



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 2 March 2006

6878/06

**ENER 69
ENV 134
DEVGEN 54
RELEX 116
TRANS 53
ELARG 17
RECH 46
POLGEN 23**

NOTE

From : Council Secretariat
To: Coreper

Subject : – Council conclusions: "A New Energy Policy for Europe"
Contribution of the Energy Ministers to the 2006 Spring European Council

1. Delegations will find attached the abovementioned conclusions as prepared by the Presidency following a series of meetings of the Working Party on Energy. The attached text, still subject to scrutiny reservations, endeavours to address the concerns and priorities of all delegations in a balanced and consistent way with respect to the three pillars of energy policy ¹.

2. This contribution to the Spring European Council is organised according to the following structure:
 - I. INTRODUCTION
 - II. BASIC PRINCIPLES
 - III. PRIORITIES FOR ACTION
 - IV. FOLLOW-UP

¹ It is understood that endorsing the attached contribution is without prejudice to ongoing as well as future discussions on Community financial instruments.

3. Regarding some delegations' wishes for additional elements or sub-priorities it is recalled that this contribution should be seen as complementing more detailed conclusions already adopted, notably on climate change and energy efficiency (2005) and renewables (2004), and will be supplemented in due course as regards certain aspects like the operation of the internal market and the Biomass Action Plan (June TTE Council). Moreover it is recalled that, at its session on 14 March, the Council will hold a policy debate on broad energy issues, thus providing Ministers with the opportunity to address topics not covered by the attached conclusions.

4. The Committee of Permanent Representatives is invited to reach agreement on this text with a view to its adoption by Council on 14 March.

COUNCIL CONCLUSIONS:

A NEW ENERGY POLICY FOR EUROPE

A contribution of the Energy Ministers to the 2006 Spring European Council

I. INTRODUCTION

1. A number of converging factors support a renewed interest in developing a New Energy Policy (NEP) for Europe, inter alia: the lasting difficult situation on the oil and gas market, in particular the increasing import dependency and the resulting need for diversification, the growing importance of climate change, the need for increased transparency on energy markets and further integration of national energy markets with the energy market liberalisation nearing completion. These challenges are highlighted in a series of Commission Communications relating to several aspects of energy policy (from renewables, the biomass action plan and energy efficiency to competition and the operation of internal market). They are also reflected in the refocusing of the IEA's activities in connection with the 2005 and 2006 G8 focus on Energy, and the intensification of energy dialogues with third countries.
2. In this respect Energy Ministers [welcome the Commission's Green Paper "On a secure, competitive and sustainable energy for Europe" for the articulated response it proposes].
3. In response to these challenges Energy Ministers:
 - call for a reinvigorated Energy Policy for Europe, aiming at effective Community policy, coherence between Member States and consistency between actions in different policy areas, and
 - after confirming some basic principles at the heart of energy policy, identify priorities and other important actions.

II. BASIC PRINCIPLES

This New Energy Policy for Europe should:

- Contribute in a balanced way to security of supply, competitiveness and environmental sustainability (the three pillars)
- Ensure transparency and non-discrimination on markets
- Be consistent with competition rules

- Be consistent with public service obligations
- Fully respect Member States sovereignty over primary energy sources
- Fully respect Member States choice of energy-mix

III. PRIORITIES FOR ACTION

1. Mentioning a particular area is without prejudice to the division of competencies between the EC and Member States. As far as possible, priorities are divided between new actions (in *italics*), to be delivered or initiated in a short time frame, and ongoing actions that need to be completed (e.g. implementing legislation). This section focuses on the Community level, noting that the intention is that, at national level, measures will be taken that are consistent with and supportive of measures at Community level.

The actions below are grouped under specific headings although they may contribute to more than one objective.

