

Event Report

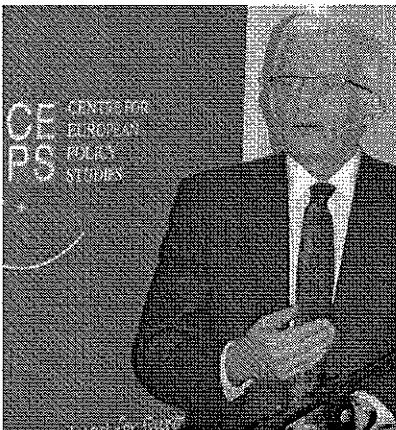


Implementing Lisbon: The First Steps CEPS Annual Conference 2010 Opening Dinner

24 February 2010, Cercle Royal Gaulois, Brussels

Chair: H. Onno Ruding, Chairman of the CEPS Board of Directors
Speaker: Jerzy Buzek, President of the European Parliament

CEPS was honoured to present Jerzy Buzek, President of the European Parliament, as the keynote speaker at the opening dinner of 2010



Buzek speaking at the Opening Dinner

Annual Conference. Speaking on "Energy Policy and Security in Tomorrow's EU", the distinguished MEP called for the urgent development of a European Energy Community. While acknowledging that discussions about energy policy and energy security touch directly on issues of national sovereignty and

security, he argued that in an increasingly globalised world, national sovereignty on energy matters must be subservient to the need for common EU cooperation.

President Buzek reported that the EU27 currently consumes about 15% of the world's energy resources and that figure is expected to grow by over 10% by 2030. Moreover, the EU's import dependency will increase by 14% and in 20 years time it will be importing 95% of its oil and 84% of its natural gas. He concluded, therefore, that the EU needs to continue to diversify its energy sector by investing in domestic sources, renewables as well as nuclear power, and the development of cleaner second-generation fossil fuels.

"Europe is faced with competition from other parts of the world, competition for access to scarce resources."

In order to build an energy infrastructure capable of dealing with future challenges, the member states will have to agree on joint decisions for investments not only in pipelines, but also in smart grids and large-scale energy interconnectors. Buzek recommended establishing the European Energy Community incrementally, starting with the formation of an oil and gas-purchasing group.

This would allow the EU to speak with one voice and member states could negotiate joint supply contracts and build shared storage and transport infrastructure. Also the EU should be encouraging regional integration among its member states in order to create cross-border energy links and connectors. But eventually, the most important step would be to take political ownership and show genuine leadership on the issue.

"How we face these challenges, individually or as a Community, will only determine how successful we will be."

As for the institutional arrangement, President Buzek discussed several options. He mentioned the European Energy Community as a separate entity, existing alongside the EU, or an arrangement created through enhanced cooperation provided for in Article 20 TEU. Also Article 194 TFEU could be used to give the EU some new but limited competences in the field of energy. Eventually, Buzek argued, the initiative should have an opt-in, allowing all member states to join when they are ready.

The EP President further discussed the internal and external advantages of creating a European Energy Community. Internally, the cooperation could provide for additional funds to finance R&D in areas such as green technology and renewables. It could also create incentives for energy companies to focus on long-term investments. Externally, the economies of scale offered by the initiative could allow the EU to function as a powerful trading bloc, e.g. negotiating common purchases of oil and gas.

President Buzek ended his speech by referring to the origins of EU integration in which the French Foreign Minister Robert Schuman called for a pooling of sovereignty in the core heavy industries of the mid-20th century: coal and steel. In his view, the EU now needs to start thinking about a pooling of sovereignty in the energy sector for the 21st century.

Session I. The European Council President and the rotating presidency: A clash of powers?

Chair: H. Onno Ruding, Chairman of the CEPS Board of Directors

Speakers: Jim Cloos, Director for General Political Questions at the Council of the European Union
Carlos Closa Montero, Senior Research Fellow, Consejo Superior de Investigaciones Cientificas
Alojz Peterle, MEP, former Prime Minister of Slovenia, former Member of the Convention on the Future of Europe



Closa Montero, Peterle & Cloos

Following introductory remarks of welcome by the Chairman, H. Onno Ruding, the first session opened with a presentation by Jim Cloos, Director for General Political Questions at the Council of the European Union, on the dynamics between the European Council President and the rotating presidency. Cloos placed the debate immediately in perspective by highlighting the fact that the presidency of the Council in itself is not a new phenomenon. The central role of the European Council has in the last 25 years been vital for EU integration in which the presidency evolved to leading and mobilising national energies, allowing countries to take up real political leadership and creating trust, solidarity and cooperation.

