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Energy resilience in the EEA in view of the geopolitical landscape

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Resolution
on
Energy resilience in the EEA in view of the geopolitical landscape

Key points and recommendations

The Consultative Committee of the European Economic Area (EEA CC):

1. Has grave concerns regarding recent developments in energy markets in Europe, caused by Russia's weaponization of energy, which affect not only EU Member States but the entire EEA, including the EEA EFTA States Iceland, Liechtenstein, and Norway. It welcomes the many EU actions addressing the energy crisis.
2. Stresses the vital importance of securing long-term energy security of the EEA with sustainability in mind and welcomes the EU's objective to end dependence on Russian gas by 2027 and encourages increased ambition in securing alternative energy supply through reliable trade partners and domestic production.
3. Underlines that more investments are needed to speed up the energy transition. Missing clean energy infrastructure and too long and complex permitting procedures are major barriers. Boosting innovation, education and industrial base is key to achieve the Net zero economy.
4. Encourages all EEA governments to stay the course and rally together in solidarity in response to Russia's invasion of Ukraine and Russia's weaponization of energy and continue to adopt restrictive measures towards Russia and provide important support to Ukraine.

5. Underlines the important and close cooperation and dialogue between the EEA EFTA States, specifically Norway, the largest producer of oil and gas in Europe, and the European Union (EU) regarding urgent short-term and longer-term measures to address the energy crisis in Europe. Welcomes the establishment of the *Joint Task Force* and the continued close cooperation between Norway and the EU¹ to promote the green shift whilst stabilising energy markets. Reminds that Norway has played a vital role in securing the EU's energy sources through continued and increased supplies of natural gas. Encourages the European Commission and EU Member States to consider the EEA EFTA States as solid partners on the pathway to become strategically more independent on third countries.

6. Highlights that EEA States should continue their important cooperation to battle the mutual threat of climate change. Despite the energy crisis, it is of utmost importance that all EEA States continue to accelerate the use of renewable and low-carbon energy and invest in cutting-edge clean technological innovation. A reference is made to the common position of Iceland², Norway³, and the EU to cut 1990s level of greenhouse gas emissions by 55% by 2030⁴ and continuing the path to net zero by 2050. Liechtenstein has also increased their climate ambitions to 55% by 2030 with the goal of net zero by 2050.⁵

7. Reminds the European Union that the EEA EFTA States and economic operators can provide solutions to these common problems, based on their expertise and long experience of renewable and low-carbon energy solutions such as hydropower, wind, hydrogen, carbon capture use and storage, and geothermal energy. It is of utmost importance that the EU and EEA EFTA States, individuals, and companies, work closely together to increase energy resilience in Europe

¹ Joint [statement](#) between President von der Leyen and Norwegian Prime Minister Jonas Støre. European Commission.

² [Update](#) of the Nationally Determined Contribution of Iceland. Government of Iceland.

³ [Press release](#) on Norway's new climate target.

⁴ Fit for 55 [information sheet](#). Council of the European Union.

⁵ Liechtenstein government [press release](#).

especially by building capacity for clean energy solutions. There, the participation of EEA EFTA countries in EU Programmes is of great value.

8. Believes that relationship between the EU and EEA EFTA States in the field of energy should be based on predictability and a clear framework. The EEA Agreement has proven a solid basis for cooperation and gives EEA EFTA economic operators and citizens the opportunity to cooperate with the EU based on a level-playing field which in turns increases the competitiveness of economic operators. This is in most cases preferable to bilateral short-term initiatives.
9. Recognises that the field of energy and climate has become an increasingly cross-cutting issue in the EU legislation. This can create a lack of clarity on which EU legal acts are EEA relevant and creates a risk that EEA EFTA economic operators and citizens are not on an equal footing with their EU counterparts. The EEA CC encourages the EU to take carefully into account the potential relevance of such cross-cutting issues in EU laws on the EEA EFTA States, considering that predictability and a level-playing field is of great value to all economic operators and citizens more broadly.
10. Welcomes and underlines the European Commission's continued focus on social fairness, a just transition, and solidarity when implementing measures to address the energy crisis and broader *Fit for 55 package*⁶. The price surges resulting from the diminishing supply of Russian gas and higher demand for alternative supplies have severely affected households and enterprises throughout the entire EEA. Energy poverty must be addressed to avoid damaging social developments and pressures. The EEA and Norway Grants can contribute to this⁷, as the Grants support the objectives less intensive energy use and increased security of supply in Europe; and various EU initiatives.

⁶ Ibid.

