

ELEC CONFERENCE

"How can the EU generate a virtuous circle in the Black Sea Region – the case of food and energy security"Bucharest, April 26th 2016**SUMMARY**

The EU can generate a virtuous circle in the Black Sea Region, specifically in the case of food and energy security. The overall European integration process was meant to avoid a vicious circle. Food and energy security are no exception, as they are already closely intermingled. Romania and Bulgaria are in a unique position to speed up this process by cooperating among themselves, with other EU member states and with neighbouring countries.

In this way the conclusions can be summarised of the special conference that the European League for Economic Cooperation and its Romanian section organised in Bucharest. The meeting on "How can the EU generate a virtuous circle in the Black Sea Region – the case of food and energy security" took place on April 26th 2016 at the premises of the Romanian Banking Institute.

The conference was opened by **Governor Mugur Isarescu of the National Bank of Romania**. He welcomed all the government officials from the EU and the region and he reminded the more than 100 participants that this was the fifth time the NBR had the pleasure to sponsor an ELEC conference in Bucharest. The governor pointed out that everybody agrees that the Black Sea Region should be on the international agenda. Enhanced cooperation is not new to the Black Sea region. It happens in many ways, such as the informal „club“ of nine Black Sea bank governors that started in 1998 in Istanbul and that has now expanded to 30 members. So the topic of creating a virtuous circle in the case of food and energy security is quite a challenge for this Bucharest conference.

Radu Deac, president of ELEC Romania, thanked the National Bank of Romania and the other sponsors. Different topics have been analysed at previous ELEC conferences in Bucharest: energy and transport in the Black Sea Region, the possibilities of eastward enlargement of the European Monetary Union, the Danube Financial Dialogue and the question of agriculture and environment protection. In the case of food and energy security in the Black Sea region, the stress test is to make it a virtuous circle, not a vicious one.

The challenge of climate change

In his keynote speech **Miguel Arias Cañete, EU Commissioner for Climate Action & Energy**, stressed the importance of the idea of the virtuous circle: the more sustainable we are, the more secure our energy and food supplies will be. The more secure our energy and food supplies are, the more our economy thrives... and the more sustainable we can be. Mr **Cañete** pointed to the increasingly important role of sustainable energy in the agri-food sector. The energy needed to bring food to our table accounts for 26% of the EU's final energy consumption. Given the challenges of the climate change, we need a comprehensive emission reduction strategy that looks at every sector, including agriculture. All member states and all sectors, also the land-use sector, will have to contribute to the targets. We

need to look at how much energy we use in the food chain and how sustainable that energy is. Reducing food waste would be an important step to complete the virtuous circle, as well as the Commission's Circular Economy Proposal and the Juncker plan. The good news is that as the food industry's energy consumption has dropped by a third since 2005, production has gone up.

Progress has also been made in energy security, which is important for a region such as the Black Sea that knows how damaging a supply crisis can be. We have prevented a crisis on the scale of 2006 and 2009 happening again, but we are still vulnerable to a major disruption of gas supplies as too many countries depend on one gas supplier and as we continue to import half of the energy we consume. The wide ranging Security and Supply Package that the Commission recently launched is focussed on coordination and solidarity. The Black Sea Region could profit most of deeper cooperation. Mr **Cañete** referred to the cooperation agreement that was signed recently between the Romanian and Bulgarian energy regulators. Also the progress of the regional cooperation group CESEC (Central East South European Gas Connectivity Group) has been promising in bringing the Black Sea Region into the European market. The construction of missing gas-infrastructure links has been speeded up, as well as the tackling of technical and regulatory issues. CESEC is also a key player in the new strategy on liquefied natural gas and storage. The effective regional cooperation that is needed to achieve this, should be replicated in other policy areas as agriculture and food supply. Energy security is an absolute priority for the EU's Energy Union. Given its potential, the Black Sea Region has a vital role to play in this matter, Mr **Cañete concluded**.