2. ***Horizontal actions***

- *Developing a set of analytical (energy modelling and regional scenarios; indicators) and monitoring tools in order to provide the EU with a shared vision of long-term supply and demand perspectives as regards the EU and its partners, in collaboration with other international institutions while avoiding duplication*
- *Increasing the priority for energy in Community RD & D budgets, especially within the 7th Framework Programme, focusing on areas corresponding to the challenges faced by the EU, and paying due attention to facilitating the market take-up of the resulting technologies including through relevant Community instruments².*
- Assessing the contribution of all individual energy sources³ to security of supply and the two other pillars of energy policy, and their effects on the stability and sustainability of the EU energy supply

² In this respect the EIB's intention to reinforce its contribution and that of the European Investment Fund i.a. to measures in energy efficiency and security and diversification of energy supply is noted.

³ In this respect [as noted by the Commission] the potential of indigenous renewable energy sources could be highlighted, the contribution of coal should be analysed and a transparent and objective debate will have to take place on the future role of nuclear energy in the EU for Member States which wish to pursue this option.

3. *Security of supply*

Security of supply should continue to be addressed through internal as well as external specific actions. At the same time it is noted that a well functioning internal energy market, adequate connections and further progress in energy efficiency and sustainable energy are essential in reducing the demand-supply gap.

3.1 Internal

- *While recalling the primary responsibility of Member States with regard to their domestic demand and avoiding overlap with existing mechanisms at Community and international level, ensuring the availability of effective mitigating measures and coordination mechanisms in the event of a supply crisis*
- Promoting the development and exploitation of indigenous energy potential and energy efficiency

3.2 External

- *Developing a common foreign and trade policy approach in support of energy policy objectives. This common approach is particularly relevant vis-à-vis the EU main partners.*
- *Securing the entry into force of the Energy Community Treaty (with South-East Europe) in 2006 and considering the extension of its membership or principles to neighbouring countries*
- Achieving energy security objectives requires that Member States intensify their diversification strategies, be it in terms of supplier or transportation routes. In that respect completion of network infrastructure, in the East-West direction but also along a South-North axis, and LNG facilities contributing to that diversification should be accelerated. Subject to competition requirements, the contribution of long-term contracts should be acknowledged from both demand and supply points of view.
- Expanding dialogues with third countries, including transit countries, developing a common framework to that effect and assuring an adequate involvement of the Council. It is time to supplement C2P (consumer to producer) with C2C (consumer to consumer) dialogues . Where appropriate it should be considered whether dialogues can be conducted more effectively in a regional setting (e.g. as with OPEC, Euromed or the Northern Dimension area).

- All fora should be put to good use for carrying out these dialogues and promoting international cooperation. In this respect the Energy Charter Treaty has a role to play and efforts should be made to complete the negotiation of its Transit Protocol and secure Russia's ratification of the Energy Charter Treaty, in order to improve *inter alia* the investment climate in Russia and transit countries.
- As a reflection of Russia's role in the overall EU supply, the EU-Russia Energy Dialogue should be revitalised and become more open and effective in support of EU energy objectives.

4. **Competitiveness**

- *Improving regional cross-border exchange and accelerating the development of regional energy cooperation while facilitating the integration of regional energy markets into and the further development of the EU internal market notably through adequate interconnection.*
- *Ensuring full, effective and transparent implementation of existing legislation, inter alia through adequate regulatory consistency across Member States, and enhanced cooperation and coordination between regulators and system operators. This implementation should be in line with public service obligations, including any on affordable access to energy for those Member States who choose to implement specific provisions in this respect ⁴*
- Improving investment planning procedures and investment coordination, especially as regards cross-border interconnection, gas infrastructure and LNG facilities; Completing the technical rules required for the facilitation of cross-border trade in energy, improving the functioning of gas market flexibility instruments, including storage capacities, access to networks and congestion management on the electricity market.
- Enhancing transparency on the energy markets, for both operators and final consumers
- Creating a coherent and integrated approach towards a competitive energy policy, including through the exchange of best practice between market actors, including networks operators, and regulators

5. **Sustainable Energy**

The EU action in support of more sustainable energy should be deployed on both the internal and the external front:

⁴ The provisions set out in Art. 3 of Directive 2003/54 and 2003/55 are recalled in this respect.