⁷ About [EEA and Norway Grants](#).

11. Recalls the EEA Consultative Committee resolution and report⁸ from 2022 on the social dimension of the EU's climate policies which recognised the importance of fighting energy and mobility poverty and ensuring a well-managed and just transition towards a sustainable economy. It further points out that the EEA EFTA States will be directly economically and socially affected by the EU's climate policies as they are likely to transpose a large part of the EU legislation of the *Fit for 55 package*.
12. Underlines that the current energy crisis is first and foremost the result of a sudden energy under-supply, and thereby endorse the need for short-term measures. Supports the intention of ensuring that Europe's electricity market design is well-adapted to an electricity system which is moving towards climate neutrality, with the objective of delivering affordable electricity prices for consumers and businesses.
13. Stresses the parallel objective of ensuring security of supply and thus incentivising sufficient investments in renewable and low-carbon electricity generation, digitalization and security of the network, storage, and capacity for the long term. In this sense, the EEA CC regrets that the process of reforming the internal market for electricity has been rushed. The EEA CC insists that any future electricity market design must take into account the characteristics of the different electricity mixes of all EEA States to avoid distorting competition. At the same time, the EEA CC reminds that EEA States have the possibility to take national measures to buffer high energy prices and support electricity consumers.

⁸ EEA Consultative Committee [resolution and report](#) on the social dimension of the Fit-for-55 package.

Report
on
energy resilience in the EEA in view of the geopolitical landscape

Introduction and context

The world, and especially Europe, have in the last year been affected by severe supply shocks in energy due to the continued weaponization by Russia of its energy resources. This trend is related to Russia's illegal and unjustified invasion of Ukraine on 24 February 2022, which the EEA Consultative Committee condemned⁹ after its plenary session in May 2022¹⁰.

Over the course of 2022 Russia unilaterally stopped gas supply to several EU countries which pushed gas prices to a record high.¹¹ It added to already difficult situation stemming from the sharp global increase in the demand for gas in the second half of 2021 pushed by the economic upward after COVID-19 pandemic, tightened supplies to the EU, delayed infrastructure maintenance and seasonal imbalances. Russia's recent actions have been a wake-up call for the EU countries regarding the dangers of energy dependency on Russia. It has spurred the EU to action to decrease the EU's over-dependence on gas, oil, and coal imports from Russia. The EU's objective is now to end dependence on Russian gas by 2027.

The EU has in the past year looked to diversify its energy supplies, make important energy savings and replenish gas storage. Norway contributed to safe and secure energy supplies to Europe, or as the Commission President Ursula von der Leyen stated in her State of the Union speech in 2022¹²: "So, we will develop with Member States a set of measures that take into account the specific nature of our relationship with suppliers – ranging from unreliable suppliers such as Russia to reliable friends such as Norway."

⁹ EEA Consultative Committee [statement](#) in solidarity with social partners in Ukraine.

¹⁰ 30th [meeting](#) of the European Economic Area Consultative Committee. EESC.

¹¹ [Infographic](#) – Where does the EU's gas come from? Council of the European Union.

¹² State of the Union 2022 -President von der Leyen's [speech](#). European Commission.

Energy prices within the European Union skyrocketed after the invasion and Russia's actions. Consumer electricity prices increased by 35% between September 2021 and 2022.¹³ From 2019 to September 2021, the increase in wholesale gas and electricity prices amounted to 429%, or 230%, respectively as an EU average. The price jump compared to previous years was very high and presented an unbearable burden for households and businesses.

The title of the resolution and report is “Energy resilience in the EEA in view of the geopolitical landscape”. To explain the title, one must first look at the phrase energy resilience and its meaning. In short it indicates that Europe can avoid, adapt to, and recover from energy disruptions. To do so, it is crucial to ensure energy diversification and independence, especially from energy imports from unreliable partners, such as Russia. The European Economic Area (EEA) unites the EU Member States and the three EEA EFTA States: Iceland, Liechtenstein, and Norway, into one European Single Market with the same basic rules. When the EEA is referenced below it is a reference to both the EU Member States and the EEA EFTA States. Finally, the geopolitical landscape that is referenced is Russia's illegal invasion and its consequences that are felt worldwide.

The structure of the report will be as follows: first, it will review the response to the energy crisis caused by Russia's weaponization of energy in wake of its war in Ukraine, and the impact of the energy crisis on the EEA, including both EU and EEA EFTA States. Then, long-term perspectives on how to work towards energy resilience will be reviewed, mindful of the cooperation opportunities created by the accelerated green transition.