CAP: bridge between farmers and consumers

The second keynote speech was delivered by **Rudi Mögele, Deputy Director General of DG Agriculture & Rural Development**, who promised to take back the message from Bucharest to Commissioner Phil Hogan who could not attend the conference due to other commitments. Mr Mögele stressed that food security is a very complex issue. It embraces availability of and access to food (in essence more an issue of wealth or poverty than of food availability) as well as food quality and food safety. Food security is also closely linked with farming, trade, research and innovation, and climate and sustainability aspects. The Black Sea Region for its part is not an homogeneous area either. Therefore, for the EU and its Member States the Common Agricultural Policy (CAP) and its instruments are of key importance, not in the least for the two EU Black Sea Member States, Romania and Bulgaria. The CAP allows European farmers to meet the needs of 500 million European citizens and consumers. It has enabled the EU agri-food sector to improve its market orientation and gain international competitiveness. Farmers are now better connected to the needs of the market. With the help of the CAP Romania with its significant agricultural area, can combat challenges such as low labour productivity in the agriculture and food sector and drought and desertification.

CAP has not only helped to keep farming viable but has also contributed to the EU becoming a top exporter of agri-food products. International markets have become essential for the Union's agriculture. The EU has engaged in Romania and Bulgaria through its income support and market programmes but also through its policy for the promotion of agricultural products. In addition the EU has established solid trade relations with neighbouring countries such as Moldova, Ukraine, Georgia and Turkey. Given climate change and the Paris Agreement, the improvement of environmental performance is one of CAP's main objectives. Greenhouse gas emissions from agriculture have already dropped by 24% since 1990. On the other hand research, innovation and knowledge transfer are essential. Unfortunately the participation of scientist from Eastern EU Members States has not yet reached its full potential. To improve and strengthen all this, efforts on all sides will be required. Ensuring food security implies that not only the EU takes action, but all the countries in the region: restructuring the sector, increasing productivity, developing the food chain while paying due attention to environmental needs and the climate challenges.

Romania has a say

In his opening remarks **Dacian Ciolos, the Romanian Prime Minister**, said that agriculture and energy are both natural resources and are closely interconnected. Romania has a say in energy, given its geo-political position in the Black Sea Region. It produces oil, gas and electricity, not only enough for national consumption but also for export. Romania is an important player in the BRUA gas pipe line that links up Moldova and Ukraine. The EU should commit itself to the necessary investments. Romania can also be a hub to countries further away. On agriculture Romania has a say too. It has a major food resource with its more than 13 million ha of arable land. Productivity is low indeed, but Romania has a huge growth potential, mainly in grain and cereals. Romania should use its negotiating power to seek partnerships in agri-products with neighbouring countries. Both in energy and food, Romania can play a major role for cooperation projects, whereby the Prime Minister referred to the Romanian EU presidency in the second half of 2019.

The issues of energy and food security were further discussed in two different round tables (see composition of the round tables below). In **the round table on energy security** a wide range of issues was discussed. On energy security, international rankings show that the position of countries such as Romania and Turkey is satisfactory, but that Bulgaria and Ukraine are in a weak position. After the gas supply problems of 2009 the situation is still vulnerable, but gas is only part of the problem. To lower the high level of carbon dioxide more investments in energy are needed. For electricity the challenge is better access, given the outdated infrastructure and the fact that state owned energy companies played the role of social security. The way forward is to work united under the guidance of the EU, and this not only in gas and not only within the EU. Technology is a game changer. Using energy as a weapon can backfire. Energy security is not the same as security of supply. In infrastructure decreasing prices can pose a risk to security. Gas will not completely be replaced by electricity. Countries should not become energy hubs but technology hubs. Overall, energy is losing part of its geo-political and strategic content.

In the **round table on food security** too, a large variety of topics passed in review, both between speakers and in the debate with participants. Attention was given not only to the many challenges of food security but also to the many factors that generate insecurity. All Black Sea countries are exporters of raw materials. The main product is grain (cf. Ukraine), which has led to low prices and trade deficits, while at the same time processed food is imported. Price volatility is negative for food security. In Romania poor infrastructure is a huge problem, e.g. irrigation. Farms are small, in rural areas half of the population is involved in agriculture, and farmers are poorly organised (very few cooperatives). It is exemplary that in Romania 31 % of consumer expenditure is absorbed by food, versus 11 % in Germany, making it more vulnerable to food agricultural crises. Access to other markets is difficult because there are not enough trade agreements. The wars in the region and droughts (cf. Moldova) generate food insecurity. A lot of discussion also concerned the access to finance, both from banks and from the EU. On the other hand land consolidation is lacking; Romania does not even have a cadastre. The huge loss and waste of food has to do with inadequate storage capacity. The brain drain from Romania to other countries and poor financing hit scientists and research. How to make good use of the available EU funds was also a main topic of debate. Agriculture needs more entrepreneurial use of funds instead of relying on subsidies.

