Assessment of country performance and opportunities from the Energy Union

Belgium shows good performance mainly along two dimension of the Energy Union. Regarding the *Internal Energy Market*, Belgium's level of interconnectivity is good with adequate electricity interconnection capacities to the Netherlands, Luxembourg and France; its interconnection with Germany needs to follow this trend. Belgium benefits from strong regional cooperation within the Pentalateral Energy Forum, the North Seas Countries' Offshore Grid initiative and other regional fora. At the same time, the country's retail markets for gas and electricity have become significantly more dynamic in recent years, as reflected in lower market shares, higher switching rates and higher entry rates. Concerning *Energy Security*, Belgium features an important LNG terminal and is well interconnected with its neighbours in the gas sector.

As regards the remaining dimensions of the Energy Union, **Belgium faces several challenges**. Concerning *Energy Security*, the country faces an import dependency above the EU average for all fuels, in particular for gas and petroleum products. Low regulatory and planning stability delays investments in electricity production and infrastructure. The supply outlook for upcoming winters remains uncertain with several additional gas-fired plants expected to be taken offline. Reduced capacity of nuclear generation makes increased interconnections with the German market attractive in order to improve supply security as well as the functioning of the Internal Energy Market. In terms of *Decarbonisation*, additional efforts are needed to meet the 2020 GHG emissions reduction target in the non-ETS sector, as well as the renewable energy target. The absence of an agreement between the federal and regional authorities on the distribution of efforts contributes to these developments and also hampers the distribution of the revenues from the auctioning of ETS allowances, which remain unused. Certain features of the tax system are environmentally harmful, including the favourable tax treatment of company cars. In terms of *Energy Efficiency*, Belgium has to increase its current efforts regarding energy efficiency, in particular in the buildings sector, in order to further meet its 2020 target. Being a centre of energy-intensive industrial activity, Belgium has a relatively high primary and final energy intensity, which is also impacted by relatively high energy intensity in the transport and residential sectors. In the area of *Research and Innovation*, Belgium is below EU average in terms of public support share allocated to research and innovation in the field of energy and environment and currently lags behind in developing low-carbon technologies patents.

Against this background, the **Energy Union Strategy can provide potential benefits** for Belgium:

- *Security of supply*: The implementation of Projects of Common Interest will improve security of supply, integration of renewables, as well as the functioning of the *internal energy market*.
- *Decarbonisation*: An agreement within the country on the repartition of the revenues from the auctioning of the EU ETS allowances as well as on the achievement of climate and energy targets will help Belgium to step up efforts on reducing emissions and expanding renewable energy. At the same time the Energy Union will encourage to shift the tax system in a way that stimulates employment and competitiveness while reducing greenhouse gas emissions.
- *Energy Efficiency*: The Energy Union will strengthen the targeted use of financial instruments for increased investments that Belgium could use in particular for the buildings sector.