The background report will first review the EU's most relevant responses to the energy crisis, then it will view the impact of the energy crisis in the EEA, and finally look ahead towards to long-term energy resilience.

Responses to the energy crisis

The EU and its Member States have proposed and adopted a plethora of possible solutions and responses in reaction to the energy crisis. This is not the correct forum to go into detail on every one of them, but we should have some background on the main proposals before we delve further into the impacts of the energy crisis on the EEA. A more detailed timeline of

¹³ [Infographic](#) – Energy crisis: Three EU-coordinated measures to cut down bills. Council of the European Union.

the EU Member States' actions to address the high energy prices and security of supply may be found here.¹⁴

With the Versailles Declaration adopted in March 2022¹⁵ EU Member States agreed to phase out the EU's dependence on Russian fossil fuels as soon as possible. Further, on 30-31 May 2022, the European Council agreed to ban nearly 90% of all Russian oil imports by the end of 2022.¹⁶

The European Commission's **REPowerEU** plan¹⁷ presented in May 2022 aims at making Europe independent from Russian fossil fuels well before 2030 and is a crucial piece of the puzzle to understand the EU's actions. The EU proposed to (1) diversify energy supplies towards alternative suppliers of gas, oil, and coal as quickly as possible; (2) save energy. This would be done by small behavioural changes of individuals and contingency measures for supply interruptions; (3) accelerating the clean energy transition and spur massive investment. The EU wants to enable industry and transport to substitute fossil fuels faster to bring down emissions and dependencies.¹⁸ The plan is meant to supplement the Fit-for-55 package and other European Green Deal initiatives.

As part of this action plan the EU has already made several important agreements such as deepening the partnership with reliable allies such as Norway for gas supplies, increasing Liquefied natural gas (LNG) deliveries from US and Canada, intensifying cooperation with Azerbaijan, and signing political agreements with Egypt and Israel to increase LNG supplies.¹⁹ It is also worth noting that the EU set up the EU Energy Platform²⁰ to pool demand, coordinate infrastructure use, negotiate with international partners and prepare for joint gas and hydrogen purchases. Related to the Energy Platform is the Industry Advisory Group²¹ which is an informal expert group made up of 27 EU companies and 11 observers with experience in buying gas on global markets.

¹⁴ [Timeline](#) – Energy prices and security of supply. Council of the European Union.

¹⁵ The Versailles [declaration](#), 10 and 11 March 2022. European Council.

¹⁶ European Council [meeting](#), 24-25 March 2022.

¹⁷ REPowerEU [plan](#). EUR-Lex.

¹⁸ Ibid

¹⁹ REPowerEU [information sheet](#). European Commission.

²⁰ EU Energy Platform [information sheet](#). European Commission.

²¹ [News article](#) on the establishment of an Industry Advisory Group. European Commission.

The EU countries have also made important decisions to curtail high prices and secure energy supplies. On 19 December 2022 the EU energy ministers reached a political agreement on the establishment of a **market correction mechanism**²², with the objective of limiting periods of excessive gas prices.

Prior to the market correction mechanism, in October 2022, the EU Member States had agreed on an **emergency regulation to reduce energy prices**.²³ The regulation set out to (1) reduce electricity demand in Member States. (2) It also set a cap on market revenues for inframarginal electricity generators, such as renewables, nuclear and lignite. These operators had gained large financial amounts without higher operational costs. (3) The Council finally set a mandatory temporary solidarity contribution on the profits of businesses active in the crude petroleum, natural gas, coal and refinery sectors. These extraordinary rules applied from 1 December 2022 and will apply until 31 December 2023.²⁴

It is also worth noting that in June 2022 the Council adopted a regulation on gas storage to secure the **supply of gas**²⁵ for the winter and cut gas demand in the EU. The regulation set out to ensure storage facilities would be filled before the cold season and that underground gas storage on Member States' territory had to be filled to at least 80% of their capacity by 1 November 2022 and to 90% by the subsequent winters. Further, the EU countries agreed²⁶ on 5 August 2022 to take measures to reduce gas demand in the EU by 15% between August 2022 and March 2023. Gas consumption dropped by 20.1% in the period August-November 2022 according to statistics from Eurostat.²⁷

Among the most important considerations for the EEA Consultative Committee is the **social and economic ramifications of the energy crisis** and especially the consequences on vulnerable households and the most affected businesses. The EU has already made several proposals in order to mitigate the negative social consequences of the green transition in the

²² Transport, Telecommunications and Energy Council [meeting](#), 19 December 2022. Council of the European Union.