Cloos observed, however, that in an EU of 27 members, the rotating presidency encountered problems with visibility and continuity. To deal with this, the Lisbon Treaty introduced a permanent President, now elected European Council President Herman Van Rompuy, who functions as chair of the European Council and as external representative of the EU. Besides, he needs to maintain a close relationship with the President of the European Commission, the High Representative for EU foreign policy and the rotating presidency.

The job description of the permanent President is not yet clearly defined and the main question, in Cloos' view, is how the permanent President of the European Council will work with the rotating presidency that chairs the majority of Council formations. Already he sees the importance of the two working together.

"We know that the best European Commission Presidents are those who closely work with the European Council."

Carlos Closa Montero, Senior Research Fellow at the Consejo Superior de Investigaciones Cientificas, next discussed the institutional arrangements of the permanent President, its design and performance. He called the creation of a permanent President an "institutional innovation". He mentioned that the

problems with this position had been foreseen during the Convention and had not yet disappeared. The permanent President is not designed to be a voting body, which indicates that the position is seen more as a chair than a real president. Besides, the decision-making of the European Council based on consensus only stresses the role of the permanent President as mediator of the institution.

Closa Montero touched upon the different functions foreseen, i.e. agenda-setting, internal coordination and external representation. The role as agenda-setter for the permanent President could provide more continuity, but the dynamics between the permanent and rotating presidency are not clearly resolved. As for coordination, he asks what means would be available to the permanent President to manage relations between the European Commission, the Council and the High Representative, which on its own seems to be a full-time job. The main question posed by his nomination persists today: namely, will a permanent President increase the visibility of the EU with its citizens? For now, Closa Montero argued, the visibility of Angela Merkel and Nicolas Sarkozy still overshadows the first steps taken by Van Rompuy.

The final speaker of this session was the former Prime Minister of Slovenia, former Member of the Convention on the Future of Europe and current Member of the European Parliament, Alojz Peterle. In his view, creating the position of permanent President for the European Council was a good decision.

"The role of President of the European Council can create more political ownership and push EU integration forward."

He does not see this function as a purely technical one, especially the tasks assigned to the President as chair and the driving force behind the work of the European Council. He believes that the President will strengthen coherence, consistency and long-term planning and offers the opportunity for the Union to evolve towards a more politically integrated body. Eventually, Peterle reckoned that the challenges the EU faces today call for new concepts. The European Council has to work together with the European Commission and the European Parliament in building a stronger Union. This is expected from our citizens as well as externally from the global powers.

Session II. Coping with crises: Prospects for the European Monetary Union

Chair: **Karel Lannoo**, Chief Executive Officer, CEPS

Speakers: **Phillippe D'Arvisenet**, Global Chief Economist, BNP Paribas

Daniel Gros, CEPS Director

H. Onno Ruding, Chairman of the CEPS Board of Directors



Gros, D'Arvisenet & Ruding

The second session dealt with economic questions and focused on the risks that the financial crisis, and in particular the Greek sovereign debt situation, posed to the European Monetary Union. The build-up of large imbalances within the eurozone, their importance in the development of the crisis and the need to overcome them represented the major themes of the discussion among the three panellists.

Phillippe D'Arvisenet, Global Chief Economist at BNP Paribas, opened the session by drawing lessons for the monetary union from the latest crisis. He stressed the well-known fact that the weakness of the euro area arises fundamentally because it is not an optimal currency union. The idea that the absence of political union could be compensated for by the Stability and Growth Pact has proven to be a big mistake. The Pact clearly failed in imposing the fiscal discipline necessary in a monetary union. Among the various options that are now on the table to deal with the crisis, D'Arvisenet felt that the creation of a euro bond could be helpful to the extent it would make the market more liquid and, ceteris paribus, push down interest rates. However it could be taken as an invitation to moral hazard and free riding and certainly could not serve as a substitute for fiscal discipline. The idea of a European Monetary Fund could help to minimise the risk of sovereign default, but the precise way in which it would work is not clear and this is not just a detail. He concluded by warning that the only way to avoid a roll back of the achievement of the monetary union would be fiscal federalism.

"A state-driven banking industry can lead to even greater disasters than the ones we have seen up to now."

It was then the turn of **Daniel Gros**, CEPS Director. Before addressing the issue of the Greek crisis and how to set up new resolution mechanisms to deal with sovereign default, he made two bold statements:

"The Lisbon Treaty is a nice thing, but it does not provide any new tools that can help to solve this crisis."

"European economic governance are just empty words without the right institutional framework with which to implement it."