Be ahead of the game

The final conclusions were drawn by **Bernard Snoy, President of ELEC International**. This conference, Snoy said, could only shed some light on ways to address the issue of how the EU can generate a virtuous circle in the Black Sea Region, specifically in the case of food and energy security. But the EU can indeed create a virtuous circle that leads to peace and

prosperity. EU integration was precisely meant to avoid a vicious circle. Food and energy security is a common good that needs cooperation. The *raison d'être* of the EU is to be master of its own fate, to be sovereign, a mission that ELEC has supported during the 70 years of its existence. There are several parallels between food and energy: the security aspect of course, especially the security of supply, and also the sustainability, given the impact on the environment. If 26% of our energy consumption is directed to food, then indeed the more sustainable we are, the more secure and the better the economy. This really is a virtuous circle in which the energy emission reduction should also be applied in agriculture. Europe should replace its half-hearted strategy by a European-wide policy that reduces its energy dependency. Key is a collective approach through the internal market and through regional cooperation. In the many forces that determine food security, access is essential. The cooperation should first be applied on the EU level, and complemented by the regional level, such as the Black Sea Region and its neighbours.

Mr Snoy called upon Europe to be ahead of the game: a better cooperation between Black Sea countries is needed, and a partnership with Turkey is important. Several times during the conference, the difficult relations with Russia surfaced. According to the ELEC president, *divide et impera* is the difficult way. The best way is to have a free market. As far as cooperation between the Black Sea Region and the EU is concerned, Mr Snoy mentioned a Marshall plan for Eastern Europe and technology. Romania and Bulgaria should not see themselves as beneficiaries of the EU but should stimulate the EU process. The coming EU presidency of both countries will be an opportunity to do so. Overall, enthusiasm for European integration should be regained. This should be done by political will, unleashing innovation, funding of ambitious projects and reinforcing EU institutions.

List of speakers

Mugur Isarescu, Governor, National Bank of Romania

Radu Deac, President of ELEC Romania

Miguel Arias Canete, EU Commissioner for Climate Action & Energy

Rudi Mögele, Deputy Dir. General, DG Agriculture & Rural Development

Dacian Ciolos, Prime Minister of Romania

Round Table on Food Security: The European Union and the factors which generate food insecurity in the extended Black Sea Region in the context of the 21st Century challenges

Moderator: Achim Irimescu, Minister of Agriculture & Rural Development

Secretary: Bogdan Bazga, Counsellor of European Affairs/National Expert on Food Security

Members:

- Mr. Eduard Grama, Minister for Agriculture and Food Industry, Republic of Moldova

- Mr. Vassil Groudev, Deputy Minister, Ministry of Agriculture and Food, Bulgaria
- Mr. Sorin Chelmu, Secretary General, Romanian Government
- Mr. Vladimir Olegovich Rakhmanin, FAO Assistant Director-General and Regional Representative for Europe and Central Asia, Budapest, Hungary
- Mr. Radu Gratian Ghetea, VP of ELEC Romania and CEO of CEC Bank SA, Romania

Round Table on Energy Security: Energy security and long-term development of energy networks in Central and Eastern Europe

Moderator: Vasile Iuga, PwC, Partner

Secretary: Cristian Pirvulescu, General Manager, ENEVO Group

Members:

- Mr. Ilya Lingorski, ELEC Bulgaria
- Mr. Julian Popov, Fellow, European Climate Foundation, London
- Mr. Mehmet Ogutcu, President, Global Resource Partnership, London
- Mr. Giacomo Persi Paoli, Senior Analyst, RAND Europe, London
- Mrs. Gabriela Matei, Analysis Team Manager, Cyberint

Conclusions

Achim Irimescu, Moderator Food Security Round Table

Rudi Mögele

Vasile Iuga, Moderator Energy Security Round Table

Baron Bernard Snoy, International President of ELEC: Final Conclusions
