Prospects

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The point of view

The urgent case for a truly integrated European energy system

The succession of recent crises – the Covid pandemic, the war in Ukraine and now the conflict in the Middle East – has put energy back at the top of the agenda, no longer solely from an environmental perspective but as a fundamental driver of Europe's economic power, with major implications for sovereignty and industrial competitiveness.

Achieving a truly integrated European energy system is thus a strategic imperative in response to three needs: to regain energy sovereignty, close a competitiveness gap to competitors with access to cheaper energy, and accelerate the transition to a low-carbon economy.

Europe imports around 60% of its primary energy and has historically been heavily dependent on Russian gas. Moreover, the fragility of the European energy model has been laid bare by Russia's invasion of Ukraine, with Russia using gas to exert geostrategic leverage. Gas prices increased more than fivefold at the peak of the crisis, causing electricity prices to spike. While Europe has managed to break this asymmetric reliance on Russia, it has done so purely by reconfiguring flows, and thus remains exposed to global oil prices fluctuations. This vulnerability is still evident today with the recent spike in prices following the blockade of the Strait of Hormuz.

One of the priorities in **building European energy sovereignty is thus to reduce exposure to energy imports by developing local sources, particularly of renewable and low-carbon energy (solar, wind and hydraulic).** Nuclear power, whose output is relatively easy to control and whose costs are generally stable, is also an important contributor to energy security for those countries that use it, such as France, where it accounts for around 65% of electricity generation. Nevertheless, the large-scale development of intermittent energies (wind/solar) raises questions about the security of electricity supplies, especially with demand set to grow as the electrification of end uses gathers pace. Denmark, which generates around 60% of its electricity from wind, manages intermittency through a combination of storage, smart grids and interconnections. This model, well suited to a small market highly interconnected with large neighbouring countries with surplus capacity, cannot be directly applied to Europe as a whole. Nevertheless, a fully integrated electricity system requires greater cooperation between Member States as well as coordination of energy mixes, with adequate generation capacity, storage and flexibility to secure supplies.

Beyond sovereignty, the development of an integrated European energy system also appears to be a genuine driver of competitiveness. For example, the US has a significant comparative advantage thanks to its domestic production of shale gas and oil. European manufacturers often pay two to three times more for energy than their US counterparts. This cost differential increases the risk of deindustrialisation and industrial relocation, particularly for energy-intensive industries such as chemicals and steel, which constitute strategic upstream elements underpinning industrial sovereignty. Low-carbon energies are

characterised by a cost structure dominated by fixed costs driven by high initial investment (capex) to build facilities, while their operating costs (opex) remain low and relatively insensitive to fluctuations in generation. Once these investments have been amortised, renewable energies carry virtually no marginal cost, boosting industrial companies' competitiveness and visibility.

Lastly, given the climate emergency, an integrated European energy system must serve to accelerate the environmental transition. The European Union has committed to achieving carbon neutrality by 2050, with an intermediate target of reducing greenhouse gas (GHG) emissions by at least 55% by 2030 (compared with a 1990 baseline). Given that the use of energy – whether in terms of electricity generation or distribution – accounts for more than two-thirds of Europe's GHG emissions, this target implies a far-reaching transformation of the energy mix, with a clear shift towards low-carbon and renewable energies. The Renewable Energy Directive III (RED III), adopted in 2023, translates this ambition into a target for renewables to account for 42.5% of total energy consumption by 2030 (compared with 25% in 2024) – a target that is currently considered difficult to achieve given current trajectories, but which is critical to driving and accelerating the energy transition.

Finally, in a tense and fragmented world where critical resources like energy are both coveted and instrumentalised, Europe's ability to produce local, competitive low-carbon energy is becoming a major geostrategic priority at the intersection of its sovereignty, competitiveness and resilience. However, this ambition carries a cost: the investment needed for the energy transition is estimated at nearly €1 trillion a year between now and 2030, raising stark questions as to how this investment is to be financed and calling for greater mobilisation of public resources, perhaps even involving the pooling of resources at the European level.

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