His intervention started with an analysis of the cost that the adjustment in public finances and external competitiveness would imply for the members of the eurozone and in particular for the most vulnerable countries. Crucially those costs may be so high that they would be perceived as politically impossible and could potentially lead to a country's defaulting. In the case of Greece, the actual costs can be larger than expected if the European Commission's projections of positive growth rates turn out to be too optimistic. Given this picture, Gros cautioned that the right approach would be to

"prepare for the worst".

The experience of Argentina suggests that imposing a fiscal adjustment programme may be not enough to prevent its default. The only plausible solution is to pre-empt the end game. This is the fundamental idea at the core of the European Monetary Fund, proposed by Daniel Gros and Thomas Mayer. The fund would first provide financial support to the country in difficulty and, if this did not work, it would manage an 'orderly default' so as to minimise the cost of the unavoidable disruptions resulting from the default. In his view, this would be the only way to re-establish market discipline.

The last speaker, **H. Onno Ruding**, Chairman of the CEPS Board of Directors, focused on the political and systemic issues of monetary union. He talked about Greece as

"an example of great consistency in pursuing unsustainable and irresponsible policies"

and claimed that it was a big mistake to let the country join the Union. More than anything, he warned that this should serve as a lesson for the new applicants. Participants in a monetary union should voluntarily undertake a path of convergence, but we have learned that there is no guarantee that this will happen. In his view, at this stage we can only try to limit the damage without having the necessary instruments because the Union was not equipped to deal with national insolvency.

Session III. The European External Action Service: A quantum leap?

Chair: **H. Onno Ruding**, Chairman of the CEPS Board of Directors

Speakers: **Ian Boag**, DG for External Relations, European Commission

Ulrike Guérot, Senior Research Fellow, European Council on Foreign Relations

Alexander Graf Lambsdorff, MEP and Member of the Committee on Foreign Affairs



Boag, Guérot & Graf Lambsdorff

This session drew out the views of the Commission, European Parliament and think tanks on the new European External Action Service (EAS). According to the Commission official in charge of creating the EAS, **Ian Boag**, the service is still a work in progress. Nevertheless, the provisions of the Lisbon Treaty have already proven advantageous: many of the 136 EC delegations abroad have been transformed into EU delegations. And as the ambassadors of the Spanish Presidency have demonstrated, many of the new EU delegations have already taken over the tasks of the Presidency, showing that the EU will increasingly be able to speak 'with one voice'.

"The EAS can be considered as an instrument to reduce the declining importance of the EU in international relations."

Graf Lambsdorff, presenting the views of the European Parliament, argued that much will depend on the region in question. For example, governments in some African countries might still attend more carefully to the views of the local French embassy than those of the EU delegation. According to Mr Boag, there is still a need to improve the infrastructure of the EU delegations. In Brussels, the EAS will be composed of desk officers dealing with both geographical and horizontal issues such as climate change and energy security.

Ulrike Guérot, Senior Research Fellow at the European Council on Foreign Relations, advocated a strong EAS that would cover a wide range of foreign policy issues. She argued that the service needed to find innovative policy solutions to address international challenges effectively. Furthermore, Guérot stressed the importance of creating a culture within EAS that still preserves the foreign policy traditions of the member states.

Session IV. Safeguarding the future: Debating energy security

Chair: **Christian Egenhofer**, Senior Research Fellow, CEPS

Speakers: **Heinz Hilbrecht**, DG TREN, European Commission

Alexandr Krestyanov, Deputy Permanent Representative of the Russian Federation to the EU

The last session took as its point of departure the adoption of the EU climate and energy package of April 2009, which set out quantitative targets for greenhouse gas emissions, renewables and energy efficiency. The 2nd Strategic Energy Review and the Strategic Energy Technology Plan represent the first steps in delivering practical progress in these areas.

"A prolonged tight market – already happening in oil after the crisis – might increase political tensions and possibly provoke some sort of 'resource nationalism'."

A pro-active policy has been deemed necessary because many supplier countries seem unable to increase production due to a lack of investment. The fact that supplies are tightly controlled by governments in exporting countries raises the fear of 'excessive' leverage of supplier countries that may be hostile towards the West or politically unstable. Many reserves will take years to develop due to problems of access, investments and physical conditions.



Hilbrecht, Egenhofer & Krestyanov

The EU must realise that success in integrating Russia into a strategic energy partnership is very unlikely. Nevertheless, the relationship with Russia remains important as the country holds the world's largest gas reserves. In this context, the Lisbon Treaty is expected to have some (but modest) impact on EU energy policy. With the foundations of the new EU energy policy having been laid prior to its entry into force, the policy will resemble much of the 'old' approach, fostering the EU's internal energy market by improving cross-border infrastructure and regulatory capacity while addressing the most important security challenges with sectoral policies.