). In our case, directed content analysis is an essential option for analysis since there is already an existing concept of integration. With this approach, the main goal is to “validate or extend conceptually a theoretical framework or theory” (Hsieh & Shannon, 2005). The results achieved by directed content analysis will either support and refine or non-support the chosen theory. One of the biggest challenges of this approach is the likeability to find evidence that is rather supportive than challenging to the theory.

Main source for conducting the analysis are official EU documents and working papers published by the European commission or Agency for the Cooperation of Energy Regulators (ACER). Additional sources are Internal Energy Market (IEM) directives and resolutions agreed in European Parliament, which has had also significant impact on the creation of internal gas market. To a certain point, official speeches might be used as a source of evaluation of implemented policies. Last but not least, academic articles as a secondary source are used for an evaluation and critical insight on implemented policies.

On top of that, a brief survey will be handed over to the stakeholders from V4 countries to achieve evaluation of the integration process from different perspective. Position of the stakeholders is important due to the fact that their viewpoint will show general V4 stance on the topic and their comments where the policies failed or were successful. Thus, up to five questions will be asked in order to broaden the enrich this thesis with particular case study concerning the sector affected the most by building the internal gas market.

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