5.1 Internal

- *Encouraging the Commission to propose in 2006 an ambitious and realistic Action Plan as a framework for developing further energy efficiency and ensuring that energy efficiency remains a key part of European energy policy.*
- *Completing in a timely manner the review of the EU Emissions Trading Scheme (ETS) with a view to furthering its role as an instrument to achieve climate change objectives in a cost-effective manner, taking all relevant elements into account. These elements should include competitiveness, in particular of the energy-intensive industries, the need to improve long term certainty on the ETS design, the effect of the ETS on security of supply, energy efficiency, energy markets and prices, the energy-mixes, growth potential and the industry structure of Member States, and an analysis of national allocation plans.*
- *Continuing the EU-wide development of renewable energies beyond 2010 as outlined in the Council conclusions of November 2004 and taking forward proposals in the Biomass Action Plan*
- *Contributing to the mitigation of legislative and administrative obstacles to renewables take-off by facilitating access to grid, cutting administrative red-tape and ensuring the transparency, effectiveness and certainty of support policies*
- *Promoting further measurable energy efficiency improvements notably in the transport sector given the important role this sector has to play regarding energy efficiency and energy savings, by making use of cost-effective instruments, making good use of voluntary agreements. Enhancing energy efficiency also contributes to cost reduction for businesses and households.*
- *Enhancing demand-side management*
- *Contributing to the development of a medium to long term EU strategy to combat climate change taking competitiveness into account.*

5.2 External:

- *In its dialogues, be it with producer or consumer countries, the EU should address appropriate means to achieve common energy objectives, notably through the development of sustainable and efficient energy systems and assuming a more proactive approach in combating climate change, including promoting renewables and energy efficiency and the implementation of the Kyoto Protocol mechanisms in particular the CDM.*

- In order to maximise the outcome of these dialogues as well as facilitating the access of developing countries to sustainable energy and related technologies, synergies with international organisations should be fully exploited.
- Promoting harmonisation of energy standards for products at the EU and international level.

IV. FOLLOW-UP

In the light of the above the Energy Ministers invite the European Council to endorse the following key actions in fulfilment of the three objectives of security of supply, competitiveness and environmental sustainability:

1. Develop a shared vision of long term supply and demand perspectives
2. Develop a common foreign and trade policy approach in support of energy policy objectives
3. Increased security of supply through intensified diversification with respect to external as well as indigenous sources adequately supported by R & D Community instruments, and through common approaches with respect to crisis situations
4. Develop a strategy for exporting the internal energy market approach to neighbouring countries
5. Ensure full, effective and transparent implementation of internal market legislation
6. Accelerate the development of regional energy cooperation EU-wide, facilitating the integration of regional markets into and further development and interconnection of the EU internal market
7. Adopt a realistic and ambitious Action Plan on Energy Efficiency
8. Develop a long term strategy on renewables and implement the Biomass Action Plan
9. Complete the review of the EU ETS as an instrument to achieve climate change objectives in a cost-effective manner

In order to ensure a coherent though flexible implementation of the priority actions outlined above, at the level of and by those concerned, and possibly limit the impact of measures taken in one Member State on others, shared general orientations addressing the various components of energy policy over the medium- to long term should be developed in a way conducive to ownership by those who will implement this policy. While ensuring an utmost degree of coherence at the Community level they should take due account of Member States specific characteristics. Furthermore, consistency between policy areas will require enhanced coordination between the relevant formations of the Council.

The Council looks forward to the White Paper that should result from the consultation process shortly to be launched on the basis of the Green Paper and is committed to contributing to the future development of energy and related policies for Europe, in the light of the outcome of the Spring European Council.
