

## Assessment of country performance and opportunities from the Energy Union

**The UK shows good performance** in a number of dimensions of the Energy Union: Concerning *Energy Security*, the British gas system is well interconnected. As regards the *Internal Market dimension*, the concentrations of the UK's electricity and gas markets are low compared to the EU average and both markets have above average scores for choice of providers and actual switching rates. In addition, UK wholesale gas prices are lower than the EU average, the consequence of a liquid, well diversified and interconnected gas market. In terms of *Energy efficiency*, the UK has lowered its energy demand significantly since 2005 and has set itself an ambitious energy efficiency target for 2020 and the UK economy's energy intensity has decreased since 2005 at a faster pace than the EU's, and is well below the EU average. Nevertheless, further efforts will be necessary to meet the 2020 target for energy efficiency. In terms of *Decarbonisation*, the UK anticipates to over achieve its 2020 GHG emission reduction target. In terms of the *Research, innovation and competitiveness dimension*, the UK is respectively above and close to the EU average and US as regards the share of public support allocated to R&I in energy and environment and in terms of intensity of low-carbon patents. The UK is also interested in taking a leading role in developing offshore wind, tidal energy and Carbon Capture and Storage.

As regards certain dimensions of the Energy Union however, **the UK faces some challenges**. In terms of the *Decarbonisation* dimension, good progress has been made so far towards the renewable energy targets, but there are questions as to whether the UK is on the right trajectory to reach its 2020 target. In terms of the *Energy Security* dimension, while the UK's import dependency is below that of the EU as a whole, it has gone up significantly over the last few years, in particular as regards petroleum products and gas. Cross border electricity interconnection of the UK with the continent is low and highly congested. In terms of the *Internal Market dimension*, in spite of having good competition in both its gas and power retail markets, the UK suffers from low overall customer satisfaction, in particular as regards transparency and understanding of prices, though this is currently being addressed. The UK also has relatively high electricity retail prices.

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

- *Decarbonisation*: the 2030 target for renewable energy will provide the additional encouragement for the UK to continue its efforts towards increasing the share of renewables in its energy mix over and beyond 2020.
- *Energy Efficiency*: As further efforts will be necessary to meet the UK's 2020 target and to continue improvements in that area beyond 2020, there will be benefits to the UK for example from the new Energy Labelling proposal as part of the July 2015 Energy Union package as it will improve and update energy labelling of products and will help consumers make more informed choices about buying more energy efficient products
- *Internal Energy Market*: a number of electricity PCIs have been selected for the UK, allowing it to improve interconnection with the European continent and, if implemented on schedule, to meet its 2020 interconnection target. Regional cooperation projects such as the North Sea Offshore Grid would also contribute to improved interconnectivity, but would also help bring down wholesale power prices, increase system security, decrease the need for back-up

capacity and, in the longer term, enable the integration of a higher proportion of offshore renewables. In addition, the new market design will focus in particular on taking a decisive step to guarantee grid and supply security and, together with the retail market initiative, it will aim at empowering consumers to play a key role in the electricity market.

- *Research and innovation:* the Energy Union objective for the EU to continue being the world's number one in renewable energy can benefit the UK through its interest in developing expertise in advanced renewables. EU funding for Carbon Capture and Storage will provide technological opportunities for the UK.