²³ Council [press release](#) on the adoption of emergency measures. Council of the European Union.

²⁴ Ibid

²⁵ Council [press release](#) on adoption of regulation on gas storage. Council of the European Union.

²⁶ Council [press release](#) – Member States commit to reducing gas demand by 15% next winter. Council of the European Union.

²⁷ Eurostat [news item](#) – EU gas consumption down by 20.1%.

Fit-for-55 package. The EEA Consultative Committee has already issued a resolution and report²⁸ on the topic which underlines the importance of viewing the EEA as a whole in this regard and underlined that: “high energy prices have adversely affected European economies and standards of living, leading to high inflation, and reiterates the call of the EESC for a reassessment of the Fit for 55 package to improve the capacity to deal with energy price volatility and problems following from emergencies, including war and introduction of appropriate provisions to deal with such situations in a way that avoids negative effects on end users.”²⁹

In relation to the social and economic aspects of the EU’s measures it is worth noting that on October 2022 emergency measures were adopted to reduce energy prices and provided coordinated measures to alleviate consumers from increased costs. These rules included provisions that allowed Member States to collect funds from surplus profits of the energy sector and redistribute these to the most vulnerable people and companies in the EU, providing direct support for those struggling to make ends meet.³⁰

The impact of the energy crisis is widely felt within the EEA. This includes both the EU Member States and the EEA EFTA States, Iceland, Liechtenstein, and Norway. The impact in the EU has varied between Member States and the same applies to Iceland, Liechtenstein, and Norway. The supplies of Russian pipeline gas were cut by over 80% in 2022³¹ leading to a spike in wholesale prices for natural gas and electricity, with severe repercussions for households and businesses. Since Iceland³² and Liechtenstein³³ stand outside of the EU internal energy market this holds true to those two only to a lesser and more general extent.

Most notably the effect has been felt in Norway.

Norway is an important supplier of energy to Europe. This relationship is defined and regulated by Norway’s participation in the internal energy market through the EEA

²⁸ EEA Consultative Committee [resolution and report](#) on the social dimension of the Fit for 55 package.

²⁹ Ibid

³⁰ Council [press release](#) on the adoption of emergency measures to reduce energy prices. Council of the European Union.

³¹ [Statement](#) by President von der Leyen on ‘REPowerEU: outlook on EU gas supply in 2023’ European Commission.

³² Joint [understanding](#) on the application of the third energy package towards Iceland. European Commission.

³³ [Chapter](#) on Energy policy of Liechtenstein by Dr. Anna Kucharska.

Agreement. Since the 1970s, Norway has built electricity interconnectors and entered into agreements for electricity exchange with European countries. This means that the electricity price crisis affects both Norwegian and EU customers. Although the Norwegian electricity system is based on renewables with low production costs, exposure to European prices has resulted in high consumer bills. Since autumn 2021, Norway has supported all households to mitigate the costs of high electricity prices, with additional support available to the most vulnerable. In 2022, electricity-intensive businesses may also benefit from a time-limited support scheme. Electricity taxes are reduced, and fixed-price contracts are encouraged. Funding is made available for investments in energy efficiency, targeting public housing in particular.

Norway also exports a significant amount of natural gas to Europe. Since the beginning of the war, Russia has weaponised energy and cut its gas exports to the EU by over 80%. This loss of available energy is the single most important driver of high prices. In this situation, the most important contribution Norway can make is to maximise its deliveries of natural gas to Europe. Norwegian gas production increased by ca. 8% in 2022, and now accounts for ca. 30% of the EU's consumption.³⁴

Looking ahead: long-term energy resilience

The urgency to address the green transition and energy resilience in conjunction and speed up the green transition cannot be overstated. The risk of climate change can increasingly be felt in Europe as it has in the rest of the world. Climate change does not respect borders and given the strong relations and geographic proximity of the EEA EFTA and EU countries, it is vital to tackle the issue of long-term energy resilience together by accelerating the green shift and focussing on renewable and low-carbon energy production. The EEA EFTA countries have considerable experience and competence as well as resource potential when it comes to clean energy production.

On 19 October 2019, the European Union, Iceland, and Norway agreed to deepen their cooperation in the field of climate action.³⁵ The EEA Joint Committee adopted decisions³⁶

³⁴ Bruegel (2023): EU27 Natural Gas Imports (by source).

³⁵ [Press release](#): the European Union, Iceland and Norway agree to deepen their cooperation in climate action. European Commission.

³⁶ [Press release](#) on the adoption of cooperation on climate change. EFTA Secretariat.

aligning the EU's, Iceland's, and Norway's actions to reduce emissions from sectors outside the EU Emissions Trading Scheme (ETS); namely agriculture, transport, waste management and buildings and to enhance benefits of carbon removals from land use and forestry.

Iceland and Norway therefore apply both the effort sharing regulation and the regulation on land, land-use change and forestry (LULUCF). Iceland and Norway have been participants in the EU ETS since 2008. The EEA EFTA States further adopt various Fit for 55 proposals which are relevant to the EU Single Market. An overview of the proposals which have been marked as EEA relevant may be found in Annex I to the EEA CC resolution and report on the social dimension of the Fit for 55 package.³⁷

REPowerEU and various EU initiatives which have been proposed by the European Commission move towards adapting the Green Deal to meet the need to decarbonise. The EESC has adopted several opinions regarding the REPowerEU and the Green Deal, emphasising the need, for a security of supply and affordable energy prices³⁸, remarkable public and private investment, a just transition, research and innovation and the role of all actors on the pathway to a green future. The EESC has also stressed that proper energy infrastructure is a necessary basis for any energy system and contributes to the overall functioning of the energy markets, both fuel and electricity markets. It must respond efficiently to current trends such as electrification, digitalisation and an increase in the production and use of renewable energy, also covering the necessary storage capacity and digital systems.

To ensure a long-term sustainable and resilient energy system, it is vital to promote simultaneously all the basic objectives of energy policy, i.e. security of supply, reasonable costs and prices, and climate-neutrality. This would contribute to the overall resilience, competitiveness and geopolitical position of Europe.

A broad response to this need was framed in the new EU Green Deal Industrial Plan which is to enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality. The plan is based on four pillars: a predictable and simplified regulatory environment, speeding up access to finance, enhancing skills, and open trade for resilient supply chains. It also tries to connect the triangle – innovation, education and industry, which

³⁷ EEA Consultative Committee [resolution and report](#) on the social dimension of the Fit-for-55 package.

³⁸ EESC [opinion](#) on Security of supply and affordable energy prices.

is important for the ensuring competitiveness of Europe towards global partners such as the U.S. The EEA Consultative Committee reminds of the important contribution EEA EFTA actors can make to strategic industrial value chains in Europe.

The next step will be the update of the Europe's electricity market design. The EEA CC supports the intention of ensuring a resilient market for an electricity system with a high share of renewables, while at the same time preserving and enhancing incentives for the investments needed to ensure sustainable, secure, and affordable electricity for the future. Learning from the current price crisis, it is important to take measures to strengthen market resilience and better protect electricity consumers. However, the EEA CC regrets the rushed process of the reform, given the important impact it may have for long-term energy and climate objectives.

The strengthened energy cooperation between Norway and the EU, which is of vital interest, was highlighted in a joint statement by the European Commission Executive Vice-President Frans Timmermans, Commissioner for Energy Kadri Simson and Norwegian Minister of Petroleum and Energy Terje Aasland.³⁹ In the statement long-term cooperation takes the front stage with a view to offshore renewable energy, hydrogen, carbon capture use and storage, and research and development in energy with a view to developing an even deeper long-term energy partnership.

It is of key importance that the EEA EFTA countries and the EU work together in the fields of industry, education, research, and innovation. The EEA EFTA countries take part in various EU programmes, such as Horizon Europe. These are of great value to economic operators in Iceland, researchers, students, and civil society.⁴⁰ As was outlined in the EEA CC resolution and report on the European Green Deal there is added value for European competitiveness in the EEA of cooperation between social partners, government, and civil society organisations through EU programmes.⁴¹ This cooperation can be further bolstered now that a growing need for cooperation has risen.

It is worth noting the **EEA and Norway Grants** which are funded by Iceland, Liechtenstein, and Norway, and aim at reducing social and economic disparities in the EEA. When this is written, negotiations for a new funding period are ongoing between the EU and the EEA EFTA States.

³⁹ EEA Consultative Committee [resolution and report](#) on the social dimension of the Fit-for-55 package.

⁴⁰ [Information sheet](#) on the EU Programmes with EEA EFTA Participation. EFTA Secretariat.

⁴¹ EEA Consultative Committee [resolution and report](#) on the European Green Deal.

In the past environment, energy, climate change and low carbon economy have been one of the key priority areas. There, affordable and climate-friendly energy are specifically mentioned. In the next financing period, the EEA and Norway Grants could in particular view the special circumstances created by the energy crisis with a view to fight energy poverty.
